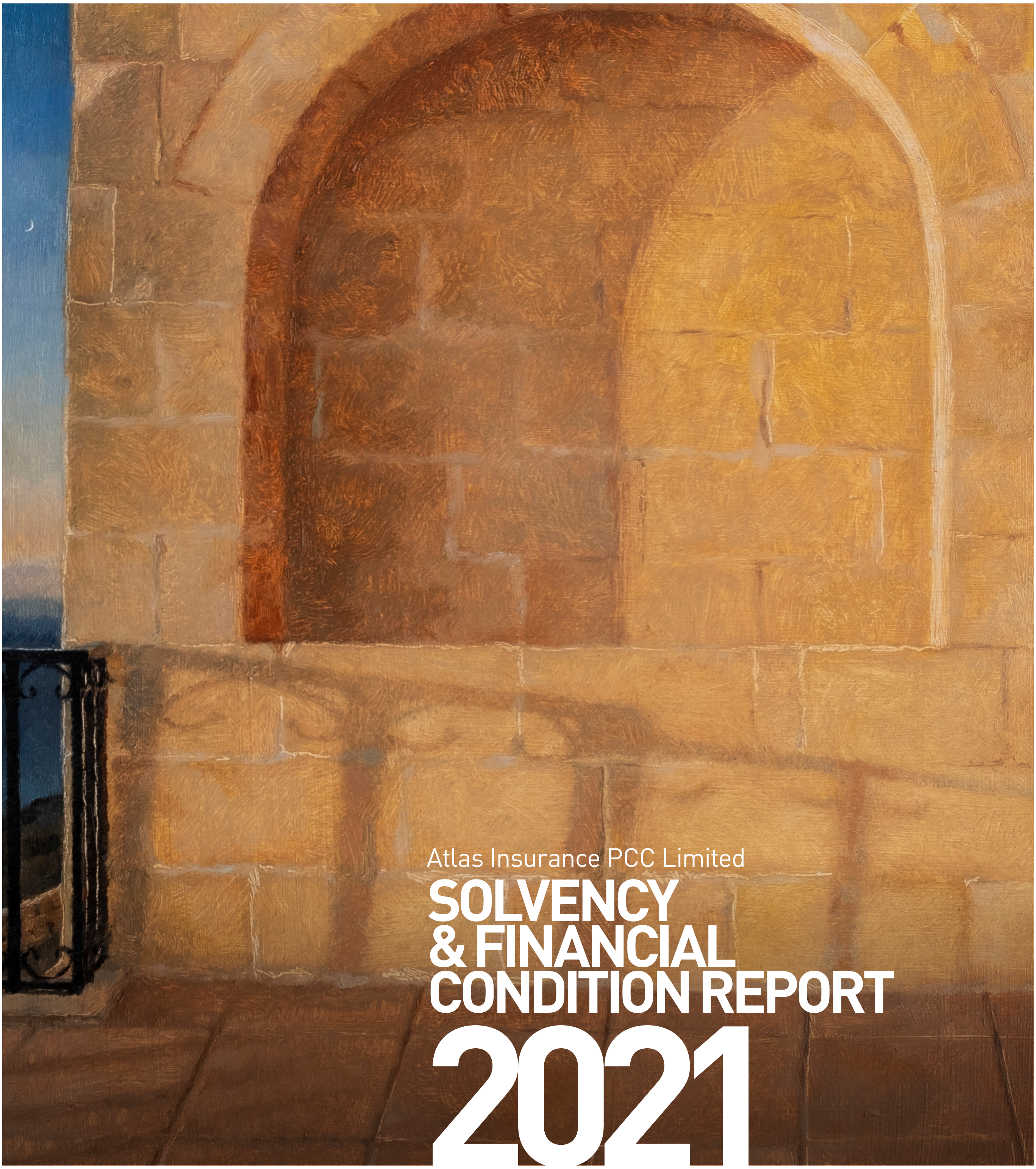

Atlas Insurance PCC Limited

SOLVENCY & FINANCIAL CONDITION REPORT 2021

Atlas Insurance

Cover image by Anna Calleja,
Nothing Happens (Sea Sunset Moon), oil on panel, 20x25cm, 2021.
The artist was featured in the Atlas Insurance Calendar for 2022.

Atlas Insurance PCC Limited

Solvency and Financial Condition Report (SFCR)

for the Financial Year ended 31 December 2021

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1. Executive summary

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

1.1 Business and Performance

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

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

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

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

Atlas underwrites local insurance risk through its non-cellular structure and is a leader in the local market. When including its international cellular premium turnover, Atlas is Malta's second largest insurer by premium income.

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

Premim Written by Geographical Area	Northern Europe		Western Europe		Southern Europe		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Core	-	-	-	-	**46,042,331**	42,077,465	**46,042,331**	42,077,465
Amplifon Cell	-	-	-	-	-	-	-	-
Other Cells	**5,766,873**	4,817,079	**26,567,521**	18,400,269	-	-	**32,334,394**	23,217,348
Total	**5,766,873**	4,817,079	**26,567,521**	18,400,269	**46,042,331**	42,077,465	**78,376,725**	65,294,813
Percentage Share of Total Premium	**7.36%**	7.38%	**33.90%**	28.18%	**58.74%**	64.44%	**100.00%**	100.00%

COVID-19 Pandemic

The pandemic continued to cause stress on the local and worldwide economies during 2021, and in particular the latter part of the year, where the world saw growing numbers of positive tests. The executive continued to apply its rigorous business continuity plan across the Company's offices and this continued to contain the potential spread of the virus amongst our staff and assured the continuing uninterrupted service to our clients in a secure environment. That said, the Core saw its net technical results reverting to pre pandemic experience with claims loss ratios reverting back to levels experienced during 2019 and recent prior years.

Environmental Social Governance (ESG)

The Risk and Compliance board committee has been delegated the responsibility for overseeing the area of ESG by the board. The company is looking into its role in climate change action as an advisor on risk management and is involving itself in the overall debate, taking concrete action to include related risks in its forecasting and supporting sustainable development in various areas. In the 2021 ORSA process, Atlas has considered the impact of climate change risk on its business and performance by including a specific stress scenario to assess the impact of extreme weather events.

Corporate Structure

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

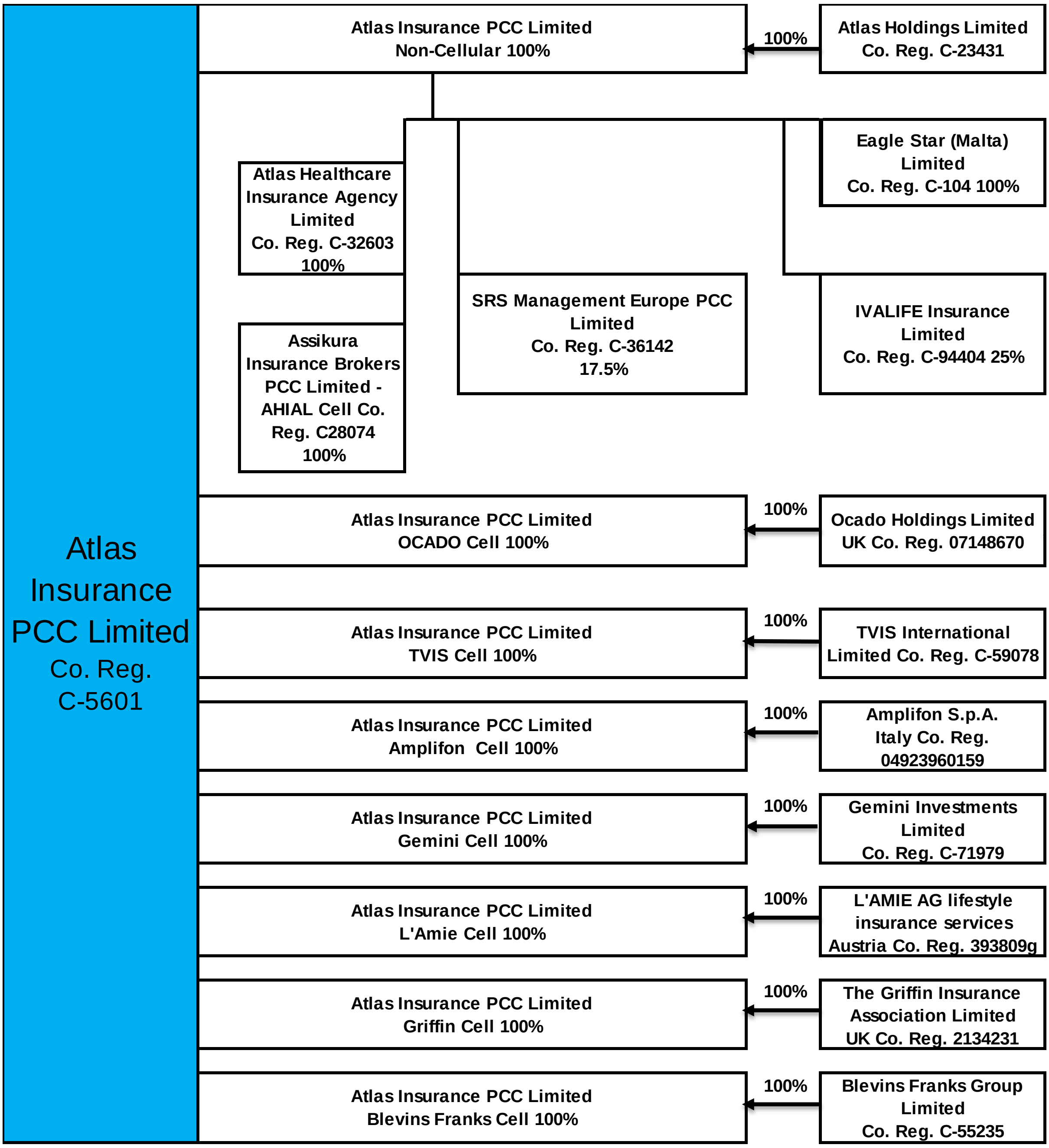
Therefore, within the PCC, the core assets comprise the assets of the Company which are non-cellular assets relating to the core operation. The assets of the PCC are either core assets or cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital,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

The PCC underwrites (re)insurance risk through both its Core Activity and its Cellular Activity.

On the 3 September 2021 the PerfectHome Cell was wound up and the PerfectHome Cell shares were deleted by way of capital reduction.

In November 2021 the PCC incorporated a new cell, the Blevins Franks Cell which is wholly owned by Blevins Franks Group Limited, whose principal activity is the holding of equity in its subsidiaries. The group’s principal activity is the provision of tax and wealth management services. The Cell’s operations is that of underwriting the Blevins Franks group’s professional indemnity insurance risk in Europe.

The Company's corporate structure is represented as follows:



Core Results

The PCC, through its Core, underwrites a balanced local general insurance business portfolio. The Company registered important growth during 2021 and this notwithstanding the challenges of the COVID-19 pandemic that continued to inhibit the Maltese and global economies.

Premium Written		**Motor**	**Non-Motor**	**Total**	**Motor Share**	**Non-Motor Share**
		Euro	**Euro**	**Euro**		
	2021	**13,622,533**	**32,419,798**	**46,042,331**	**29.59%**	**70.41%**
	2020	13,043,452	29,034,012	42,077,465	31.00%	69.00%
Percentage Growth for 2021		**4.44%**	**11.66%**	**9.42%**		

With the easing of COVID-19 restrictions in Malta during the year under review the PCC's operations during 2021 may be considered to have reverted to pre pandemic experience. Claims loss ratios are reflective of this, albeit that the prudent underwriting that continues to be applied positively impacts these results.

2021 premium written for the Core increased by 9.4% over the previous year. Overall positive technical results are reported for the year across the Company's portfolio.

In summary, these were:

- growth in premium written across all classes of insurance business;
- positive runoff of some large claims from prior years for prudent reserving applied;
- good loss ratios registered for the Motor, Private Property, Health and Travel classes.

Prudent technical practices in underwriting insurance risk put into place over the years continue to be relevant to cause the positive results achieved on an ongoing basis.

For these positive results a Core operations combined loss ratio of 86% (2020: 83%) across the Core's full portfolio is reported.

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

Gross Claims Loss Ratio	Motor		Non-Motor		Total	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro
	2021	2020	**2021**	2020	**2021**	2020
Premium Earned	**13,349,072**	12,835,255	**31,128,809**	28,482,304	**44,477,881**	41,317,559
Claims Incurred	**5,629,320**	6,093,935	**6,267,833**	16,370,642	**11,897,153**	22,464,577
Gross Ratio	**42.17%**	47.48%	**20.14%**	57.48%	**26.75%**	54.37%

The Core reinsures the insurance business risk it underwrites with a pool of highly rated reinsurers of international repute. Health insurance risk underwritten is reinsured with AXA PPP healthcare Limited.

During 2021 the Core registered a Gross Claims Loss Ratio of 27% increasing to 49% after reinsurance costs. Total gross claims registered during the year are reported at €11,897,153 compared to those registered in 2020 reported at €22,464,577.

The net claims incurred for 2021 is reported at €10,620,331 (2020: €8,169,126), an increase over that of the prior year.

In the below table the net claims position retained by the Core is being noted.

Net Claims Loss Ratio	Total	
	Euro	Euro
	2021	2020
Net Premium Earned	**21,586,861**	19,895,347
Net Claims Incurred	**10,620,331**	8,169,126
Net Ratio	**49.20%**	41.06%

The Board of Directors continues to apply an investment policy which allows for reasonable return on investment while ensuring a prudent spread in its allocation, and largely placing investments in high grade securities.

The Core's investment portfolio held in the balance sheet at year end 2021 totalled €51,436,854, 2020 - €46,056,014. The Company has grown the portfolio from the prior year through a strategy of reinvesting returns from the portfolio together with the deployment of free cash to the portfolio with the intent of maximising return arising therefrom. The Board remains vigilant and applies a policy to balance risk with security, and as such is satisfied that investment parameters applied allow for effective and immediate access to such securities for meeting its operational cash flows if required.

The positive result for technical operations was augmented by the important investment return results.

Profits before tax in 2021 amounted to €7,869,258 compared to a prior year profit before tax of €7,080,257, increasing the total equity of the Core to €41,152,153 at year end from €38,653,747 at the beginning of the year under review.

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. The Company does not hold a controlling interest and therefore the results are recognised as being those of equity investment for dividend income received from the entity.

The Company also holds equity investment in SRS Management Europe PCC Limited. In view of its 17.5% equity the Company's interests are held at cost as available for sale in the Company's balance sheet under investments.

The results for the two daughter companies, Atlas Healthcare Insurance Agency Limited and Eagle Star (Malta) Limited, are not consolidated in the Company's accounts and are recognised in Atlas' Financial Statements and Solvency II Balance Sheet as investments held in subsidiaries. These two companies' results are then consolidated in the Group Consolidation of the ultimate parent, Atlas Holdings Limited.

Atlas Healthcare Insurance Agency Limited (the Agency)

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

Atlas Healthcare Insurance Agency Limited is authorised by the MFSA under the Insurance Distribution Act (Cap 487) 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 2021 the agency was also authorised by the MFSA to intermediate Long Term Business as agents for such business of IVALIFE Insurance Limited. The first year of operation has produced good results in line with the Agency's business plan. The agency representation owns 100% equity in a Cell incorporated within Assikura Insurance Brokers PCC Limited which has also produced good results for the year under review.

The Agency's net asset value totaled €1,185,448 as on 31 December 2021 (31 December 2020 - €1,112,846), which result is in excess over regulated financial resources requirements under the Insurance Distribution Act (Cap 487).

Eagle Star (Malta) Limited (ESL)

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

This subsidiary manages its financial resources for the smooth running of the portfolio run-off. The net asset value of ESL is reported as on 31 December 2021 at €114,372 (31 December 2020 at €144,935).

Cells

The PCC had seven Cells incorporated within its structure as on 31 December 2021; the Ocado Cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell, the L'Amie Cell, the Griffin Cell and the Blevins Franks Cell.

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

After having 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 process for the deletion of the PerfectHome Cell was concluded on the 3rd September 2021.

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

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

The Gemini Cell is ultimately owned by Aftersales Group and was incorporated within the PCC during 2015. Aftersales Group specialises in after sale services, operating leases and insurance programmes for electronic devices such as mobile telephones, tablets, laptops and hard disk drives. The cell underwrites related theft and material damage programmes. The Gemini Cell underwrites the business via Aftersales Group BV which is an authorised intermediary regulated by the Dutch authorities and passported to a number of European member states. The Cell currently underwrites insurance risk in Belgium and other EU countries and its operating functional currency is Euro.

The L'Amie Cell is immediately owned by L'AMIE AG lifestyle insurance services, an insurance intermediary authorised by the Austrian insurance regulator. The Cell is ultimately owned by Integral Insurance Broker Gmbh, which is likewise authorised in Austria. With a licence issued during 2015 and updated in 2017 the L'Amie Cell writes a handset theft and material damage portfolio in Austria and other European Countries. The Cell has been further authorised to underwrite Travel and Cyber Insurance risk. The Cell's operating functional currency is Euro.

The ultimate owner of the Amplifon Cell*,* Amplifon SpA, is a publicly listed company on the Milan Stock Exchange and is a world leader in the distribution of hearing solutions and small hearing aids. The company is present in 21 countries. Amplifon Cell reinsures risks originating from various territories within the European Union. The insurance product, which was interrupted to be written during 2018, had been introduced by Amplifon SpA, and insured by a primary multinational insurer and then reinsured with the Cell. The Cell is currently running off unexpired insurance risk for primary cover of theft and material damage to the Insured hearing aid. The Cell's operating functional currency is Euro.

The Griffin Cell is wholly owned by The Griffin Insurance Association Limited, a mutual insurance company. The Cell has enabled the possibility for the Griffin group to underwrite European Professional Indemnity insurance risk across EU and EEA countries through its incorporation within the PCC. The Cell's operating functional currency is Euro.

In November 2021 the PCC incorporated a new cell, the Blevins Franks Cell, which is wholly owned by Blevins Franks Group Limited and whose principal activity is the holding of equity in its subsidiaries. The group's principal activity is the provision of tax and wealth management services. The Cell underwrites the Blevins Franks group's professional indemnity insurance risk in Europe and its functional currency is Euro.

Aggregate Cell Results

Cellular aggregated premium written has grown during 2021 by 39.27% and is reported at €32,334,394.

The total premium written by the Cells for 2021 is reported in aggregate in the below table.

Premium Written	**Amplifon Cell**	**Other Cells**	**Aggregate**
	Euro	**Euro**	**Euro**
2021	-	**32,334,394**	**32,334,394**
2020	-	23,217,348	23,217,348
Percentage Growth/-Diminution for 2021	**0.00%**	**39.27%**	**39.27%**

The Amplifon Cell did not write any new reinsurance premium during 2021. The reason behind this is that, effective 1 April 2018, the Cell had stopped writing new business in line with the new business objectives of Amplifon SPA, the immediate parent. The Cell carries on its operations in servicing the existing reinsurance risk taken on by the Cell up to 31 March 2018. The Amplifon Cell results are reported separately as the Cell's assets and liabilities are ring fenced to the extent of not having recourse to the Core capital.

The Cells' gross claims loss ratio for 2021 does not cause concern to management for any threats to the Core capital in view that all Cells have registered reasonably good net loss ratios.

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

Gross Claims Loss Ratio	Amplifon		Other Cells		Aggregate	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro
	2021	2020	**2021**	2020	**2021**	2020
Premium Earned	**325,056**	650,964	**30,775,698**	24,243,562	**31,100,754**	24,894,526
Claims Incurred	**1,488,310**	1,262,116	**12,951,217**	5,287,962	**14,439,527**	6,550,078
Gross Ratio	**458%**	194%	**42%**	22%	**46%**	26%

Net Claims Loss Ratio	Amplifon		Other Cells		Aggregate	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro
	2021	2020	**2021**	2020	**2021**	2020
Premium Earned	**325,056**	650,964	**10,110,519**	10,369,603	**10,435,575**	11,020,567
Claims Incurred	**1,488,310**	1,262,116	**5,275,245**	6,550,078	**6,763,555**	7,812,194
Net Ratio	**458%**	194%	**52%**	22%	**65%**	55%

The aggregated profit before tax for all Cells is reported at €195,290 (2020: €482,734). It is noted here that the Amplifon Cell, a cell running off a reinsurance portfolio which is expected to be complete by early 2023, has experienced material adjustments to its claims reserves during 2021 causing a material loss for the year under review. This has impacted the aggregate profit before tax for Cells by the loss before tax adjustment being reported by the Amplifon Cell of €1,316,048 (2020: €749,672).The Directors are satisfied that the level of claims reserves is sufficient to see the Cell run off its claims experience for the remaining insurance risk which reduces once closing to the end of the run off of the Cell's insurance operations.

1.2 System of Governance

Atlas Insurance PCC Limited, adopts the Malta Financial Services Authority Corporate Governance Guidelines for Public Interest Companies (Guidelines). For the information of stakeholders the Company highlights adherence to this Code in its Annual Report. The Companies Act establishes the accountabilities of the board of directors, the rights of shareholders and its transparency obligations. 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 as well as all Solvency II regulation (Solvency II Directive supplemented by the Commission Delegated Regulations). The EIOPA Guidelines on Systems of Governance and other international models of best practice are also important reference points. The board has a number of annually reviewed board policies and reporting procedures, ensuring effective internal control procedures and appropriate reporting.

As noted in the corporate structure under 1.1 above Atlas Insurance PCC Limited forms part of the Atlas Group and the PCC's Core is wholly owned by Atlas Holdings Limited (the Parent). 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. The Company's board and board committees as well as the key functions therefore have an effective overview of the whole Group. Key financial and non-financial performance indicators of group companies are regularly discussed within these fora.

The Parent also owns 75% controlling interest in AISH Limited, a holding company which in turn owns 50% of Jesmond Mizzi Financial Advisors Limited. Furthermore the Parent owns 40% of the non-cellular issued share capital in Assikura Insurance Brokers PCC Limited.

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

The Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, IT Committee and the Investment Committee are chaired by independent directors. The Protected Cells Committee, and the Executive Committee provide additional support and information to the board. All members of board committees are appointed by the board. 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 annually reviwed charters to ensure that all delegation of responsibility and function is clear and unequivocal.

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

The Group defines the following risk categories:

Risk Category	Definition
Operational	Potential losses resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes risks of internal and external fraud, as well as legal risks.

Underwriting	Risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. This is only applicable to Atlas PCC.
Credit	Risk of a financial loss if another party fails to perform its obligations or fails to perform them in a timely manner. Key counterparties include reinsurers, financial institutions, intermediaries, ceding companies & insureds.
Market	Risk that arises from fluctuations in values of, or income from, assets or interest or exchange rates. Credit risk associated with bonds is captured under this category, as is market concentration risks associated with equity, bonds and property. The Group considers Liquidity Risk (defined as the risk that the Group is unable to realise investments and other assets in order to settle financial obligations when they fall due) under the Market Risk category
Strategic	Risk of the current and prospective impact on earnings or capital arising from wrong business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. The Group considers Reputational Risk (defined as the risk of a potential loss through the deterioration of the Group's reputation or standing due to a negative perception of the Group's image among policyholders, counterparties, shareholders and/or supervisory authorities) under the Strategic Risk Category

The categorisation follows best practice and current regulations.

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

1.3 Risk Profile

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

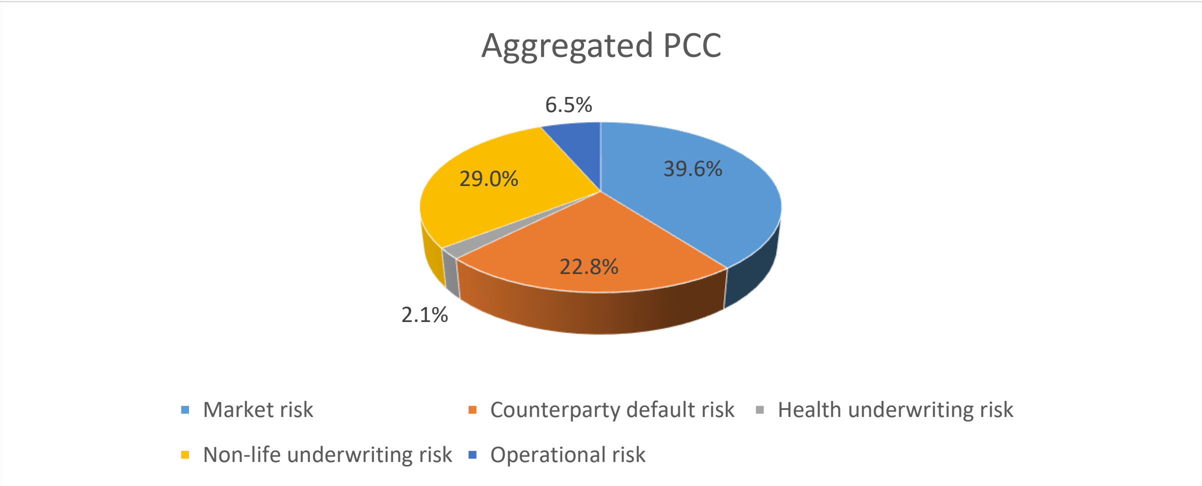
Atlas' objectives include achieving target performance and maximising shareholder value, preserving a level of solvency that would support Atlas in challenging environments, maintaining adequate liquidity to satisfy obligations as they come due, and protecting all aspects of Atlas' value, including its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

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

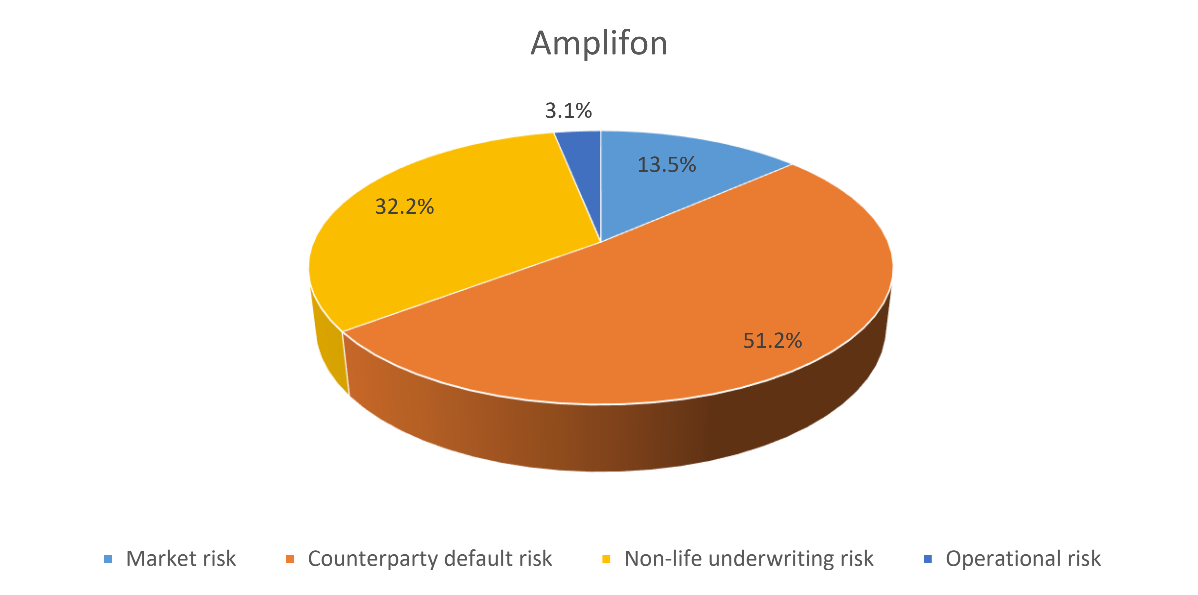
As is obligatory under the Solvency II regime Atlas reserves equity so as to ensure that risk scenarios at a minimum confidence level will be sufficiently matched with appropriate assets matched to its existing and contingent liabilities. In so doing the PCC's Board has opted to adopt the standard formula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

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

The PCC's risk profile is simply reproduced and expressed in percentages of the calculated end 2021 solvency capital requirement (SCR) of €22,560,404 as follows:



Included in the above SCR is the nSCR for the Amplifon Cell. This too is calculated as at end 2021 and reported at €446,289.



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

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

Own funds	**Core Euro 2021**	**Amplifon Euro 2021**	**Aggregate Euro 2021**
Tier 1	39,415	1,245	46,208
Tier 2	-	-	694
Tier 3	-	-	-
Total eligible own funds to meet the SCR	**39,415**	**1,245**	**46,902**

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

The MCR is a product of the entity's SCR calculation as determined under the standard formula. The regulations apply the principle of an Absolute Minimum Capital Requirement (AMCR) which is currently set at €3,700,000. The undertaking would be required to hold sufficient own funds in excess of the MCR or AMCR whichever is the highest. The PCC's MCR for 2021 is being reported at €5,640,101.

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

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

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

Risk and Compliance Officer of the Group by also engaging several times a year with the Board of Directors for their overall direction.

1.4 Valuation of Assets and Liabilities

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

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

Insurance risk

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

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

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

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

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

Financial Risk

The 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 Group's financial risk are market risk (cash flow and fair value interest rate risk, equity risk, spread risk, concentration risk and currency risk), credit risk and liquidity risk. These risks mainly arise on open positions in interest rate, debt and equity products, and currency exposures, which are all subject to market movements.

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

Solvency II values

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

The value of assets represented in the Solvency II balance sheet totalling €110 million differ from the total of the assets as represented under IFRS for the PCC of €140 million. The differences between the Solvency II values and those of IFRS arise due to different criteria of valuation for deferred acquisition costs, deferred taxation and reinsurance recoverables.

The Technical Provisions have been calculated as the sum of a best estimate plus a risk margin in accordance with the Commission Delegated Regulation (EU) 2015/35. The best estimate is calculated separately for the premium provision and for the claims provision. The claims provision is the discounted best estimate of cash flows relating to past claim events that occurred before the valuation date, whether reported or not. The cash flows include: future cash flows resulting from past claims events (including salvage and subrogation) and cash flows arising from allocated and unallocated expenses in respect of past claims events. The premium provision relates to future claims events covered by obligations falling within the contract boundary. Cash flow projections for the calculation of the premium provision includes benefits, expenses and premiums relating to these events. The methodology used to determine the best estimate and risk margin for technical provisions may be found under Section 5.3. This different approach results in the value of liabilities represented in the Solvency II balance sheet totalling €56 million having reduced from the total of the liabilities as represented under IFRS of €87 million.

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

COVID-19 Pandemic

While the Board remain attentive to the threat the Company may face from the pandemic, it is wholly comforted by the results achieved in the last two years. The directors believe that these results have further strengthened the financial resilience of the PCC as a whole to sustain any negative impact the pandemic may possibly cause to its balance sheet.

1.5 Capital Management

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

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

As on 31 December 2021 the Core's Solvency ratio for its Own Funds matching its nSCR stood at 261%, and the PCC's total eligible own funds in matching its SCR stood at a Solvency ratio of 208% of the required margin. In the PCC's aggregation all Cells match their own nSCR's. As is required under regulation the PCC is obliged to discard any surplus Own Funds for the individual Cells in matching their own nSCR. The surplus Own Funds that have been discarded in arriving to full compliance of this rule for the Cells totals €6,042,967.

The Amplifon Cell, which excludes recourse to the PCC's Core's capital is also being reported at a ratio of 279% over its nSCR for separate consideration.

These results are achieved on an ongoing year in year out basis for the prudence applied by the Atlas Board in ensuring sufficient reserves under own funds including its prudent dividend policy over many years.

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

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

Assessment of the Loss Absorbing Capacity of Deferred Tax (LACDT) adjustment

Requirements around the assessment of LACDT include the need to consider the impact that the current notional loss would have on future pricing, profitability and uncertainty of the Company.

Following scenario tests to determine profit recoverability following various severe scenarios, the extent that can be recovered from deferred tax assets from separate 1 in 200 year losses in insurance, market or counterparty risk (i.e. from the respective capital charges) is estimated. This is applied to both solvency and economic capital requirements.

The Company's assessment for the allowance of LACDT recoverability is being limited for insurance risk (non-life U/W and health U/W) charge to 20% for the Core, resulting in a 7% tax charge. Additionally, the LACDT recoverability has also been limited for the other risk categories to 80%, implying a 28% tax charge:

	Core
Market Risk	28%
Counterparty Risk	28%
Non-Life Insurance Risk	7%
Health NSLT	7%
Operational	28%

Over and above the recoverability limitation applied above, another layer of prudence is applied by limiting the future profitability over the 3-year business planning period under a stressed scenario. In this case, the amount that could be recovered is limited to the tax payable on 50% of future base profits in year 1 and 75% of future base profits in year 2. The recoverability period is also limited to 3 future years, in line with the business planning period.

The minimum resulting LACDT adjustment between the two methods is chosen.

The amount of LACDT adjustment allowed for in the assessment of the regulatory SCR for the 2021 valuation year is detailed below:

2021

Loss Absorbing Capacity of Technical Provision and Deferred Tax	**-€4,868,801**		
Losses predicted by SCR Model which can be recovered from future profits	**-€4,868,801**	**Risk Charge**	**Applicable tax rate**
Market Risk	**-€3,889,617**	**€13,891,488**	28%
Counterparty Risk	**-€1,129,920**	€4,035,430	28%
Non-Life Insurance Risk	**-€417,426**	€5,963,224	7%
Health NSLT	**-€56,760**	€810,856	7%
Diversification (Market, Counterparty, Insurance)	€998,536		
Operational Risk	**-€373,614**	€1,334,336	28%
LACDT Cappings:			
35% x (BSCR+Op)	**-€6,979,802**		
35% x 3 Year Proj Profits Before Tax Net of Inv Income / 3 x 3 (3 yr)	**-€7,322,332**		
35% x 3 Year Proj Profits Before Tax Net of Inv Income - limited profitability: 50% yr 1, 75% yr 2, 100% yr 3	**-€5,535,666**		

As part of its annual Own Risk and Solvency Assessment (ORSA) exercise, Atlas continues to test resilience of its capital adequacy under various stress scenarios. Amongst the stresses applied, Atlas has assessed the impact of the Pandemic as well as Climate Change Risk. Any further potential impact of COVID-19 on own funds is likely to continue to be on the asset side as a result of the impact on investment assets. On the other hand, the impact on the SCR is not likely to be significant, as previous calculations of the SCR for stressed projections have shown offsetting results for reduced business volumes and reduced asset exposures. Similarly an extreme weather event considered under climate change risk has only a marginal impact on the SCR with only a contained and proportionate reduction in own funds experienced.

2. Business and Performance

The Company registered an aggregate net profit before tax for the year of €8,064,548 (2020: €7,562,991) and a net profit after tax of €4,749,752 (2020: €4,721,865). Profits before tax accruing to the non-cellular shareholders amounted to €7,869,258 (2020: €7,080,257).

The Company registered excellent growth in all classes of business, exceeding the Board's expectations at the start of the year. This resulted in an increase of 9.47% over the previous year.

The PCC's operating cells have continued to contribute to the Company's aggregated profitability. Such portion of profitability accrues to cell shareholders. Cellular aggregated premium written has grown during 2021 by 39.27% and is reported at €32,334,394.

The Board of Directors is satisfied that the threats posed by the COVID-19 pandemic continue to be dealt with successfully through its executive activity. The results achieved by the Company for the last two financial years during the pandemic are testimony to this.

The Company's investment portfolio saw very positive results for the year resulting in material recovery on values lost the prior year. Aggregated investment income net of investment expenses for the year amounted to €3,219,436 (2020: €592,033), equivalent to an average return on investment of 6.6%.

The directors are also monitoring the unfolding developments of the crisis in Ukraine and the impact this may have on the local and international economies. Clearly the immediate concern is focused on the Company's investment portfolio which is exposed to security market movements.

2.1 Business

2.1.1 Corporate form, Regulatory Supervision and Beneficial Owners

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

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

External Auditors

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

Shareholders and qualifying owners

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

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

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

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

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

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

The TVIS Cell

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

The Amplifon Cell

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

The Gemini Cell

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

The L'Amie Cell

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

2.1.2 Review of the Business

The PCC reports an aggregated profit before tax for the financial year ended 31 December 2021 of €8,064,548 (2020: €7,562,991).

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

The PCC, through its Core, underwrites a balanced local general insurance business portfolio. The Company registered important growth during 2021 and this notwithstanding the challenges of the COVID-19 pandemic that continued to inhibit the Maltese and global economies.

Premium Written		Motor	Non-Motor	Total	Motor Share	Non-Motor Share
		Euro	Euro	Euro		
	2021	**13,622,533**	**32,419,798**	**46,042,331**	**29.59%**	**70.41%**
	2020	13,043,452	29,034,012	42,077,465	31.00%	69.00%
Percentage Growth for 2021		**4.44%**	**11.66%**	**9.42%**		

With the easing of COVID-19 restrictions in Malta during the year under review the PCC's operations during 2021 may be considered to have reverted to pre pandemic experience. Claims loss ratios are reflective of this, albeit that the prudent underwriting that continues to be applied positively impacts these results.

2021 premium written for the Core increased by 9.4% over the previous year. Overall positive technical results are reported for the year across the Company's portfolio.

Prudent technical practices in underwriting insurance risk put into place over the years continue to be relevant to cause the positive results achieved on an ongoing basis.

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

Gross Claims Loss Ratio	Motor		Non-Motor		Total	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro
	2021	2020	**2021**	2020	**2021**	2020
Premium Earned	**13,349,072**	12,835,255	**31,128,809**	28,482,304	**44,477,881**	41,317,559
Claims Incurred	**5,629,320**	6,093,935	**6,267,833**	16,370,642	**11,897,153**	22,464,577
Gross Ratio	**42.17%**	47.48%	**20.14%**	57.48%	**26.75%**	54.37%

The Core reinsures the insurance business risk it underwrites with a pool of highly rated reinsurers of international repute. Health insurance risk underwritten is reinsured with AXA PPP healthcare Limited.

During 2021 the Core registered a Gross Claims Loss Ratio of 27% increasing to 49% after reinsurance costs. Total gross claims registered during the year are reported at €11,897,153 compared to those registered in 2020 reported at €22,464,577.

The net claims incurred for 2021 is reported at €10,620,331 (2020: €8,169,126), an increase over that of the prior year.

In the below table the net claims position retained by the Core is being noted.

Net Claims Loss Ratio	Total	
	Euro	Euro
	2021	2020
Net Premium Earned	**21,586,861**	19,895,347
Net Claims Incurred	**10,620,331**	8,169,126
Net Ratio	**49.20%**	41.06%

The Company's Core saw positive technical results across all classes of business. This has resulted in a combined loss ratio of 86% (2020: 83%) across the Core's full portfolio.

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 material growth of 28% over those of the prior year.

The aggregated profit before tax for all Cells is reported at €195,290 (2020: €482,734). It is noted here that the Amplifon Cell, a cell running off a reinsurance portfolio which is expected to be complete by early 2023, has experienced material adjustments to its claims reserves during 2021 causing a material loss for the year under review. This has impacted the aggregate profit before tax for Cells by the loss before tax adjustment being reported by the Amplifon Cell of €1,316,048 (2020: €749,672). The Directors are satisfied that the level of claims reserves is sufficient to see the Cell run off its claims experience for the remaining insurance risk which reduces once closing to the end of the run off of the Cell's insurance operations.

On the 3 September 2021 the PerfectHome Cell was wound up and the PerfectHome Cell shares were deleted by way of capital reduction.

In November 2021 the PCC incorporated a new cell, the Blevins Franks Cell, which is wholly owned by Blevins Franks Group Limited and whose principal activity is the holding of equity in its subsidiaries. The group's principal activity is the provision of tax and wealth management services. The Cell underwrites the Blevins Franks group's professional indemnity insurance risk in Europe.

The Company registered excellent growth for its Core in all classes of business, exceeding the Board's expectations at the start of the year. This resulted in an increase of 9.4% over the previous year. Premium written for the Core is reported at €46,042,339 (2020: €42,077,465), an increase of 4% over the previous. The aggregate PCC premium written is reported for 2021 at €78,376,733 (2020: €65,294,813).

The aggregated Cells' premium underwritten by the PCC substantially increased from €23,217,348 in 2020 to €32,334,394 in 2021.

The PCC continues to entertain interest from prospective cell shareholders and is currently assessing or engaged for application on a number of new prospects. The PCC currently operates in the UK under the UK's Temporary Permissions Regime (TPR). The PCC formally applied to the Prudential Regulation Authority (PRA) in June 2021 to have an Atlas branch authorised in the UK allowing the Cellular operations to carry on beyond 2023 when the TPR is concluded. The branch would be regulated by the UK's Financial Conduct Authority (FCA).

As reported earlier, the Company's investment portfolio saw very positive results for the year resulting in material recovery on values lost the prior year. Aggregated investment income net of investment expenses for the year amounted to €3,219,436 (2020: €592,033). These results are elaborated upon under subsection 2.2 of this report.

2.1.3 The PCC Income Statement

Atlas is required to report on the PCC's aggregated results for its Core and incorporated Cells and in the following extract from the financial statements the Atlas' aggregated results for the year ended 31 December 2021 are being reproduced.

	Notes	Core 2021 €	Core 2020 €	Cells 2021 €	Cells 2020 €	Total 2021 €	Total 2020 €
Balance on technical account – general business (page 22)		**6,387,224**	6,898,959	**271,622**	552,079	**6,658,846**	7,451,038
Investment income	5	**3,538,799**	911,905	**(9,359)**	35,312	**3,529,440**	947,217
Investment expenses and charges	5	**(319,363)**	(319,872)	**(26,340)**	(35,533)	**(345,703)**	(355,405)
Allocated investment return transferred to the general business technical account	5	**(1,489,269)**	(280,745)	**35,283**	(2,814)	**(1,453,986)**	(283,559
Administrative expenses	6	**(248,133)**	(129,990)	**(75,916)**	(66,310)	**(324,049)**	(196,300)
Profit before tax		**7,869,258**	7,080,257	**195,290**	482,734	**8,064,548**	7,562,991
Tax expense	8	**(2,669,393)**	(2,257,320)	**(645,403)**	(583,806)	**(3,314,796)**	(2,841,126)
Profit for the year		**5,199,865**	4,822,937	**(450,113)**	(101,072)	**4,749,752**	4,721,865

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

Atlas Insurance PCC Limited - PCC Aggregate in Euro '000	**Premium Written Gross**	**Premium Written Reinsurer**	**Premium Written Net**	**Net Premium Earned**	**Net Claims Incurred**	**Net Claims Loss Ratio before other costs**
Medical Expense Insurance	13,697	10,525	3,172	3,035	2,258	0.00%
Income Protection Insurance	594	5	589	630	30	4.76%
Motor Vehicle Liability Insurance	6,382	891	5,491	5,377	3,819	71.02%
Other Motor Insurance	7,241	-	7,241	7,107	2,749	38.68%
Marine, Aviation and Transport Insurance	1,459	852	607	594	268	45.12%
Fire and Other Damage to property Insurance	41,082	29,324	11,758	12,139	7,406	61.01%
General Liability Insurance	6,649	2,746	3,903	3,189	1,074	33.68%
Miscellaneous Financial Loss Insurance	1,274	1,335	-61	-48	220	458.33%
Total	**78,378**	**45,678**	**32,700**	**32,023**	**17,384**	**54.29%**

Atlas Insurance PCC Limited - Core in Euro '000	**Premium Written Gross**	**Premium Written Reinsurer**	**Premium Written Net**	**Net Premium Earned**	**Net Claims Incurred**	**Net Claims Loss Ratio before other costs**
Medical Expense Insurance	13,697	10,525	3,172	3,035	2,258	74.40%
Income Protection Insurance	594	5	589	630	30	4.76%
Motor Vehicle Liability Insurance	6,382	891	5,491	5,377	3,757	69.87%
Other Motor Insurance	7,241	-	7,241	7,107	2,732	38.44%
Marine, Aviation and Transport Insurance	1,459	852	607	594	268	45.12%
Fire and Other Damage to property Insurance	11,791	9,892	1,899	1,850	728	39.35%
General Liability Insurance	4,067	872	3,195	3,066	1,068	34.83%
Miscellaneous Financial Loss Insurance	813	897	-85	-72	220	305.56%
Total	**46,044**	**23,934**	**22,109**	**21,587**	**10,621**	**49.20%**

Atlas Insurance PCC Limited - Amplifon Cell Euro '000	**Premium Written Gross**	**Premium Written Reinsurer**	**Premium Written Net**	**Net Premium Earned**	**Net Claims Incurred**	**Net Claims Loss Ratio before other**
Fire and Other Damage to property Reinsurance	-	-	-	325	1,479	**455.08%**

Atlas Insurance PCC Limited - Other Cells in Euro '000						Net Claims
		Premium Written		Net Premium	Net Claims	Loss Ratio
	Gross	Reinsurer	Net	Earned	Incurred	before other
Income Protection Insurance	-	-	-	-	-	0.00%
Motor Vehicle Liability Insurance	-	-	-	-	62	0.00%
Other Motor Insurance	-	-	-	-	17	0.00%
Marine, Aviation and Transport Insurance	-	-	-	-	-	0.00%
Fire and Other Damage to property Insurance	29,291	19,432	9,859	9,964	5,199	52.18%
General Liability Insurance	2,582	1,874	708	123	6	4.88%
Miscellaneous Financial Loss Insurance	461	438	23	24	-	0.00%
Total	**32,334**	**21,744**	**10,590**	**10,111**	**5,284**	**52.26%**

At year end 2021 the PCC's Core registered an overall net claims loss ratio before other expenses of 49%, whereas the PCC registered an aggregated net claims loss ratio before other expenses of 54%.

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

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

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**									Total
		Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	
		C0010	**C0020**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0110**	**C0120**	**C0200**
Premiums written											
Gross - Direct Business	**R0110**	13,713	594	6,382	7,241	1,459	38,185	6,707	9	1,280	75,569
Gross - Proportional reinsurance accepted	**R0120**						2,807				2,807
Reinsurers' share	**R0140**	10,540	5	891		852	29,289	2,750	8	1,344	45,678
Net	**R0200**	3,173	589	5,491	7,241	607	11,703	3,957	1	-64	32,699
Premiums earned											
Gross - Direct Business	**R0210**	13,168	635	6,242	7,107	1,426	38,206	4,496	9	1,327	72,616
Gross - Proportional reinsurance accepted	**R0220**						2,963				2,963
Reinsurers' share	**R0240**	10,131	5	865		832	29,086	1,254	8	1,375	43,556
Net	**R0300**	3,037	630	5,377	7,107	594	12,083	3,242	1	-48	32,022
Claims incurred											
Gross - Direct Business	**R0310**	8,861	30	3,459	2,739	563	9,237	591	1	-332	25,149
Gross - Proportional reinsurance accepted	**R0320**						2,217				2,217
Reinsurers' share	**R0340**	6,603		-359	-10	295	4,048	-484	1	-111	9,983
Net	**R0400**	2,258	30	3,819	2,749	268	7,406	1,074	0	-220	17,384
Expenses incurred	**R0550**	1,809	78	841	954	192	4,367	536	2	-89	8,691
Other expenses	**R1200**										743
Total expenses	**R1300**										9,434

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

Top 5 Countries other than Malta

S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**
	R0010		NO	FI	IE	PT	CY	
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**
Premiums written								
Gross - Direct Business	**R0110**	46,042	163	193	351	82	14	46,844
Reinsurers' share	**R0140**	23,933	147	173	316			24,569
Net	**R0200**	22,109	16	19	35	82	14	22,275
Premiums earned								
Gross - Direct Business	**R0210**	44,478	41	49	98	11	2	44,679
Reinsurers' share	**R0240**	22,891	37	44	89			23,060
Net	**R0300**	21,587	4	5	10	11	2	21,618
Claims incurred								
Gross - Direct Business	**R0310**	12,927		24				12,951
Reinsurers' share	**R0340**	2,307		12				2,319
Net	**R0400**	10,620		12				10,632
Expenses incurred	**R0550**	6,069						6,069
Other expenses	**R1200**							
Total expenses	**R1300**							6,069

2.2 Investment Performance

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

The PCC Core registered total investment income net of investment expenses for the year ended 31 December 2021 of €3,219,436 (2020: €592,033). For 2020 results, while realised investment income remained on track, the Company had reported reduced investment return due to material diminutions in value causing negative returns for fair value. 2021 saw positive adjustments for such investment portfolio values registering material gains in fair value. These positive results were further augmented by further increased realised income.

The pandemic continued to cause stress on the local and worldwide economies during 2021 and in particular the latter part of the year where the world saw growing numbers of positive tests. The Board of Directors is satisfied that the threats posed by the COVID-19 pandemic continue to be dealt with successfully through its executive activity. The results achieved by the Company for the last two financial years during the pandemic are testimony to this. The directors are also monitoring the unfolding developments of the crisis in Ukraine and the impact this may have on the local and international economies. Clearly the immediate concern is focused on the Company's investment portfolio which is exposed to security market movements.

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

Atlas Insurance PCC Limited	**PCC Total**		**Core**		**Amplifon Cell**		**Other Cells**	
Investment Performance in Euro	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Interest receivable from financial assets that are not held at fair value through profit or loss	**22,180**	40,182	**22,180**	36,140	**0**	137	**0**	3,905
Net gains from financial assets held at fair value through profit or loss								
- dividend income	**465,793**	243,985	**465,793**	243,985	**-**	-	**-**	-
- net fair value gains/(losses)	**1,555,980**	(858,109)	**1,579,144**	(849,018) -	**7,291**	(24,986) -	**15,873**	15,895
Dividend from subsidiary undertaking	**946,154**	953,846	**946,154**	953,846	**-**	-	**-**	-
Fair value gains on investment property	**-**	0	**-**	0	**-**	-	**-**	-
Gain on disposal of investment property	**-**	0	**-**	0	**-**	-	**-**	-
Exchange differences	**24,552**	1,435	**11,322**	(14,764)	**13,798**	40,253	**(568)**	(24,054)
Rental income from investment property	**514,206**	541,716	**514,206**	541,716	**-**	-	**-**	
Investment expenses	**(345,128)**	(331,243)	**(319,363)**	(319,872) -	**89**	(70)	**(25,676)**	(11,301)
Total	**3,183,737**	591,812	**3,219,436**	592,033	**6,418**	15,334	**(42,117)**	(15,555)
Perecntage Return as on 31 December	***5.77%***	*1.21%*	***6.26%***	*1.29%*	***0.71%***	*1.08%*	***-1.46%***	*-1.09%*

Atlas Insurance PCC Limited	**PCC Total**		**Core**		**Amplifon Cell**		**Other Cells**	
Investment Portfolio held in Euro	**2021**	2020	**2021**	**2020**	**2021**	2020	**2021**	2020
- land and buildings	**10,617,896**	10,499,166	**10,617,896**	**10,499,166**	-	-	-	-
- investment in subsidiaries	**748,058**	748,058	**748,058**	**748,058**	-	-	-	-
- other finanancial investments	**41,954,448**	37,273,502	**38,154,400**	**34,430,290**	**910,026**	1,417,317	**2,890,021.95**	1,425,895
-investments in associates	**1,875,000**	378,500	**1,875,000**	**378,500**	-	-	-	-
Total	**55,195,402**	**48,899,226**	**51,395,354**	**46,056,014**	**910,026**	**1,417,317**	**2,890,022**	**1,425,895**

The Company's commitment in developing ESG principles as stated earlier in the report will also be considered for the development and evolution of the investment portfolio.

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

2.3 Revenue derived from International Business and from other activities

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

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

3. System of Governance

3.1 General Information on the system of governance

Atlas Insurance PCC Limited, adopts the Malta Financial Services Authority Corporate Governance Guidelines for Public Interest Companies (Guidelines). For the information of stakeholders the Company highlights adherence to this Code in its Annual Report. The Companies Act establishes the accountabilities of the board of directors, the rights of shareholders and its transparency obligations. 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 as well as all Solvency II regulation (Solvency II Directive supplemented by the Commission Delegated Regulations). The EIOPA Guidelines on System of Governance and other international models of best practice are also important reference points. The board has a number of annually reviewed board policies and reporting procedures, ensuring effective internal control procedures and appropriate reporting.

Atlas Group System of Governance

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

As noted in the corporate structure under 1.1 above Atlas Insurance PCC Limited forms part of the Atlas Group and the PCC's Core is wholly owned by Atlas Holdings Limited (the Parent). 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. The Company's board and board committees as well as the key functions therefore have an effective overview of the whole Group. Key financial and non-financial performance indicators of group companies are regularly discussed within these fora.

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

Relations with Policyholders

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

The Group adheres to a strict complaints procedure as directed by Chapter 12 of the Insurance Rule Book under the Insurance Business Act and operates its Complaints Management Policy through Complaints Management Function. Feedback from customers is ongoing with constant research through online questionnaires, analysis of the research including Net Promotor Score monitoring, feedback to customers following issues raised and root-cause analysis of concerns raised.

Relations 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, chairman of the Company, also chairs the Atlas Holdings Board and this structure ensures that both boards are kept aware of the priorities of the ultimate core shareholders.

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

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

Communication with cell shareholders is facilitated through regular meetings of the individual cell committees at which cell managers, where appointed, 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.

3.2 Responsibilities, reporting lines and allocation of functions

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

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

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

3.2.1 Responsibilities and reporting lines

The PCC's Board of Directors

The board is appointed at the Annual General Meeting as per the Memorandum and Articles of Association of the Company and also annually evaluated 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, ESG, risk management and compliance, financial and actuarial analysis, as well as information technology and talent management.

The board is composed of a majority of six Non-Executive Directors (NEDs), five of whom being independent, and two Executive Directors one of whom is the Managing Director and Chief Executive Officer (CEO) of the Company, Mr Matthew von Brockdorff. Ms Catherine Calleja, the other Executive Director on the board is the Group Company Secretary. She brings additional knowledge and experience to the table and is also the Managing Director of Atlas Healthcare Insurance Agency, a fully owned subsidiary of the Company

The current board members appointed by Atlas Holdings Limited are:

Lawrence Zammit M.A. (Econ.) – Chairman
Franco Azzopardi M.Sc. (Leicester), F.I.A. , C.P.A. – Non Executive
Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan) – Non Executive
Catherine Calleja B.A.(Hons.), A.C.I.I. – Executive and Company Secretary
Michael Gatt – Non Executive
Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick) – Non Executive
Karen Pace – Non Executive, BA (Hons) Accty, AIA, CPA (appointed 17 June 2021)
Matthew von Brockdorff F.C.I.I. – Managing Director and Chief Executive Officer

The board maintains close links with senior management both through the active board committees but also through various joint meetings relating to strategy development and reporting as well as joint learning and development sessions on various topics. The board is fully involved in the budgetary and

Own Risk and Solvency Assessment (ORSA) processes and regularly meets with key function holders including the Company's actuaries. Regular reporting of key results enables the board to be able to continuously asses the Company's performance, its current and future strengths and weaknesses as well as being able to have enough information to be able to 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 positions of the independent Chairman and Managing Director are separate and there is a clear division of responsibilities between the running of the board and the executive responsibility for leading the Company. The independent Chairman serves as a mentor for the CEO. The five other non-executive directors appointed are of sufficient calibre and standing to balance the strength of character of the Chair and executive directors.

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. This is also provided for in the memorandum and articles of the Company. Non-executive directors chair five board committees and through these committees, directors can take more active roles in the development of strategy in the different areas of the organisation under review, meet more members of the management team, recognise and support innovation within the management of the company, always striking a balance between enterprise and control at Atlas.

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. He encourages discussion and participation of all directors during meetings as well as constructive relations between executive and non-executive directors. Where possible, he 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. He is a sounding board member for the Chairman and CEO on board matters, as well as a trusted intermediary, if required, for other non-executive directors. He is available to address the concerns of shareholders or members of staff, through the Group's Raising a Concern (Whistleblowing) Policy as the Company's Whistleblowing Officer. 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. The board evaluation exercise leads to setting the board objectives, including learning and development goals for the following year.

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 2021, the board met 12 times. Agendas and information packs 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. Minutes of all meetings faithfully record attendance, decisions taken and resolutions, and are issued on a timely basis and made available to all directors and committee members, as soon as practicable, after every meeting.

Executive Committee (EXCO)

This committee is chaired by the Managing Director and CEO and besides the two executive directors, the Chief Underwriting Officer, the Group Chief Financial Officer, the Chief Strategy Officer, the Chief Information Officer, the Chief Commercial Officer, the Chief Human Resources Officer and the Chief Officer – Personal Insurance Operations sit on the committee.

This Committee met fourteen times in 2021 and also met on specific issues with the board on other occasions during the period. The Executive Committee is responsible for implementing the strategy of the Company developed with the board. This involves development and deployment of business plans and detailed budgets on an annual basis to achieve the key results developed with the Board of Directors. It is also heavily involved in policy development and change in various areas of the Group including information systems planning, human resources development and talent management, sales and marketing, and the consideration of new business opportunities.

Other Board Committees

The board delegates specific responsibilities to a number of board and executive committees, notably the Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, IT Committee and the Investment Committee which are chaired by independent directors. The Protected Cells Committee provides additional support and information to the board. All members of board committees are appointed by the board.

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 subsidiary companies are also covered by the same policy.

3.2.2 Group structure and allocation of responsibilities

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

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

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

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

- Investments

Atlas Group Governance Structure

Atlas Holdings Limited
Board of Directors
Lawrence Zammit - Chair
Jackie Attard Montalto
Catherine Calleja
Albert Formosa
John Formosa
Michael Gatt
Brian Valenzia
Matthew von Brockdorff
Robert von Brockdorff

Atlas Insurance PCC Limited[1]
Board of Directors
Lawrence Zammit MA (Econ) – Chair (INED)
Matthew von Brockdorff FCII – Managing and Chief Executive Officer (ED)
Franco Azzopardi MSc, FIA, CPA – Non Executive (INED)
Catherine Calleja BA (Hons), ACII – Executive and Company Secretary (ED)
Andre Camilleri LLD, Dip Econ & Ind Law – Non Executive (INED)
Michael Gatt (NED)
Philip Micallef BSc (Eng.), MIEE, CEng, Eur Ing, MBA – Non Executive (INED)
Karen Pace BA (Hons) – Non Executive (NED) (appointed 17 June 2021)

Atlas Healthcare Insurance Agency Limited
Board of Directors
Matthew von Brockdorff FCII - Chair
Catherine Calleja BA (Hons), ACII – Managing
David Mifsud FCII

Eagle Star (Malta) Limited
Board of Directors
Matthew von Brockdorff FCII - Chair
Malcolm Cachia
Catherine Calleja BA (Hons), ACII

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

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

Audit Committee
Franco Azzopardi MSc, FIA, CPA – Chair
Michael Gatt
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA
Karen Pace BA (Hons) (appointed 17 June 2021)
Ivan Distefano IA Cert (Internal Auditor - in attendance)
Martin Gauci (Secretary - in attendance)

Risk and Compliance Committee
Andre Camilleri LLD, Dip Econ & Ind Law – Chair
Franco Azzopardi MSc, FIA, CPA
Catherine Calleja BA (Hons), ACII
Philip Micallef BSc (Eng), MIEE, CEng, Eur Ing, MBA
Ian-Edward Stafrace, M.Sc FCII CFIRM PIOR
Karen Pace BA (Hons)
Andrew Briffa BSc, AIA (CRCO)
Angelita Delicata ACII, IRM Cert (secretary – in attendance)

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

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

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

Key Functions of the Group under Solvency II
Risk Management & Compliance - Andrew Briffa BSc AIA
Internal Audit - Ivan Distefano IA Cert
Actuarial – Actuarial Function Holder Cherry Chan FIA (Barnett Waddingham LLP) under the oversight of Andrew Briffa BSc, AIA

Other Critical Functions of the Group
Corporate - Catherine Calleja BA (Hons), ACII
Underwriting, Claims and Reinsurance - David Mifsud FCII
Finance – John Muscat FCCA
Complaints Handling – Jackie Attard Montalto BA

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

Note 1*: Under SII Group Supervision rules, Atlas Insurance PCC Limited is delegated responsibility by Atlas Holdings to fulfil the governance requirements of the Group.*

Atlas Insurance PCC Limited Organisation Chart – 2021

3.2.3 Board committees

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

The Protected Cells Committee, the Information Technology Committee and the Executive Committee provide additional support and information to the board. Appointment to all the above mentioned committees is the prerogative of the board of directors. Each committee enables a high level of interaction with key functions reporting to such committees and to the boards of group companies.

The board is also copied with minutes of the committee meetings and matters arising from such committees are a standard agenda item at board meetings. The committees also have annually reviewed charters to ensure that all delegation of responsibility and function is clear and unequivocal.

Audit Committee

This committee met six times during 2021. It is composed entirely of non-executive directors and was 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. Ms Karen Pace joined the committee from June 2021. She has been approved by the MFSA to have the required competence in accounting and auditing to take over the role of Chair of the Committee when Mr Franco Azzopardi completes his term on the Atlas board at the next Annual General Meeting of the Company. Other members of the committee are Mr Philip Micallef, and Mr Michael Gatt.

The Committee has oversight of the independent audit of the financial statements as well as the audit scope and approach. It is also responsible for the engagement and oversight of the Group's external auditors. It also reviews and assesses the qualitative aspects of financial reporting to the shareholders of the Group s 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 monitors the independence of the external auditors and pre-approves any permitted non-audit services to be performed by the auditors.

The same committee also monitors the effectiveness of the internal audit function and, 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 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 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.

To ensure independence, the Internal Auditor reports directly to the Audit Committee which ensures that the internal auditor has the necessary resources and access to information to fulfil the mandate of the function. 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 Chair, has direct access to the Board of Directors and meets regularly with the Company's Chief Risk and Compliance Officer.

During 2021, 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 is also composed entirely of independent non-executive directors and met four times during 2021. It is chaired by Mr Lawrence Zammit, the board Chair who 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 System 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. It 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.

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 2021. Mr Franco Azzopardi, Ms Catherine Calleja, Mr Philip Micallef, Mr Ian-Edward Stafrace formed part of the Committee during 2021 and Ms Karen Pace joined the committee after the AGM in 2021. 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 and was appointed to the committee in January 2022

With the support of the CRCO, the Committee has oversight of the risk management function at Group level, including the development of the Group's risk appetite statement, and ongoing risk strategy and governing policies as well as the ORSA process. It is also involved in the overseeing of the ORSA process. 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. In 2022, the board has entrusted the committee with further responsibility to oversee the Environmental Social Governance strategy of the Group. Besides ensuring that ESG risks and incorporated into the risk management framework, the committee has several other roles including ensuring that legislative requirements including ESG reporting, are adhered to, overseeing the Group's progress towards its decarbonisation strategy, stakeholder engagement in this area and the overseeing of the Group's Community Involvement efforts.

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 on various risk areas are a feature of the committee meetings. During the period under review, the committee continued to monitor closely the Group's adherence to the highest of standards in cyber security and related risks for 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 adherence to the Group Investment Policy and Asset Liability Management Policy. The Committee acts in accordance with the Prudent Person Principle as stipulated in Article 132 of the Solvency II Directive.

The Committee met five times in 2021 and Mr Lawrence Zammit continued to chair the Committee during the year. Members include 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 relevant areas in 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. The Committee also oversees the Company's property investments and recommends action to the board.

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 five times during 2021.

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

Protected Cells Committee

This Committee oversees the acceptance and monitoring 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. Quarterly cell KPIs are submitted to the board of directors as part of the financial reporting process. During 2021 the committee met four times and further cell proposals were presented to the board and subsequently to the Malta Financial Services Authority for approval.

The CEO continues to chair the Committee, which is 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 2021. 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 deep understanding of the cell performance and any potential risks to the core.

Individual Cell Committees

The Chief Underwriting Officer and Group Chief Financial Officer, as representatives of the Committee, form part of the cell committees of the individual cells with Cell owners and managers, where relevant. These committees meet regularly to review underwriting, financial performance and risk management and compliance issues.

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

3.3 Fit and proper requirements

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

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

The Group's Remuneration and Nomination Committee has been given the authority and responsibility to carry out the annual fitness and properness testings in accordance with the Committee Charter approved by the Atlas Board.

The Policy applies to:

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

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

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

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

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

f) The appointed Money Laundering Reporting Officer for Atlas Healthcare;

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

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

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

j) Investment advisors.

3.3.1 Requirement of fitness and properness and implementation

In terms of Article 8(1) of the Insurance Business Act and as per Chapter 2 of the Insurance Rules: Fit and Proper Criteria, Notification and Assessment, Atlas Group ensures that all persons who effectively run the undertaking and persons responsible for key functions satisfy the ‘fit and proper’ requirements at all times (i.e. both at appointment stage and on an ongoing basis:

- Have the professional qualifications, and possess the adequate level of competence, knowledge and experience, (fit), required to enable such person to carry out his duties and perform his or her key function effectively and to enable sound and prudent management of the undertaking
- Have the personal characteristics, including that of being of good repute, integrity and transparency (proper), as well as having financially soundness

At appointment stage, Atlas Group satisfies the assessment and notification process required by the MFSA, including the completion and submission of a detailed fitness and propriety questionnaire in respect of the proposed individual. On an ongoing basis, controls are in place to regularly monitor individuals subject to fit and proper requirements to ensure these remain satisfied at all times.

Similar procedures are in place for any outsourced key functions.

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

3.4.1 Governance framework

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

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

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

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

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

Governance & Strategy
- Business Planning Cycle and Atlas Group Strategy
- Risk & Compliance Committee Charter
- Audit Committee Charter
- Internal Audit Policy
- Investments Committee Charter
- Actuarial Governance Policy and Terms of Reference

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

Risk Specific
- Asset Liability Management Policy
- Credit Risk Policy
- Investment Policy
- Liquidity Risk Policy
- Underwriting & Reinsurance Policy
- Claims Management Policy
- Compliance Policy

Protected Cells
- Cells Committee Terms of Reference
- Committee Terms of Reference of individual Cells
- Operations Manuals of individual Cells

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

Risk Strategy and Guiding Principles

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

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

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

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

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

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

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

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

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

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

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

Roles and Responsibilities

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

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

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

3.4.2 Risk register

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

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

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

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

3.4.3 Risk evaluation

The Group defines the following risk categories:

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

	image among policyholders, counterparties, shareholders and/or supervisory authorities) under the Strategic Risk Category

The categorisation follows best practice and current regulations.

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

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

3.4.4 Risk appetite

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

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

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

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

3.4.5 Reporting processes for the risk management system

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

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

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

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

3.4.6 Own Risk and Solvency Assessment

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

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

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

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

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

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

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

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

3.4.7 Risk management strategies, objectives and processes

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

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

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

3.5 Internal control system

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

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

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

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

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

Additional internal control activities and monitoring mechanism include:

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

Compliance Function

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

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

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

3.6 Internal audit function

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

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

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

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

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

During the year under review, an external review of the Internal Audit function was carried out as required by regulation.

3.7 Actuarial Function

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

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

The Company is required to have an Actuarial Function. The Board of Directors oversees that the Actuarial Function policy in place is adhered to.

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

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

The Group's Actuarial Function is currently outsourced under an agreement with SRS Management Europe PCC Limited.

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

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

3.8 Outsourcing

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

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

Due Diligence

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

The due diligence process should assess:

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

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

Approval and Monitoring

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

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

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

Control

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

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

3.9 Any other information

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

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

4. Risk profile

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

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

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

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

Principal risks and uncertainties

The Board is confident that it addresses the full inventory of the risks the Company's administration and operations face through its risk management structure. Increased exposures to market, credit and liquidity risks as a result of the COVID-19 pandemic remains a global threat. Investment markets had been hit hard by a global recession as early as end March 2020 but registered reasonable stability during 2021. The economic outlook remains stressed and continues to create supply chain issues as a result of liquidity constraints. As such the impact on business and performance as a result of possible reduced consumption may still potentially impact underwriting and market risk.

Operational risk tends to increase as a result of the effects of employees working remotely. The Board's focus has been and continues 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 still present and staff relocation for home remote working arrangements being deployed as and when these were and may be required.

In respect of the cells, the impact of the pandemic on business and performance experiences has been very similar to that of the Core.

4.1 Underwriting risk

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

4.1.1 Insurance contracts - general business

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

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

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

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

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

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

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

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

4.1.2 Reinsurance contracts held

The Company places its reinsurance programme with overseas reinsurers who all meet the financial approval of the local regulator. It is generally the Core Company's Policy for reinsurance to be placed in 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.

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 often worked towards reducing the impact of the Company's net retained losses for the year.

4.1.3 Receivables and payables

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

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

4.1.4 Management of insurance risk

The 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.

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.

Insurance risk - Cells

During the year the Company licensed one new cell in November. The Blevins Franks Cell writes professional indemnity risks in the UK and Europe. Gemini Cell, L'Amie Cell, Griffin 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 was unwound before the end of 2021. Ocado Cell did not write new business in 2021.

Griffin Cell had its first and very successful renewal cycle in Q4 2021. L'Amie, Gemini and TVIS cells carried on writing their normal classes in their European and UK markets.

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.

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
(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 still benefitted, albeit to a lesser extent than in 2020, from the lower traffic volumes during the peak periods of the pandemic. It was noted, though, that in 2021 several months reflected pre-covid claim frequencies.

The motor result was also impacted by a rainstorm in November.

No major developments in relation to civil damages and court judgements were registered.

Property (including Business Interruption)

The gross property result saw the beneficial effect of a substantial legal recovery in connection to a large property claim which occurred in December 2019 and was paid across 2020 and 2021. A number of positive developments on older property claims were also registered. These savings more than made up for any large fire losses incurred in 2021 and the combined losses emanating from the November storm.

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 2021 showed no extraordinary experience in this respect.

Personal accident and travel

Travel class recovered remarkably in 2021 also as a result of the inception of a substantial bank credit card scheme. Covid-19 related travel cover was introduced mid-year and this helped stimulate volumes. The underwriting result was satisfactory though it was affected by a wave of cancellation/extension claims linked to the Omicron variant at the end of the year.

Marine

The marine portfolio in 2021 experienced a satisfactory result overall.

Health

As expected the health account went back to pre-pandemic performance but was also impacted by a small number of large losses

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 and in the past years, communicable disease exclusions were introduced on most classes.

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 E.g. 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/UK use (in line with legislation in certain EU countries and the UK).

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 Company's health portfolio is reinsured with AXA PPP healthcare Limited. 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.

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.

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.

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.

4.2 Financial risk

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.

4.2.1 Market risk

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

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.

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

	2021	2020
	€	€
Assets at floating interest rates - bank balances	**19,352,175**	20,359,564
Assets at fixed interest rates		
- Listed debt securities	**7,799,325**	8,017,603
- Deposits with banks or financial institutions	**1,490,000**	279,187
- Amounts owed from related parties	**387,325**	739,816
	29,028,825	29,396,170
Liabilities at floating interest rates - bank balance overdrawn	-	-

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 2021 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 (2020: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €135,199 higher (2020: €289,845 higher). An increase of 50 basis points (2020: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €171,305 lower (2020: €60,241 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.

Equity risk

The Company is exposed to market price risk on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments. The 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 1% on the opening balance at the beginning of 2021. By 31 December the portfolio recovered to a fair value gain of 12.1%.

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	
	2021	2020	**2021**	2020	**2021**	2020
	€	€	**€**	€	**€**	€
Assets subject to equity price risk						
Equity securities	**4,645,140**	4,427,836	-	-	**4,645,140**	4,427,836
Units in unit trusts	**25,322,610**	20,975,848	**2,310,048**	2,833,212	**27,632,658**	23,809,060
	29,967,750	25,403,684	**2,310,048**	2,833,212	**32,277,798**	28,236,896

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% (2020: 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 €2,996,775 (2020: €2,540,368). An increase or a decrease of 10% (2020: 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 €231,005 (2020: €283,321).

Property Risk

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

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

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

Based on the valuation carried out in December 2021 the Directors do not consider that there has been a change since the last valuation position.

Currency risk

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. The 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.

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 2021, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,462,576, (2020: €2,139,743). 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 €434,572 (2020: €377,602) or higher by €321,206 (2020: €279,097).

4.2.2 Credit risk

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

(i) reinsurers' share of insurance technical provisions;

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

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

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

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

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

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

The Investment Committee takes account of the credit risk inherent in the PCC's investment portfolio by adopting similar cautious practices in identifying investment opportunities and monitoring portfolio performance. There are certain instances whereby the committee may opt for placing these funds in B-rated and unrated securities only once the circumstances of such an opportunity are fully assessed and are beneficial to the performance of the investment portfolio. These circumstances will only be considered once they fall within the Company's risk appetite and within the investment policy board approved risk parameters.

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:

	Notes	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 €
		As at 31 December 2021							
Investments									
Debt securities - listed fixed interest rate	15	553,626	749,304	512,255	5,984,140	-	-	-	7,799,325
Deposits with banks or financial institutions		-	-	-	-	-	1,490,000	-	1,490,000
		553,626	749,304	512,255	5,984,140	-	1,490,000	-	9,289,325
Loans and receivables									
Debtors and prepayments and accrued income	18	-	-	-	6,814,327	-	-	16,636,352	23,450,679
Cash equivalents	24	-	-	2,410,213	3,067,234	4,793,109	3,604,799	5,476,820	19,352,175
		-	-	2,410,213	9,881,561	4,793,109	3,604,799	22,113,172	42,802,854
Reinsurers' share of technical provisions	21	15,205,377	3,121,848	-	2,667	-	11,596,707	-	29,926,599
Total assets bearing credit risk		15,759,003	3,871,152	2,922,468	15,868,368	4,793,109	16,691,506	22,113,172	82,018,778

4.2.3 Liquidity risk

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

The directors do not consider this risk as significant given the nature of the 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 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.

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

As at 31 December 2021		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	22	4,111,391	-	-	-	4,111,391
Accruals and deferred income		4,316,918	-	-	-	4,316,918
Cells						
Trade and other creditors	22	14,425,855	-	-	-	14,425,855
Accruals and deferred income		181,399	-	-	-	181,399
		23,168,326	-	-	-	23,168,326

As at 31 December 2021		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	21	10,333,989	8,017,396	3,560,545	565,273	22,477,203
Cells						
Technical provisions						
- Claims outstanding	21	3,778,620	-	975,770	17,401	4,771,791
		14,112,609	8,017,396	4,536,315	582,674	27,248,994

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

4.3 Operational risk and Strategic Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events.

Strategic Risk relates to the current and prospective impact on earnings or capital arising from wrong business decisions, improper implementation of decisions, or lack of responsiveness to internal or external changes or events. This covers risks:

- leading to actual strategic outcomes differing adversely to expectations;
- which may inhibit strategy and strategic choices; and
- that the strategy chosen is sub-optimal

Previously Atlas considered Strategy Risk as a sub-category of Operational Risk. Since 2020, Strategy Risk has been considered as a separate risk category. Also, as part of enhancing the Risk & Internal Control Frameworks of the Group, a review of the utilised risk classification within the risk register was carried out. To this end, standardized risk classifications were applied to split both Operational and Strategic Risk categories into risk groups, which, in turn, were further opened into risk sub-groupings. The intention of having Atlas-specific operational and strategic risk exposures categorized into standardized risk classifications was to enhance both internal and external risk reporting as well as to facilitate the risk identification and review processes within the ongoing risk management framework.

Strategy risk is split into the following risk groupings:

(a) Reputation Risk
(b) Macro, Meso & Micro Environment Risk
(c) Lack of Innovation
(d) Project Risk
(e) International Business
(f) Competitor Risk

Operational risk is split into (a) Internal Fraud, (b) External Fraud, (c) Employment Practices and Workplace Safety, (d) Clients, Products & Business Practices, (e) Damage to Physical Assets, (f) Business Disruption and System Failures, (g) Execution, Delivery & Process Management, (h) Compliance – Legal and Regulatory Risk. Each of the above risk groups, are then split further into risk sub-groupings:

(a) Internal Fraud;
- Unauthorised Activity
- Internal Theft and Fraud

(b) External Fraud;
- External Theft and Fraud
- Cyber Security

(c) Employment Practices and Workplace Safety
- Employee Relations
- Health and Safety
- Diversity and Discrimination

(d) Clients, Products & Business Practices
- Improper Business or Market Practices

(e) Damage to Physical Assets

(f) Business Disruption and System Failures

(g) Execution, Delivery & Process Management
- Transaction Capture, Execution & Maintenance
- Processing of Data and Data Inaccuracy
- Customer/Client Account Management
- Monitoring and Reporting
- Expense Risk
- Trade Counterparties & Service Providers
- Cell Management Risk

(h) Compliance – Legal and Regulatory Risk
- Authorisation
- Cell Management Risk
- Complaints handing
- Distribution
- Marketing
- Product Oversight and Governance
- Data Protection
- Employment
- Supervisory Fees
- Governance
- Health and Safety
- Outsourcing
-
- Reporting
- Tax

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

4.4 Other material risk

Cellular Solvency Capital Deficit Risk

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

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

4.5 Any other information

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

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

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

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

5. Valuation of assets and liabilities for solvency purposes

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

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

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

Therefore all financial information being reproduced is reported for:

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

COVID-19 Pandemic and the Crisis in Ukraine

As stated in the previous section, the Company's investment asset portfolio may be impacted as a result of the ongoing threat of global recession due to COVID-19. During February 2022 a political crisis developed in Ukraine seeing sanctions on Russia and the soaring price of energy supplies potentially impacting global economies.

It had been noted by the board that during January 2022 a market downward adjustment from the positive close at year end 2021 has been experienced by the Company for fair value of the investment portfolio. The results for February 2022 have also confirmed this trend which have also been impacted by the crisis in Ukraine.

The Board will continue to monitor the short term impact of this latest global crisis and will positively react by interacting with the executive and investment managers to prudently protect the investment portfolio from further potential diminutions in the medium term. This action will also include shock scenarios in this regard intended to assess further the strength of the Company's financial position in sustaining this potential threat.

Atlas has in the past carried out stress and scenario testing on its investments and assessed the impact such economic conditions will have on its financial projections. When considering stress and scenario testing carried out as part of the Company's ORSA (Own Risk Solvency Assessment) process on its market and capital positions, the Directors consider that Atlas is able to withstand potential longer term adverse impact on its assets.

The Company continues to monitor underlying insurance operations by line of business, including the potential for reduced premium or increased claims exposure for certain lines of business at the same time. In the light of the current Ukrainian crisis it has also been reported in the media that western countries and their allies can expect a heightened level of cyber risk and more frequent attacks against them. In this respect Atlas continues to monitor closely the insurance operations of its Core and Cellular operations. Atlas considers that its reinsurance strategy and the current high grade quality of its reinsurance panel protects the Company from material exposure to such risks. The downgrading of reinsurers cannot be excluded for these events.

5.1 Assets

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

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

PCC Aggregate in Euro '000 Assets	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Deferred acquisition costs	2,463	-2,463	**0**	0
Intangible assets	418	-418	**0**	0
Deferred tax assets	0	76	**76**	38
Property, plant & equipment held for own use	8,427	0	**8,427**	8,391
Investments (other than assets held for index-linked				
Property (other than for own use)	10,618	0	**10,618**	10,499
Holdings in related undertakings, including participatior	2,665	0	**2,665**	1,127
Equities				
Equities - listed	4,645	8,882	**13,527**	10,351
Equities - unlisted	0	1,574	**1,574**	1,931
Bonds				
Government Bonds	0	3,632	**3,632**	1,844
Corporate Bonds	7,799	11,374	**19,173**	19,413
Collective Investments Undertakings	27,633	-25,323	**2,310**	2,833
Deposits other than cash equivalents	1,490	1	**1,490**	279
Loans and mortgages				
Other loans and mortgages	387	0	**387**	740
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	29,925	-21,290	**8,635**	13,374
Health similar to non-life	2	3,402	**3,404**	3,152
Deposits to cedants	125	0	**125**	125
Insurance and intermediaries receivables	20,998	-9,128	**11,869**	6,682
Re-Insurance receivables	318	0	**318**	54
Receivables (trade, not insurance)	2,318	-139	**2,180**	4,874
Cash and cash equivalents	19,648	0	**19,648**	21,003
Total assets	139,879	-29,820	**110,057**	106,710

You will note that adjustments are made to IFRS values in arriving at Solvency II Balance Sheet values. The following are the explanations for the movements arising therefrom which result in a reduction in total assets held for the PCC of €29.8 million (€31.4 million for 2020).

Deferred Acquisition Costs

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

Intangible Assets

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

Deferred Tax Asset

See note under subsection 5.2.2 “Deferred Tax Liabilities”.

Bonds

Fixed income securities are reported in the IFRS balance sheet at fair value to profit and loss. For the purpose of Solvency II balance sheet valuation accrued income has been added to such fair value. This, together with the “look through” procedure to identify bonds within funds, accounts for the increase in Solvency II balance sheet values.

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

Collective Investment Undertakings

Collective investment undertakings (funds) are reported in the IFRS balance sheet at fair value to profit and loss. Solvency II regulations allow for a “look through” procedure where the funds’ securities are identified and reclassified according to their nature and valued accordingly. This mainly accounts for the adjustments to equities and bonds in the table above.

Reinsurance Recoverables

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

All of the reinsurers treaties comply with the above requirement, with an accordingly approved BBB reinsurer covering a single cell’s insurance portfolio.

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

Insurance and Intermediaries Receivables

Atlas operates its insurance underwriting either on a direct line of business with negotiation carried out with its policy holders on a direct basis or through a network of intermediaries. This gives rise to timing differences for the collection of premium. Any balances that are not yet due are considered to be future cash flows under the Solvency II balance sheet and therefore reclassified to technical provisions in the calculation of “best estimate” values for such provisions. IFRS valuation considers the amounts receivable at amortised cost less any provision for doubtful debts. The adjustment to technical provisions is shown in the above table.

Receivables (trade, not insurance)

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

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

PCC Core in Euro '000 Assets	2021 IFRS	Solvency II Adjustment	Solvency II value	2020 Solvency II value
Deferred acquisition costs	2,013	-2,013	**0**	0
Intangible assets	418	-418	**0**	0
Property, plant & equipment held for own use	8,427	0	**8,427**	8,391
Investments (other than assets held for index-linked and unit-linked				
Property (other than for own use)	10,618	0	**10,618**	10,499
Holdings in related undertakings, including participations	2,665	0	**2,665**	1,127
Equities				
Equities - listed	4,645	8,882	**13,527**	10,351
Equities - unlisted	0	1,574	**1,574**	1,931
Bonds				
Government Bonds	0	3,632	**3,632**	1,844
Corporate Bonds	7,799	11,374	**19,173**	19,413
Collective Investments Undertakings	25,323	-25,323	**0**	0
Deposits other than cash equivalents	0	1	**0**	269
Loans and mortgages				
Other loans and mortgages	387	0	**387**	740
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	18,328	-9,802	**8,526**	15,712
Health similar to non-life	2	3,402	**3,403**	3,151
Insurance and intermediaries receivables	4,797	-1,967	**2,831**	2,603
Re-Insurance receivables	0	0	**0**	54
Receivables (trade, not insurance)	2,101	-138	**1,962**	1,336
Cash and cash equivalents	5,773	0	**5,773**	6,114
Total assets	93,295	-10,797	**82,498**	83,536

Amplifon Cell Euro '000 Assets	2021 IFRS	Solvency II Adjustment	Solvency II value	2020 Solvency II value
Deferred acquisition costs	5	-5	**0**	0
Collective Investments Undertakings	910	0	**910**	1,417
Deposits to cedants	125	0	**125**	125
Insurance and intermediaries receivables	133	0	**133**	127
Cash and cash equivalents	849	0	**849**	253
Total assets	2,021	-5	**2,017**	1,922

Other Cells Euro '000 Assets	2021 IFRS	Solvency II Adjustment	Solvency II value	2020 Solvency II value
Deferred acquisition costs	446	-446	**0**	0
Deferred tax assets	0	76	**76**	38
Investments (other than assets held for index-linked and unit-linked contracts)				
Collective Investments Undertakings	1,400	0	**1,400**	1,416
Deposits other than cash equivalents	1,490	0	**1,490**	10
Reinsurance Recoverables - Non-life excluding health	11,597	-11,488	**109**	-2,338
Insurance and intermediaries receivables	16,067	-7,161	**8,906**	3,952
Reinsurance receivables	318	0	**318**	0
Receivables (trade, not insurance)	218	0	**218**	3,538
Cash and cash equivalents	13,026	1	**13,027**	14,638
Total assets	44,562	-19,018	**25,543**	21,252

5.2 Total liabilities

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

PCC Aggregate in Euro '000 Liabilities	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	59,741	-59,741	**0**	0
Best Estimate	0	27,726	**27,726**	31,793
Risk margin	0	1,559	**1,559**	1,280
Technical provisions - health (similar to non-life)	270	-270	**0**	0
Best Estimate	0	5,688	**5,688**	5,101
Risk margin	0	84	**84**	67
Provisions other than Technical Provisions	333	-333	**0**	0
Deferred tax liabilities	2,361	1,157	**3,519**	2,591
Debts owed to credit institutions	0	0	**0**	0
Insurance & intermediaries payables	3,198	-1,015	**2,182**	1,836
Reinsurance payables	14,147	-6,238	**7,908**	2,490
Payables (trade, not insurance)	7,378	-238	**7,140**	6,937
Total liabilities	87,430	-31,623	**55,806**	52,094

As for Assets you will note that adjustments are carried to IFRS values in arriving at Solvency II Balance Sheet values. As such this results in a reduction in total liabilities held for the PCC of €31.6 million (€32.0 million for 2020).

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

PCC Core in Euro '000 Liabilities	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	40,510	-40,510	**0**	0
Best Estimate	0	24,364	**24,364**	30,769
Risk margin	0	800	**800**	789
Technical provisions - health (similar to non-life)	270	-270	**0**	0
Best Estimate	0	5,687	**5,687**	5,101
Risk margin	0	84	**84**	66
Deferred tax liabilities	2,361	141	**2,503**	1,831
Debts owed to credit institutions	0	0	**0**	0
Insurance & intermediaries payables	1,048	-430	**619**	536
Reinsurance payables	2,332	-927	**1,405**	410
Payables (trade, not insurance)	5,622	0	**5,622**	5,617
Total liabilities	52,143	-11,060	**41,084**	45,119

Amplifon Cell Euro '000 Liabilities	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	1,019	-1,019	**0**	0
Best Estimate	0	571	**571**	864
Risk margin	0	14	**14**	21
Deferred tax liabilities	0	150	**150**	8
Insurance & intermediaries payables	12	0	**12**	130
Payables (trade, not insurance)	24	0	**24**	96
Total liabilities	1,056	-284	**772**	1,119

Other Cells Euro '000 Liabilities	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	18,212	-18,212	**0**	0
Best Estimate	0	2,791	**2,791**	159
Risk margin	0	744	**745**	471
Provisions other than technical liabilities	333	-333	**0**	0
Deferred tax liabilities	0	865	**865**	752
Insurance & intermediaries payables	2,138	-587	**1,551**	1,169
Reinsurance payables	11,815	-5,312	**6,503**	2,080
Payables (trade, not insurance)	1,732	-237	**1,495**	1,224
Total liabilities	34,230	-20,281	**13,950**	5,855

5.2.1 Technical provisions

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

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

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

There is a limitation upon the accuracy of best estimates in that there is an inherent uncertainty in the estimates of loss amounts that underlie the calculations. This arises as the ultimate liability for claims is subject to the outcome of events yet to occur, including changes in the attitudes of courts and claimants towards the settlement of claims. In applying expert judgement, we have employed techniques and assumptions that are appropriate, given the information currently available. It should be recognised that future loss emergence is likely to deviate from our estimates. Uncertainty is likely to increase in cases where there is limited historical data. Moreover, the ongoing pandemic creates additional uncertainty due to possible changes in exposure and claims profile. Management recognises the presence of uncertainty and carry out careful monitoring to address this on a routine basis. In this regard, assumptions are continuously reviewed and updated as new information becomes available. Therefore management remains confident that any emergence of uncertainty is addressed immediately.

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

PCC Aggregate in Euro '000 Technical provisions	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	59,741	-59,741	**0**	0
Best Estimate	0	27,726	**27,726**	31,793
Risk margin	0	1,559	**1,559**	1,280
Technical provisions - health (similar to non-life)	270	-270	**0**	0
Best Estimate	0	5,688	**5,688**	5,101
Risk margin	0	84	**84**	67
	60,011	-24,954	**35,057**	38,241

PCC Core in Euro '000 Technical provisions	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	40,510	-40,510	**0**	0
Best Estimate	0	24,364	**24,364**	30,769
Risk margin	0	800	**800**	789
Technical provisions - health (similar to non-life)	270	-270	**0**	0
Best Estimate	0	5,687	**5,687**	5,101
Risk margin	0	84	**84**	66
	40,779	-9,844	**30,935**	36,725

Amplifon Cell Euro '000 Technical provisions	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	1,019	-1,019	**0**	0
Best Estimate	0	571	**571**	864
Risk margin	0	14	**14**	21
	1,019	-434	**585**	885

Other Cells Euro '000 Technical provisions	IFRS	2021 Solvency II Adjustment	Solvency II value	2020 Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	18,212	-18,212	**0**	0
Best Estimate	0	2,791	**2,791**	159
Risk margin	0	744	**745**	471
	18,212	-14,677	**3,535**	630

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

Claims Provision adjustment

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

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

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

Premium Provision

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

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

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

d) Future premium cash flows have been included.

Discounting

Both claims and premium provisions cash flows were modelled using payment patterns derived from historic experience. These were discounted by the year end 2021 yield curves as published by EIOPA.

Risk Margin

The risk margin was calculated by approximating the future SCRs to be projected in line with the projected cashflows of the best estimate technical provisions. This was then discounted using the year end 2021 yield curve and a 6% cost of capital was applied.

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

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

Valuation principles

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

Segmentation

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

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

Contract boundaries

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

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

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

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

QRT Table 3 – PCC Aggregated Core and Cells in Euro '000

S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0020	**C0030**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0130**	**C0180**
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	3,980	2	1,788	1,434	170	881	1,071	75	9,400
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	2,318	-8	-151	-171	81	377	264	83	2,792
Net Best Estimate of Premium Provisions	**R0150**	1,661	10	1,939	1,605	89	504	807	-8	6,608
Claims provisions										
Gross	**R0160**	1,605	101	7,294	968	340	6,900	3,704	3,100	24,014
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	1,094	0	267	0	176	4,447	507	2,755	9,247
Net Best Estimate of Claims Provisions	**R0250**	512	101	7,027	968	164	2,453	3,197	345	14,767
Total Best estimate - gross	**R0260**	5,585	103	9,082	2,402	509	7,781	4,775	3,176	33,414
Total Best estimate - net	**R0270**	2,173	111	8,967	2,573	252	2,957	4,004	338	21,375
Risk margin	**R0280**	79	5	481	102	10	412	341	3	1,432
Technical provisions - total										
Technical provisions - total	**R0320**	5,664	108	9,563	2,504	519	8,193	5,327	3,179	35,057
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	3,412	-8	116	-171	257	4,824	771	2,838	12,039
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	2,252	116	9,447	2,675	262	3,369	4,556	341	23,018

S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	**Z0020**	Accident year [AY]

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

	Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**In Current year**	**Sum of years (cumulative)**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											-8	**R0100**	-8	-8
2012	**R0160**	357	213	36	55	-11	3	12	-1	0	0		**R0160**	0	666
2013	**R0170**	339	184	424	1,222	1,227	20,718	82	-6	0			**R0170**	0	24,192
2014	**R0180**	901	619	205	154	30	22	3	0				**R0180**	0	1,934
2015	**R0190**	1,561	786	214	67	42	1	9					**R0190**	9	2,681
2016	**R0200**	1,930	1,241	326	429	194	125						**R0200**	125	4,245
2017	**R0210**	2,724	1,083	216	209	198							**R0210**	198	4,429
2018	**R0220**	2,846	1,265	366	139								**R0220**	139	4,616
2019	**R0230**	6,743	1,333	14									**R0230**	14	8,090
2020	**R0240**	8,577	1,767										**R0240**	1,767	10,344
2021	**R0250**	10,078											**R0250**	10,078	10,078
												Total	**R0260**	12,322	71,267

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**Year end (discounted data)**
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**											14	**R0100**	12
2012	**R0160**	464	126	44	22	17	14	14	14	2	2		**R0160**	2
2013	**R0170**	191	86	48	27	24,251	83	21	19	4			**R0170**	4
2014	**R0180**	525	92	14	186	52	17	0	0				**R0180**	0
2015	**R0190**	230	125	138	89	40	7	0					**R0190**	0
2016	**R0200**	384	1,547	288	196	1	0						**R0200**	0
2017	**R0210**	1,357	622	311	15	12							**R0210**	10
2018	**R0220**	2,162	1,240	62	46								**R0220**	41
2019	**R0230**	290	111	64									**R0230**	42
2020	**R0240**	265	63										**R0240**	76
2021	**R0250**	310											**R0250**	3,357
												Total	**R0260**	3,544

5.2.2 Other liabilities

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

PCC Aggregate in Euro '000	2021			2020
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Deferred tax liabilities	2,361	1,157	**3,519**	2,591
Provisions other than Technical Provisions	333	-333	**0**	0
Insurance & intermediaries payables	3,198	-1,015	**2,182**	1,836
Reinsurance payables	14,147	-6,238	**7,908**	2,490
Payables (trade, not insurance)	7,378	-238	**7,140**	6,937
	27,419	-6,668	**20,749**	13,853

PCC Core in Euro '000	2021			2020
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Deferred tax liabilities	2,361	141	**2,503**	1,831
Insurance & intermediaries payables	1,048	-431	**619**	536
Reinsurance payables	2,332	-927	**1,405**	410
Payables (trade, not insurance)	5,622	0	**5,622**	5,617
	11,364	-1,215	**10,148**	8,394

Amplifon Cell Euro '000	2021			2020
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Deferred tax liabilities	0	150	**150**	8
Insurance & intermediaries payables	12	0	**12**	130
Payables (trade, not insurance)	24	0	**24**	96
	37	150	**187**	234

Other Cells Euro '000	2021			2020
Other liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Provisions other than Technical Provisions	333	-333	**0**	0
Deferred tax liabilities	0	865	**865**	752
Insurance & intermediaries payables	2,138	-587	**1,551**	1,169
Reinsurance payables	11,815	-5,312	**6,503**	2,080
Payables (trade, not insurance)	1,732	-237	**1,495**	1,224
	16,018	-5,603	**10,415**	5,226

Deferred tax liabilities

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

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

Insurance and intermediaries payables and reinsurance payables

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

5.3 Alternative methods for valuation

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

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

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

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	29
Deferred tax assets	**R0040**	46
Property, plant & equipment held for own use	**R0060**	8,427
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	54,988
Property (other than for own use)	**R0080**	10,618
Holdings in related undertakings, including participations	**R0090**	2,665
Equities	**R0100**	15,101
Equities - listed	**R0110**	13,527
Equities - unlisted	**R0120**	1,574
Bonds	**R0130**	22,805
Government Bonds	**R0140**	3,632
Corporate Bonds	**R0150**	19,173
Collective Investments Undertakings	**R0180**	2,310
Deposits other than cash equivalents	**R0200**	1,490
Loans and mortgages	**R0230**	387
Other loans and mortgages	**R0260**	387
Reinsurance recoverables from:	**R0270**	12,039
Non-life and health similar to non-life	**R0280**	12,039
Non-life excluding health	**R0290**	8,635
Health similar to non-life	**R0300**	3,404
Deposits to cedants	**R0350**	125
Insurance and intermediaries receivables	**R0360**	11,869
Reinsurance receivables	**R0370**	318
Receivables (trade, not insurance)	**R0380**	2,180
Cash and cash equivalents	**R0410**	19,648
Total assets	**R0500**	110,057

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	35,057
Technical provisions – non-life (excluding health)	**R0520**	29,285
Best Estimate	**R0540**	27,726
Risk margin	**R0550**	1,559
Technical provisions - health (similar to non-life)	**R0560**	5,772
Best Estimate	**R0580**	5,688
Risk margin	**R0590**	84
Deferred tax liabilities	**R0780**	3,519
Insurance & intermediaries payables	**R0820**	2,182
Reinsurance payables	**R0830**	7,908
Payables (trade, not insurance)	**R0840**	7,140
Total liabilities	**R0900**	55,806
Excess of assets over liabilities	**R1000**	54,251

6. Capital management

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

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

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

COVID-19 Pandemic and the Crisis in Ukraine

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

With a cover of 261% resulting in surplus eligible own funds of €24.3 million over the SCR for the core, Atlas considers that it is sufficiently capitalised to withstand the risk of diminution of values for its investment portfolio, and still retain an adequate solvency cover, and on this basis does not consider the going concern basis to be uncertain. Atlas is committed to monitor its capital adequacy positions on an ongoing basis. At the same time, the Directors acknowledge that the global and local economic environment remain uncertain.

As stated under section 2 the Board of Directors will continue to be vigilant for the existing scenarios and any potential negative impact these may have on the Company's operations. The Board is committed to managing the Company's finances during 2022 as it has during the year under review.

6.1 Own Funds

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

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

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

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

The aggregate own funds for all components of the PCC in matching the Company's Solvency Capital Requirement total €46.9 million as on 31 December 2021 (€45.4 million as on 31 December 2020).

This is inclusive of available unpaid capital for ancillary own funds of €1.84 million, and eligible under Solvency II regulation up to €0.69 million in matching the Minimum Capital Requirement.

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

PCC Aggregate in Euro '000		**2021**		2020
Own funds	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Paid up ordinary shares	24,311	0	**24,311**	24,313
Capital Contribution	0	0	**0**	500
Other reserves	4,221	-4,221	**0**	0
Retained earnings	23,917	-23,917	**0**	0
Reconciliation reserve	0	21,897	**21,897**	19,775
Ancillary own funds - issued capital unpaid	0	694	**694**	780
	52,449	-5,547	**46,902**	45,368

During the year under review, the directors declared and paid interim non-cellular Ordinary dividends of €1,000,000 and €700,000 net of tax. A final dividend of €1,000,000 was also declared and paid at the Company's annual general meeting. During 2021 further interim dividends were paid to the cellular shareholders. These were €2,200,000 to the PerfectHome Cell shareholder, €350,000, €278,155 and €250,000 to the Gemini Cell shareholder, €600,000 to the TVIS Cell shareholder and a bonus share issue in the form of interim dividend of €300,000 to the L'Amie Cell shareholder. Finally a dividend of €82,280 as forming part of the winding up proceeds of the PerfectHome Cell was paid to its shareholder.

For the positive results achieved by the Company during 2021, on 17 March 2022 a net interim dividend of €1,000,000 was paid to the non-cellular shareholder. The directors propose the payment of a final dividend of €1,000,000 to the non-cellular shareholder.

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.

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

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

Application and review of own funds.

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

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

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

Medium-Term Capital Management Plan

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

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

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

- Counterparty default risk;
- Currency risk;
- Market risk;
- Liquidity risk;
- Concentration risk

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

QRT Table 5 – Atlas PCC Aggregated Core and Cells in Euro '000

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 2
		C0010	C0020	C0040
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35				
Ordinary share capital (gross of own shares)	**R0010**	24,311	24,311	
Reconciliation reserve	**R0130**	21,897	21,897	
Total basic own funds after deductions	**R0290**	46,208	46,208	
Ancillary own funds				
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	1,844		1,844
Total ancillary own funds	**R0400**	1,844		1,844
Available and eligible own funds				
Total available own funds to meet the SCR	**R0500**	48,052	46,208	1,844
Total available own funds to meet the MCR	**R0510**	46,208	46,208	
Total eligible own funds to meet the SCR	**R0540**	46,902	46,208	694
Total eligible own funds to meet the MCR	**R0550**	46,208	46,208	
SCR	**R0580**	22,560		
MCR	**R0600**	5,640		
Ratio of Eligible own funds to SCR	**R0620**	207.89%		
Ratio of Eligible own funds to MCR	**R0640**	819.28%		

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	54,251
Foreseeable dividends, distributions and charges	**R0720**	2,000
Other basic own fund items	**R0730**	24,311
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	6,043
Reconciliation reserve	**R0760**	21,897

6.2 SCR & LACDT Allowance, and MCR

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

Individual cells are not obliged to hold the absolute minimum capital requirement (AMCR of €3.70 million) as this is an obligation imposed on the PCC's Core, nor are individual cells obliged under regulation to match its own nSCR with its own funds for as long as that Cell has financial recourse to the Core's own funds. Under the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, the PCC may impose non-recourse for cells authorised to carry on Captive insurance business and/or Reinsurance business. Under such circumstances these cells would have to match their own nSCR with its own funds. The PCC has the Amplifon Cell which is authorised to carry on the business of reinsurance where non-recourse is in place and on that basis matches its own funds to its nSCR with a solvency ratio of 279%.

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

2021

Solvency Capital Requirement	Core	Amplifon	Other Cells	Aggregated PCC
Market risk	13,891	74	1,175	**15,944**
Counterparty default risk	4,035	283	3,237	**7,956**
Health underwriting risk	811	-	0	**854**
Non-life underwriting risk	5,963	178	3,975	**10,653**
Diversification	(6,093)	(105)	(1,444)	**(9,426)**
Operational risk	1,334	17	949	**2,300**
LACDT	(4,869)	-	(852)	**(5,721)**
Total SCR	**15,073**	**446**	**7,041**	**22,560**

2020

Solvency Capital Requirement	Core	Amplifon	Other Cells	Aggregated PCC
Market risk	11,505	51	2,125	**14,498**
Counterparty default risk	3,597	71	4,840	**9,017**
Health underwriting risk	1,061	-	0	**1,124**
Non-life underwriting risk	5,616	269	3,578	**10,028**
Diversification	(5,680)	(63)	(1,771)	**(9,468)**
Operational risk	1,240	26	765	**2,031**
LACDT	(4,137)	-	(940)	**(5,077)**
Total SCR	**13,202**	**354**	**8,597**	**22,154**

Assessment of the Loss Absorbing Capacity of Deferred Tax (LACDT) adjustment

Requirements around the assessment of LACDT include the need to consider the impact that the current notional loss would have on future pricing, profitability and uncertainty of the Company.

Following scenario tests to determine profit recoverability following various severe scenarios, the extent that can be recovered from deferred tax assets from separate 1 in 200 year losses in insurance, market or counterparty risk (i.e. from the respective capital charges) is estimated. This is applied to both solvency and economic capital requirements.

The allowance for LACDT recoverability is limited for insurance risk (non-life U/W and health U/W) charge to 20% for the Core, resulting in a 7% tax charge. Additionally, the LACDT recoverability has also been limited for the other risk categories to 80%, implying a 28% tax charge:

	Core
Market Risk	28%
Counterparty Risk	28%
Non-Life Insurance Risk	7%
Health NSLT	7%
Operational	28%

Over and above the recoverability limitation applied above, another layer of prudence is applied by limiting the future profitability over the 3-year business planning period under a stressed scenario. In this case, the amount that could be recovered is limited to the tax payable on 50% of future base profits in year 1 and 75% of future base profits in year 2. The recoverability period is also limited to 3 future years, in line with the business planning period.

The minimum resulting LACDT adjustment between the two approaches described above is chosen.

The amount of LACDT adjustment allowed for in the assessment of the regulatory SCR for the Core for the 2020 valuation year is detailed below:

2021

Loss Absorbing Capacity of Technical Provision and Deferred Tax	**-€4,868,801**		
Losses predicted by SCR Model which can be recovered from future profits	**-€4,868,801**	**Risk Charge**	**Applicable tax rate**
Market Risk	**-€3,889,617**	**€13,891,488**	28%
Counterparty Risk	**-€1,129,920**	€4,035,430	28%
Non-Life Insurance Risk	**-€417,426**	€5,963,224	7%
Health NSLT	**-€56,760**	€810,856	7%
Diversification (Market, Counterparty, Insurance)	€998,536		
Operational Risk	**-€373,614**	€1,334,336	28%
LACDT Cappings:			
35% x (BSCR+Op)	**-€6,979,802**		
35% x 3 Year Proj Profits Before Tax Net of Inv Income / 3 x 3 (3 yr)	**-€7,322,332**		
35% x 3 Year Proj Profits Before Tax Net of Inv Income - limited profitability: 50% yr 1, 75% yr 2, 100% yr 3	**-€5,535,666**		

The maximum allowable LACDT in relation to the calculated BSCR and operational risk charge amounts to €7.0m. When this is assessed against the projected future profitability over the 3-year business planning period, the amount is capped at €7.3m. This is further limited by considering the future profitability under a stressed position in the first and second projected years, resulting in an allowance of €5.5m. Finally, this is compared to the limitation on the tax charge as described above, resulting in the LACDT adjustment of €4.9m.

In the case of cells, Atlas has adopted similar approaches in limiting the recoverability of LACDT, by either applying a limitation on the tax charges and/or limiting the extent of recoverability in relation to future profits, as explained above. In the case of Amplifon, no LACDT adjustment was allowed for in the SCR assessment.

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

The PCC's MCR calculation results in a requirement of €5.64 million. The own funds reported for Solvency II comfortably exceed the above MCR requirements.

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

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

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

		Gross solvency capital requirement
		C0110
Market risk	**R0010**	15,944
Counterparty default risk	**R0020**	7,956
Health underwriting risk	**R0040**	854
Non-life underwriting risk	**R0050**	10,653
Diversification	**R0060**	-9,426
Basic Solvency Capital Requirement	**R0100**	25,981

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	2,300
Loss-absorbing capacity of deferred taxes	**R0150**	-5,721
Solvency capital requirement excluding capital add-on	**R0200**	22,560
Solvency capital requirement	**R0220**	22,560
Other information on SCR		
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	15,073
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	7,487

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

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		**C0130**
LAC DT	**R0640**	-5,721
LAC DT justified by reversion of deferred tax liabilities	**R0650**	-228
LAC DT justified by reference to probable future taxable economic profit	**R0660**	-4
LAC DT justified by carry back, future years	**R0680**	-5,489

QRT Table 7 – PCC Aggregated Core and Cells in Euro '000

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	4,591

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	2,173	3,173
Income protection insurance and proportional reinsurance	**R0030**	111	589
Motor vehicle liability insurance and proportional reinsurance	**R0050**	8,967	5,491
Other motor insurance and proportional reinsurance	**R0060**	2,573	7,241
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	252	607
Fire and other damage to property insurance and proportional reinsurance	**R0080**	2,957	11,703
General liability insurance and proportional reinsurance	**R0090**	4,004	3,957
Assistance and proportional reinsurance	**R0120**	0	1
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	338	

Overall MCR calculation

		C0070
Linear MCR	**R0300**	4,591
SCR	**R0310**	22,560
MCR cap	**R0320**	10,152
MCR floor	**R0330**	5,640
Combined MCR	**R0340**	5,640
Absolute floor of the MCR	**R0350**	3,700
		C0070
Minimum Capital Requirement	**R0400**	5,640

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

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

6.4 Differences between the Standard Model and any Internal Model used

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

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

As on 31 December 2021 the PCC reports a Core Solvency Ratio of 261% acting as a strong base for a PCC aggregated Solvency Ratio of 208% for Solvency II Own Funds over the Solvency Capital Requirement. In calculating this ratio all surplus own Funds arising from cells is discarded. The surplus Own Funds that have been discarded in arriving to full compliance of this rule for the Cells totals €6,042,967.

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

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