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Annual Report & Audited Financial Statements 2020

Atlas Insurance PCC Limited

People you can trust

Atlas Insurance

Our Vision

The Atlas Group will be recognised as trusted, long term suppliers of insurance and financial services in Malta and overseas and will provide security and value to all stakeholders with a purpose beyond profit.

Our Mission

Atlas fosters a respectful environment between staff, clients, intermediaries and suppliers that empowers our people to build on their skills and training to develop and provide innovative, personalised, top quality products while ensuring the consistent delivery of our service promise to exceed our clients' expectations.

Our Core Values

- Creating value for all stakeholders
- Empowerment and innovation
- Commitment to service
- Passion
- Respect

Cover image by Artist Luciano Micallef,
Acrylic on Canvas, 2020

Contents

Chairman's Statement

> 2020 has indeed been a year full of challenges and we have been able to deal with them as they have arisen. ”

I concluded last year's statement saying that, "in the insurance sector, the journey is never done. Challenges will continue to emerge, but we feel secure that we will be able to deal with these as they arise". 2020 has indeed been a year full of challenges and we have been able to deal with them as they have arisen.

Atlas Insurance's 2020 Core technical results excluding allocated investment income have yet again been the best ever in the history of the Company. This in a year that has been characterised by uncertainty caused by the spread of the coronavirus. For this I thank the leadership team, led by Matthew von Brockdorff who assumed the role of Managing Director in April, and all the employees for the service they gave to the Company and the results they have achieved.

The health crisis caused by the coronavirus has affected all of us and our country. We are keeping our colleagues as safe as we can while they service the Company's customers, and we are giving our customers effective alternative channels through which we can serve them.

ECONOMIC ENVIRONMENT

After a number of years of growth, the Maltese economy shrank by 7% in volume terms in 2020 when compared to the previous year, due to the impact of the coronavirus. The financial support provided by government ensured that unemployment would not increase to levels which are unsustainable. The economic recession that has hit our country did not cause a significant negative impact on Atlas Insurance. However, if the pandemic extends well into 2021 and possibly even into 2022, pressures on the profitability of the Company are expected.

The sectors of the economy that have experienced significant drops in activity are the wholesale and retail trade, tourism related activities, and professional and administrative support service activities. Gross value added in financial and insurance activities increased by nearly 4% to €886 million. Employees' compensation in this sector increased by 3% to €538 million. The annual inflation rate for 2020 was 0.18%, reflecting the country's economic downturn.

FINANCIAL RESULTS

Total written premiums underwritten by the Company amounted to just over €65m in 2020, an increase of €0.9 million over 2019. Of these €42.1m were underwritten by the Core, an increase of €1.5m from the previous year. The balance on the technical account of the Core showed an improvement of €1.9m million over 2019 before investment allocation. Investment income allocated to the technical account was €0.3m, reflecting a difficult situation in the financial markets, which by the end of 2020 had not recouped the losses incurred in the first half of the year. Profit before tax by the Core was €7.1m compared to €9.7m in 2019. Total comprehensive income of the Company as a whole was €4.2m, of which €4.8m are attributable to the Core. Earnings per share for the Core shareholders stood at €1.0 in 2020, compared to €1.37 in 2019. Total net assets increased to €38.7m.

Dividends amounting to €1m were paid to the Core shareholders in 2020. An interim dividend was proposed by the Board of Directors and paid to the Core shareholders amounting to €1m and to the GEMINI Cell shareholders of €0.4m, both in February 2021. We are awaiting approval from the Regulator for further dividend payments, while giving priority to the Company's cash requirements.

The Company's balance sheet continues to show high levels of capital surplus over regulatory requirements. The solvency ratio for the core stood at 276% as on 31 December 2020 compared to 283% in 2019.

MANAGEMENT AND STAFF

As was announced at last year's statement, Matthew von Brockdorff was appointed Managing Director and CEO of the Company, after Michael Gatt stepped down from this role in March 2020. Matthew has very successfully led the Atlas Team through the coronavirus pandemic in delivering the results we are presenting to you today.

I thank him, the leadership team and all the staff for their dedication and commitment to meet and exceed our customers' expectations in spite of the challenges that the spread of the coronavirus presented. A number of initiatives were taken to maintain staff morale and motivation at a high level, and these have strengthened our resolve to project Atlas as the employer of choice in the insurance sector.

BOARD OF DIRECTORS

The Board of Directors believes good governance is essential to meeting the Company's objectives, including delivering excellence in what we do. Good governance is the culmination of a number of elements, including ethics, culture, leadership, and internal control policies and procedures, supported by a robust risk management framework. The diversity in skills and experience of the Directors is such that they provide a range of perspectives and insights needed to provide the appropriate direction to the company.

We undertake an evaluation of the performance of the Board and its Committees on an annual basis which enables us to examine our progress against our plans and our collective effectiveness. This serves as the foundation for our board's objectives and learning goals for the following year.

We also recognise that we have a duty to adapt ourselves to an environment which has greater oversight and scrutiny from Government and regulators. There were a number of key regulatory concerns in 2020 that impacted the insurance sector. The board gave close attention to the Conduct of Business area and in particular to Product Oversight and Guidance (POG) issues especially where COVID-19 related pressures were involved.

We attach great importance to communication with the Executive Committee and there is a very healthy exchange of ideas in the formulation of the Company's business strategy and budget and the adoption of the appropriate risk appetite parameters as well as the Own Risks and Solvency Assessment (ORSA), the Solvency and Financial Condition Report (SFCR), the Regulatory Solvency Report (RSR) and the Actuarial Report. Members of the Executive Committee also take an active part in the meetings of the Board Committees.

TRANSFORMING ATLAS INTO A MORE SUSTAINABLE BUSINESS

Consumer demands and needs are changing fast, and we need to respond to and to anticipate these changes. We are conscious of our responsibility to ensure that the products and services which we provide are in our customers' best interests.

The investment in information technology continues and this will help the company to improve significantly the way we serve our customers. The setting up of IVALIFE as a life insurance company will provide further opportunities for growth. The Cells portfolio continues to evolve in the context of the international environment brought about by Brexit.

Simplifying processes and developing Atlas into an agile organisation are key strategies in transforming Atlas into a more sustainable business.

CORPORATE SOCIAL RESPONSIBILITY

During 2020, our Corporate Social Responsibility efforts continued to be focussed primarily in three areas, being our contribution to our nation's health and fitness and sports in particular, our contribution to our heritage as well as to children's causes. However, the COVID-19 pandemic influenced us to no small extent in setting priorities. Contributions to Foodbank Lifeline Foundation, Caritas, Dar Frate Jacoba, Dar il-Hena and Millennium Chapel as well as the Association for Abandoned Animals were made by the Company and also supplemented by donations from many staff members who gave generously.

As a natural progression from the concern for the preservation of our heritage as well as our nation's health, there has been increased attention given to environmental issues. There is a cross functional focus on environmental governance which will be further strengthened in the coming periods. This will affect our environmental impact in all facets of the organisation from our purchasing to our investment policy. We have supported Saggar during the period with our staff involved in planting a sizeable number of trees which should be transplanted into the countryside over the coming period. A key criterion for the prioritisation of various proposals made to the company for CSR remains the ability to involve our key stakeholders in what we do and we make every endeavour to involve our staff and clients in various CSR initiatives.

In January 2020, the Company teamed up with the Malta Sports Journalists Association to launch 'The Atlas Youth Athlete of the Month' award. This award acknowledges young athletes under twenty-one who have distinguished themselves in sports achievements both in terms of sporting results in Malta or abroad, as well as adherence to the sporting values. Award receivers came from very diverse backgrounds and abilities. This project promotes physical activity and competitive sports among the younger generation and generates positive role models for our young people in general. More recently the Young Female Athlete of the Year award was awarded by Atlas as part of Atlas' support of the SportMalta awards.

During 2020, also on the same wellness related theme, the Company entered into a Bronze Sponsorship agreement with the Malta Chamber and sponsored the new Health and Wellness Committee. This committee has been active and involved in various policy developments and events on various subjects including seminars on COVID-19 resilience and work relating to mental health and burden sharing in a gender context. Various related seminars on COVID-19 health and safety, mental health, vaccination programmes, and wellness in general have also been organised internally.

Last October we started the sponsorship of the Drive Safe #GrowUp radio campaign targeted to younger drivers and renewed our sponsorship of Melita FC for another three year period. We also supported Dar il-Hena and Millenium Foundation and continued to support both Fondazzjoni Patrimonju Malti and JAYE Malta Foundation during 2020, two organisations that we have worked closely with for many years.

OUTLOOK

As Atlas continues to transform, I thank our staff that have continued to drive the pace of change and who remain wholly committed to our mission of providing our customers with value for money. I thank our customers who have remained loyal to Atlas and help us in strengthening our brand. The Board is confident that the strategy we have embarked upon will deliver long-term, sustainable and profitable growth and increase shareholder value. A big thank you goes to our shareholders for the trust placed in us.

Lawrence Zammit

Chief Executive Officer's Report

We aim to be recognised as the leading insurer in customer experience in the Maltese Islands."

We will always remember 2020 as the year that turned our lives upside down. We have, at Atlas Insurance, managed to navigate through the storm successfully. Throughout the pandemic, ensuring the health and safety of our staff and customers has been our top priority. We did so while, together with our intermediaries, continuing to provide our renowned top- quality service to our customers.

It was uncanny how exactly one year after Malta went into semi-lockdown in March 2020, a similar shutdown occurred in March 2021. The second time round was much easier for us to handle as our tried and tested business continuity plan including safety precautions and protocols and remote working, has allowed us to continue operations with relative ease. The smart and effective actions taken by 'TeamAtlas' in the early days of the pandemic have served us well and continue to do so.

We empathise with many of our staff and family members who have faced tough personal challenges, especially those that were tested positive and suffered symptoms or worse still lost someone dear during this very difficult period.

FINANCIAL RESULTS

We started 2020 with a very positive performance in the first quarter. When the outbreak of COVID-19 wrecked the stock markets at the end of March, it caused a drop of 9% on our investment portfolio values from January 2020. We never expected to end the year with such a marked recovery to a 0.7% return on investments by year end. COVID-19 did have a negative impact on our Travel and Commercial Insurance business. Our overall financial performance was however favourably impacted by a good technical result driven by a highly motivated team of people many of whom went beyond the call of duty.

The total gross written premium, for both local risks underwritten by the Core and Cell risks based overseas, amounted to €65.3m. Our premium income in the Core grew by 3.7% to €42.1m and the that of the Cells reduced by 2.5% to €23.2m. The gross profit before tax on the Core amounted to €7.1m. Core shareholder equity grew to €38.7m.

CUSTOMER FOCUS AND DIGITAL TRANSFORMATION

We aim to be recognised as the leading insurer in customer experience in the Maltese Islands. We are conscious and focused on our customers' and partners' changing needs. To seize the benefits which have been enabled by our sizeable technology investments and new digital strategy, we continue our journey to simplify and improve each customer journey, whether online or in person.

The pandemic has increased the relevance, importance and urgency of our digital business transformation. It has also helped accelerate the adoption of more agile thinking across all functions and levels. Initially, shifting to remote working provided a challenge to cross-functional collaboration, however we quickly adapted with the help of new cloud-native software tools and methods. We turned this into an opportunity to adopt increased flexibility for our skilled and adaptable workforce and improve the seamless omnichannel services for the benefit of our customers. Facilitated by this broader business transformation and adoption of Agile values, our talented team has quickly provided customers and staff with new and enhanced services. We have commenced the phased migration as we work on an ambitious full replacement of most of our systems, across all our products, with a continuous flow of deployments for the benefit of our customers, staff and partners.

> In planning for 2021, we set ambitious strategic targets to continue to emphasise the fundamental importance of quality, engaged people. ”

CELLS BUSINESS

Atlas actively writes business in the UK and most EU countries through the protected cells it hosts. Market factors including Brexit have significantly increased the interest in protected cells in 2020. Our international business team has received more enquiries and engagements for protected cell assessments and setups than any prior year. The new Griffin Cell was licenced at the end of the year, and we expect other engagements commenced in 2020 to be licenced in 2021.

'TEAMATLAS' OUR PEOPLE, OUR SUCCESS

While 2020 was an extraordinary year all round, for our people it was also revolutionary. Like many others across the globe, in a record time of a few days, we switched to work from home. With all its pros and cons, we completed a process which at any other time would have taken years and been costly in terms of research and pilot projects. The move dovetailed perfectly with our adoption of Agile work practices and underpinned our accelerated digital transformation to support our leading-edge customer experience. It also supported a modern, distributed workplace: facilitating more autonomy, creativity and trust. These changes have definitely made a substantial contribution to our success.

In planning for 2021, we set ambitious strategic targets to continue to emphasise the fundamental importance of quality, engaged people. We were pleased to see very significant improvements on key results in this area, especially seeing our employee net promoter scores increase by over 20%, as well as considerable decreased sick leave rates. We made significant inroads in improving staff satisfaction scores in the area of reward, recognition and benefits and were again awarded Employer of Choice Status in the Esprimi survey. We continue to work towards further employee wellbeing and engagement, whilst ensuring our remuneration levels remain rewarding and competitive in the market.

We have recently implemented new Human Resources Information Systems to facilitate our people strategy. One of the benefits being a simpler, more agile performance management system that facilitates focused talent development and coaching. This has helped keep the team motivated through the pandemic's uncertainty, pivoting and allowing us to adapt as we progressed. We also introduced an improved learning management system for our people as well as for our tied intermediaries which enables us not only to deliver on but surpass requirements of the Insurance Distribution Directive.

The COVID-19 pandemic period has deepened our commitment to corporate sustainability. Our resolve to maximise value for our stakeholders and meet their needs must not compromise the ability of future generations to meet theirs. During the period we have researched various methodologies to work towards reducing our carbon footprint and during the next period a determined cross functional team will be setting more concrete direction across our organisation. Without the support of our people, this initiative, but also our overall social responsibility goals, cannot move ahead. We truly believe that our engagement scores are dependent on our staff's support of our core values embodied in how we contribute to society.

OUTLOOK 2021

We all hope that 2021 will be the year that we will experience the light at the end of the tunnel. While the need and demand for insurance protection and services has remained consistent, we look forward to seeing a better and brighter future for all the industries that have suffered due to the pandemic.

We are confident that the way that our company and people have managed to adapt our business and practices in this difficult time has strengthened us and will serve us well to achieve higher goals in the future.

I would like to thank each and every staff member at TeamAtlas, for having shown such resilience and great commitment in these unprecedented times, as well as the board of directors who provided wisdom and support throughout. I would also like to thank our customers and distributors who continue to put their faith in us as "people you can trust".

Take care and stay safe.

Matthew von Brockdorff
Managing Director and CEO

Board of Directors

Photo taken before introduction of social distancing measures.

FROM LEFT TO RIGHT

Lawrence Zammit

Franco Azzopardi

Catherine Calleja

Michael Gatt

Matthew von Brockdorff

André Camilleri

Philip Micallef

FRANCO AZZOPARDI, a Certified Public Accountant with a UK post-graduate MSc in Finance, spent twenty-seven years working in public practice, ten of which with Deloitte Haskins and Sells and later in a firm he co-founded. In 2007 he decided to exit the firm to contribute more towards the strategic direction of boards of directors. He is today a professional director and a registered fellow member of the UK Institute of Directors. His portfolio includes directorships on Boards, Audit Committees, and Risk and Compliance Committees of both listed and private companies in various sectors including banking, insurance, software, logistics, private equity, and professional services, among others.

CATHERINE CALLEJA Calleja is Director and Company Secretary of Atlas Insurance PCC Limited. She is Managing Director of Atlas Healthcare Insurance Agency, a subsidiary of Atlas Insurance. She is also a director of Atlas Holdings Limited, Jesmond Mizzi Financial Advisors Limited and Eagle Star (Malta) Limited. She is an Associate of the Chartered Insurance Institute and graduated in business management from the University of Malta. She is a past president of the Malta Insurance Association and chairs the Health Sector of that Association. She is a Council Member of the Malta Chamber of Commerce, Enterprise and Industry and chairs the Health and Wellness thematic group at the Chamber. She is also a Visiting Lecturer at the Department of Insurance and Risk Management at the University of Malta.

ANDRÉ CAMILLERI graduated in law and economics in Malta and Milan, Italy. He worked with Saudi Aramco in The Netherlands, Brazil and South Korea and, in Malta, at the Attorney General's Office, the Malta Development Corporation and Simonds Farsons Cisk plc. From 2002 to 2014 he served as the Director General of the Malta Financial Services Authority. He is currently a member of the ECB's Administrative Board of Review.

MICHAEL GATT is a non-executive director, after having retired from his position as Managing Director and CEO in March 2020. He has worked within the insurance industry for over forty years and was recently appointed Chair of IVALIFE Insurance Limited. He also chairs the board of Jesmond Mizzi Financial Advisors Limited. During his leadership of Atlas Insurance, he saw it through its conversion to a Protected Cell Company in 2006, expanding services into international business andalso led the successful mergers of three group subsidiary companies with Jesmond Mizzi Financial Advisors Ltd., Assikura Insurance Brokers Ltd. and SRS Management Europe PCC Limited.

MATTHEW VON BROCKDORFF, is a fellow of the Chartered Insurance Institute, working in insurance for over 33 years. He is the Managing Director and Chief Executive Officer of Atlas Group and Atlas Insurance PCC Ltd. He is also director of Atlas Holdings Ltd, Atlas Healthcare Insurance Agency Ltd, Eagle Star (Malta) Limited and Jesmond Mizzi Financial Advisors Ltd. He is a past president of the Malta Insurance Association and of the Rotary Club La Valette Malta, a board member of JAYE Malta and a member of the Executive Board of Fondazzjoni Patrimonju Malti.

LAWRENCE ZAMMIT is a Founding Partner and a Director of MISCO. At MISCO he serves as a consultant on HR matters to a number of business organisations across a range of economic sectors. He set up the marketing and opinion research unit of MISCO and delivers training programmes on strategic leadership and marketing issues. He also has direct hands on experience in leading organisations, serving and having served on the Board of Directors of a number of Companies and Public Corporations. Lawrence is also the Chairman of the Board of Atlas Holdings Limited. He is a Fellow of the Chartered Institute of Marketing and a member of ESOMAR.

PHILIP MICALLEF holds a Bachelor's degree in electrical engineering and an MBA and has worked in various senior positions both in private and public sectors in Malta and abroad. He started his career with Olivetti in Italy, Switzerland and Spain and some of the positions he held include Director Global Customer Service France Telecom, CEO Malta Enterprise, CEO Melita Cable, Executive Chairman Malta Communications Authority, Chief Executive Bermuda Telecom Regulatory Authority and CEO Air Malta.

Executive Committee

FROM LEFT TO RIGHT

Catherine Calleja

Matthew von Brockdorff

Keith Tanti

David Mifsud

Vinay Aarohi

Mark Camilleri

Robert Micallef

Ian-Edward Stafrace

Board and Executive Committees

BOARD OF DIRECTORS

Lawrence Zammit M.A. (Econ.)
Chair

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
Managing until March 2020

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)
Non Executive

Matthew von Brockdorff FCII
Managing from April 2020

AUDIT COMMITTEE

Franco Azzopardi MSc (Leicester) FIA CPA
Chair

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)

Lawrence Zammit MA (Econ)
Until March 2020

Michael Gatt
From April 2020

RISK AND COMPLIANCE COMMITTEE

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)
Chair

Franco Azzopardi MSc (Leicester) FIA CPA

Catherine Calleja BA(Hons) ACII

Ian-Edward Stafrace M.Sc. (Risk Management) C.F.I.R.M. F.C.I.I. P.I.O.R.

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)

Matthew von Brockdorff FCII
Until March 2020

REMUNERATION AND NOMINATIONS COMMITTEE

Lawrence Zammit MA (Econ)
Chair

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)

INVESTMENTS COMMITTEE

Lawrence Zammit MA (Econ)
Chair

Franco Azzopardi M.Sc. (Leicester), F.I.A., C.P.A.

John P Bonett

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan)

Mark Camilleri

Michael Gatt

Matthew von Brockdorff FCII
From April 2020

EXECUTIVE COMMITTEE

Matthew von Brockdorff F.C.I.I.
Chair

Michael Gatt
Until March 2020

Catherine Calleja B.A.(Hons.), A.C.I.I.

Mark Camilleri

Robert Micallef

David Mifsud F.C.I.I.

Ian-Edward Stafrace M.Sc. (Risk Management) C.F.I.R.M. F.C.I.I. P.I.O.R.

Keith Tanti MA Financial Serv, FCII, ACIB

Vinay Aarohi BA (Comp Sci)

PROTECTED CELLS COMMITTEE

Matthew von Brockdorff FCII
Chair

Michael Gatt
Until March 2020

John P Bonett

Catherine Calleja BA(Hons) ACII

Mark Camilleri

David Mifsud FCII

Ian-Edward Stafrace M.Sc. (Risk Management) C.F.I.R.M. F.C.I.I. P.I.O.R.

INFORMATION TECHNOLOGY COMMITTEE

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick)
Chair

Vinay Aarohi BA (Comp Sci)

Michael Gatt

Ian-Edward Stafrace M.Sc. (Risk Management) C.F.I.R.M. F.C.I.I. P.I.O.R.

Matthew von Brockdorff FCII

Lawrence Zammit M.A. (Econ.)

Catherine Calleja B.A.(Hons.), A.C.I.I.
From April 2020

Offices and Branches, Cells and Professional Services

OFFICES AND BRANCHES

Head Office
48-50, Ta' Xbiex Seafront, Ta' Xbiex XBX 1021

Atlas Healthcare Insurance Agency/Eagle Star (Malta) Limited/Finance and Internal Audit Office /Branch Office
Abate Rigord Street, Ta' Xbiex XBX 1121

Birkirkara Branch
1, Psaila Street, Birkirkara BKR 9070

Bormla Branch
55, Gavino Gulia Square, Bormla BML 1800

Mosta Branch
94, Constitution Street, Mosta MST 9055

Paola Regional Office
Valletta Road, Paola PLA 1517

Rabat Branch
45, Vjal il-Ħaddiem, Rabat RBT 1769

San Ġwann Branch
Naxxar Road c/w, Bernardette Street,
San Ġwann SĠN 9030

SkyParks Branch
Malta International Airport, Luqa LQA 3290

St Paul's Bay Branch
2, Toni Bajada Street, St Paul's Bay SPB 3227

Żebbuġ Branch
148, Vjal il-Ħelsien, Żebbuġ ŻBĠ 2079

CELLS

- Perfecthome Cell
- Ocado Cell
- TVIS Cell
- Amplifon Cell
- Gemini Cell
- L'AMIE Cell
- Griffin Cell

PROFESSIONAL SERVICES

Actuaries
- Barnett Waddingham LLP

Auditors
- PricewaterhouseCoopers

Bankers
- APS Bank Limited
- Bank of Valletta p.l.c.
- Barclays Bank plc.
- HSBC Bank Malta p.l.c.
- Lombard Bank Malta p.l.c.

Investment Managers
- APS Asset Management Limited
- BOV Asset Management Limited
- Jesmond Mizzi Financial Advisors Limited
- Rizzo Farrugia & Co (Stockbrokers) Limited

Legal Advisors
- Ganado & Associates
- Mamo TCV Advocates
- SD Advocates
- Vella Zammit McKeon

Pictorial Highlights

Team Atlas working from home

Atlas Youth Athlete of the Year Awards

Malta Chamber Bronze Sponsorship Agreement

Photo taken before introduction of social distancing measures.

Donations to Foodbank, Caritas, AAA

Tree planting at Saggar.
Photo taken before introduction of social distancing measures.

Atlas Employer of Choice Award

Mental Health Awareness Talks and Initiatives

ATLAS INSURANCE PCC LIMITED

Annual Report and Financial Statements
31 December 2020

Company Registration Number: C5601

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities

The principal activities of the Company consist of the business of insurance. The Company is licensed as a cell company to write general business in terms of Article 7 of the Insurance Business Act (Cap.403) by the Malta Financial Services Authority in accordance with the Companies Act (Cell Companies carrying on business of insurance) Regulations, 2010.

Review of the business

The Board of Directors reports that the Protected Cell Company (PCC) as a whole registered continued positive results for 2020 for the Non-Cellular shareholders (Core). Individual Cellular shareholders have also seen satisfactory results accruing to their Cells in line with their business plan. The financial year under review saw technical results contributing significantly to the Company's profit, with materially reduced investment portfolio return. Very positive realised income is net off against diminutions for fair value on both local and foreign securities held causing a much lower return than that experienced during 2019.

The Board of Directors recognised the gravity of the developing COVID-19 pandemic in Europe and, through its executive, invoked the Company's Business Continuity Plan (BCP), the success proved to be a major contributing factor to the results achieved by the Company.

The Company registered an aggregate net profit before tax for the year of €7,562,991 (2019: €10,363,099) and a net profit after tax of €4,721,865 (2019: €6,864,992). Profits before tax accruing to the non-cellular shareholders amounted to €7,080,257 (2019: €9,674,992).

Core

The Board of Directors' objective remains that of consolidating balance sheet reserves with an end to safeguarding policyholder interests, balanced with its dividend distribution policy. In this regard the relatively conservative underwriting and reinsurance policies as well as a prudent dividend policy applied by the Board continue to work toward this objective and consistently produce steady profitability as well as growing the Company's reserves and consolidating its balance sheet strength. The Core's regulated solvency position as at 31 December 2020 stood at 276% (2019: 283%) of the minimum Solvency requirement.

The pandemic environment causing stress on the local and worldwide economies, did in fact have an effect on the Core's claims experience, gross of reinsurance recoveries, during 2020. Inevitably, travel restrictions and the general slowdown in the local economy caused spikes in losses incurred in related classes of insurance risk that the Core underwrites. The motor and health classes produced positive technical results for the year under review. This combined well with results in other classes and the Core continued to register positive net technical results, arising from the prudence applied in its underwriting and in particular due to its reinsurance operations. A combined loss ratio of 83% (2019: 80%) was achieved by year end across the Core's full portfolio.

The Company registered continued growth in most classes of business, albeit short of the Board's initial expectations, due to the pandemic scenario during 2020. This resulted in an increase of 3.7% over the previous year.

Directors' report - continued

During the year under review, the prudent structuring of the Company's investment portfolio ultimately proved to be resilient enough to sustain the volatility experienced in both the property and securities markets, recovering well by year end from the material losses incurred in spring 2020. Aggregated investment income net of investment expenses for the year amounted to €592,033 (2019: €5,195,260).

The Company will continue to focus on maintaining profitability on the technical account, the prudent management of core operating costs and its conservative investment strategy.

Besides operating through its Ta' Xbiex Head Office, the Company also operated during 2020 through nine branches strategically spread throughout the Island to service its clients.

Cellular

At year end 2020, the PCC incorporated a new cell, the Griffin Cell which is wholly owned by The Griffin Insurance Association Limited, a mutual insurance company seeking underwriting capabilities within the EU. In February 2021, the Company received authorisation from the MFSA for the PCC to proceed with the winding up process of the PerfectHome Cell which had stopped writing new business and renewals during 2019.

The operating cells have continued to contribute to the Company's aggregated profitability. Such portion of profitability accrues to cell shareholders. Premiums written for the Cells registered a marginal decrease of 3% over those of the prior year.

The aggregated profit before tax for all Cells is reported at €482,734 (2019: €688,107) and an after tax loss of €101,072 (2019 profit: €284,279) accruing to the cell shareholders.

Principal risks and uncertainties

The Board is confident that it addresses a full inventory of the risks the Company's administration and operations face through its risk management structures. The mitigation for the principal risks is disclosed under note 3 of these accounts which impact is reported under notes 15 and 21.

Core assets, cellular assets and share capital

The core assets comprise the assets of the Company which are non-cellular assets relating to the core operation. The assets of Atlas Insurance PCC Limited 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.

Subsidiaries

The Company fully owns two licensed subsidiaries Atlas Healthcare Insurance Agency Limited and Eagle Star (Malta) Limited

Atlas Healthcare Insurance Agency Limited is authorised by the MFSA under the Insurance Distribution Act to act as enrolled insurance agents for the Company. The Company retains a strong partnership with AXA PPP healthcare Limited as reinsurer for the health insurance portfolio. During the year under review the Agency sought to extend its authorisation from the MFSA to intermediate Long Term Business as agents for such business of IVALIFE Insurance Limited. Authorisation was received from the MFSA on 23 February 2021.

Eagle Star (Malta) Limited is the appointed entity to run off a Long Term Insurance Business portfolio and is overseen by the MFSA.

Directors' report – continued

The Company owns 25% of an associate company, IVALIFE Insurance Limited, an insurance undertaking authorised by the MFSA to underwrite Long Term classes of Business, and also holds equity investment in SRS Management Europe PCC Limited. Both these companies are not considered to be subsidiaries.

It is the Company's declared financial policy to direct its subsidiaries' reserves within its own financial management processes and upstream excess financial resources over those required under regulation.

Similar to the Company, Atlas Healthcare continued to grow its portfolio and as such reports sustained profitability and contributes well to the Company's results through dividend distribution. The agency's net asset value totaled €1,112,846 as on 31 December 2020, which result is in excess of regulated financial resources requirements under the Insurance Distribution Act.

Eagle Star (Malta) Limited carries on to hold sufficient financial resources over its regulated requirement. The net asset value of the company is reported as on 31 December 2020 at €144,935.

Board of Directors

The directors of the Company who held office during the year were:

Lawrence Zammit M.A. (Econ.) – Non Executive Chairman
Franco Azzopardi M.Sc. (Leicester), F.I.A., C.P.A. - Non Executive Director
Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan) - Non Executive Director
Catherine Calleja B.A. (Hons.), A.C.I.I. - Executive Director and Company Secretary
Michael Gatt – Non Executive Director (Retired from Managing Director and Chief Executive Officer positions – 31 March 2020)
Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick) - Non Executive Director
Matthew von Brockdorff FCII – (Appointed Managing Director and Chief Executive Officer positions – 31 March 2020)

The current directors have expressed their willingness to remain in office.

COVID-19 Pandemic

The spread of Covid-19 across the globe from the beginning of the financial year 2020 has had a significant economic impact both world-wide and locally. The virus was first detected in Malta in the beginning of March 2020. Atlas has closely monitored the related developments for the impact the pandemic had on the local and international economies, and as for safeguarding the interests of its policy holders, staff and shareholders.

In early spring 2020, the Company immediately rolled out its BCP. As contemplated in the plan the executive set up a crisis response team headed by the CEO, Matthew von Brockdorff, which will continue to operate during the upcoming year. Its focus has been, and will continue to be, that of ensuring appropriate health and safety measures remain in place, pandemic update communications to the Company's staff complement, training of staff with a focus on awareness of the pandemic and staff relocation for home remote working arrangements being deployed as and when these were and may be required.

Due consideration had been given at the outset to the ongoing impact this may have on the Company's prospects, financial performance, asset values, operations and capital adequacy going forward in 2021.

Directors' report – continued

In April 2020, the Board of Directors stressed the Company's cash flow projections, and other financial indicators such as asset values for the COVID-19 Pandemic. The results arising from the relevant shocks applied in their aggregate did in fact negatively impact the expected results arising from the original 2020 budget. These results had been reported on in last year's annual report and the Company's Solvency and Financial Condition Report. The directors were satisfied that the strength of the Company's Balance Sheet and diversified revenue streams would allow the Company to sustain the extreme losses contemplated in the stress exercise.

By mid-year, the Company had reviewed actual performance and investment market trends and revised its outlook to a more positive one.

The Board of Directors notes with satisfaction that the actual results for the year ended 2020 were largely due to the good technical profit, also augmented by gains in investment return allocated to the technical account. The Company's efficient BCP roll-out, its effective Underwriting and Reinsurance policy as well as the diversification of its investment portfolio all contributed to this positive result.

The Board of Directors continues to be vigilant about the recent developments of the pandemic and the negative impact this is having on the local and global economies. It is committed to managing the Company's positions during 2021 as it has during 2020.

The Company remains confident that it will continue to adequately cover its regulatory capital requirements

Results and dividends

The profit and loss account is set out on pages 22 and 23.

During the year under review, the directors declared the payment of a non-cellular Ordinary dividend of €1,000,000 net of tax

In following the European Systemic Risk Board and MFSA guidance for the preservation of capital during the pandemic in 2020, and in applying prudence, the Board of Directors did not propose the payment of a final dividend.

A communication from the MFSA received by the local insurance market in December 2020 gives guidance that, in moving forward, the MFSA continues to recommend that insurance undertakings apply due prudence in preserving their capital reserves but that it would consider applications for the payment of dividends on a case by case basis.

In view of this and the positive results achieved by the Company during 2020, on 1 February 2021 a net interim dividend of €1,000,000 was paid to the non-cellular shareholder. Furthermore a net interim dividend of €350,000 was paid in February 2021 to the cell shareholder of the Gemini Cell.

The directors propose the payment of a final dividend of €1,000,000 to the non-cellular shareholder.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Insurance Business Act (Cap.403) and the Maltese Companies Act (Cap.386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial period and of the profit or loss for that period.

Directors' report – continued

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU as modified by Article 174 of the Maltese Companies Act, (Cap. 386);
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

Statement of directors' responsibilities for the financial statements

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap.386). They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In terms of the Companies Act (Cell companies carrying on business of insurance) Regulations, 2010, the directors are responsible to keep separate accounts and records 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.

The financial statements of Atlas Insurance PCC Limited for the year ended 31 December 2020 are included in the Annual Report 2020 and is available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report – continued

Auditors

PricewaterhouseCoopers have expressed willingness to continue in office as auditors of the Company and a resolution proposing their reappointment will be put to the forthcoming Annual General Meeting.

On behalf of the board

Lawrence Zammit Chairman	Matthew von Brockdorff Director

Registered office
48-50 Ta' Xbiex Seafront
Ta' Xbiex
Malta

6 April 2021

Corporate Governance – Statement of Compliance 2020

As a public interest company, Atlas Insurance PCC Limited (Atlas Insurance) adopts the Malta Financial Services Authority (MFSA) Corporate Governance Guidelines for Public Interest Companies (Guidelines). As such, the Company highlights adherence to this Code in this Annual Report. The board is also guided by the Companies Act, which establishes the accountabilities of the board of directors, the rights of shareholders and its transparency obligations. Furthermore, as a licensed insurance undertaking and a protected cell company, the Company is also regulated by the Insurance Business Act (Cap 403) regulations and Insurance Rules and the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations. It is also guided by the EIOPA Guidelines on Systems of Governance and other international models of best practice as well as all Solvency II regulation (Solvency II Directive supplemented by the Commission Delegated Regulations). The board has a number of annually reviewed board policies and reporting procedures, the latter ensuring effective internal controls procedures with pertinent monitoring and reporting mechanisms to the board itself.

Under Solvency II Group Supervision rules, Atlas Holdings Limited, as the ultimate parent insurance holding company of the Group, has identified Atlas Insurance as the undertaking responsible for fulfilling the governance requirements for the Group. As the responsible undertaking for group supervision, the board and board committees as well as the key functions have an effective overview of the whole Group, and key financial and non-financial performance indicators of group companies are regularly discussed within these fora.

The Board

The Atlas Insurance Board of Directors is appointed annually and assessed in order to ensure that members continue to be fit and proper and collectively have the required diversity of knowledge, judgement and experience to complete their tasks. Together, the board members are judged to have complementary skills and the necessary background in governance and corporate strategy, insurance, financial markets, , risk management , financial and actuarial analysis, legal and regulatory frameworks as well as information technology and human resources management.

The board is appointed at the Annual General Meeting as per the Memorandum and Articles of Association of the Company and during 2020, Mr Michael Gatt retired as Managing Director and was re-appointed as a non-executive director on the board. From April 2020, the board was thus composed of a majority of five Non-Executive Directors (NEDs), four of whom being independent, and two Executive Directors one of whom was the newly appointed Managing Director and Chief Executive Officer (CEO) of the Company, Mr Matthew von Brockdorff. The other Executive Director on the board was the Group Company Secretary, who brings additional knowledge and experience to the table.

The board maintains close links with senior management both through the active board committees but also through various joint meetings on various issues from information sessions on new legislative developments to aspects of strategy development. This enables the board to be able to continuously assess the Company's key results, its current and future strengths and weaknesses as well as being able to have enough information to be able to develop informed assessment of ongoing performance, constructively challenge and develop strategy as well as satisfy itself on the integrity of the financial information, internal controls and risk management systems in place. The board is fully involved in significant decision taking including the budgetary and Own Risk and Solvency Assessment (ORSA) processes and regularly meets with key function holders including the Company's actuaries.

Corporate Governance – Statement of Compliance 2020 - continued

The Board - continued

The positions of the independent Chairman and Managing Director remain separate and there is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the Company's business. The independent Chairman serves as a valuable sounding board and mentor for the CEO, which role had increased significance during this year of transition. . The four other non-executive directors appointed are of sufficient calibre and standing to balance the strength of character of the Chair and executive directors. The Chair encourages discussion and participation of all directors during discussions as well as constructive relations between executive and non-executive directors.

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. Non-executive directors chair five board committees being the Audit, Investments, Risk and Compliance, IT and Remuneration and Nominations Committees. Through these committees, non-executive directors can take more active roles in the development of strategy in the different areas of the organisation under review, recognise and support innovation within the management of the company, always striking a balance between enterprise and control at Atlas. The involvement in the committees allows non- executive directors to further scrutinise performance, key risks as well as to satisfy themselves that financial controls and risk management systems are well established.

The primary role of the Chair is to focus the board on the determination of the Company's strategy and direction. . He leads the board and sets the agenda and the order of that agenda, in collaboration with the Company Secretary. The Chair ensures that the board receives precise, timely and clear information, where possible directs discussion to the emergence of a consensual view and sums up discussions to ensure the accurate recording and follow up of the key decisions taken. Mr Lawrence Zammit, as Chair of the board, also chairs the Atlas Holdings board where the significant shareholding groups of the Company appoint directors. This ensures effective communication with shareholders.

Dr Andre Camilleri is the Senior Independent director, providing a sounding board for the Chairman and CEO on board matters, as well as a trusted intermediary, if required, for other non-executive directors. This Senior Independent Director is also available to address the concerns of shareholders or members of staff, through the Group's raising a Concern (Whistleblowing) Policy. He also annually administers the board evaluation process during the last quarter. This includes discussing the results of the board committee evaluation questionnaires, an important component of the board's annual review process and leads to setting the board objectives, including learning and development goals for the following year. The Senior Independent Director also chairs the Risk and Compliance Committee.

The CEO is responsible for the overall success of the Company and is answerable to the board for the realisation of the Company strategy, He also chairs the Executive Committee and Protected Cells committees.

Board and board committee meetings are scheduled prior to the start of each year and, during 2020, the board met 13 times, several extra ad hoc meetings being held for the board to be able to closely monitor the COVID-19 related developments. Three meetings were dedicated to specific matters of strategic importance including the Group Own Risk and Solvency Assessment process.

Agendas and information packs containing enough information for board members to assess and evaluate the management's implementation of corporate strategy and financial objectives are uploaded well in advance of all board and board committee on a secure web portal. Agendas are set keeping a balance between strategy and planning, reporting on key results and risks, and current operational issues.

Corporate Governance – Statement of Compliance 2020 - continued

The Board - continued

Minutes of board meetings faithfully record attendance, decisions taken and resolutions, and are issued on a timely basis and made available to all directors, as soon as practicable, after every meeting.

Board and Executive Committees

The Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, IT Committee and the Investment Committee are chaired by independent directors and oversee policy and controls in these important areas. The Protected Cells 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. Members of these committees are listed on page 9-12. 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 to ensure that all delegation or responsibility and function is clear and unequivocal. Each committee also annually reviews its performance.

Audit Committee

The committee met six times during 2020. 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 Philip Micallef, and Mr Michael Gatt who joined this committee in April 2020. Mr Lawrence Zammit resigned from the committee in April 2020 upon the appointment of Mr Michael Gatt. During the period under review the committee also commissioned an external review of the internal audit operations.

The Committee has oversight of the independent audit of the financial statements as well as the audit scope and approach, the performance of the Group's external auditors as well as that of the Group's internal audit function and internal control systems. It also reviews and assesses the qualitative aspects of financial reporting to shareholders and discusses significant accounting and reporting issues. It 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. It also 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 ensures that the internal audit plan takes into account all the activities and the complete system of governance as well as expected developments of activities and innovations. It also reviews the internal audit function's performance relative to the plan, documentation produced and information on achievement of previous audit recommendations. Regular liaison with the Risk function and indeed the collaboration with the Risk and Compliance Committee enables the Audit Committee to obtain input and contribute towards setting 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.

Corporate Governance – Statement of Compliance 2020 - continued

Audit Committee - continued

The Internal Auditor reports directly to the Audit Committee which in turn ensures that the function is free to work independently and objectively. The committee 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.

During 2020, the Audit Committee Chair regularly held additional meetings with the Internal Auditor, Mr Ivan Distefano. These meetings give guidance, serve as an opportunity to receive feedback, and ensure the continued 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 four times during 2020. The board Chair also 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 and the Chief HR Officer 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 Executive Directors and members of the Executive Committee. The Committee approves the structure and design of performance related pay schemes and approves annual payments made under this policy. . 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 and that regular benchmarking exercises of senior management salaries are carried out.

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 oversees the process of ensuring the continuing fitness and properness of relevant individuals. Questionnaires are completed and independent checks using various sources are also carried out on an annual basis.

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

Corporate Governance – Statement of Compliance 2020 - continued

Risk and Compliance Committee

Dr Andre Camilleri, as the designated director for oversight of the risk management system, chairs this committee. The committee met four times in 2020. Mr Franco Azzopardi, Ms Catherine Calleja, Mr Philip Micallef, Mr Ian-Edward Stafrace form part of the Committee. Mr Andrew Briffa, an Associate Actuary of the UK Institute and Faculty of Actuaries and the Chief Risk and Compliance Officer (CRCO), regularly attends meetings.

With the support of the CRCO, 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 also 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 in various areas.

The Committee, together with the board, 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. The committee continued to monitor closely the Group's adherence to the highest of standards in cyber security, which became even more crucial during the COVID period, for Group Companies, TIIs and outsourced functions. The committee also reviews customer complaints and the related root cause analysis, as well as relevant training in various areas of compliance and risk management.

Investment Committee

This Committee ensures that the Group's investment management is conducted according to the Investments Policy, the Asset Liability Management Policy and the Board's Risk Appetite Statement. The Committee acts in accordance with the Prudent Person Principle as stipulated in Article 132 of the Solvency II Directive.

The Committee met four times in 2020 and Mr Lawrence Zammit continued to chair the Committee during the period under review. Members included Dr Andre Camilleri, Mr Franco Azzopardi, Mr Michael Gatt and Mr Matthew von Brockdorff, Chief Executive Officer, as directors on the committee while the Group Chief Financial Officer, Mr Mark Camilleri and Mr John Bonett are additional members. The Chief Financial Officer Mr John Muscat also attends meetings by invitation as and when required.

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 parts of the Risk Appetite Statement to ensure 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. Managers regularly address and report to the Committee and other board and Executive Committee members attend these presentations. Detailed performance reports are provided to Investment Committee members at committee meetings and summary performance reports provided to the board at board meetings. 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. The committee has also embarked on the journey to build sustainability into its investment strategy.

Protected Cells Committee

This Committee proposes policy to the board in relation to underwriting policy for the acceptance of protected cells within the Company. It 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 and 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. During 2020 there was increased activity in this area of the business and detailed cell application proposals were presented 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 has ensured the continued right to write UK business following December 2020.

The CEO continues to chair the Committee, which met four times in 2020. The committee was composed of the two Executive Directors as well as the Chief Underwriting Officer, the Chief Strategy Officer and the Group Chief Financial Officer, as well as Mr John Bonett during 2020.

The Chief Underwriting Officer and Group Chief Financial Officer, as representatives of the Committee, form part of the cell committees of the individual cells. Cell owners and managers where relevant also form part of the individual cell committees which meet regularly to review underwriting results, financial performance and risk management and compliance issues. 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 as well as to ensure a deeper understanding of the cell performance and any potential risks to the core.

Information Technology Committee

This Committee addresses strategic issues relating to Information Technology and digital transformation. The committee is chaired by Mr Philip Micallef and the members are Mr Lawrence Zammit, Mr Michael Gatt, Mr Matthew von Brockdorff, Ms Catherine Calleja Mr Ian Stafrace and Mr Vinay Aarohi who is the Chief Information Officer. The committee met seven times during 2020 and has been very involved in the Atlas digital transformation process.

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.

Corporate Governance – Statement of Compliance 2020 - continued

Relations with Shareholders

The Guidelines stipulate that the board shall serve the legitimate interests of the company and account to shareholders fully and that companies should use the general meeting to communicate with shareholders. The Atlas Group ensures an ongoing dialogue between the board and shareholders based on the mutual understanding of objectives. The level of disclosure with these important stakeholders continues to be in excess of statutory requirements under the Companies Act. During the Annual General Meeting, besides the statutory business as laid down in the Memorandum and Articles of the Company, information on group performance is presented through the publication of the Annual Report and Financial Statements.

Further communication with shareholders is enabled through the functioning of the Atlas Holdings Limited board of directors. Atlas Holdings is the shareholder of the non-cellular shares (‘core shareholder’), in Atlas Insurance PCC Limited and this board appoints the directors of the Company at the Annual General Meeting. Mr Lawrence Zammit also chairs the Atlas Holdings Board and this structure ensures that both boards are kept aware of the priorities of the ultimate core shareholders.

Communication with cell shareholders is facilitated through regular meetings of the individual cell committees at which cell managers, where they exist, also participate. Reporting to the board through the Protected Cell Committee of any issues as well as financial and solvency performance of the cells is carried out on a quarterly basis.

Directors and Officers Liability Insurance
Directors and officers of the Group are covered by the Directors and Officers Liability insurance purchased by the Group. Atlas Healthcare Insurance Agency and Eagle Star (Malta) Limited, as subsidiaries of the Company, and other fellow subsidiaries and associate companies are also covered by the same policy.

Approved by the Board of Directors on 6 April 2021 and signed on its behalf by:

Lawrence Zammit	Matthew von Brockdorff
Chairman	Managing Director & CEO

Independent auditor's report

To the Shareholders of Atlas Insurance PCC Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Atlas Insurance PCC Limited (the Company) as at 31 December 2020, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Atlas Insurance PCC Limited's financial statements, set out on pages 23 to 85, comprise:

- the profit and loss account and the statement of comprehensive income for the year ended 31 December 2020;
- the balance sheet as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Independence

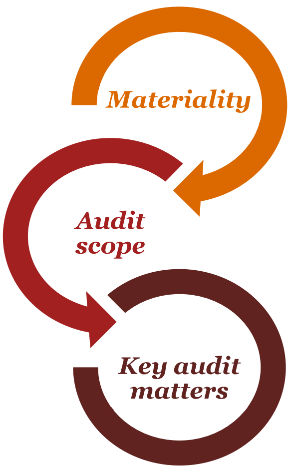
We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company[1] are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 January 2020 to 31 December 2020, are disclosed in Note 6 to the Financial Statements.

Our audit approach

Overview



Overall materiality: €402,937 that represents approximately 5% of average profits before tax from continuing operations of the past 3 years.

Valuation of provision for claims incurred but not reported

Independent auditor's report - continued
To the Shareholders of Atlas Insurance PCC Limited

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€402,937
How we determined it	Approximately 5% of average profits before tax from continuing operations of the past 3 years.
Rationale for the materiality benchmark applied	We chose profit before tax because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users and is a generally accepted benchmark. Average profits of the past 3 years was applied to address the impact of volatility primarily in investment return. We selected 5% based on professional judgement, noting that it is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €40,294 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Valuation of provision for claims incurred but not reported Valuation of insurance provisions is judgemental and requires a number of assumptions to be made that have estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported, or enough reported, to the Company as some claims can take time to emerge or develop. The determination of the value of these insurance provisions requires judgement in the selection of key assumption and methodologies. The Company makes claims estimates mainly on a case by case basis, and supplements these case estimates with an incurred but not reported (IBNR) provision based on different reserving methodologies applicable to the relevant product portfolios. The Company's IBNR provision is disclosed in note 21 €2.4m. Further information on the development of the ultimate cost of claims over the years is also disclosed in note 21. We focused on the provision for claims incurred but not reported due to its inherent subjectivity and complexity (refer to note 2, note 3.1 and note 21).	Our audit procedures comprised, including through the involvement of our own actuarial experts: - applying our industry knowledge and experience in understanding and evaluating the IBNR reserving methodologies, models and assumptions used; - assessing and challenging management's estimate of the incurred but not reported provisions based on the methodology, assumptions and judgements made, and also considering whether the reserving methodology has been applied consistently across periods; - considering the quality of underlying data through testing of a sample of claims to underlying documentation, including bordereaux and performing certain data analysis; - considering the quality of historical reserving by reviewing variations arising from prior year technical provisions; and - considering the extent of related disclosures to the financial statements. Based on the work performed, we found the provision for claims incurred but not reported to be consistent with the explanations and evidence obtained.

Independent auditor's report - *continued*

To the Shareholders of Atlas Insurance PCC Limited

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and Corporate Governance – Statement of Compliance 2020 (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 6) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • We have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - continued

To the Shareholders of Atlas Insurance PCC Limited

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on 31 December 1991. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 30 years. The company became licensed as an insurance undertaking in terms of the Maltese Insurance Business Act (Cap. 403) on 29 April 2004.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Romina Soler
Partner

6 April 2021

Profit and loss account
Technical account – General business
year ended 31 December

		Core		Cells		Total	
	Notes	**2020 €**	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Earned premiums, net of reinsurance							
Gross premiums written		**42,077,465**	40,573,438	**23,217,348**	23,822,157	**65,294,813**	64,395,595
Outward reinsurance premiums		**(21,717,188)**	(20,536,891)	**(13,735,045)**	(12,719,066)	**(35,452,233)**	(33,255,957)
Net premiums written		**20,360,277**	20,036,547	**9,482,303**	11,103,091	**29,842,580**	31,139,638
Change in the provision for unearned premiums							
- gross amount	21	**(759,905)**	(4,381,383)	**1,677,178**	(5,117,398)	**917,273**	(9,498,781)
- reinsurers' share	21	**294,975**	2,770,452	**(789,878)**	4,987,383	**(494,903)**	7,757,835
		(464,930)	(1,610,931)	**887,300**	(130,015)	**422,370**	(1,740,946)
Earned premiums, net of reinsurance		**19,895,347**	18,425,616	**10,369,603**	10,973,076	**30,264,950**	29,398,692
Allocated investment return transferred from the non-technical account	5	**280,745**	2,449,337	**2,814**	19,731	**283,559**	2,469,068
Total technical income		**20,176,092**	20,874,953	**10,372,417**	10,992,807	**30,548,509**	31,867,760
Claims incurred, net of reinsurance							
Claims paid							
- gross amount		**23,382,089**	16,753,263	**13,717,879**	8,909,471	**37,099,968**	25,662,734
- reinsurers' share	21	**(14,761,831)**	(7,447,305)	**(5,523,601)**	(2,894,188)	**(20,285,432)**	(10,341,493)
		8,620,258	9,305,958	**8,194,278**	6,015,283	**16,814,536**	15,321,241
Change in the provision for claims							
- gross amount	21	**(917,512)**	5,017,221	**(1,108,346)**	342,916	**(2,025,858)**	5,360,137
- reinsurers' share	21	**466,380**	(4,822,471)	**(535,854)**	(25,741)	**(69,474)**	(4,848,212)
		(451,132)	194,750	**(1,644,200)**	317,175	**(2,095,332)**	511,925
Claims incurred, net of reinsurance		**8,169,126**	9,500,708	**6,550,078**	6,332,458	**14,719,204**	15,833,166
Net operating expenses	4	**5,108,007**	4,219,106	**3,270,260**	3,910,685	**8,378,267**	8,129,791
Total technical charges		**13,277,133**	13,719,814	**9,820,338**	10,243,143	**23,097,471**	23,962,957
Balance on the technical account for general business (page 23)		**6,898,959**	7,155,139	**552,079**	749,664	**7,451,038**	7,904,803

Profit and loss account
Non-technical account
year ended 31 December

	Notes	Core 2020 €	Core 2019 €	Cells 2020 €	Cells 2019 €	Total 2020 €	Total 2019 €
Balance on technical account – general business (page 22)		**6,898,959**	7,155,139	**552,079**	749,664	**7,451,038**	7,904,803
Investment income	5	**911,905**	5,434,477	**35,312**	40,933	**947,217**	5,475,410
Investment expenses and charges	5	**(319,872)**	(239,217)	**(35,533)**	(4,167)	**(355,405)**	(243,384)
Allocated investment return transferred to the general business technical account	5	**(280,745)**	(2,449,337)	**(2,814)**	(19,731)	**(283,559)**	(2,469,068)
Administrative expenses	6	**(129,990)**	(226,070)	**(66,310)**	(78,592)	**(196,300)**	(304,662)
Profit before tax		**7,080,257**	9,674,992	**482,734**	688,107	**7,562,991**	10,363,099
Tax expense	8	**(2,257,320)**	(3,094,279)	**(583,806)**	(403,828)	**(2,841,126)**	(3,498,107)
Profit for the year		**4,822,937**	6,580,713	**(101,072)**	284,279	**4,721,865**	6,864,992

Statement of comprehensive income

	Notes	Core 2020 €	Core 2019 €	Cells 2020 €	Cells 2019 €	Total 2020 €	Total 2019 €
Profit for the year		**4,822,937**	6,580,713	**(101,072)**	284,279	**4,721,865**	6,864,992
Other comprehensive income: Items that will not be reclassified to profit or loss							
Net reporting currency differences arising on translation from functional currency to presentation currency	20	**-**	-	**(512,691)**	469,116	**(512,691)**	469,116
Movements relating to property, plant and equipment – land and buildings:							
- Revaluation surplus	20	**-**	2,101,360	**-**	-	**-**	2,101,360
- Deferred tax relating to revaluation	20	**7,390**	(221,062)	**-**	-	**7,390**	(221,062)
Total other comprehensive income/(expense), net of tax		**7,390**	1,880,298	**(512,691)**	469,116	**(505,301)**	2,349,414
Total comprehensive income/(expense) for the year		**4,830,327**	8,461,011	**(613,763)**	753,395	**4,216,564**	9,214,406

Income tax relating to each component is disclosed in Notes 8 and 16.

The notes on pages 29 to 85 are an integral part of these financial statements.

Balance sheet
as at 31 December

	Notes	Core 2020 €	Core 2019 €	Cells 2020 €	Cells 2019 €	Total 2020 €	Total 2019 €
ASSETS							
Intangible assets	11	**534,899**	1,244	**-**	-	**534,899**	1,244
Tangible assets:							
- land, buildings and improvements	12	**7,307,478**	7,403,491	**-**	-	**7,307,478**	7,403,491
- plant and equipment	12	**776,451**	868,244	**-**	-	**776,451**	868,244
-right-of-use assets	12	**307,285**	369,149	**-**	-	**307,285**	369,149
Investments:							
- land and buildings	13	**10,499,166**	11,220,883	**-**	-	**10,499,166**	11,220,883
- investment in subsidiaries	14	**748,058**	748,058	**-**	-	**748,058**	748,058
- investment in associates	14	**378,500**	378,500	**-**	-	**378,500**	378,500
- other financial investments	15	**34,430,290**	34,073,942	**2,843,212**	5,257,786	**37,273,502**	39,331,728
Reinsurers' share of technical provisions	21	**22,928,591**	23,099,996	**10,155,553**	10,417,273	**33,084,144**	33,517,269
Deferred acquisition costs	17	**1,812,384**	1,713,742	**495,934**	602,478	**2,308,318**	2,316,220
Receivables:							
- debtors arising out of direct insurance operations	18	**4,202,550**	4,410,964	**-**	-	**4,202,550**	4,410,964
- receivables from reinsurers	18	**54,142**	255,018	**-**	-	**54,142**	255,018
- other debtors	18	**886,861**	477,411	**17,828,868**	19,197,278	**18,715,729**	19,674,689
Prepayments and accrued income	18	**567,445**	333,015	**212,695**	220,576	**780,140**	553,591
Cash and cash equivalents	25	**6,113,629**	3,108,486	**14,889,504**	11,062,332	**21,003,133**	14,170,818
Total assets		**91,547,729**	88,462,143	**46,425,766**	46,757,723	**137,973,495**	135,219,866
EQUITY							
Capital and reserves							
Share capital	19	**12,000,000**	12,000,000	**12,313,228**	8,563,228	**24,313,228**	20,563,228
Capital contribution		**-**	-	**500,000**	500,000	**500,000**	500,000
Other reserves	20	**4,342,293**	4,334,903	**(963,114)**	(450,423)	**3,379,179**	3,884,480
Profit and loss account	20	**22,311,454**	18,488,517	**3,479,385**	3,580,457	**25,790,839**	22,068,974
Total equity		**38,653,747**	34,823,420	**15,329,499**	12,193,262	**53,983,246**	47,016,682
LIABILITIES							
Technical provisions	21	**43,755,897**	43,913,504	**17,363,277**	20,284,856	**61,119,174**	64,198,360
Lease liabiities	12	**307,228**	370,492	**-**	-	**307,228**	370,492
Payables:							
- borrowings	22	**-**	343,644	**-**	-	**-**	343,644
- creditors arising out of direct insurance operations	23	**974,247**	1,137,414	**1,733,083**	1,908,373	**2,707,330**	3,045,787
- balances payable to reinsurers	23	**588,026**	303,655	**10,202,397**	10,618,282	**10,790,423**	10,921,937
- other creditors	23	**664,440**	192,632	**667,166**	565,158	**1,331,606**	757,790
Deferred taxation	16	**1,958,396**	2,459,902	**-**	-	**1,958,396**	2,459,902
Taxation payable		**584,704**	536,514	**981,651**	1,056,106	**1,566,355**	1,592,620
Accruals and deferred income	23	**4,061,044**	4,380,967	**148,693**	131,686	**4,209,737**	4,512,653
Total liabilities		**52,893,982**	53,638,724	**31,096,267**	34,564,461	**83,990,249**	88,203,185
Total equity and liabilities		**91,547,729**	88,462,144	**46,425,766**	46,757,723	**137,973,495**	135,219,867

The notes on pages 29 to 85 are an integral part of these financial statements.

The financial statements on pages 23 to 85 were authorised for issue by the board on 6 April 2021 and were signed on its behalf by:

Lawrence Zammit
Chairman

Matthew von Brockdorff
Director

Statement of changes in equity

	Core				Cells					Total				
	Share capital	**Other reserves**	**Profit and loss account**	**Total**	**Share capital**	**Capital contribution**	**Other reserves**	**Profit and loss account**	**Total**	**Share Capital**	**Capital contribution**	**Other reserves**	**Profit and loss account**	**Total**
	€	€	€	€	€	€	€	€	€	€	€	€	€	€
Balance at 1 January 2019	12,000,000	2,454,605	13,307,804	27,762,409	8,506,809	500,000	(919,539)	3,412,597	11,499,867	20,506,809	500,000	1,535,066	16,720,401	39,262,276
Comprehensive income														
Profit for the year	-	-	6,580,713	6,580,713	-	-	-	284,279	284,279	-	-	-	6,864,992	6,864,992
Other comprehensive income														
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-	-	-	469,116	-	469,116	-	-	469,116	-	469,116
Movements relating to property, plant and equipment – land and buildings:														
- Revaluation surplus	-	2,101,360	-	2,101,360	-	-	-	-	-	-	-	2,101,360	-	2,101,360
- Deferred tax (note 20)	-	(221,062)	-	(221,062)	-	-	-	-	-	-	-	(221,062)	-	(221,062)
Total other comprehensive income	-	1,880,298	-	1,880,298	-	-	469,116	-	469,116	-	-	2,349,414	-	2,349,414
Total comprehensive income	-	1,880,298	6,580,713	8,461,011	-	-	469,116	284,279	753,395	-	-	2,349,414	6,864,992	9,214,406
Transactions with owners														
Increase in share capital (note 19)	-	-	-	-	56,419	-	-	-	56,419	56,419	-	-	-	56,419
Dividends (note 10)	-	-	(1,400,000)	(1,400,000)	-	-	-	(116,419)	(116,419)	-	-	-	(1,516,419)	(1,516,419)
Total transactions with owners	-	-	(1,400,000)	(1,400,000)	56,419	-	-	(116,419)	(60,000)	56,419	-	-	(1,516,419)	(1,460,000)
Balance at 31 December 2019	12,000,000	4,334,903	18,488,517	34,823,420	8,563,228	500,000	(450,423)	3,580,457	12,193,262	20,563,228	500,000	3,884,480	22,068,974	47,016,682

Statement of changes in equity – continued

	Core				Cells					Total				
	Share capital €	Other reserves €	Profit and loss account €	Total €	Share capital €	Capital contribution €	Other reserves €	Profit and loss account €	Total €	Share Capital €	Capital contribution €	Other reserves €	Profit and loss account €	Total €
Balance at 1 January 2020	12,000,000	4,334,903	18,488,517	34,823,420	8,563,228	500,000	(450,423)	3,580,457	12,193,262	20,563,228	500,000	3,884,480	22,068,974	47,016,682
Comprehensive income														
Profit for the year	-	-	4,822,937	4,822,937	-	-	-	(101,072)	(101,072)	-	-	-	4,721,865	4,721,865
Other comprehensive income														
Net reporting currency differences arising on translation from functional currency to presentation currency (note 20)	-	-	-	-	-	-	(512,691)	-	(512,691)	-	-	(512,691)	-	(512,691)
Movements relating to property, plant and equipment – land and buildings:														
- Deferred tax (note 20)	-	7,390	-	7,390	-	-	-	-	-	-	-	7,390	-	7,390
Total other comprehensive income	-	7,390	-	7,390	-	-	(512,691)	-	(512,691)	-	-	(505,301)	-	(505,301)
Total comprehensive income	-	7,390	4,822,937	4,830,327	-	-	(512,691)	(101,072)	(613,763)	-	-	(505,301)	4,721,865	4,216,564
Transactions with owners														
Issue of cell shares	-	-	-	-	3,750,000	-	-	-	3,750,000	3,750,000	-	-	-	3,750,000
Dividends (note 10)	-	-	(1,000,000)	(1,000,000)	-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Total transactions with owners	-	-	(1,000,000)	(1,000,000)	3,750,000	-	-	-	3,750,000	3,750,000	-	-	(1,000,000)	2,750,000
Balance at 31 December 2020	12,000,000	4,342,293	22,311,454	38,653,747	12,313,228	500,000	(963,114)	3,479,385	15,329,499	24,313,228	500,000	3,379,179	25,790,839	53,983,246

The notes on pages 29 to 85 are an integral part of these financial statements.

Statement of cash flows
Year ended 31 December

		Core		Cells		Total	
	Notes	**2020 €**	2019 €	**2020 €**	2019 €	**2020 €**	2019 €
Cash flows from operating activities							
Cash generated from /(used in) operations	24	**6,934,461**	7,587,223	**1,356,779**	(2,282,703)	**8,291,240**	5,304,520
Income tax paid		**(2,341,531)**	(2,408,731)	**(658,261)**	(945,195)	**(2,999,792)**	(3,353,926)
Net cash generated from /(used in) operating activities		**4,592,930**	5,178,492	**698,518**	(3,227,898)	**5,291,448**	1,950,594
Cash flows from investing activities							
Purchase of property, plant and equipment	12	**(472,776)**	(546,613)	**-**	-	**(472,776)**	(546,613)
Disposal of property, plant and		**(668,034)**	-	**-**	-	**(668,034)**	-
equipment	12	**9,000**	17,400	**-**	-	**9,000**	17,400
Disposal of investment property		**950,000**	1,904,532	**-**	-	**950,000**	1,904,532
Purchase of investment property	13	**(47,570)**	(6,595,623)	**-**	-	**(47,570)**	(6,595,623)
Investment in subsidiary undertakings	14	**-**	(375,000)	**-**	-	**-**	(375,000)
Net cash used in investing activities		**(229,380)**	(5,595,304)	**-**	-	**(229,380)**	(5,595,304)
Cash flows from financing activities							
Dividends paid	10	**(1,000,000)**	(1,400,000)	**-**	(116,419)	**(1,000,000)**	(1,516,419)
Issue of capital contribution	10	**-**	-	**3,750,000**	56,419	**3,750,000**	56,419
Net cash used in financing activities		**(1,000,000)**	(1,400,000)	**3,750,000**	(60,000)	**2,750,000**	(1,460,000)
Movement in cash and cash equivalents		**3,363,550**	(1,816,812)	**4,448,518**	(3,287,898)	**7,812,068**	(5,104,710)
Cash and cash equivalents at beginning of year		**2,764,842**	4,575,077	**11,062,332**	15,201,246	**13,827,174**	19,776,323
Exchange (losses)/gains on cash and cash equivalents		**(14,763)**	6,577	**(621,346)**	(851,016)	**(636,109)**	(844,439)
Cash and cash equivalents at end of year	25	**6,113,629**	2,764,842	**14,889,504**	11,062,332	**21,003,133**	13,827,174

The notes on pages 29 to 85 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) 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. Atlas Holdings Limited (Note 29) prepares consolidated financial statements as required by the Maltese Companies Act (Cap.386) and these are delivered to the Registrar of Companies in Malta in terms of Article 174 (2) (e). Accordingly, Atlas Insurance PCC Limited is exempt from the preparation of consolidated financial statements by virtue of Article 174 of the Companies Act, (Cap 386).

The financial statements of Atlas Insurance PCC Limited include the financial performance and financial position of the Core operation together with the operations of the Cells.

As at 31 December 2020, the Company had seven Cells, the Perfect Home Cell, the Ocado Cell, the Griffin cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell and the L'Amie Cell referred to in these financial statements as Cell 1, Cell 4, Cell 6, Cell 7, Cell 8, Cell 9 and Cell 10 respectively. The PerfectHome Cell is in the process of being wound up. The Company maintains separate accounts for each Cell. Cellular assets and liabilities are separate and separately identifiable from Core and Cellular assets attributable to other Cells. Separate balance sheets, profit and loss accounts and statements of comprehensive income, changes in equity and cash flows have accordingly been prepared for the Cells.

The financial statements 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 at fair value through profit or loss (FVTPL).

The balance sheet is organised in increasing order of liquidity, with additional disclosures on the current or non-current nature of the Company's assets and liabilities provided within the notes to the financial statements.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. The Company is considering the implications of the below standards on the Company's financial results and position, and the timing of their adoption.

IFRS 9, 'Financial Instruments', became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. IFRS 9 addresses a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments. As part of IFRS 9, the IASB has introduced a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. IFRS 9 also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

IFRS 4 (Amendments), 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts' provides two options for entities that issue insurance contracts within the scope of IFRS 4 i.e. an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") or a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

The activities of the Company are predominantly connected with insurance. In this regard, the directors have assessed the following:

(a) The Company has not previously applied any version of IFRS9.
(b) The total carrying amount of liabilities arising from contracts within the scope of IFRS 4 for the year ended 31 December 2015 represents over 90% of total liabilities, which is considered significant.

There has been no change in the Company's activities that warrants a reassessment of the above information.

The amendment of IFRS 4 Insurance Contracts requires entities to disclose the fair value at the end of the reporting period and the change in fair value during the period for groups of financial assets with contractual cash flows that are solely payments of principal and interest ("SPPI") and other financial assets separately.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Such disclosure is not required since the Company invests in debt instruments held at fair value through profit and loss (FVTPL) and are of a trading nature, not categorised as SPPI.

IFRS 17 was issued in May 2017, and sets out the requirements that an entity should apply in accounting for insurance contracts it issues and reinsurance contracts it holds. IFRS 17 is currently effective from 1 January 2023 (subject to EU endorsement). However, the IASB is considering delaying the mandatory implementation date by one year and may make additional changes to the standard. The Company is in the process of evaluating the impact of IFRS 17. Industry practice and interpretation of the standard are still developing and there may be changes to it. Therefore, the likely impact of its implementation remains uncertain.

IFRS 17 together with IFRS 9 will result in a profound change to the accounting in IFRS financial statements for insurance companies. Management is considering the implications of these standards and their impact on the Company's financial results and position.

In preparation for the introduction of the new insurance accounting standard IFRS 17 which is effective from reporting year 2023, the Company appointed external professional consultants to carry out a detailed data gap analysis. A data mapping exercise was also carried out in order to determine the significance of the extended reporting requirements under IFRS 17 and the impact on current reporting systems. This exercise also extended to performing a dry run on a primary set of financial statements which was carried out based on the 2019 financial results.

The next phase of the project will focus on closing any remaining data gaps, assessing the requirement of additional reporting tools, discussions with the actuarial function and external auditors to obtain a clear understanding of the assumptions applied.

1.2 Revenue recognition

Revenue comprises the fair value for services and is recognised as follows:

(a) Rendering of services

Premium recognition is described in accounting policy 1.15 dealing with insurance contracts.

(b) Interest income

Interest income from financial assets not classified as fair value through profit or loss is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income

Rental income from investment property is accounted for on an accruals basis in accordance with the substance of the relevant lease agreements.

1. Summary of significant accounting policies - continued

1.3 Investment return

Investment return comprises investment income including fair value movements, interest income, dividends and rental income, and is net of investment expenses, charges and interest. Dividends are recorded on the date when the shareholder's right to receive income is established. Interest and expenses are accounted for on an accruals basis.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account of the actual investment return on investments supporting the insurance net technical provisions.

1.4 Foreign currencies

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Core's functional and the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

All foreign exchange gains and losses are presented in the profit and loss account within 'investment return'.

The results and the financial position of the cells are translated from GBP 'the functional currency' into euro 'the presentation currency' as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

(ii) income and expenses for each profit and loss account are translated at average exchange rates.

All resulting exchange differences are recognised as a component of equity and are accounted for in the functional currency exchange reserve (Note 19).

1. Summary of significant accounting policies - continued

1.5 Intangible assets

(a) Customer relationships

Acquired customer relationships are shown at historical cost. Customer relationships have an indefinite useful life.

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

All costs associated with maintaining computer software programmes are recognised as an expense as incurred.

1.6 Tangible assets - Property, plant and equipment

Tangible fixed assets comprising land and buildings, computer equipment and furniture and fittings are initially recorded at cost. Land and buildings included within property, plant and equipment are subsequently shown at fair value, based on valuations by the directors after seeking due professional advice, less subsequent depreciation. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the balance sheet date. All other tangible fixed assets are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account.

1. Summary of significant accounting policies - continued

1.6 Tangible assets - Property, plant and equipment - continued

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful life as follows:

	%
Buildings	1
Improvement to leasehold premises	10
Furniture, equipment and motor vehicles	10 - 20

Freehold land is not depreciated.

Gains and losses on disposal of tangible fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Tangible asset also includes right-of-use assets.

1.7 Land and buildings - Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property comprises freehold buildings.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets,discounted cash flow projections or comparative sales prices. These valuations are reviewed annually by the directors after seeking professional advice.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit and loss account during the financial period in which they are incurred. Changes in fair values are recorded in the profit and loss account.

Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

1. Summary of significant accounting policies - continued

1.8 Investment in subsidiaries and associates

Investment in subsidiaries is accounted for at cost less impairment. The results of the subsidiary undertakings are reflected in the Company's financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% to 50% voting rights. Investment in associates is accounted for at cost less impairment.

1.9 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. The directors determine the appropriate classification of the investments at the time of purchase and re-evaluate such designation at every reporting date.

1.9.1 Classification

(a) Financial assets at fair value through profit or loss

Financial assets are designated at inception as fair value through profit or loss, if they are part of a group of investments that are managed on a portfolio basis, and whose performance is evaluated and reported internally on fair value basis to the Board in accordance with a documented investment strategy.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell in the short term or that it has designated as fair value through profit or loss. They include, inter alia, deposits held with credit or financial institutions, debtors and cash and cash equivalents.

1.9.2 Recognition and measurement

All purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase and sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method, less any provision for impairment. Realised and unrealised gains and losses arising from changes in fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise.

The fair values of quoted investments and units in collective investment schemes are based on quoted market prices at the reporting date. If the market for an investment is not active, the Company establishes fair value by using valuation techniques. Equity securities for which the fair value cannot be measured reliably are recognised at cost less impairment.

1. **Summary of significant accounting policies** - continued

1.9 **Financial assets** - continued

On disposal, the difference between the net disposal proceeds and the carrying amount is included in the net profit or loss for the period.

1.10 Impairment of assets

(a) Impairment of financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

(i) significant financial difficulty of the issuer or debtor;
(ii) a breach of contract, such as default or delinquency in payments;
(iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; and
(iv) observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually-assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are assessed individually for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

(b) Impairment of other non-financial assets

Assets that have an indefinite useful life, such as customer relationships, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1. Summary of significant accounting policies - continued

1.11 Leases

From 1 January 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Such leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's increamental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Leases income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet as investment property based on the nature of the assets. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

1.12 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts, and other short-term highly liquid investments with original maturities of three months or less. In the balance sheet, bank overdrafts are included in borrowings.

1.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1. Summary of significant accounting policies - continued

1.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised, 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.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

1.15 Insurance contracts - classification

The Company issues contracts that transfer significant insurance risk and that are classified as insurance contracts. As a general guideline, the Company 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.

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.

1. **Summary of significant accounting policies** - continued

1.15 Insurance contracts - classification - continued

(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 or not enough reported ("IBNR" or "IBNER") 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 or not enough reported to the Company. 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 Company 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 Company and statistical analyses for the claims incurred but not reported or not enough reported. The Company does not discount its liabilities for unpaid claims.

The estimation of claims IBNR or IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, 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.

Reinsurance contracts held

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

The benefits to which the Company 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 Company assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account. The Company 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.

1. Summary of significant accounting policies - continued

1.15 Insurance contracts - classification - continued

Receivables and payables related to insurance contracts

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 Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account. The Company 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.

1.16 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

1.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.19 Dividend distribution

Dividends on ordinary shares or on cell shares are recognised in equity in the period in which they are declared by the directors or approved by the Company’s shareholders.

2. Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are frequently re-evaluated and based on product assessment of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate.

Provision is made as and when claims are notified for the estimated cost of claims. This estimate will include expenses to be incurred in settling the claim. All provisions for claims incurred but not settled by balance sheet date are carried forward to the following financial period. Given the uncertainty in establishing claims provisions, it is possible that the final outcome may prove to be different from the original liability estimated.

In reporting claims incurred and technical provisions the Company takes all reasonable steps to curtail any future deviations in establishing its liabilities by ensuring that it has appropriate information regarding its claims exposures and related future liabilities from the outset. The results of the Company's claims cost progression are disclosed in development tables included in Note 21

The Company believes that the liability arising from claims under insurance contracts is adequately reserved as at the financial year end.

3. Management of insurance and financial risk

3.1 Insurance risk

The Company issues contracts that transfer the insurance risk of the Company's clients. This section summarises these risks and how the Company manages them.

Insurance risk - Core

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, Private Medical and Travel and Personal Accident. Furthermore, the Company's portfolio is spread between personal lines and commercial lines business.

3. Management of insurance and financial risk - continued

3.1 Insurance risk - continued

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. The benefits of such diversification were manifest in 2020 when the hospitality sector was severely impacted by the pandemic.

Insurance risk - Cells

During the year the Company licensed one new cell on the 31st December. The Griffin Cell writes professional indemnity risks in Europe. Gemini Cell, L'Amie 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 proceeded with the exercise of being unwound which is expected to be concluded by Q2 in 2021. Yet again Ocado Cell did not write new business in 2020.

The pandemic has led to a reduction in the growth of existing cells but generally had a beneficial effect on claim activity.

L'Amie Cell started writing handset insurance in Croatia in late 2020 and remains active in its other markets though Travel class growth was stunted in 2020.

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.

Atlas' underwriting strategy on cells is that of underwriting the proposed cell holistically including, but certainly not limited to, the underlying insurance risk. The consideration of capitalization, parental guarantees backed by parental strength, reinsurance protection, premium volume, historical performance, experience of the proposer (and of outsourced entities like claim handlers) and other such factors lead to a case by case assessment of the overall risk of the cell to the core from a financial, operational and reputational perspective. Atlas seeks typically cells with little or low exposure to large event or single losses, strong cell owners and short tail risks. It will however consider cells which write larger exposures when backed by strongly rated reinsurance protection.

3.1.1 Frequency and severity of claims

Further details on insurance risk exposures for the Core are described below.

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

3. Management of insurance and financial risk - continued

3.1.1 Frequency and severity of claims - continued

(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 seems to have benefitted from the general reduction in traffic volumes resulting from the pandemic restrictions including home-working and reduced tourist numbers.

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

Property (including Business Interruption)

The gross property result sustained the impact of the increase in incurred value of the same large single claim which occurred late in 2019 and a limited number of pandemic-related claims. In all cases the effects of the claims were very much mitigated by reinsurance.

Miscellaneous accident
The nature of claims on Money, Glass, Goods in Transit and Fidelity relate very much to the prevalence of crime in Malta and 2020 showed no extraordinary experience in this respect.

Personal accident and travel

Travel class was severely impacted by the pandemic both in terms of reduced turnover and cancellation claims.

Marine

The marine portfolio in 2020 experienced a deterioration in hull results but a satisfactory result overall..

Health

The health account performed satisfactorily in 2020 aided in part by a diminution of elective health claims which were postponed during the initial months of the pandemic.

The Company manages all the above via:

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

(a) 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.

3. Management of insurance and financial risk - continued

3.1.1 Frequency and severity of claims - continued

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 normally 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. In the case of cells, the Company outsources claims handling to specialised third party administrators who, where necessary, may be permitted to sub-outsource certain services e.g. mobile phone repairs.

3. Management of insurance and financial risk - continued

3.1.1 Frequency and severity of claims - continued

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.

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 and in the case of such claims arising from cells, this function is performed by the outsourced specialist administrators and supervised by the relevant cell committee. 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 supervised by the chief underwriting officer.

3.1.2 Sources of uncertainty in estimation of future claims payments

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 manifested 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 the extent of reported liability claims take longer to be fully known and for such claims to be settled owing also to possible lengthy court proceedings, but, additionally, claims can take long to be even reported. For this reason, claims outstanding provisions for known claims must be adequately increased by provisions 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 the 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.

3. **Management of insurance and financial risk** - continued

3.1.2 **Sources of uncertainty in estimation of future claims payments** - continued

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

3.2 Financial risk management

The Company 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 Company's financial risk are market risk (cash flow and fair value interest rate risk, equity price 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.

The Company's 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.

3.2.1 Market risk

(a) Cash flow and fair value interest rate risk

In general, the Company 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 Company to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Company to fair value interest rate risk. The Company 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. Notes 15 and 25 incorporate interest rate and maturity information with respect to the Company's assets.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.1 Market risk - continued

(a) Cash flow and fair value interest rate risk - continued

The total assets and liabilities subject to interest rate risk are the following:

	2020 €	2019 €
Assets at floating interest rates - bank balances	**20,359,564**	13,581,260
Assets at fixed interest rates		
- Listed debt securities	**8,017,603**	8,415,161
- Deposits with banks or financial institutions	**279,187**	369,187
- Amounts owed from related parties	**739,816**	778,348
	29,396,170	23,143,956
Liabilities at floating interest rates - bank balance overdrawn	**-**	343,644

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.

Cash at bank subject to floating interest rates expose the Company to cash flow interest rate risk.

The sensitivity analysis for interest rate risk illustrates 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 2020 the Company was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 50 basis points (2019: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €289,845 higher (2019: €155,273 higher). An increase of 50 basis points (2019: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €60,241 lower (2019: €201,470 lower). Up to the end of the reporting period the Company 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.

(b) Equity price 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 Company reduces this risk by diversifying its investments in different countries and in different sectors.

The markets affected the portfolio negatively due to Covid-19 at worst experiencing a fair value loss of 7% on the opening balance at the beginning of 2020. By 31 December the portfolio recovered to a fair value loss of just over 1%.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.1 Market risk - continued

(b) Equity price risk - continued

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 Company's overall investment objective, which is principally the preservation of capital and liabilities.

The total assets subject to equity price risk are the following:

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Assets subject to equity price risk						
Equity securities	**4,427,836**	4,845,882	**-**	-	**4,427,836**	4,845,882
Units in unit trusts	**20,975,848**	19,665,364	**2,833,212**	5,257,786	**23,809,060**	24,923,151
	25,403,684	24,511,246	**2,833,212**	5,257,786	**28,236,896**	29,769,033

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged. A 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. An increase or a decrease of 10% (2019: 10%) in equity prices, with all other variables held constant, would result in an impact on the Core pre-tax profit for the year of €2,540,368 (2019: €2,451,125). An increase or a decrease of 10% (2019: 10%) in equity prices, with all other variables held constant, would result in an impact on the Cells pre-tax profit for the year of €283,321 (2019: €525,779).

(c) 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 Company 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 Company's technical reserves arising from its core operation are wholly denominated in euro due to the fact that all insurance policies are written in euro, funds covering such liabilities are largely invested in euro instruments.

Similarly, in managing its cells, the Company 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.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.1 Market risk - continued

(c) Currency risk - continued

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 Company's financial strength in matching its liabilities, primarily its insurance technical provisions.

At 31 December 2020, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,139,743, (2019: €1,775,555). If the above currencies had weakened or strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €377,602 (2019: €313,333) or higher by €279,097 (2019: €231,594).

3.2.2 Credit risk

The Company 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, as well as payment patterns. 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 Company's debtor base.

Routine reviews of payment history and the status of any ongoing negotiations with counterparties are 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 Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company 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 as stated in Note 3.1.1 (b).

The Company is also exposed to credit risk for its investments and its cash at bank. The Company'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.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk – continued

The Investment Committee takes account of the credit risk inherent in the Company'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 when considering payment patterns and/or assessment of counterparties and contractual arrangements.

The following table illustrates the assets that expose the Company to credit risk as at the balance sheet date and includes the Standard & Poor's (or equivalent) composite rating, when available. Financial assets that are not rated principally comprise locally traded bonds on the Malta Stock Exchange, debtors and certain deposits with local bank institutions for which no international rating is available.

Assets bearing credit risk at the end of the reporting period, split up between Core and Cell operations are analysed as follows:

	As at 31 December 2020							
	AAA to AA Core €	**A to A- Core €**	**BBB to B Core €**	**Not rated Core €**	**A to A- Cells**	**BBB to B Cells €**	**Not rated Cells €**	**Total €**
Investments								
Debt securities - listed fixed interest rate	**197,862**	**2,432,732**	**334,560**	**5,052,449**	**-**	**-**	**-**	**8,017,603**
Deposits with banks or financial institutions	**-**	**-**	**269,187**	**-**	**-**	**10,000**	**-**	**279,187**
	197,862	**2,432,732**	**603,747**	**5,052,449**	**-**	**10,000**	**-**	**8,296,790**
Loans and receivables								
Debtors and prepayments and accrued income	**-**	**-**	**-**	**5,710,998**	**-**	**-**	**18,041,563**	**23,752,561**
Cash equivalents	**-**	**-**	**1,682,402**	**3,787,658**	**5,048,182**	**2,743,323**	**7,097,999**	**20,359,564**
	-	**-**	**1,682,402**	**9,498,656**	**5,048,182**	**2,743,323**	**25,139,562**	**44,112,125**
Reinsurers' share of technical provisions	**20,101,116**	**2,824,529**	**-**	**2,946**	**-**	**10,155,553**	**-**	**33,084,144**
Total assets bearing credit risk	**20,298,978**	**5,257,261**	**2,286,149**	**14,554,051**	**5,048,182**	**12,908,876**	**25,139,562**	**85,493,059**

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.2 Credit risk - continued

	As at 31 December 2019						
	AAA to AA Core €	A to A- Core €	BBB to B Core €	Not rated Core €	BBB to B Cells €	Not rated Cells €	Total €
Investments							
Debt securities - listed fixed interest rate	171,014	2,213,095	625,834	5,405,218	-	-	8,415,161
Deposits with banks or financial institutions	-	-	369,187	-	-	-	369,187
	171,014	2,213,095	995,021	5,405,218	-	-	8,784,348
Loans and receivables							
Debtors and prepayments and accrued income	-	-	-	5,476,408	-	19,417,854	24,894,262
Cash equivalents	-	11,332	1,897,905	609,691	6,280,101	4,782,231	13,581,260
	-	11,332	1,897,905	6,086,099	6,280,101	24,200,085	38,475,522
Reinsurers' share of technical provisions	19,840,926	3,197,854	-	61,217	10,417,273	-	33,517,270
Total assets bearing credit risk	20,011,940	5,544,281	2,892,926	11,552,534	16,697,374	24,200,085	80,777,140

3.2.3 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 Company's financial assets and liabilities. The Company's 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 Company ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the Company may also resort to an overdraft facility which provides a short-term means of finance.

The table below analyses the Company's financial liabilities (gross of reinsurers' share of claims outstanding (Note 21) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.3 Liquidity risk - continued

Liquidity risk is split up between Core and Cell operations as follows:

As at 31 December 2020	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core					
Trade and other creditors	2,226,713	-	-	-	2,226,713
Accruals and deferred income	4,061,044	-	-	-	4,061,044
Cells					
Trade and other creditors	12,602,646	-	-	-	12,602,646
Accruals and deferred income	148,693	-	-	-	148,693
	19,039,096	-	-	-	19,039,096

As at 31 December 2020	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core					
Technical provisions					
- Claims outstanding	10,051,408	8,973,785	7,290,378	702,488	27,018,059
Cells					
Technical provisions					
- Claims outstanding	2,184,889	1,799,180	511,350	30,197	4,525,616
	12,236,297	10,772,965	7,801,728	732,685	31,543,675

As at 31 December 2019	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Core					
Trade and other creditors	1,633,701	-	-	-	1,633,701
Accruals and deferred income	4,380,967	-	-	-	4,380,967
Cells					
Trade and other creditors	13,091,813	-	-	-	13,091,813
Accruals and deferred income	131,686	-	-	-	131,686
	19,238,167	-	-	-	19,238,167

3. Management of insurance and financial risk - continued

3.2 Financial risk management - continued

3.2.3 Liquidity risk - continued

As at 31 December 2019 — **Expected undiscounted cash outflows**

	Less than one year	Between one and two years	Between two and five years	Over five years	Total
Core	€	€	€	€	€
Technical provisions					
- Claims outstanding	14,310,802	9,913,178	2,798,109	913,482	27,935,571
Cells					
Technical provisions					
- Claims outstanding	1,453,120	3,387,703	547,483	-	5,388,305
	15,763,922	13,300,881	3,345,592	913,482	33,323,876

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2020 and 2019:

	Core		**Cells**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	Level 1		Level 1		Level 1	
	€	€	**€**	€	**€**	€
Assets						
Financial assets at fair value through profit or loss						
- Equity securities and units in unit trusts	**25,403,684**	24,511,246	**2,833,212**	5,257,786	**28,236,896**	29,769,032
- Debt securities	**8,017,603**	8,415,161	**-**	-	**8,017,603**	8,415,161
Total assets	**33,421,287**	32,926,407	**2,833,212**	5,257,786	**36,254,499**	38,184,193

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. At 31 December 2020 and 2019, the carrying amount of the Company's other financial assets and liabilities approximate their fair value in view of their short-term maturity.

4. Net operating expenses

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Acquisition costs	**7,570,025**	6,583,736	**10,908,739**	7,177,164	**18,478,764**	13,760,900
Change in deferred acquisition costs (Note 17)	**(98,642)**	(856,813)	**103,039**	389,468	**4,397**	(467,345)
Administrative expenses	**4,551,601**	4,662,171	**463,796**	608,299	**5,015,397**	5,270,470
Reinsurance commission earned	**(6,474,758)**	(5,645,398)	**(8,509,772)**	(4,570,768)	**(14,984,530)**	(10,216,166)
Other net technical (income)/expense	**(440,219)**	(524,590)	**304,458**	306,522	**(135,761)**	(218,068)
	5,108,007	4,219,106	**3,270,260**	3,910,685	**8,378,267**	8,129,791

Total commissions included in acquisition costs and accounted for in the financial period amounted to €5,163,385 in respect of the core operations (2019: €4,707,801) and €10,908,739 in respect of the cell operations (2019: €6,211,963).

5. Investment return

Investment income

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Interest receivable from financial assets that are not at fair value through profit or loss	**36,140**	21,911	**4,042**	12,870	**40,182**	34,781
Net gains from financial assets at fair value through profit or loss:						
- dividend income	**123,574**	214,636	**-**	-	**123,574**	214,636
- net fair value gains	**120,411**	509,470	**-**	-	**120,411**	509,470
Other fair value gains/(losses) on financial assets at FVTPL	**(849,018)**	2,824,001	**(9,091)**	(20,692)	**(858,109)**	2,803,309
Dividend from subsidiary undertakings	**953,846**	725,000	**-**	-	**953,846**	725,000
Gain on disposal on investment property	**-**	264,532	**-**	-	**-**	264,532
Other fair value gains on investment property	**-**	519,050	**-**	-	**-**	519,050
Exchange differences	**(14,764)**	6,577	**40,361**	48,755	**25,597**	55,332
Rental income from investment property	**541,716**	349,300	**-**	-	**541,716**	349,300
	911,905	5,434,477	**35,312**	40,933	**947,217**	5,475,410

5. Investment return - continued

Investment expenses and Charges	Core 2020 €	Core 2019 €	Cells 2020 €	Cells 2019 €	Total 2020 €	Total 2019 €
Interest expense and charges on financial liabilities that are not at fair value through profit or loss	**162,396**	121,405	**11,371**	2,855	**173,767**	124,260
Investment expenses	**157,476**	117,812	**-**	-	**157,476**	117,812
Exchange differences	**-**	-	**24,162**	1,312	**24,162**	1,312
	319,872	239,217	**35,533**	4,167	**355,405**	243,384
Total investment return	**592,033**	5,195,260	**(221)**	36,766	**591,812**	5,232,026
Allocated investment return transferred to:						
general business technical account	**280,745**	2,449,337	**2,814**	19,731	**283,559**	2,469,068
non-technical account	**311,288**	2,745,923	**(3,035)**	17,035	**308,253**	2,762,958

6. Expenses by nature

	Core 2020 €	Core 2019 €	Cells 2020 €	Cells 2019 €	Total 2020 €	Total 2019 €
Employee benefit expense and directors' fees	**3,903,592**	3,539,925	**-**	-	**3,903,592**	3,539,925
Commissions payable	**5,163,385**	4,707,801	**10,908,739**	7,177,164	**16,072,124**	11,884,965
Change in deferred acquisition costs	**(98,643)**	(856,813)	**103,039**	389,468	**4,396**	(467,345)
Reinsurance commissions earned	**(6,474,758)**	(5,645,398)	**(8,509,772)**	(4,570,768)	**(14,984,530)**	(10,216,166)
Amortisation of intangible assets (Note 11)	**134,379**	3,612	**-**	-	**134,379**	3,612
Depreciation of property, plant and equipment (Note 12)	**483,008**	475,677	**-**	-	**483,008**	475,677
Auditor's fees	**71,000**	78,780	**62,875**	70,350	**133,875**	149,130
Other expenses	**2,056,034**	2,141,592	**771,689**	923,063	**2,827,723**	3,064,655
Total operating and administrative expenses	**5,237,997**	4,445,176	**3,336,570**	3,989,277	**8,574,567**	8,434,453
Allocated to:						
Technical account	**5,108,007**	4,219,106	**3,270,260**	3,910,685	**8,378,267**	8,129,791
Non-technical account	**129,990**	226,070	**66,310**	78,592	**196,300**	304,662

Employee expenses in note 6 above include the allocation of the claims department salaries to claims incurred. This differs from employee expenses in note 7 as this does not include the reclassification of such amount.

6. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

	2020	2019
	€	€
Annual statutory audit	**75,000**	69,500
Other assurance services	**41,500**	39,500
Tax advisory and compliance services	**16,815**	25,920
Other non-audit services	**560**	14,210
	133,875	149,130

Fees quotes above are exclusive of VAT.

7. Employee benefit expense

	2020	2019
	€	€
Salaries and related costs (including directors' salaries)	**5,057,574**	4,527,126
Social security costs	**300,861**	277,737
	5,358,435	4,804,863
Inter-company payroll charge	**(590,427)**	(327,932)
	4,768,008	4,476,931

The average number of persons employed during the year was:

	2020	2019
Directors	**7**	7
Managerial	**18**	17
Clerical	**118**	113
	143	137

8. Tax expense

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Current tax expense	**2,740,431**	2,147,733	**583,806**	403,828	**3,324,237**	2,551,561
Deferred tax charge/(credit) (Note 16)	**(494,116)**	914,942	**-**	-	**(494,116)**	914,942
Under provision in previous years	**11,005**	31,604	**-**	-	**11,005**	31,604
	2,257,320	3,094,279	**583,806**	403,828	**2,841,126**	3,498,107

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2020	2019
	€	€
Profit before tax	**7,562,991**	10,363,099
Tax on profit at 35%	**2,647,047**	3,627,085
Tax effect of:		
Differences due to the application of Flat Rate Foreign Tax Credit	**(10,315)**	(36,708)
Income subject to reduced rates of tax	**(108,343)**	(281,427)
Expenses not deductible for tax purposes	**31,919**	45,571
Capital gains tax on disposal of investment property	**2,400**	-
Over provision in previous years	**(140,134)**	37,797
Unrecognised temporary differences	**418,552**	148,307
Other movements	**-**	(42,518)
Tax charge in the accounts	**2,841,126**	3,498,107

9. Directors' emoluments

	2020	2019
	€	€
Salaries and other emoluments (including directors' fees)	**626,738**	500,283

During the year, benefits in kind valued at €12,377 (2019: €16,438) were provided to the directors.

10. Dividends declared

	2020	2019
	€	€
To the ordinary shareholders:		
Net	**1,000,000**	1,400,000
Dividends per ordinary share	**0.21**	0.29
To the cell shareholders:		
Cell 7	**-**	60,000
Cell 8	**-**	-
Cell 9	**-**	56,419
Net	**-**	116,419
Dividends per preference share		
Cell 7	**-**	0.11
Cell 8	**-**	-
Cell 9	**-**	0.17
Total dividends	**1,000,000**	1,516,419

On 24 February 2021, the Board approved the payment of a net interim dividend of €1,000,000 to the non-cellular shareholders.

On 23 March 2021, the Board approved the payment of a net dividend of €350,000 from the Gemini cell to its shareholder.

11. Intangible assets

	Customer relationships €	Computer Software €	Total €
At 1 January 2019			
Cost	194,735	533,248	727,983
Accumulated amortisation and impairment	(194,735)	(528,864)	(723,599)
Net book amount	**-**	**4,384**	**4,384**
Year ended 31 December 2019			
Opening net book amount	-	4,384	4,384
Additions	-	472	472
Amortisation charge	-	(3,612)	(3,612)
Closing net book amount	**-**	**1,244**	**1,244**
At 31 December 2019			
Cost	194,735	533,720	728,455
Accumulated amortisation and impairment	(194,735)	(532,476)	(727,211)
Net book amount	**-**	**1,244**	**1,244**
Year ended 31 December 2020			
Opening net book amount	-	1,244	1,244
Additions	-	668,034	668,034
Amortisation charge	-	(134,379)	(134,379)
Closing net book amount	**-**	**534,899**	**534,899**
At 31 December 2020			
Cost	194,735	1,201,754	1,396,489
Accumulated amortisation and impairment	(194,735)	(666,855)	(861,590)
Net book amount	**-**	**534,899**	**534,899**

12. Property, plant and equipment

	Land and buildings €	Improvements to leasehold premises €	Furniture, equipment and motor vehicles €	Total €
At 31 December 2018				
Cost or revaluation	4,552,769	2,006,906	3,987,847	10,547,522
Accumulated depreciation	(136,582)	(1,218,931)	(3,092,098)	(4,447,611)
Net book amount	**4,416,187**	**787,975**	**895,749**	**6,099,911**
Year ended 31 December 2019				
Opening net book amount	4,416,187	787,975	895,749	6,099,911
Additions	177,573	134,523	234,045	546,141
Revaluation surplus	2,101,360	-	-	2,101,360
Disposals	-	-	(61,519)	(61,519)
Depreciation charge	(68,317)	(145,810)	(261,550)	(475,677)
Depreciation released on disposal	-	-	61,519	61,519
Closing net book amount	**6,626,803**	**776,688**	**868,244**	**8,271,735**
At 31 December 2019				
Cost or revaluation	6,626,803	2,141,429	4,160,373	12,928,605
Accumulated depreciation	-	(1,364,741)	(3,292,129)	(4,656,870)
Net book amount	**6,626,803**	**776,688**	**868,244**	**8,271,735**
Year ended 31 December 2020				
Opening net book amount	6,626,803	776,688	868,244	8,271,735
Additions	171,932	133,435	167,408	472,775
Reclassification to investment property	(177,573)	-	-	(177,573)
Disposals	-	-	(58,183)	(58,183)
Depreciation charge	(68,260)	(155,547)	(259,201)	(483,008)
Depreciation released on disposal	-	-	58,183	58,183
Closing net book amount	**6,552,902**	**754,576**	**776,451**	**8,083,929**
At 31 December 2020				
Cost or revaluation	6,621,162	2,274,864	4,269,598	13,165,624
Accumulated depreciation	(68,260)	(1,520,288)	(3,493,147)	(5,081,695)
Net book amount	**6,552,902**	**754,576**	**776,451**	**8,083,929**

12. Property, plant and equipment - continued

Fair value of Property

The Company's property used in operations and investment property were revalued during 2019 based on professional independent valuations dated 26 October 2019.

The Company is required to disclose fair value measurements by level of the following fair value measurement hierarchy for non-financial assets carried at fair value. These have been defined in Note 3.3 to the financial statements.

The Company's recurring fair value measurements are categorised as level 3 as they are based on significant unobservable inputs. The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. During the current financial year there were no transfers between the fair value levels.

The Company's property used in operations represents property predominantly located in Ta' Xbiex. The Company's investment properties represent property located in Mellieha, Imriehel and Sliema. The current value of both categories of property equates to the highest and best use.

A reconciliation between the opening balance and the closing balance of the properties' carrying amount is presented in the table above and in the table in Note 13, for property used in operations and for investment properties, respectively.

Valuation process and techniques

The Company's property is valued on periodic basis 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 valuation was determined using the sales comparison approach. Properties valued using this approach take into consideration comparable properties in close proximity. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. In view of the ongoing Covid-19 pandemic, during 2020 a detailed professional valuation exercise was carried out on the investment properties held. This was done using a combination of techniques applying the discounted cashflows approach and the capitalisation approach. Key assumptions into this valuation process included rental income as disclosed in Note 5, rental yields ranging from 5.1% to 5.6% and discount factors ranging from 6.2% and 8.3%. This exercise confirmed that the value of the properties held on the balance sheet at year end does not materially differ from the professional valuation and is in line with the valuation outputs.

The directors further considered that the value of land and buildings included within property, plant and equipment did not change materially as at 31 December with an average price per square metre of €3,146.

12. Property, plant and equipment - continued

Valuation process and techniques - continued

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020	2019
	€	€
Cost	**5,323,041**	5,151,109
Accumulated depreciation	**(515,630)**	(447,370)
Net book amount	**4,807,411**	4,703,739

Leases – where Company is a lessee

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020	2019
	€	€
Right-of-use assets		
Current	**203,126**	266,438
Non-current	**104,159**	102,711
	307,285	369,149
Lease liabilities		
Current	**240,726**	305,779
Non-current	**66,502**	64,713
	307,228	370,492

There were no additions to the right-of-use assets during 2020.

(ii) Amounts recognised in the profit and loss account

	2020	2019
	€	€
Interest expense (included in Administrative expenses)	**61,864**	58,607

The total cash outflow for leases in 2020 was €85,758 (2019: €77,056).

13. Land and buildings - investment property

	2020	2019
	€	€
Year ended 31 December		
At beginning of year	**11,220,883**	5,746,210
Disposals	**(950,000)**	(1,640,000)
Reclassification from property, plant and equipment	**180,713**	-
Fair value increase	**-**	519,050
Additions	**47,570**	6,595,623
At end of year	**10,499,166**	11,220,883
At 31 December		
Carrying amount	**10,499,166**	11,220,883

The valuation process and techniques are included under Note 12. Investment property with a carrying amount of €950,000 was sold to a third party. In addition, the Company entered in a promise of sale agreement in relation to another property. If the investment property was stated on the historical cost basis, the amounts would be as follows:

	2020	2019
	€	€
Cost	**9,964,204**	10,685,921
Accumulated depreciation	**(285,549)**	(217,289)
Net book amount	**9,678,655**	10,468,632

(i) Amounts recognised in profit or loss for investment properties

	2020	2019
	€	€
Rental income from operating leases	**541,716**	349,300
Fair value gain recognised in profit and loss account	**-**	519,050

(ii) Leasing arrangements - Minimum lease payments receivable on leases of investment properties are as follows:

	2020	2019
	€	€
Within 1 year	**503,827**	548,077
Between 1 and 5 years	**1,957,718**	2,260,686
Later than 5 years	**322,423**	609,036
	2,783,968	3,417,799

14. Investment in subsidiaries and associates

Subsidiaries	**2020**	2019
	€	€
Year ended 31 December		
At beginning and end of year	**748,058**	748,058
	748,058	748,058

The subsidiaries and associates at 31 December 2020 and 2019 are shown below:

Name of subsidiary	**Registered office**	**Class of shares**	**Percentage of shares held 2020**	2019
Atlas Healthcare Insurance Agency Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	**100%**	100%
Eagle Star (Malta) Ltd	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares	**100%**	100%
Stuart Property Development Ltd	48-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary 'A' shares Ordinary 'B' shares	**45.8%**	45.8%

Associates	**2020**	2019
	€	€
Year ended 31 December		
At beginning and end of year	**378,500**	3,500
Additions	**-**	375,000
	378,500	378,500

Name of associates	**Registered office**	**Class of shares**	**Percentage of shares held 2020**	2019
SRS Management Europe PCC Limited	47-50, Ta' Xbiex Seafront Ta' Xbiex	Ordinary Core 'B' shares	**9%**	25%
IvaLife Insurance Limited	Gaba Buildings, Level 2, Naxxar Road, Iklin	Ordinary shares 20% paid up	**25%**	25%

The investment of Atlas Insurance PCC Limited in Stuart Property Development Limited represents 45.8% of the shares issued, and 50% of the voting shares. In terms of the Memorandum of Association, Atlas Insurance PCC Limited is entitled to appoint two directors out of a board of four directors. As an ordinary 'A' shareholder, Atlas Insurance PCC Limited is entitled to elect the Chairman of the Board. The Chairman has a casting vote both in the case of a tie during board meetings, as well as in case of a tie during general meetings. Accordingly, such investment is being considered as a subsidiary since Atlas Insurance PCC Limited has the power over the investee; and rights to variable returns from its involvement with the investee as well as the ability to use its power over the investee to affect the amount of the shareholders' returns.

15. Investments

The investments are summarised by measurement category in the table below.

	2020	2019
	€	€
Fair value through profit or loss	**36,254,499**	38,184,193
Loans and receivables	**1,019,003**	1,147,535
	37,273,502	39,331,728

(a) Investments at fair value through profit or loss

	Core		**Cells**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
At 31 December						
Equity securities and units in unit trusts	**25,403,684**	24,511,246	**2,833,212**	5,257,786	**28,236,896**	29,769,032
Debt securities – listed fixed interest rate	**8,017,603**	8,415,161	**-**	-	**8,017,603**	8,415,161
Total investments at fair value through profit or loss	**33,421,287**	32,926,407	**2,833,212**	5,257,786	**36,254,499**	38,184,193

Equity securities and units in unit trusts are classified as non-current.

Maturity of fixed income debt securities:

	2020	2019
	€	€
Within 1 year	**367,432**	164,802
Between 1 and 2 years	**572,262**	650,484
Between 2 and 5 years	**2,136,740**	3,239,594
Over 5 years	**4,941,169**	4,360,281
	8,017,603	8,415,161
Weighted average effective interest rate	**3.51%**	4.10%

15. **Investments** - continued

The movements for the year are summarised as follows:

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**32,926,407**	29,695,328	**5,257,786**	5,189,243	**38,184,193**	34,884,571
Additions	**6,462,549**	3,895,323	**1,415,895**	-	**7,878,444**	3,895,323
Disposals	**(5,118,651)**	(3,488,244)	**(3,835,483)**	-	**(8,954,134)**	(3,488,244)
Fair value gains/(losses)	**(849,018)**	2,824,000	**(4,986)**	68,543	**(854,004)**	2,892,544
At end of year	**33,421,287**	32,926,407	**2,833,212**	5,257,786	**36,254,499**	38,184,193
As at 31 December						
Cost	**29,487,524**	28,163,391	**2,873,757**	5,293,345	**32,361,281**	33,063,253
Accumulated net fair value gains	**3,933,763**	4,763,015	**(40,545)**	(35,559)	**3,893,218**	5,120,940
	33,421,287	32,926,406	**2,833,212**	5,257,786	**36,254,499**	38,184,193

(b) Loans and receivables

	2020	2019
	€	€
At 31 December		
Deposits with banks or financial institutions (i)	**279,187**	369,187
Loan to related party (ii)	**739,816**	778,348
	1,019,003	1,147,535

(i) Deposits with banks or financial institutions

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Within 3 months	**269,187**	369,187	**10,000**	-	**279,187**	369,187

The deposits with banks or financial institutions earn interest as follows:

	2020	2019
	€	€
At fixed rates	**279,187**	369,187
Weighted average effective interest rate	**0.1%**	0.1%

15. **Investments** - continued

(ii) Loan to related party

The loan to the related party is subject to interest of 4.75%, secured by special hypothec and special privilege on commercial property and is repayable by not later than 15 May 2034.

16. Deferred taxation

	2020	2019
	€	€
Year ended 31 December		
At beginning of year	**(2,459,902)**	(1,323,898)
Credited/(charged) to other comprehensive income (Note 20)	**7,390**	(221,062)
Credited/(charged) to profit and loss account (Note 8)	**494,116**	(914,942)
At end of year	**(1,958,396)**	(2,459,902)

The total deferred tax liability is not expected to fall due within 12 months.

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2019: 35%) with the exception of investment property and freehold and other property, for which deferred taxes are calculated using a tax rate of 8% or 10% of the carrying amount (2019: 8% or 10%) depending on acquisition dates.

The balance at 31 December represents temporary differences on:

	2020	2019
	€	€
Revaluation of property, plant and equipment - land and buildings	**(452,635)**	(460,025)
Revaluation of investment property	**(124,040)**	(200,040)
Temporary differences on:		
- Financial investments at fair value through profit or loss	**(1,376,817)**	(1,789,434)
- Fixed assets	**(41,846)**	(34,861)
- Provisions	**36,942**	24,458
	(1,958,396)	(2,459,902)

Movements in deferred tax arising on revaluation of land and buildings are accounted for in Other comprehensive income. All other temporary differences are accounted for in the profit and loss account. Deferred income taxes and liabilities are offset when there is a legally enforceable right to set-off under the Malta Income Tax regime.

17. Deferred acquisition costs

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Year ended 31 December						
At beginning of year	**1,713,742**	856,929	**602,478**	987,735	**2,316,220**	1,844,664
Net amount credited to profit and loss account (Note 4)	**98,642**	856,813	**(103,039)**	(389,468)	**(4,397)**	467,345
Exchange differences resulting from translation to presentation currency	**-**	-	**(3,505)**	4,211	**(3,505)**	4,211
At end of year	**1,812,384**	1,713,742	**495,934**	602,478	**2,308,318**	2,316,220
Current portion	**1,812,384**	1,713,742	**495,934**	602,478	**2,308,318**	2,316,220

18. Debtors and prepayments and accrued income

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Debtors arising from direct insurance operations						
Due from policyholders	**1,954,646**	1,907,915	**-**	-	**1,954,646**	1,907,915
Due from agents, brokers and intermediaries	**2,247,904**	2,503,049	**-**	-	**2,247,904**	2,503,049
Due from reinsurers	**54,142**	255,018	**-**	-	**54,142**	255,018
	4,256,692	4,665,982	**-**	-	**4,256,692**	4,665,982
Other debtors						
Receivable from parent	**-**	23,684	**-**	-	**-**	23,684
Receivable from subsidiaries	**639,724**	79,716	**-**	-	**639,724**	79,716
Receivable from related parties	**52,660**	157,677	**17,828,868**	19,197,278	**17,881,528**	19,354,955
Other debtors	**194,477**	216,334	**-**	-	**194,477**	216,334
	886,861	477,411	**17,828,868**	19,197,278	**18,715,729**	19,674,689
Prepayments and accrued income						
Prepayments	**488,908**	55,234	**212,695**	220,576	**701,603**	275,810
Accrued interest	**78,537**	277,781	**-**	-	**78,537**	277,781
	567,445	333,015	**212,695**	220,576	**780,140**	553,591
Total debtors and prepayments and accrued income	**5,710,998**	5,476,408	**18,041,563**	19,417,854	**23,752,561**	24,894,262
Current portion	**5,710,998**	5,476,408	**18,041,563**	19,417,854	**23,752,561**	24,894,262

Core debtors are presented net of an allowance for impairment of €105,546 (2019: €69,881). As at 31 December 2020, total debtors amounting to €3,671,605 (2019: €3,721,745) were fully performing, whereas debtors amounting to €1,471,948 (2019: €1,421,648) were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of significant default. The ageing analysis of amounts past due but not impaired is as follows:

	2020	2019
	€	€
Up to 3 months	**1,061,504**	1,056,341
3 to 9 months	**249,705**	317,924
More than 9 months	**160,739**	47,383
	1,471,948	1,421,648

Receivables from group undertakings and related parties are unsecured, interest free and repayable on demand.

€1,806,541 receivables for cells are due whilst €16,022,327 receivables are not yet due.

19. Share capital

	2020	2019
	€	€
Authorised share capital:		
4,997,000 'A' ordinary voting shares of €2.50 each	**12,492,500**	12,492,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
6,000,000 cell shares of €2.50 each	**15,000,000**	15,000,000
	27,500,000	27,500,000
Core		
Issued and fully paid up share capital:		
4,797,000 'A' ordinary voting shares of €2.50 each	**11,992,500**	11,992,500
3,000 'B' cumulative preference shares of €2.50 each	**7,500**	7,500
	12,000,000	12,000,000
Cells		
Cell 1		
Issued and 100% paid up share capital: 1,466,240 cell shares	**3,665,600**	3,665,600
Cell 2		
Issued and 80% paid up share capital: 155,000 cell shares	**-**	-
Cell 4		
Issued and 50% paid up share capital: 1,309,377 cell shares	**1,871,721**	1,871,721
Cell 5		
Issued and 100% paid up share capital: 1,500,000 cell shares	**3,750,000**	-
Cell 7		
Issued and 67.5% paid up share capital: 544,215 cell shares	**918,363**	918,363
Cell 8		
Issued and 44.5% paid up share capital: 900,000 cell shares	**1,000,125**	1,000,125
Cell 9		
Issued and 55% paid up share capital:369,032 (2018: 328,000) cell shares	**507,419**	507,419
Cell 10		
Issued and 100% paid up share capital: 240,000 cell shares	**600,000**	600,000
	12,313,228	8,563,228
Total share capital	**24,313,228**	20,563,228

All cell shares have a nominal value of €2.50 each.

1,500,000 shares have been issued and paid up through the addition of Cell 5 by means of an extraordinary resolution dated 13 July 2020. This became effective on 31 December 2020.

20. Reserves

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Revaluation reserve	**4,140,751**	4,133,361	**-**	-	**4,140,751**	4,133,361
Functional currency exchange reserve	**-**	-	**(963,114)**	(450,423)	**(963,114)**	(450,423)
General reserve	**201,542**	201,542	**-**	-	**201,542**	201,542
Total other reserves	**4,342,293**	4,334,903	**(963,114)**	(450,423)	**3,379,179**	3,884,480

Revaluation reserve

	Core	
	2020	2019
	€	€
Year ended 31 December		
At beginning of year	**4,133,361**	2,253,063
Property, plant and equipment – land and buildings:		
Revaluation increase (Note 13)	**-**	2,101,360
Movement in deferred tax (Note 16)	**7,390**	(221,062)
At end of year	**4,140,751**	4,133,361

Functional currency exchange reserve

	Cells	
	2020	2019
	€	€
Year ended 31 December		
At beginning of year	**(450,423)**	(919,539)
Exchange differences resulting from translation to presentation currency	**(512,691)**	469,116
At end of year	**(963,114)**	(450,423)

20. Reserves - continued

The movements during the year are accounted for in other comprehensive income.

Revaluation reserve represents the revaluation surplus on freehold and other property, net of deferred tax.

Functional currency exchange reserve represents changes in the functional currency to that of the operating currency for cellular operations.

The directors consider other reserves to be non-distributable.

Profit and loss account

	2020	2019
	€	€
Core	**22,311,454**	18,488,517
Cells		
Cell 1	**2,220,186**	2,340,827
Cell 4	**(611,679)**	(94,921)
Cell 5	**9**	-
Cell 7	**852,574**	459,996
Cell 8	**(212,479)**	539,061
Cell 9	**1,105,399**	526,706
Cell 10	**125,375**	(191,212)
	3,479,385	3,580,457
Total profit and loss account	**25,790,839**	22,068,974

The profit and loss account balance represents the amount available for dividend distribution to the respective shareholders, except any amount that is not distributable in terms of the solvency capital requirements and any amount that is not distributable under the Maltese Companies Act (Cap.386), as it represents unrealised profits.

21. Technical provisions and reinsurance assets

Gross technical provisions	**Core**		**Cells**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Claims reported and loss adjustment expenses	**23,924,208**	24,790,456	**2,853,198**	2,683,730	**26,777,406**	27,474,186
Claims incurred but not reported	**3,093,851**	3,145,115	**1,304,684**	2,704,576	**4,398,535**	5,849,691
Unearned premiums	**16,737,838**	15,977,933	**13,205,395**	14,896,550	**29,943,233**	30,874,483
Total insurance liabilities, gross	**43,755,897**	43,913,504	**17,363,277**	20,284,856	**61,119,174**	64,198,360
Reinsurers' share of technical provisions						
Claims reported and loss adjustment expenses	**13,337,906**	13,782,235	**1,114,546**	641,340	**14,452,452**	14,423,575
Claims incurred but not reported	**1,986,674**	2,008,725	**54,974**	-	**2,041,648**	2,008,725
Unearned premiums	**7,604,011**	7,309,036	**8,986,033**	9,775,933	**16,590,044**	17,084,969
Total reinsurers' share of insurance liabilities	**22,928,591**	23,099,996	**10,155,553**	10,417,273	**33,084,144**	33,517,269
Net technical provisions						
Claims reported and loss adjustment expenses	**10,586,302**	11,008,221	**1,738,652**	2,042,390	**12,324,954**	13,050,611
Claims incurred but not reported	**1,107,177**	1,136,390	**1,249,710**	2,704,576	**2,356,887**	3,840,966
Unearned premiums	**9,133,827**	8,668,897	**4,219,362**	5,120,617	**13,353,189**	13,789,514
	20,827,306	20,813,508	**7,207,724**	9,867,583	**28,035,030**	30,681,091

Maturity information related to claims outstanding and claims incurred but not reported is presented in Note 3.2.3. Unearned premium for the core is current in nature.

21. Technical provisions and reinsurance assets - continued

The Company 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. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. 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 Company, 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 estimated cost of unpaid claims the Company uses statistical analyses of historical experience in order to identify the IBNR component to be added to its known claims reserves. The basic assumption that the development pattern of the current claims will be consistent with past experience is also complemented with allowance for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

A provision to cover claims handling was introduced and is based on an estimated settlement fee on the number of open claims outstanding at year end. A subrogation or salvage recovery on gross claims has also been recognised and is based on statistical analyses of historical experience.

Unearned premium reserves are formulated on a 365^{ths} time apportionment basis of calculation. This method of calculation proves to be the most accurate in determining this provision as at the balance sheet date. These liabilities are reflective of that amount of premium remaining unearned on an individual policy basis, aggregated to determine the Company’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.

The risk and claim profile of the Company do not indicate any conditions or variables that are likely to impact significantly upon the Company’s cash flow. During the year there were no significant changes required in the assumptions used to estimate the ultimate cost of claims.

Favourable variations arising on prior year claims are indicative of a prudent reserving methodology.

The negative gross movement on the development of the Core's claim development largely results from a singular event which is mitigated on a net basis.

21. Technical provisions and reinsurance assets - continued

The reasonableness of the estimation processes on claims is monitored using claims' cost progression tables. These are reproduced below:

Estimate of the ultimate Gross claims costs for the Core:

	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	Total €
- at end of reporting year	8,302,389	9,790,944	10,344,366	11,283,117	15,231,792	14,400,164	19,016,753	16,389,345	25,132,054	21,081,989	150,972,913
- one year later	7,276,342	8,583,139	9,373,332	9,022,726	13,446,678	13,173,332	15,576,521	15,123,712	28,626,726		120,020,508
- two years later	6,581,449	8,062,640	8,761,064	8,015,028	12,337,696	12,351,302	14,143,021	13,417,732			83,669,932
- three years later	6,138,583	7,686,076	8,553,785	7,802,011	11,838,299	12,157,822	13,651,274				67,827,850
- four years later	6,014,570	7,585,657	8,405,629	7,625,992	11,666,675	11,736,936					53,035,459
- five years later	5,938,102	7,444,976	8,346,294	7,486,864	11,475,199						40,691,435
- six years later	5,913,793	7,428,855	8,331,443	7,463,982							29,138,073
- seven years later	5,899,550	7,436,463	8,276,871								21,612,884
- eight years later	5,890,541	7,370,899									13,261,440
- nine years later	5,884,536										5,884,636
Current estimates of : Cumulative claims	5,884,636	7,370,899	8,276,871	7,463,982	11,475,199	11,736,936	13,651,274	13,417,732	28,626,726	21,081,989	128,986,244
Cumulative payments to date	(5,870,691)	(7,361,396)	(8,101,376)	(7,444,542)	(11,052,560)	(10,014,884)	(8,505,587)	(11,324,366)	(21,746,307)	(11,030,581)	(102,452,290)
Liability recognised in the balance sheet	13,945	9,503	175,495	19,440	422,639	1,722,052	5,145,687	2,093,366	6,880,419	10,051,408	26,533,954
Liability in respect of prior Years											484,105
Total liability included in the balance sheet											27,018,059

21. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Net claims costs for the Core:

	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	Total €
- at end of reporting year	6,822,148	7,278,905	8,039,367	7,768,761	9,431,033	10,106,850	9,212,017	9,983,389	10,845,598	10,084,733	89,572,801
- one year later	5,964,826	6,476,750	7,258,996	6,881,159	8,675,037	9,465,006	8,502,035	9,266,810	9,932,356		72,422,975
- two years later	5,494,456	6,056,331	6,642,433	6,357,253	7,697,462	8,589,373	7,553,094	8,175,838			56,566,240
- three years later	5,088,202	5,808,076	6,470,996	6,170,581	7,267,099	8,430,599	7,092,908				46,328,461
- four years later	4,971,888	5,736,542	6,362,895	6,044,203	7,115,980	8,364,577					38,596,085
- five years later	4,892,818	5,640,427	6,315,891	5,905,075	6,949,363						29,703,,574
- six years later	4,871,086	5,623,081	6,304,381	5,882,192							22,680,740
- seven years later	4,864,482	5,630,403	6,286,294								16,781,179
- eight years later	4,856,088	5,564,910									10,420,998
- nine years later	4,850,184										4,850,184
Current estimates of :											
Cumulative claims	4,850,184	5,564,910	6,286,294	5,882,192	6,949,363	8,364,577	7,092,908	8,175,838	9,932,356	10,084,733	73,183,355
Cumulative payments to date	(4,836,201)	(5,557,160)	(6,117,679)	(5,862,949)	(6,648,633)	(6,928,527)	(6,314,743)	(6,783,240)	(7,612,003)	(5,285,171)	(61,946,306)
Liability recognised in the balance sheet	13,983	7,750	168,615	19,243	300,730	1,436,050	778,165	1,392,598	2,320,353	4,799,562	11,237,049
Liability in respect of prior Years											456,430
Total liability included in the balance sheet											11,693,479

21. Technical provisions and reinsurance assets - continued

Estimate of the ultimate Gross claims costs for the Cells:

Cells	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	Total €
- at end of reporting year	2,097,027	2,128,125	10,125,682	4,535,651	6,724,620	8,735,822	6,127,242	7,712,128	7,983,912	12,020,429	68,190,638
- one year later	1,921,989	1,929,797	10,664,268	4,479,656	6,742,010	8,252,379	7,035,776	8,484,048	8,072,515		57,582,439
- two years later	1,640,648	1,938,163	18,018,955	4,427,930	6,296,589	6,934,553	7,614,027	8,540,668			55,411,532
- three years later	1,681,901	1,747,566	15,834,488	4,404,344	6,028,773	7,029,526	7,912,944				44,639,542
- four years later	1,636,471	1,653,096	31,496,234	4,266,199	5,880,288	7,233,805					52,166,093
- five years later	1,612,358	1,593,776	28,402,615	4,134,131	5,851,376						41,594,256
- six years later	1,525,953	1,620,465	28,377,046	4,103,542							35,627,006
- seven years later	1,527,312	1,615,303	28,377,046								31,519,661
- eight years later	1,527,312	1,615,303									3,142,615
- nine years later	1,527,312										1,527,312
Current estimates of: Cumulative claims	1,527,312	1,615,303	28,377,046	4,103,542	5,851,376	7,233,805	7,912,944	8,540,668	8,072,515	12,020,429	85,254,940
Cumulative payments to date	(1,620,082)	(1,615,035)	(28,805,654)	(4,008,247)	(5,354,859)	(6,953,654)	(7,092,748)	(7,556,540)	(7,784,,825)	(10,520,688)	(81,312,332)
Other movements	92,770	(268)	428,608	(65,097)	(474,624)	(124,807)	(598,513)	29,555	51,310	876,340	215,274
Liability recognised in the balance sheet	-	-	-	30,198	21,893	155,344	221,683	1,013,683	339,000	2,376,081	4,157,882

21. **Technical provisions and reinsurance assets** - continued

Estimate of the ultimate Net claims costs for the Cells:

Cells	2011 €	2012 €	2013 €	2014 €	2015 €	2016 €	2017 €	2018 €	2019 €	2020 €	Total €
- at end of reporting year	2,097,027	2,128,125	2,895,624	4,535,651	6,724,620	7,334,247	6,080,980	7,479,885	5,504,942	5,894,390	50,675,491
- one year later	1,921,989	1,929,797	2,886,026	4,479,656	6,681,076	7,315,606	7,035,889	7,666,768	5,760,700		45,677,508
- two years later	1,640,648	1,938,163	2,911,341	4,427,930	6,296,769	6,526,799	7,614,630	7,722,596			39,078,876
- three years later	1,681,901	1,747,566	2,592,339	4,352,572	6,080,852	7,150,790	7,867,305				31,473,325
- four years later	1,636,471	1,653,096	2,330,649	4,214,427	5,938,505	7,301,395					23,074,543
- five years later	1,612,358	1,593,776	2,377,846	4,082,359	5,879,329						15,545,668
- six years later	1,525,953	1,620,465	2,112,504	4,082,359							9,341,281
- seven years later	1,527,312	1,615,303	2,112,504								5,255,119
- eight years later	1,527,312	1,615,303									3,142,615
- nine years later	1,527,312										1,527,312
Current estimates of:											
Cumulative claims	1,527,312	1,615,303	2,112,504	4,082,359	5,879,329	7,301,395	7,867,305	7,722,596	5,760,700	5,894,390	49,763,193
Cumulative payments to date	(1,790,760)	(1,656,080)	(3,949,630)	(4,051,195)	(5,364,961)	(6,496,960)	(6,955,600)	(7,131,874)	(6,364,156)	(4,108,828)	(47,870,044)
Other movements	263,448	40,777	1,837,126	(1,624)	(484,827)	(690,523)	(739,271)	361,493	942,456	(433,842)	1,095,213
Liability recognised in the balance sheet	-	-	-	29,540	29,541	113,912	172,434	952,215	339,000	1,351,720	2,988,362

The cells' claims progression table includes developments on an accident year basis.

21. Technical provisions and reinsurance assets - continued

(a) Claims and loss adjustment expenses - Core

	Year ended 31 December 2020			Year ended 31 December 2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	€	**€**	**€**	€	€	€
Notified claims still outstanding	**24,790,456**	**(13,782,235)**	**11,008,221**	20,986,403	(10,010,262)	10,976,141
Incurred but not reported	**3,145,115**	**(2,008,725)**	**1,136,390**	1,931,947	(958,227)	973,720
Total at beginning of year	**27,935,571**	**(15,790,960)**	**12,144,611**	22,918,350	(10,968,489)	11,949,861
Increase in liabilities:						
- arising from current year claims	**21,081,989**	**(10,997,256)**	**10,084,733**	25,132,054	(14,286,456)	10,845,598
- arising from prior year claims	**395,950**	**(3,298,195)**	**(2,902,245)**	(4,306,042)	2,016,680	(2,289,362)
Claims settled during the year	**(22,395,451)**	**14,761,831**	**(7,633,620)**	(15,808,791)	7,447,305	(8,361,486)
Total at end of year	**27,018,059**	**(15,324,580)**	**11,693,479**	27,935,571	(15,790,960)	12,144,611
Notified claims still outstanding	**23,924,208**	**(13,337,906)**	**10,586,302**	24,790,456	(13,782,235)	11,008,221
Incurred but not reported	**3,093,851**	**(1,986,674)**	**1,107,177**	3,145,115	(2,008,725)	1,136,390
Total at end of year	**27,018,059**	**(15,324,580)**	**11,693,479**	27,935,571	(15,790,960)	12,144,611

The claims payments reflected in the triangulation for the Core are not inclusive of payroll allocated to claims paid on the income statement.

(a) Claims and loss adjustment expenses - Cells

	Year ended 31 December 2020			Year ended 31 December 2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	€	**€**	**€**	€	€	€
Notified claims still outstanding	**2,683,730**	**(641,340)**	**2,042,390**	3,188,398	(514,688)	2,673,710
Incurred but not reported	**2,704,576**	**-**	**2,704,576**	1,651,064	-	1,651,064
Total at beginning of year	**5,388,306**	**(641,340)**	**4,746,966**	4,839,462	(514,688)	4,324,774
Increase in liabilities:	**12,617,173**	**(6,059,456)**	**6,557,717**	9,252,387	(2,919,930)	6,332,457
- arising from current year claims	**12,020,429**	**(6,126,039)**	**5,894,390**	7,983,912	(2,478,970)	5,504,942
- arising from prior year claims	**596,744**	**66,583**	**663,327**	1,268,475	(440,960)	827,515
Claims settled during the year	**(13,717,879)**	**5,523,601**	**(8,194,278)**	(8,909,471)	2,894,188	(6,015,283)
Other movements	**(129,718)**	**7,675**	**(122,043)**	205,928	(100,910)	105,018
Total at end of year	**4,157,882**	**(1,169,520)**	**2,988,362**	5,388,306	(641,340)	4,746,966
Notified claims still outstanding	**2,853,198**	**(1,114,546)**	**1,738,652**	2,683,730	(641,340)	2,042,390
Incurred but not reported	**1,304,684**	**(54,974)**	**1,249,710**	2,704,576	-	2,704,576
Total at end of year	**4,157,882**	**(1,169,520)**	**2,988,362**	5,388,306	(641,340)	4,746,966

21. Technical provisions and reinsurance assets - continued

(b) Gross and Net unearned premiums - Core

	Year ended 31 December 2020			Year ended 31 December 2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	€	**€**	**€**	€	€	€
At beginning of year	**15,977,933**	**(7,309,036)**	**8,668,897**	11,596,550	(4,538,584)	7,057,966
Net charge/(credit) to profit and loss	**759,905**	**(294,975)**	**464,930**	4,381,383	(2,770,452)	1,610,931
At end of year	**16,737,838**	**(7,604,011)**	**9,133,827**	15,977,933	(7,309,036)	8,668,897

(c) Gross and Net unearned premiums - Cells

	Year ended 31 December 2020			Year ended 31 December 2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	€	**€**	**€**	€	€	€
At beginning of year	**14,896,550**	**(9,775,933)**	**5,120,617**	11,209,577	(4,805,691)	6,403,886
Net charge/(credit) to profit and loss	**(1,677,178)**	**789,878**	**(887,300)**	5,117,400	(4,987,386)	130,014
Other movements	**(13,977)**	**22**	**(13,955)**	(1,430,427)	17,144	(1,413,283)
At end of year	**13,205,395**	**(8,986,033)**	**4,219,362**	14,896,550	(9,775,933)	5,120,617

22. Borrowings

	2020	2019
	€	€
Bank balance overdrawn (Note 25)	**-**	343,644

23. Creditors and accruals and deferred income

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Creditors arising out of direct insurance operations						
Trade creditors	**974,247**	1,137,414	**1,733,083**	1,908,373	**2,707,330**	3,045,787
Payable to reinsurers	**588,026**	303,655	**10,202,397**	10,618,282	**10,790,423**	10,921,937
	1,562,273	1,441,069	**11,935,480**	12,526,655	**13,497,753**	13,967,724
Other creditors						
Payable to parent	**94,393**	-	**-**	-	**94,393**	-
Payable to related parties	**-**	-	**667,166**	565,158	**667,166**	565,158
Payable to group undertakings	**7,161**	63,400	**-**	-	**7,161**	63,400
Other creditors	**562,886**	129,232	**-**	-	**562,886**	129,232
	664,440	192,632	**667,166**	565,158	**1,331,606**	757,790
Accruals and deferred income	**4,061,044**	4,380,967	**148,693**	131,686	**4,209,737**	4,512,653
Total creditors and accruals and deferred income	**6,287,757**	6,014,668	**12,751,339**	13,223,499	**19,039,096**	19,238,167
Current portion	**6,287,757**	6,014,668	**12,751,339**	13,223,499	**19,039,096**	19,238,167

Amounts payable to related parties are interest free, unsecured and repayable on dema

24. Cash generated from operations

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Insurance premiums received	**42,285,879**	40,819,017	**23,217,348**	23,822,157	**65,503,227**	64,641,174
Reinsurance premiums paid	**(21,395,108)**	(21,341,433)	**(13,735,045)**	(12,719,066)	**(35,130,153)**	(34,060,499)
Claims paid	**(23,382,089)**	(16,753,263)	**(13,717,879)**	(8,909,471)	**(37,099,968)**	(25,662,734)
Reinsurance claims received	**14,761,831**	7,447,305	**5,523,601**	2,894,188	**20,285,432**	10,341,493
Commission and other income	**6,154,836**	7,820,529	**17,007**	(43,665)	**6,171,843**	7,776,864
Cash paid to employees, related parties and other suppliers for services and goods	**(11,926,607)**	(10,621,639)	**(2,346,407)**	(7,247,626)	**(14,273,014)**	(17,869,263)
Interest received/(paid)	**355,795**	366,387	**(16,420)**	(10,677)	**339,375**	355,710
Dividends received	**743,574**	685,886	**-**	-	**743,574**	685,886
Rental Income	**541,716**	349,300	**-**	-	**541,716**	349,300
Net (purchase)/disposal of operating assets:						
- loans and receivables	**138,531**	(777,788)	**2,414,574**	(68,543)	**2,553,105**	(846,331)
- financial assets at fair value through profit or loss	**(1,343,897)**	(407,078)	**-**	-	**(1,343,897)**	(407,078)
Cash generated from/ (used in) operations	**6,934,461**	7,587,223	**1,356,779**	(2,282,703)	**8,291,240**	5,304,522

25. Cash and cash equivalents

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	Core		Cells		Total	
	2020	2019	**2020**	2019	**2020**	2019
	€	€	**€**	€	**€**	€
Cash at bank and in hand	**4,945,008**	1,567,098	**14,889,504**	11,062,332	**19,834,512**	12,629,430
Held with investment managers	**1,168,621**	1,541,388	**-**	-	**1,168,621**	1,541,388
	6,113,629	3,108,486	**14,889,504**	11,062,332	**21,003,133**	14,170,818
Bank balance overdrawn	**-**	(343,644)	**-**	-	**-**	(343,644)
At end of year	**6,113,629**	2,764,842	**14,889,504**	11,062,332	**21,003,133**	13,827,174

The weighted average interest rate on interest bearing bank balances as at year-end was 0.04% p.a. (2019: 0.04% p.a.).

26. Related party transactions

All companies forming part of the Atlas Group of Companies are considered by the directors to be related parties since these companies are ultimately owned and controlled by Atlas Holdings Limited. The Company has interests in other entities that are not wholly owned by the parent company and these are also considered as related parties. Related parties also comprise the shareholders and the Company's key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive of otherwise) of that entity.

The following transactions were carried out by the Company with related parties:

	2020	2019
	€	€
Income		
Subsidiaries:		
Payroll costs charged	**547,124**	292,314
Other related entities:		
Payroll costs charged	**36,323**	35,618
Interest income	**36,140**	21,911
Expenses		
Subsidiaries:		
Commission payable	**2,414,049**	2,286,168

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26. **Related party transactions** - continued

During the financial year ended 31 December 2019, the Core assumed the underwriting for health insurance risk intermediated by its subsidiaries, Atlas Healthcare Insurance Agency Limited. Dividend receivable from subsidiaries is disclosed Note 5. Dividends payable to the parent company are disclosed in Note 10.

In relation to cells, companies ultimately owned and controlled by the Cell owners are considered as related parties in connection with the respective cells. As part of the ordinary course of business, the cells transact business with related parties including the collection of premiums, settlement of claims and payment of commissions.

Year end balances owed by or to group undertakings and other related parties are disclosed in Notes 15 (b)(ii), 18 and 23 to these financial statements respectively.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 9 to these financial statements.

As at 31 December 2020, the Company had a commitment in relation to uncalled share capital of an associate amounting to €1,500,000.

27. **Capital management**

As from 1 January 2016, the Company was subject to the requirements of the EU Solvency II directive.

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To comply with the obligations to maintain positive solvency position based on the requirements under regulation;
- To ensure sufficient capital funding in order that the Company may continue as a going concern;
- To safeguard the interests of policy holders arising from the Company's contractual obligations;
- To provide adequate returns for shareholders; and
- To ensure that shareholder and other stakeholder interests are safeguarded at all times.

In order to maintain or adjust the capital structure, the Company may issue shares or capitalise contributions received from its shareholders. The Company is required to hold regulatory capital for its insurance business in compliance with the rules issued by the Malta Financial Services Authority (MFSA). The minimum capital requirement must be maintained at all times throughout the year. The Company monitors its capital level on a regular basis, by ensuring that sufficient assets are maintained to match insurance liabilities and to provide solvency cover.

The company defines capital as the excess of assets over liabilities as valued in accordance with the respective regulatory requirements.

Any transactions that may affect the Company's solvency position are immediately reported to the directors and shareholders for resolution, prior to notifying MFSA. Any potential shortfall in capital requirements necessitates the development of a recovery plan with a list of possible actions.

27. Capital management - continued

The Solvency II regime establishes a new set of EU-wide capital requirements, risk management and disclosure standards. The Company must hold eligible own funds to cover the solvency capital requirement (SCR) and eligible basic own funds to cover the minimum capital requirement (MCR). The SCR shall be calculated either in accordance with the standard formula or using a full or partial internal model (PIM) as approved by the Regulator. The Company must immediately inform the Regulator where it observes that its SCR or MCR are no longer complied with or where there is risk of non-compliance in the following six months for SCR and three months for MCR.

The Company opted for the standard formula under the Solvency II regime to calculate the SCR as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile. At 31 December 2020, the Company's eligible own funds amounting to €46.3m (2019: €44.1m) adequately covered the required SCR.

The Company was compliant with its regulatory capital requirements throughout the financial year.

Liabilities arising from cell operations

In terms of Legal Notice 412 of 2007 of the Companies Act, (Cell Companies carrying on business of insurance), where any liability arises which is attributable to a particular cell of a cell company **–**

a. the cellular assets attributable to that cell shall be primarily used to satisfy the liability;
b. the Company's core assets shall be secondarily used to satisfy the liability, provided that the cellular assets attributable to the relevant cell have been exhausted; and
c. any cellular assets not attributable to the relevant cell shall not be used to satisfy the liability.

The Company has taken the following safeguards in this respect:

(a) if the assets of the Cell are at any time insufficient to meet any payments, liabilities or obligations due or about to become due by the Cell, the Company shall notify the Cell owners in writing and the Cell owners shall ensure forthwith that the Cell is adequately funded to meet all payments, liabilities or other obligations due or becoming due by the cell.

(b) in the event that the Cellular Assets of the Cell are exhausted, the Cell Owner agrees to indemnify the Company for any assets paid or otherwise transferred to creditors of the Cell asset of the non-cellular assets of the Company.

COVID-19 Pandemic

In April 2020, the Board of Directors stressed the Company's cash flow projections, and other financial indicators such as asset values for the COVID-19 Pandemic. The results arising from the relevant shocks applied in their aggregate did in fact negatively impact the expected results arising from the original 2020 budget. These results had been reported on in last year's annual report and the Company's Solvency and Financial Condition Report. The directors were satisfied that the strength of the Company's Balance Sheet and diversified revenue streams would allow the Company to sustain the extreme losses contemplated in the stress exercise.

By mid-year, the Company had reviewed actual performance and investment market trends and revised its outlook to a more positive one.

The Board of Directors notes with satisfaction that the actual results for the year ended 2020 were largely due to the good technical profit, also augmented by gains in investment return allocated to the technical account. The Company's efficient BCP roll-out, its effective Underwriting and Reinsurance policy as well as the diversification of its investment portfolio all contributed to this positive result.

27. Capital management - continued

COVID-19 Pandemic - continued

The Board of Directors continues to be vigilant about the recent developments of the pandemic and the negative impact this is having on the local and global economies. It is committed to managing the Company's positions during 2021 as it has during 2020 and remains confident that the Company will continue to meet its regulatory capital requirements.

28. Statutory information

Atlas Insurance PCC Limited is a limited liability company and is incorporated in Malta. The immediate and ultimate parent company of Atlas Insurance PCC Limited is Atlas Holdings Limited, a company registered in Malta, with its registered address at 47-50, Ta' Xbiex Seafront, Ta' Xbiex, which prepares consolidated financial statements.

29. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with current year's disclosure for the purpose of fairer presentation.

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