Atlas Holdings Limited

Group Solvency & Financial Condition Report *2023*

Atlas Holdings Limited

Solvency and Financial Condition Report (SFCR)

for the Financial Year ended 31 December 2023

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.

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1. Executive summary

Atlas Holdings Limited (the Company, the Atlas Group, the Group) is principally engaged in the holding of investments with a particular interest in insurance. The Atlas Group has been captured for Group Supervision under the Solvency II Directive which came in to force as on the 1 January 2016. As such this report is intended to satisfy compliance with Group Supervisory requirements under such regulation while also reporting on Atlas Insurance PCC Limited, a Protected Cell Company (the PCC, the Solo Undertaking). The Solo Undertaking report considers the non-cellular (Core) results for the year under review. As is required under regulations the Quantative Reporting Templates (QRT) are reproduced for the Group, and separately, the Solo Undertaking on an aggregate basis inclusive of both Core and Cellular results.

Changes in Accounting for Insurance Contracts (IFRS17) and Financial Instruments (IFRS 9)

The Group has adopted IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. IFRS 17 has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Group has restated certain comparative amounts as at 1 January 2022.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

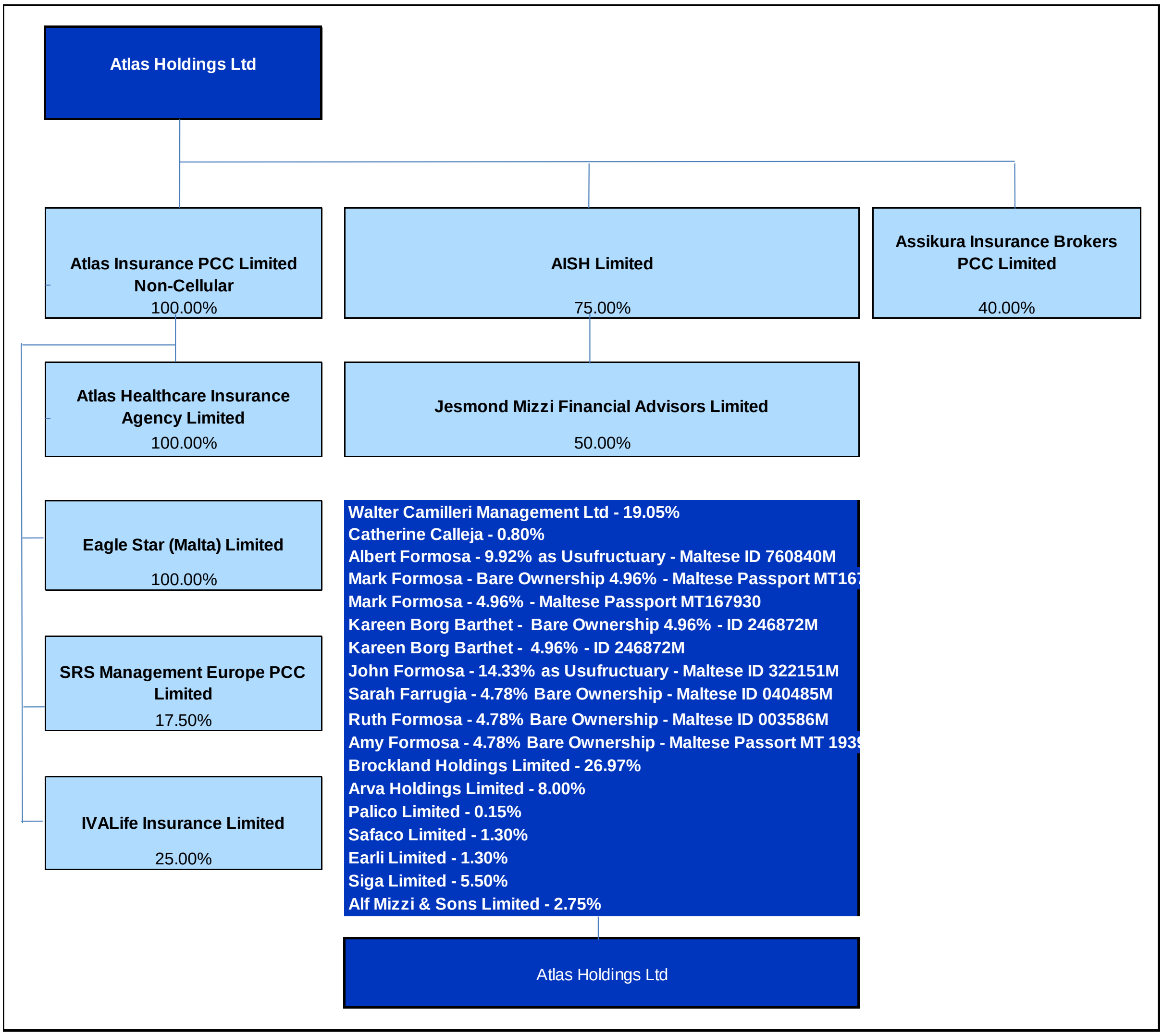
IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

More information in this regard will be found under Section 2 and Section 5.

Further detailed understanding on the development of the above changes in accounting standards may also be followed in the Group's annual report for 2023 under note X to the accounts.

1.1 Business and Performance

Atlas Group's corporate structure is demonstrated in the following organogram:



Atlas Holdings Limited or its subsidiaries do not hold a controlling interest in Assikura Insurance Brokers PCC Limited, Jesmond Mizzi Financial Advisors Limited and IVALIFE Insurance Limited, and therefore equity held for these companies is recognised in these results as on 31 December 2023 as being those of an Associate.

The Group's shareholding of SRS Management Europe PCC Limited at 17.5% is considered within the Group as an Available for Sale Asset.

Atlas Holdings Limited

Atlas Holdings Limited receives dividend income from its equity investment in its controlled subsidiaries or from its associate companies. During the year under review the Company received dividends before taxation totalling €3,665,385 (2022: €3,336,538). The Company reports a profit before tax of €3,659,725 (202: €3,331,586).

The Board of Directors implements a Group wide dividend policy to ensure that dividend distribution does not compromise the Group's strength in matching its Solvency Margin under Solvency II regulation. As on 31 December 2022 the Company reports shareholder funds totalling €13,017,894 (202: €12,991,052).

Atlas Group and its subsidiaries

The Atlas Group's consolidated financial statements consider the results and financial positions of the holding company and its subsidiaries and associate companies. These include Atlas Insurance PCC Limited (the PCC, the Solo Undertaking), Atlas Healthcare Insurance Agency Limited, Eagle Star (Malta) Limited, AHIAL Cell incorporated within Assikura Insurance Brokers PCC Limited, and AISH Limited, besides three associate companies, Jesmond Mizzi Financial Advisors Limited, Assikura Insurance Brokers PCC Limited, and IVALife Insurance Limited. In consolidating the results for the Atlas Group, Atlas Insurance PCC Limited only reports the results for the non-cellular operations and financial positions. The Cells' results and financial positions included within the Atlas Insurance PCC Limited annual accounts are discarded for the purpose of accounting under International Financial Reporting Standards (IFRS) since such results do not form part of the Atlas Group results.

The regulated Quantitative Reporting Templates (QRT's) are reproduced in this report under the Appendix which is annexed and will state positions for the Group. The Solo Undertaking Aggregate Position QRT's may be seen under the Solo Underatking SFCR following https://www.atlas.com.mt/group/publications/ on page 111.

The Atlas Group is required to report on Cells individually that do not have recourse to the Core equity of the Solo Undertaking. The Group is also required to report on the PCC's aggregate financial results.

For this purpose, clear reference under each section of this report is being made to the Solo Undertaking's SFCR.

These may be followed on https://www.atlas.com.mt/group/publications/ as a link to the report.

It is noted that Cells that have recourse to the PCC's Core Own Funds, under consolidation Solvency II principles, have recourse to the consolidated Own Funds Reserves of the Group.

Concern on the Impact of inflation

Inflation inevitably has and will continue to impact te Solo Undertaking's claims costs in the foreseeable future, most notably in the motor, property, and health lines of business.

The pure technical results are in effect the result of:

- Prudent underwriting carried out during the year in protecting the PCC's policy for reserving sufficient cash flows in meeting the rising cost of claims; due to inflation.

- Effective reinsurance programs which result from a balance in proportional and non-proportional treaties which allow for premium rating commensurate to claims costs.

- Best estimate claims reserving which has been prudent to the extent of allowing for release of claims costs over time.

Notwithstanding the good recovery achieved during 2023 the Board continues to be focused on the Atlas Group's investment portfolio applying prudence in its strategy in balancing capital protection and return on investment.

The Group reports profit after tax of €6,570,440 (2022 Restated : €2,570,171) which is attributable to the owners of the Holding Company.

Environmental Social Governance (ESG)

The Risk and Compliance board committee is delegated the responsibility for overseeing the Group's area of ESG by the board.

The Atlas Group commitment in developing ESG principles are also considered for the development and evolution of the investment portfolio.

Atlas Insurance PCC Limited is the flagship company within the Atlas 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 Solo Undertaking 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. This has now been extended to include long term business (life) reinsurance.

As such the PCC underwrites local insurance risk through its non-cellular structure and is a leader in the local market.

The PCC successfully obtained its licence to operate in the UK as a Branch during 2023. This also entailed registering the Branch at the Companies House and with the HMRC for taxation arising from UK operations.

The PCC underwrites (re)insurance risk through both its Core Activity and its Cellular Activity. The Solo Undertaking's corporate structure may be seen on page 7 of the PCC's SFCR by following this link - https://www.atlas.com.mt/group/publications/

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

- On the 11th April 2023 the PCC incorporated a new cell, the Asservo Malta Cell, which is wholly owned by Covergenius Holding PTY Limited. The Cell underwrites insurance policies that can be sold as embedded (add on) products.

- The AM Cell was also incorporated on the 30th October 2023. The Cell is authorised as a Reinsurance Cell assuming a quota share programme for Payment Protection Insurance (PPI) including life and optional inability to work, serious illness, unemployment and abandoned self-employment.

- In February 2024 the Company received notice from the shareholder of the Blevins Franks Cell and from the shareholder of the Amplifon Cell of their wishes to wind up their respective Cells. Atlas has given notice to the MFSA of this development and has initiated the wind-up procedure to give public notice of Capital Reduction for the cell class shares held.

- The shareholder of the OCADO Cell has indicated its intention to wind up the Cell and the Company is in the process of notifying the MFSA accordingly.

Solo Undertaking Non-Cellular (Core) Results

The PCC, through its Core, underwrites a balanced local general insurance business portfolio which registered excellent growth in all classes of business, exceeding the Board's expectations at the start of the year.

Premium Written		Motor	Non-Motor	Total	Motor Share	Non-Motor Share
		Euro	Euro	Euro		
	2023	**17,366,203**	**42,824,290**	**60,190,493**	**28.85%**	**71.15%**
	2022	15,120,750	38,220,975	53,341,725	28.35%	71.65%
Percentage Growth for 2023		**14.85%**	**12.04%**	**12.84%**		

Premium written for the Core increased by 12.84% over the previous year. Overall positive technical results are reported for the year across the Core's portfolio.

As mentioned earlier inflation remains a primary consideration effecting claims loss ratios. The prudent underwriting that continues to be applied positively is working well in combining with the important growth registered during the year.

A Core operations combined loss ratio of 88% (2022 IFRS 17 restated: 86%) 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
	2023	2022	**2023**	2022	**2023**	2022
Premium Earned	**16,354,613**	14,246,032	**40,843,138**	36,179,616	**57,197,751**	50,425,648
Claims Incurred	**7,643,323**	7,115,190	**2,853,951**	31,095,441	**10,497,274**	38,210,631
Gross Ratio	**46.73%**	49.95%	**6.99%**	85.95%	**18.35%**	75.78%

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 2023 the Core registered a Gross Claims Loss Ratio of 18.35% increasing to 44.04% net of reinsurance balances. Total gross claims registered during the year are reported at €10,497,274 compared to those registered in 2022 reported at €38,210,631.

The net claims incurred for 2023 is reported at €12,377,216 (2022: €11,809,898).

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

Net Claims Loss Ratio	Total	
	Euro	Euro
	2023	2022
Net Premium Earned	**28,106,573**	24,862,019
Net Claims Incurred	**12,377,216**	11,809,898
Net Ratio	**44.04%**	47.50%

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

The Core's investment portfolio held in the balance sheet at year end 2023 totalled €57,752,856, 2022 - €50,084,861. The Company has seen the portfolio grow from the prior year due to further injection of free cash but also for fair value gains experienced during the year under review. The material recovery in fair value has re-established the portfolio to value levels of prior years. 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.

Profits before tax in 2023 amounted to €10,659,470 compared to a prior year profit before tax as restated for IFRS 17 of €3,771,027, increasing the total equity of the Core to €47,444,602 at year end from €43,414,777 at the beginning of the year under review.

Cells

The PCC had ten Cells incorporated within its structure as on 31 December 2023; the Ocado Cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell, the L'Amie Cell, the Griffin Cell, the Blevins Franks Cell. the Autorama Cell, the Asservo Cell and the AM 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 are two exceptions currently on the PCC's books, the Amplifon Cell and the AM 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".

- 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.

- The Blevins Franks Cell, which is wholly owned by Blevins Franks Group Limited underwrites the group's professional indemnity insurance risk in Europe and its functional currency is Euro. The group's principal activity is the provision of tax and wealth management services.

- The Autorama Cell is wholly owned by Autorama Holding (Malta) Limited, subsidiary of the Autotrader Group plc. The Autotrader Group's principal activity is that of wholesale, retail trade and the repair of motor vehicles. The Cell underwrites Finance Gap Insurance for the Group's lease agreement clients and the Cell's operating functional currency is British Pound.

- The Asservo Cell is wholly owned by Covergenius Holding PTY Limited. The Cell underwrites insurance policies that can be sold as embedded (add on) products.

The AM Cell is wholly owned by auxmoney Europe Holding Limited. The Cell is authorised as a Reinsurance Cell assuming a quota share programme for Payment Protection Insurance (PPI) including life and optional inability to work, serious illness, unemployment and abandoned self-employment.

Aggregate Cell Results

Cellular aggregated premium written has grown during 2023 by a further 47.03% and is reported at €57,147,460.

The total premium written by the Cells for 2023 is reported in aggregate in the below table.

Premium Written	Amplifon Cell Euro	AM Cell Euro	Other Cells Euro	Aggregate Euro
2023	-	5,295,975	**51,851,485**	**57,147,460**
2022	-	-	38,868,104	38,868,104
Percentage Growth/-Diminution fo	**0.00%**	**100.00%**	**33.40%**	**47.03%**

- The Amplifon Cell did not write any new reinsurance premium during 2023. 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 has now expired all insurance risk underwritten and is now being wound up.

- The AM Cell was authorised to write reinsurance business toward the end of 2023 and results registered for the year under review are in line with its business plan.

- Both Cells not having recourse to the Core capital under regulation carry a very positive solvency ratio.

- The aggregate Cells' gross claims loss ratio for 2023 do not cause concern to the executive 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		AM		Other Cells		Aggregate	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro	**Euro**	Euro
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Premium Earned	**14,475**	60,106	**5,295,975**	-	**53,125,225**	39,998,854	**58,435,676**	40,058,960
Claims Incurred	**- 107,824**	- 309,255	**824,167**	-	**18,114,995**	13,950,073	**18,831,338**	13,640,818
Gross Ratio	**-745%**	**-515%**	**16%**	-	**34%**	35%	**32%**	34%
Net Claims Loss Ratio	**Amplifon**		**AM**		**Other Cells**		**Aggregate**	
	Euro	Euro	**Euro**	Euro	**Euro**	Euro	**Euro**	Euro
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Premium Earned	**14,475**	60,106	**5,295,975**	-	**46,569,970**	13,249,793	**51,880,420**	13,309,899
Claims Incurred	**- 107,824**	- 309,255	**824,167**	-	**14,789,083**	5,261,229	**15,505,426**	4,951,974
Net Ratio	**-745%**	-515%	**16%**	-	**32%**	40%	**30%**	37%

The aggregated profit before tax for all Cells is reported at €8,056,470 (2022: IFRS 17 restated €3,256,859).

Atlas Healthcare Insurance Agency Limited (the Agency)

The Agency's 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 underwritten.

During 2023 the Agency continued to grow its results for its intermediation for Long Term Business through its authorised intermediation of IVALIFE Insurance Limited. 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 contributing dividend income to the Aagency.

The Agency's net asset value totaled €1,244,397 as on 31 December 2023 (as on 31 December 2022 - €1,221,434), which result is in excess of regulated financial resources requirements under the Insurance Distribution Act.

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.

Eagle Star (Malta) Limited holds sufficient financial resources over its regulated requirement. The net asset value of the company is reported as on 31 December 2023 at €119,165 (31 December 2022 at €130,220).

1.2 System of Governance

The Atlas Group is captured for group regulatory reporting under the Solvency II regime. The Company, as the ultimate parent insurance holding company of the Insurance Group, has identified the Solo Undertaking as being responsible for fulfilling the governance requirements for the Group. The PCC'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 Atlas Group is responsible to ensure that appropriate governance procedures are set within the whole group as directed by regulation.

The Group adheres to the principles set in the Malta Financial Services Authority (MFSA) Corporate Governance Code (the MFSA Code) as updated in August 2022. 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 and its committees have charters as well as a number of annually reviewed policies and regular and transparent reporting structures, ensuring effective internal control framework.

Atlas Holdings Limited, as the ultimate parent insurance holding company of the Insurance Group, has identified Atlas Insurance PCC Limited as the undertaking responsible for fulfilling the governance requirements for the Group. The Solo Undertaking'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 Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, the Investment Committee are chaired by independent non e-executive directors of the Solo Underatking. The Protected Cells Committee, the POG (Product Oversight and Governance) Committee, the IT Committee (chaired by an independent non exeutive director) and the Executive Committee provide additional support and information to the board. All members of these board and executive 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 reviewed charters and undergo an annual evaluation process to ensure that all delegation of responsibility and function is clear and unequivocal.

Every effort is made to ensure that the risk management system is visible, repeatable and consistently applied to support decision making increasing the probability of success and reducing the probability of failure and the uncertainty of achieving overall objectives.

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 Group takes on and manages risks to achieve its objectives. The Board sets out 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 fall 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 and AM Cell, which cells too reserve sufficient equity to match their own nSCR.

1.4 Valuation of Assets and Liabilities

The preparation of the Atlas Group's financial statements is carried out in conformity with IFRS 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 Atlas Group's financial statements.

Insurance risk

The Group 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 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.

For the purposes of final audited Balance Sheet values stated in accordance with IFRS 17 the Group applies the Premium Allocation Approach (PAA) to simplify the measurement of contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now discounts the best estimate future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Financial Risk

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

The Atlas Group'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.

Atlas Group 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 €94.6 million differ from the total of the assets as represented under IFRS for the Group of €93.1 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 Sections 5.2.1 and 5.3. Whilst the starting point for the liabilities for incurred claims under IFRS17 are the best estimate future cashflows, similar to the best estimate cashflows under the Solvency II claims provisions, the adjustments for expenses within these cashflows are different. Also, whilst Solvency II cashflows are discounted at the risk-free rates, the cashflows under IFRS17 are discounted at rates which allow for the illiquidity premium on top of the risk free rates. In addition, the risk adjustment under IFRS17 uses a VaR approach whilst the risk margin under Solvency II uses a Cost of Capital approach. All these differences result in the value of liabilities represented in the Solvency II balance sheet totalling €41.0 million, being different from the total of the liabilities as represented under IFRS of €44.6 million.

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

1.5 Capital Management

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

The Group adheres to a Capital Management Policy approved by the Solo Undertaking'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 2023 the Atlas Group's Solvency ratio for its Own Funds matching its SCR stood at 331%.

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

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

The Board has also in place a medium-term capital management plan. This control is largely reflected in the Solo Undertaking'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 include the need to consider the impact that the current notional loss would have on future pricing, profitability and uncertainty of the Company. This is elaborated on under Section 6.

The Group's assessment for the allowance of the LACDT recoverability is outlined in Section 6.2.

2. Business and Performance

2.1 Corporate form, Regulatory Supervision and Beneficial Owners

Under Group Supervision Regulation the Group is required to report on the consolidated results for the Atlas Group and for the authorised undertaking, **Atlas Insurance PCC Limited** and the PCC's **Cells**.

As highlighted under the Executive Summary of this report, the Cell's results are discarded for the reporting of the Group's consolidated results. The Cells are then also reported on separately.

External Auditors

The external auditors for the Atlas Group are PricewaterhouseCoopers (PWC) whose registered address is 78, Mills 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 ultimate beneficial owners holding more than 10% holding of the Atlas Group

The Group is immediately owned by:

- Walter Camilleri Management Limited – 19.05%
- Catherine Calleja – 0.80%
- Albert Formosa – 9.92% as Usufructuary
- Mark Formosa – Bare Ownership 4.96%
- Mark Formosa – 4.96%
- Kareen Borg Barthet – Bare Ownership 4.96%
- Kareen Borg Barthet – 4.96%
- John Formosa – 14.33% as Usufructuary
- Sarah Farrugia – Bare Ownership 4.78%
- Ruth Formosa – Bare Ownership 4.78%
- Amy Formosa – Bare Ownership 4.78%
- 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 or control

The Core is 100% owned by Atlas Holdings Limited as defined earlier.

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 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 John Formosa – 14.33%

2.2 Business

2.2.1 Review of the Business

Atlas Group reports its controlling interests in its subsidiaries and its associate companies a consolidated profit before tax for the financial year ended 31 December 2023 of €10,909,871 (2022 Restated: €3,529,572).

The Group's profitability is largely reflective of the Solo Undertakings results. The PCC reports positive technical results for its insurance operations during the year under review, while aggregate investment income for value movement, realised investment income and net of investment expenses for the year has been reported for good recovery on diminutions reported for the year 2022.

All other Group Companies have performed well and in line with budget expectations. The Agency's profit remains stable. On the other hand, the recognition of Associate Companies' results on aggregate marginally reduced the overall consolidated profitability for the Group.

The Group Companies' profit before taxation is summarised in the below table as follows:

Profit before Taxation	2023 €	2022 €
Atlas Holdings Limited	**3,659,725**	3,331,588
Atlas Insurance PCC Limited - Core 2023	**10,659,470**	3,771,027
Atlas Healthcare Insurance Agency Limited	**878,883**	913,939
AISH Limited	**167,738**	168,332
Eagle Star (Malta) Limited	**82,990**	93,546
Share in Associate Companies' Results	**450,734**	(249,861)
Atlas Insurance PCC Limited - Aggregated Cells	**8,056,470**	3,256,859

The Group reports through the PCC's Core excellent growth in all classes of business for premium written, exceeding the Board's expectations at the start of the year under review. This resulted in an increase of 13 % over the previous year.

Premium written for the Core is reported at €60,190,493 (2022: €53,341,725).

Premium Written		Motor	Non-Motor	Total	Motor Share	Non-Motor Share
		Euro	Euro	Euro		
	2023	**17,366,203**	**42,824,290**	**60,190,493**	**28.85%**	**71.15%**
	2022	15,120,750	38,220,975	53,341,725	28.35%	71.65%
Percentage Growth for 202		**14.85%**	**12.04%**	**12.84%**		

The PCC continues to entertain interest from prospective cell shareholders and is currently assessing for application several new prospects. The anticipated prospects arising from the PRA's authorisation for Atlas to operate in the United Kingdom under permanent establishment by having had its branch application authorised by the PRA and regulated by the FCA gives rise to more growth opportunity in the PCC's operations.

The Group's consolidated investment income for value movement, realised investment income and net of investment expenses for the year 2023 amounted to a positive return of €3,426,641 (2022: negative income €3,991,312). 2023 saw Stock Markets recover well losses registered during 2022. The Solo Undertaking's investment portfolio which largely drives the Atlas Group's consolidated results registered an excellent investment return of €4,406,518. The difference between the Group's consolidated results and that of Core arises from the fact that related party dividend income received within the group is not recognised.

As reported earlier the Agency increased growth and continued profitability contribute to the Group's overall result. The health premium income for the Agency is underwritten by the Solo Undertaking.

As agents for Long Term business underwritten by IVALIFE Insurance Limited, the Agency also produced good growth for the year under review. The Agency also owns 100% equity in a Cell incorporated within Assikura Insurance Brokers PCC Limited which has also produced good results for the year under review.

2.2.2 Atlas Group Income Statement

The below statement, an extract from the Group's audited accounts, summarises the results for the Group after taxation and reports a consolidated profit of €6,507,440 accruing to the Atlas Holdings Limited shareholders for the year ended 31 December 2023.

Group Consolidated Income Statement

Atlas Holdings Limited Statement of profit and loss account Year ended 31 December 2023	Group		Company	
	2023	2022 Restated	**2023**	2022
	€	€	**€**	€
Insurance revenue	**57,197,750**	50,425,647	**-**	-
Insurance service expenses	**(24,392,289)**	(49,525,423)	**-**	-
Net expenses from reinsurance contracts held	**(22,412,940)**	9,147,138	**-**	-
Insurance service result	**10,392,521**	10,047,362	**-**	-
Net investment income / (expenses)	**3,426,641**	(3,991,312)	**-**	-
Finance (expenses) / income from insurance contracts issued	**(740,328)**	65,812	**-**	-
Finance income / (expenses) from reinsurance contracts held	**444,045**	(11,929)	**-**	-
Net insurance finance (expenses) / income	**(296,283)**	53,883	**-**	-
Net insurance and investment result				
Other operating expenses	**(3,442,399)**	(2,703,313)	**(5,660)**	(5,466)
Other income	**378,657**	372,813	**3,665,385**	3,337,052
Share of results of associates	**450,734**	(249,861)	**-**	-
Profit before income tax	**10,909,871**	3,529,572	**3,659,725**	3,331,586
Income tax expense	**(4,369,501)**	(925,821)	**(1,282,803)**	(1,167,707)
Profit for the year	**6,540,370**	2,603,751	**2,376,922**	2,163,879
Attributable to:				
Owners of the Company	**6,507,440**	2,570,171	**2,376,922**	2,163,879
Non-controlling interests	**32,930**	33,580	**-**	-
	6,540,370	2,603,751	**2,376,922**	2,163,879

The Atlas Group underwrites insurance risk through its protected cell company, Atlas Insurance PCC Limited. As such the Group is also required to report on the Solo Undertaking and its incorporated Cells and, these results may be reviewed from the following link https://www.atlas.com.mt/wp-content/uploads/2024/04/Solvency-and-Financial-Condition-Report-2023-Atlas-Insurance-PCC-Limited.pdf under Section 2 of the Solo Undertaking SFCR Furthermore, the Group is also required to report on the technical results of the PCC for its Core and Cells separately.

The PCC reports an aggregate net profit before tax for the year of €18,715,940 (2022 IFRS 17 restated: €7,027,886) and a net profit after tax of €11,501,988 (2022 IFRS 17 restated: €4,712,551). Profits before tax accruing to the non-cellular shareholders amounted to €10,659,470 (2022 IFRS 17 restated: €3,771,027).

The PCC's operating cells have continued to contribute to the Company's aggregated profitability. Such a portion of profitability accrues to cell shareholders. Cellular aggregated premium written has grown during 2023 by 147.03% and is reported at €57,147,460 (2022: €38,868,104). 2023 saw continued good technical results which were further consolidated with excellent recovery on the Core's investment portfolio. The Board of Directors report a return on the Company's investment portfolio.

Aggregated investment income for value movement for the year amounted to a return of €4,540,512 (2022: negative return net of investment expenses of €3,147,569). Important growth in activity for the PCC's operations for its Cells, including those newly incorporated during 2023, has led to an important contribution toward the Company's profitability.

Continued important dividend income from the Company's subsidiaries has also been recorded during 2023.

The Group Quantitative Reporting Template QRT G.05.01.02 may be found under the appendix to the Group Solvency and Financial Condition Report.

2.3 Investment Performance

The Group reports on the results for investment return of the Atlas Group, and that of the PCC Core.

The year under review saw very good recovery for the market value of the Group's investment portfolio held, recovering a substantial amount of the diminutions of securities experienced during 2022.

The Atlas Group registered a positive return inclusive net of investment expenses for the year ended 31 December 2023 of €3,426,641 (2021 – Negative Return €3,971,977).

The PCC Core registered a return inclusive of investment expenses for the year ended 31 December 2023 of €4,406,518 (2022 Net Negative return: €3,098,405).

The Board of Directors continues to monitor the developments in the financial markets. As reported to the regulator for the Own Risk and Solvency Assessment (ORSA) the directors have reviewed shocks to the Company's assets which cause diminution, and as such are satisfied that the Company's balance sheet and Own Funds are robust enough to sustain such asset diminution. This is also demonstrated by the important excess of Own Funds over Solvency Capital Requirement (SCR) reported under Section 5 of this report.

The Atlas Group consolidated results differ from those of the PCC Core due to two Group Accounting rules. These are:

- The write back of the PCC's dividend income arising from subsidiary companies upon consolidation within the Atlas Group;
- The inclusion of Associate Company results in the Group's reporting.

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

Atlas Group	**Group**		**PCC Core**	
Investment Performance in Euro	**2023**	2022	**2023**	2022
Interest receivable from financial assets that are not held at fair value through profit or loss	**1,703**	2,195	**-**	11,944
Net gains from financial assets held at fair value through profit or loss	**3,296,436**	(4,124,927)	**3,298,140**	(4,176,850)
Dividend from subsidiary undertaking			**946,154**	915,385
Fair value gains on investment property	**90,781**	0	**90,781**	0
Gain on disposal of investment property	**-**	0	**-**	0
Exchange differences	**-**	-	**(1,321)**	361
Rental income from investment property	**463,650**	494,887	**472,980**	494,887
Investment expenses	**(425,929)**	(363,467)	**(400,216)**	(344,132)
Total	**3,426,641**	(3,991,312)	**4,406,518**	(3,098,405)
Perecntage Return as on 31 December	***6.31%***	*-8.47%*	***7.64%***	*-6.20%*

Atlas Group Investment Portfolio held in Euro	Group 2023	 2022	PCC Core 2023	 2022
- land and buildings	**9,607,001**	9,505,718	**9,607,000**	9,505,717
- investment in subsidiaries	**-**	-	**748,058**	748,058
- other finanancial investments	**44,717,088**	40,419,760	**47,303,371**	39,736,659
Total	**54,324,089**	49,925,478	**57,658,429**	**49,990,434**

The PCC's Board of Directors' prudence in its investment strategy for protecting the stakeholders' interest which is applied across the Group remains key for producing such positive results. The principle of prudence applied here is elaborated on under sections 3 and 4 of this report.

2.4 Performance of other activities

The Group reports other income totalling €372,813 for the year ended 31 December 2022 €378,657 (2022: €372,813). The additional revenue reported is distinct from its Solo Undertaking technical results and as such is reported from its various subsidiaries on consolidation. The below table defines the components making up such results.

Other Income in Euro	Atlas Group	
	2023	2022
Commissions		342,004
Survey and other Fees		30,809
Total	**378,657**	372,813

The Group receives commissions for its subsidiary run off of a long term business portfolio.

The PCC 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.

3. System of Governance

As noted in the executive summary the Group is captured for group regulatory reporting under the Solvency II regime. As the ultimate parent holding company of the Atlas Group of Companies under the Solvency II Group Supervision rules, the Group has identified the Solo Undertaking to be responsible for fulfilling the governance requirements for the Group.

The following is a brief outline of how the Solo Undertaking addresses its system of governance by applying appropriate corporate procedures in achieving its business objectives. The Board of Directors ensure that a system of good corporate governance is in place throughout the whole Group.

Key financial and non-financial performance indicators of group companies are regularly discussed within these fora.

3.1 General information on system of governance

The Group's system of governance is best reported on by addressing the whole structure and organisation put in place for the Group as a whole. Such system of governance addresses all companies within the Atlas Group but also extending to all.

The Group's system of governance is best reported on by addressing the whole structure and organisation put in place for the Group as a whole. Such system of governance addresses all companies within the Atlas Group but also extending to all.

Relations with Policyholders

Atlas Group adheres to all regulated requirements as regards the policyholder and the public in general. The Group assesses the relevance and appropriateness of all enquiries. Senior management, including the PCC's executive board members, make themselves available to any reasonable scrutiny by the policy holder and the public to ensure appropriate disclosure.

Feedback from customers is ongoing with regular research through online questionnaires and analysis including Net Promotor Score monitoring, feedback to customers following issues raised and root-cause analysis of concerns raised. A Complaints Management Function is in place in line with the MFSA Conduct of Business Rule Book.

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.

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. The two AtlasInsurance PCC Limited executive directors also sit on this board. This structure ensures communication between the boards.

Board members of Atlas Holdings Limited are appointed by the various classes of shareholders in accordance with the Company's Memorandum and Articles and are:

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

3.2 Responsibilities, reporting lines and allocation of functions

The Solo Undertaking Board of Directors is appointed by the shareholder at the Annual General Meeting.

The Board ensures the highest standards of governance by setting the corporate culture and strategy, managing the different interests of the shareholders while overseeing the systems of control – thus ensuring long term sustainability. It is formally appointed at the Annual General Meeting and 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 and investments, ESG, risk management and compliance, financial and actuarial analysis, as well as information technology and talent management. Board composition is regularly reviewed and a policy for rotation of non-executive directors (NEDs) is in place.

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 Solo Undertaking board of directors holds ultimate responsibility for the corporate governance and is responsible for the Group's sustainability. The Board is composed of a majority of six Non-Executive Directors (NEDs), five of whom being independent including Malcolm Booker the Chair; and two Executive Directors. Matthew von Brockdorff is the Managing Director and Chief Executive Officer (CEO) of the Company. 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:

Malcolm Booker FCA, FIA, FIT, CPAA – Chairperson
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, MIA, CPA
Matthew von Brockdorff F.C.I.I. – Managing Director and Chief Executive Officer

The Board maintains close links with senior management through the active board committees and also through various joint meetings relating to strategy development and reporting as well as joint learning and development sessions on various topics. It is also kept fully updated on developments at board and executive committee level through regular reporting. This regular communication and reporting of Key Results enables the board to address any issues as well as its current and future strengths and weaknesses and to have enough information to be able to constructively challenge as well as satisfy itself on the integrity of the financial information, internal controls and risk management systems in place. Strategic planning and budgetary and Own Risk and Solvency Assessment (ORSA) processes are key priorities for the board and meetings are held regularly with key function holders including the Company's actuaries. The Board, together with the Chief Risk and Compliance Officer, 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 process.

The Board has delegated specific responsibilities to board committees in line with the System of Governance requirements under the Solvency II Directive and the Commission Delegated Regulations, This is also provided for in the memorandum and articles of the Company. Non-executive directors chair five committees and members can devote more time to develop strategy and monitor progress in these areas together with more members of the management team and external consultants where relevant.

The primary role of the Chair is to ensure the effective running of functioning of the Board. Focussing the Board on the determination of the Company's strategy and Board objectives. He leads the Board, and sets the agenda and the order of that agenda, in collaboration with the Company Secretary. The Chair sets high governance standards and ensures that the Board receives precise, timely and clear information in order to be well prepared for discussion. He encourages participation of all directors during meetings as well as constructive relations between executive and non-executive directors. Where possible, he facilitates the emergence of a consensual view and sums up discussions to ensure the accurate recording and follow up of key decisions.

Dr Andre Camilleri is the Senior Independent director. He is a support for the Chair and the Managing Director & 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 and also annually administers the board evaluation process . The Board also reviews the results of Board and Executive Committee evaluations which are carried out annually and this is considered an important component of the Board's annual review process. The board evaluation process is a good platform which leads to setting the board objectives, planning for use of board time during the next period as well as setting learning and development goals.

The Managing Director & CEO answers to the board for the realisation for the Company strategy. He is accountable for the performance of the Company and managing its organization structure including the appointment of the senior management team in coordination with the Remuneration and Nominations committee. The CEO also chairs the Executive and Protected Cells committees.

Board and board committee meetings are scheduled prior to the start of each year During 2023, the Board met 14 times, several meetings being dedicated to technical development or regulatory training matters. Agendas and information packs are provided well in advance of all board and board committee meetings. Board agendas maintain a balance between strategy and planning and monitoring of key results and risks, compliance, ESG matters. Minutes of all meetings record attendance, discussion, decisions taken and resolutions, and are issued on a timely basis and made available as soon as practicable, after every meeting.

3.2.2 Group structure and allocation of responsibilities

There are four key function areas of responsibilities as defined in Chapter 6 of the Insurance Rules issued under the Insurance Business Act . These are the:

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

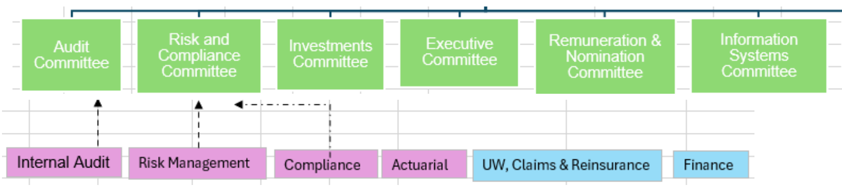
The Board of Directors has also identified other critical functions of the Group and these are:

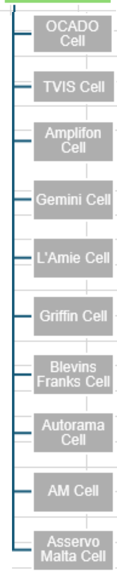
- Insurance Claims
- Corporate
- Underwriting and Reinsurance
- Finance
- Information Systems
- Marketing and HR
- Complaints Handling
- Investments
- ESG

Atlas Insurance PCC Limited Board

Board of Directors (all functions ultimately report to the Board)

Malcolm Booker – Inipendent *Non-Executive Director and Chairman*
Matthew von Brockdorff – *Executive Director*
Catherine Calleja – *Executive Director and Co Sec*
Andre Camilleri – *Independent Non-Executive Director*
Michael Gatt – *Non-Executive Director*
Philip Micallef – *Independent Non-Executive Director*
Karen Pace – *Independent Non-Executive Director*





Board Member/s responsible for Risk Management System

Andre Camilleri as the Chairperson of the Risk and Compliance Committee and **Catherine Calleja** as the individual responsible for the overall System of Governance.

Key Function Holders

Risk Management – Andrew Briffa
Compliance – Andrew Briffa
Actuarial – Andrew Briffa (outsourced to Barnett Waddingham LLP)
Internal Audit – Ivan Distefano

Critical Function Holders

Underwriting – David Mifsud
Claims – David Mifsud
Reinsurance – David Mifsud
Finance – John Muscat

Individuals responsible for Distribution

Board – Catherine Calleja
Management (Core) – Robert Micallef
Management (Cells) – David Mifsud

Information Systems Committee

Philip Micallef *(Chairperson)*
Vinay Aarohi *(CIO and Committee Member)*
Catherine Calleja *(Committee Member)*
Ian-Edward Stafrace *(CSO and Committee Member)*
Matthew von Brockdorff *(CEO and Committee Member)*

Protected Cells Committee

Matthew von Brockdorff *(CEO and Chairperson)*
Catherine Calleja *(Committee Member)*
David Mifsud *(CUO and Committee Member)*
Ian-Edward Stafrace *(CSO and Committee Member)*
Mark Camilleri *(CTO and Committee Member)*
Andrew Briffa *(CRCO and Committee Member)*

Risk and Compliance Committee

Andre Camilleri *(Chairperson)*
Malcolm Booker *(Committee Member)*
Catherine Calleja *(Committee Member)*
Ian-Edward Stafrace *(CSO and Committee Member)*
Karen Pace *(Committee Member)*
Andrew Briffa *(CRCO and Committee Member)*

Investments Committee

Malcolm Booker *(Chairperson)*
Andre Camilleri *(Committee Member)*
Mark Camilleri *(CTO and Committee Member)*
Michael Gatt *(Committee Member)*
Matthew von Brockdorff *(CEO and Committee Member)*
John Muscat *(CFO and Committee Member)*

Remuneration and Nominations Committee

Malcolm Brooker *(Chairperson)*
Andre Camilleri *(Committee Member)*
Philip Micallef *(Committee Member)*

Audit Committee

Karen Pace *(Chairperson)*
Karen Pace (Chairperson)
Michael Gatt *(Committee Member)*
Philip Micallef *(Committee Member)*
Ivan Distefano *(Internal Auditor - In attendance)*

Executive Committee Committee

Matthew von Brockdorff *(Managing Director, Chief Executive Officer and Chairperson)*
Catherine Calleja *(Director and Committee Member)*
David Mifsud *(Chief Underwriting Officer and Committee Member)*
Mark Camilleri *(Chief Treasury Officer and Committee Member)*
John Muscat *(Chief Financial Officer and Committee Member)*
Andrew Briffa *(Chief Risk and Compliance Officer and Committee Member)*
Ian-Edward Stafrace *(Chief Syrategy Officver and Committee Member)*
Jackie Attard Montalto (Chief Human Resources Officer and Committee Member)
Robert Micallef (Chief Commercial Officer and Committee Member)
David Cassar (Chief Customer Officer and Committee Member)
Vinay Aarohi (Chief Information Officer and Committee Member)

3.2.3 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, the IT Committee and the Investment Committee which are chaired by independent directors. The Executive Committee, the Protected Cells Committee and the POG committee provide additional support and information to the Board. All members of board and executive committees are appointed by the Board.

The Board is copied with minutes of the Ie 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 seven times during 2023. It is composed of non-executive directors, two of whom are independent. Karen Pace chairs the committee and has been approved by the MFSA to have the required competence in financial literacy and expertise in internal controls and auditing to perform this function. The 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 process of engagement of the Group's external auditors and oversight of the same. The audit committee reviews and assesses the qualitative aspects of financial reporting to the shareholders of the Group 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 and monitor progress on audit plans and 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 same auditors.

The effectiveness of the internal audit function is another important function of this committee and it is crucial for the continuing strengthening of the internal control framework of the Group. As part of its oversight of the internal audit function, the Committee is involved in the setting of risk based annual internal audit plans for the Group. It ensures that the internal audit plan takes into account all the activities and the complete system of governance as well as expected developments of activities and innovations. It also reviews the internal audit function's performance relative to the plan, documentation produced and information on achievement of previous audit recommendations. The Committee also monitors the results of cell inspections and related internal control systems.

To ensure independence, the Internal Auditor reports directly to the Audit Committee which also ensures that the internal auditor has the necessary resources and access to information to fulfil the mandate of the function. The Internal Audit Function's activities are benchmarked 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 function, through the Audit Committee and its Chair, has direct access to the Board of Directors but also meets regularly with the Company's Chief Risk and Compliance Officer to follow up recommendations and ensure that priorities are aligned with the Group's risk register and appetite.

During 2023, the Audit Committee Chair held frequent additional meetings with the Group 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 team's 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 five times during 2023. From May 2023, Lawrence Zammit passed on the Chair of the committee to Malcolm Booker, the new 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 non-executive Directors appointed to sit on the Committee. The Executive Directors and Jackie Attard Montalto, Chief HR Officer, attend meetings by invitation..

As per the EIOPA Guidelines on Systems of Governance, this Committee is established to exercise competent and independent judgement on the Group's Remuneration policy and its oversight. The Committee also assists and advises the Board on matters relating to the remuneration of the board and senior management and, in particular, determines the remuneration of the Executive Directors and members of the Executive Committee/Chief Officers. The Committee approves the structure and design of performance related pay schemes and approves annual payments made under this policy. It ensures the transparency of the Remuneration policy, that provisions regarding disclosure of remuneration are fulfilled, that the policy is applied consistently across the Group, complies with legal requirements and that it is aligned with business strategy, objectives and values. Furthermore, it ensures that material risks including ESG risks, at Group level linked to remuneration and talent issues are managed and that regular benchmarking exercises of senior management salaries are carried out.

As per the MFSA 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 also ensures that relevant persons and employees under the Insurance Distribution Rules continue to be of good repute. Questionnaires are completed for various groups of employees and other stakeholders and independent checks using various sources are also carried out on an annual basis and this committee overseas this process.

The size and complexity of the Group does not necessitate a separate nominations committee and this committee also leads the process of succession planning for board and senior management appointments. The committee makes recommendations to the board and shareholders for such appointments and ensures fitness and properness assessments are carried out.

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 2023. Malcolm Booker Catherine Calleja, Philip Micallef, Karen Pace, Mr Andrew Briffa (the Chief Risk and Compliance Officer/CRCO) and Ian-Edward Stafrace (the Chief Strategy Officer) formed part of the Committee during 2023.

With the support of the CRCO, the Committee has oversight of the risk management function at Group level, including the development and detailed annual review of the Group's risk appetite statement, its ongoing risk strategy and governing policies as well as 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 and associated controls assigned across the organisation and any significant incidents including any near misses, both in the core and in cell operations.

The committee also has oversight of the Compliance function ensuring that the Group continues to maintain its systems to ensure regulatory compliance and readiness for anticipated regulatory changes in various areas. The committee has the further responsibility of overseeing the Environmental Social Governance (ESG) strategy of the Group. Besides ensuring that ESG risks are incorporated into the risk management framework, the committee has several other roles in this area including ensuring that legislative requirements including the preparation for CSRD 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.

Key members of the senior management team are invited where relevant 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 its distribution network, cell business, 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 and acts in accordance with the Prudent Person Principle as stipulated in Article 132 of the Solvency II Directive.

The Committee met seven times in 2023 and Lawrence Zammit handed over the chair of this committee to Malcolm Booker in May 2023 when he resigned from the Board. Members include Andre Camilleri, Michael Gatt and Matthew von Brockdorff, as directors on the committee; while the Chief Treasury Officer, Mark Camilleri and John Muscat, the Chief Financial Officer also form part of the committee.

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 above-mentioned policies and the relevant parts of the Risk Appetite Statement to ensure alignment between these policies and regulatory requirements.

The Committee also engages 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 continues its journey to build sustainability and increased ESG direction into its investment strategy and during the period under review an consultant was engaged to review its operations.

Information Technology Committee

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, cyber security and governance matters and reviews the reports obtained by external consultants in this area. The committee also monitors the Group's readiness for the implementation of the Digital Operational Resilience Act (DORA). This largely executive committee is chaired by Philip Micallef and the members are Matthew von Brockdorff, Catherine Calleja, Ian Stafrace and Vinay Aarohi who is the Chief Information Officer. Relevant members of the senior management team are also in attendance at the meetings. The committee met four times during 2023.

Protected Cells Committee

This committee oversees the protected cells operations within the Company. It has oversight over the 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 and other are carried out. Quarterly cell KPIs are submitted to the committee and board of directors as part of the financial reporting process. During 2023, the committee met four times. The committee also makes formal cell proposals to the Board and these took place prior to the cell applications which were subsequently made to the Malta Financial Services Authority for approval.

The Managing Director & CEO chairs the Committee, composed of the two Executive Directors as well as the Chief Underwriting Officer, Mr David Mifsud; the Chief Strategy Officer Mr Ian-Edward Stafrace; the Group Treasury Officer, Mr Mark Camilleri; and Mr Andrew Briffa, the Chief Risk and Compliance Officer.. The Committee is delegated with the responsibility to approve charters and membership of the cell committees which are composed of representatives of the core, cell owners, and cell managers, if applicable. The proper functioning of these committees is central to the maintenance of the positive ongoing relationships with cell shareholders as well as to ensure a deep understanding of the cell performance and any potential risks to the core.These committees meet regularly to review underwriting, financial performance and risk management and compliance issues.

Executive Committee

Chaired by the Managing Director & CEO, and besides the two executive directors, the Chief Underwriting Officer, the Chief Underwriting Officer, the Chief Risk and Compliance Officer, the Chief Treasury Officer, the Chief Strategy Officer, the Chief Information Officer, the Chief Commercial Officer, the Chief HR Officer and the Chief Customer Officer sit on the committee.

This Committee met sixteen times in 2023 and also met on specific issues with the Board on other occasions during the period. The 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.. It is also heavily involved in policy development and change in various areas of the Group including growth, agility, customer focus, talent management and ESG,

Product Oversight and Governance (POG) Committee

The Board has delegated the responsibility for the operational monitoring and ongoing implementation of the POG processes and procedures within the Group to the POG Committee. This ensures that the procedures in relation to both the roles of manufacturer and distributor of insurance products are in place and properly executed within the Group. Such procedures relate to the design and manufacture of insurance products, the ongoing monitoring and regular product reviews, as well as the proper execution of the responsibilities associated with the distribution. The POG Committee met five times during 2023 and is composed of The Chief Risk and Compliance Officer, Andrew Briffa who chairs the committee, the Chief Underwriting Officer, David Mifsud, the Chief Customer Officer, David Cassar and the Manager of Health Underwriting and Sales, Ms Claudine Gauci..

Individual Cell Committees

Members of the Atlas management team 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. Cell Committees review key performance indicators, and review plans and budgets on a regular basis. They also review progress of outstanding items on past cell site inspections, audits or compliance visits and other risk and compliance matters.

3.3 Fit and proper requirements

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.

The Group's Remuneration and Nomination Committee has been given the authority and responsibility to oversee the annual fitness and properness tests in accordance with the Committee Charter approved by the Atlas Board and Atlas' Fit and Proper and Due Diligence Policy.

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, and various due diligence tests are carried out on such individuals including conflicts of interest, creditworthiness, sanctions and social media checks.

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 to.

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.

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 monitored 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 responsibi"ity to "report systematically and promptly to senior management any perceived new risks or failures of existing control "easures". 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.

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 to Barnett Waddingham, UK.

As Actuarial Function Holder, Barnett Waddingham are responsible to prepare the annual Actuarial Function Report, and to ensure that the results contained therein are accurate. In July 2023 Wan Hsien Heah from Barnett Waddingham, UK, replaced Cherry Chan as the Certified Actuary for Atlas . Mr Heah 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 Group applies all governance procedures to the PCC as a whole, but also to its individual Cells incorporated within the PCC.

4. Risk profile

Atlas Group 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 Group 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 Group’s willingness to take on risk as derived from its capacity to bear risk and the philosophy and attitude toward risk taking. Atlas Group’s 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 Group 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 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 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 Atlas Group’s administration and operations face through its risk management structure.

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

Risk and capital management

The Group issues contracts that transfer the insurance risk of the Group’s clients. Insurance and reinsurance contracts expose the Atlas Group to underwriting risk, which comprises insurance risk, policyholder behaviour risk and expense risk.

In addition, the Atlas Group is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk and other price risk.

4.1 Underwriting risk

Atlas Group takes and manages risks to achieve its objectives. The Group through its PCC Core 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.

Principal risks and uncertainties

The Board is confident that it addresses the full inventory of the risks the Group's administration and operations face through its risk management structure.

Risk and capital management

The PCC issues contracts that transfer the insurance risk of Atlas's clients. Insurance and reinsurance contracts expose the Atlas Group to underwriting risk, which comprises insurance risk, policyholder behaviour risk and expense risk.

In addition, the Group is exposed to financial and operational risks from insurance and reinsurance contracts and financial instruments. Financial risks include credit risk, liquidity risk and market risk. Market risk comprises currency risk, interest rate risk and other price risk.

4.1.1 Management of insurance risk

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

The board of directors sets the Group's strategy for accepting and managing underwriting risk. Specific underwriting objectives, e.g. aggregation limits, reinsurance protection thresholds and line of business limitations, are prepared and reviewed by the chief underwriting officer. The board continuously reviews its underwriting strategy in the light of evolving market pricing and loss conditions and as opportunities present themselves.

The Group follows strict risk acceptance selection processes and only accepts risks that possess characteristics which the Atlas Group 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 PCC inserts certain exclusions in its contracts to enforce underwriting criteria. For example, in the context of liability exposures, the Group applies asbestos liabilities exclusions on all liability policies and in the past years, communicable disease exclusions were introduced on most classes.

The Group 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 Solo Undertaking normally views several property, accident and liability risks first hand via its policy of risk surveying (in-house and external).

The Solo Undertaking 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 PCC's pre-risk survey strategy and with the added knowledge of flood-prone areas, the PCC filters the incoming new business portfolio or alternatively manages the risk of storm. The PCC is also conscious of the susceptibility of certain locations to windstorm and endeavours to limit shoreline exposures.

The PCC, 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 Solo Undertaking's internal underwriting authority limits mean that authority to bind is delegated in a controlled manner. The Core's branches likewise follow and are subject to specific underwriting limitations beyond which they must seek head office approval.

The risks underwritten by the Solo Undertaking 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.

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.

The Core 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 Core 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; manufacturing; various service sectors and is thus not unduly dependent on one sector alone.

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

Cells

During the year the Company licensed two new cells.

The AM Cell writes reinsurance of Class 1 Life and Annuity, and General Business Classes 1-Accident, 2-Sickness and 16-Miscellaneous Financial loss.

The Asservo Cell is licensed to write insurance of general business classes General Business Classes 1-Accident, 2-Sickness, 8-Fire and natural forces, 9-other damage to property, 16-Miscellaneous Financial Loss and 18- Assistance.

Blevins Franks Cell stopped writing business during the year and is in the process of being unwound. Ocado Cell had last written business in 2019 but is now officially in run off. Autorama Cell, Gemini Cell, L'Amie Cell, Griffin Cell, Amplifon Cell (in run-off) and TVIS Cell carried on business in their European and UK markets during the year in accordance with their licence conditions.

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

(v) the latent effect of disease claims on the employers' liability and products liability portfolio;
(vi) the effect of inflation on motor repair costs and injury claims; and
(vii) the effect of natural hazards affecting comprehensive motor results.

Atlas is continually monitoring the impact of inflation on all classes with particular emphasis on motor losses and rate increases are applied where necessary to counter the effects of inflation. While developments on older claims may have positively affected motor and liability class performance, the Company's gross motor performance remains undoubtedly affected by inflation and supply chain issues on motor repair costs. Loss frequencies are now at pre-pandemic levels.

The number of serious bodily injury claims was in line with expectations and the largest of those claims was mitigated by reinsurance protection. A relatively minor natural phenomena slightly affected the motor book of business in 2023 but no major developments in relation to civil damages and court judgements were registered.

Property (including Business Interruption)

The gross property result was negatively affected by a relatively large fire claim in the first quarter but this was more than offset by savings on an older claim. The efforts to bring property insurance values in line with increased rebuilding costs continue in an attempt to temper the effects of inflation on claims.

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 2023 showed no extraordinary experience in this respect.

Personal accident and travel

Travel class volumes planed out in 2023 and claim volumes were within expectations except for repatriation claims which hit an all-time high and were furthermore affected by inflation.

Marine

The marine portfolio in 2023 experienced a satisfactory result overall but remains affected by sustained negative performance on marine hull.

Health

The Health account performance was affected by the effects of medical inflation. Increased claim frequencies and severe losses.

(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.

Ultimately the Company ensures that it maintains a healthy balance between different lines of business, lines of distribution and geographical areas. In this way it can be safely stated that it has a well-diversified portfolio and while there are important cohorts of business it does not depend on any one sector or client group for sustained profitability. Even on a pure risk concentration basis the company monitors any physical risk accumulations which are controlled by means of facultative reinsurance or coinsurance where felt necessary.

(b) Reinsurance

The Company uses reinsurance to mitigate the risk of incurring significant losses linked to single events, including excess of loss and stop loss reinsurance. Certain products are protected against catastrophe events in accordance with the'Company's risk management framework. Where an individual exposure exceeds the Company's risk appetite, additional facultative reinsurance is also purchased.

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.

(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.

(d) Sensitivity analysis

The future cash flows that are within the boundary of each of the insurance contracts included in the portfolio reflect the amounts that the Company expects to collect from premiums and pay out for claims and expenses. The future cash flows are based on a probability weighted mean of the full range of possible outcomes incorporating all reasonable and supportable information available without undue cost or effort. The expected future cash flows are determined from the perspective of the Company with estimates that are consistent with observable market prices for market variables and reflect conditions existing at the measurement date.

4.2 Financial risk

The Group is exposed to financial risk through its financial assets and liabilities, reinsurance assets and insurance liabilities. The key financial risk is that the proceeds from its financial assets would not be sufficient to fund the obligations arising from its insurance contracts and investing activity. The most important components of the Group's financial risk are market risk (cash flow and fair value interest rate risk, equity 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 Atlas Group'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

Market risk comprises interest rate, equity price and foreign currency risks. These risks arise from variability in fair values of financial instruments or related future cash flows as well as from variability of the FCF of insurance contracts due to variability in market risks variables.

Fair value interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the Atlas Group's asset allocation policy limits the amount of investment in any one asset or towards any one counterparty. The Group monitors its interest rate risk exposure through periodic reviews of asset and liability positions. Additionally, estimates of cash flows and the impact of interest rate fluctuations are modelled and reviewed periodically.

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

Group	2023 €	2022 €
Assets at floating interest rates - bank balances	**7,887,830**	6,638,777
Asstes at Fixed Interest Rates		
- Listed Debt Securities	**10,779,697**	9,940,332
-Treasury Bills	**3,521,764**	-
-Amounts owed from related parties	**-**	-
	22,189,291	16,579,109

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

Deposits with banks or financial institutions potentially expose the Group to fair value interest rate risk. However, since these instruments are not fair valued there is no exposure to the Group.

The sensitivity analysis for interest rate risk demonstrates 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 period.

In the case of any impact of interest rates on insurance liabilities on operations this is deemed to be insignificant and immaterial.

At 31 December 2023 the Group was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. An analysis of the Group's sensitivity to a 250BPS parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

If interest rates at that date would have been 250 basis points (2022: 250 basis points) lower with all other variables held constant, pre-tax profit for the year would have been €1,377,652 higher (2022: €1,056,681 higher). An increase of 250 basis points (2022: 250 basis points), with all other variables held constant, would have resulted in pre-tax profits being €1,270,843 lower (2022: €897,013 lower). Up to the end of the reporting period the Group 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 Group 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 Group reduces this risk by diversifying its investments in different countries and in different sectors.

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

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

Group	Total 2023 €	 2022 €
Assets subject to equity price risk		
Equity securities	**5,605,860**	4,612,190
Units in unit trusts	**24,575,646**	22,809,137
	30,181,506	**27,421,327**

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. An increase or a decrease of 10% (2022: 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 €3,012,691 (2022: €2,742,133). An increase or a decrease of 10% (2022: 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 €236,348 (2022: €225,336).

Property Risk

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

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. An adjustment to the carrying amount of the property is only reflected if it has been determined that there has been significant change.

A valuation exercise was carried out by a professional entity during 2023 on both land and buildings included in property, plant and equipment (PPE) and investment property. Following the revaluation exercise the carrying amount of PPE was not material and was not adjusted based on current market prices whereas in the case of investment property the carrying amount on the balance sheet was overall adjusted upward by €91,071.

Currency risk

As the Group'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.

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

At 31 December 2022, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €2,673,416, (2022: €3,636,578). 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 €471,779 (2022: €641,749) or higher by €348,707 (2022: €474,336).

4.2.2 Credit risk

The Group is exposed to credit risk, that risk of loss due to a counterparty being unable to pay amounts in full when due, and arises principally from the Group's reinsurance contract assets, insurance contract holders, insurance intermediaries, other debtors and cash and cash equivalents. Amounts receivable at year end from insurance contract holders and insurance intermediaries are recognised within 'insurance contract liabilities'.

Management of credit risk

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

The credit risk management team assesses the creditworthiness of all reinsurers, intermediaries and customers by using credit grade references provided by rating agencies, and other publicly available financial information. Where this information is not available, detailed analysis is carried out by investigating both financial strength and market repute, as well as payment patterns. The Group 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 Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by the directors on an ongoing basis by reviewing their financial strength within the terms of their credit ratings as stated below.

The Group is also exposed to credit risk for its financial investments, other debtors, and cash and cash equivalents. The Group assesses its credit risk with these counterparties through their credit rating. Should a counterparty not have a credit rating, the Company develops an internal credit rating by analysing their financial performance and the country of incorporation.

The Investment Committee takes account of the credit risk inherent in the Group's investment portfolio by adopting similar cautious practices in identifying investment opportunities and monitoring portfolio performance. The investment instruments acquired are highly rated by the internationally-renowned credit rating agencies like Moody's and Standard and Poor's. The policy adopted by the investment committee is that of directing most of the funds available for investment to A-rated securities and deposits. There are certain instances whereby the committee may opt for placing these funds in B-rated securities only once the circumstances of such an opportunity are fully assessed and are beneficial to the performance of the investment portfolio.

Credit quality analysis

The Group measures credit risk and expected credit losses on financial assets using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. The Group's cash at bank is placed with quality financial institutions.

An insignificant allowance amount has been recognised with respect to debtors not arising from direct insurance operations and cash and cash equivalents given the counterparties' credit qualities. Amounts receivable from subsidiaries amounting to €2,264,848 (2022: €1,052,800) gross of ECL of €2,644, are included in Group's unrated debtors not arising from direct insurance operations, prepayments and accrued income.

The Company measures credit risk on debtors arising out of direct insurance operations (i.e., mainly insurance premiums receivable), and reinsurers' share of contract assets using incurred credit loss approach.

Debtors included within insurance contract assets and liabilities are inclusive of an impairment of €225,587 (2022: €245,798).

The following table illustrates the assets that expose the Group to credit risk as at the end of the reporting period 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.

In the following table, the rating of the bank's parent was applied in relation to cash equivalents.

Group	As at 31 December 2023				
	AAA to AA- €	A+ to A- €	BBB to B €	Not rated €	Total €
Investments					
Debt securities					
- listed fixed interest rate	395,259	1,964,439	3,013,501	5,406,498	10,779,697
	395,259	1,964,439	3,013,501	5,406,498	10,779,697
Financial assets at amortised cost – stage 1					
Debtors not arising from direct insurance operations and prepayments and accrued income	-	-	-	4,306,542	4,306,542
Debtors included within insurance contact assets and liabilities	-	-	-	5,063,437	5,063,437
Cash equivalents		151,985	4,062,122	4,142,204	8,356,311
Loss allowance – Debtors	-	-	-	-2,644	-2,644
Loss allowance – Cash equivalents	-	-263	-812	-	-1,075
	-	151,722	4,061,310	13,509,539	17,722,571
Reinsurance contract assets	6,651,844	1,036,697	-	7,316	7,695,857
Total assets bearing credit risk	**7,047,103**	**3,152,858**	**7,074,811**	**18,923,353**	**36,198,125**

4.2.3 Liquidity risk

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

Insurance and reinsurance contracts

The following table provides a maturity analysis of the Company's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. Liabilities for remaining coverage measured under the PAA have been excluded from this analysis.

Group	As at 31 December 2023 Remaining contractual undiscounted net cash flows				
	Less than one year €	One and two years €	Two and five years €	Over five years €	Total €
Insurance contracts					
Liabilities	(15,477,848)	(3,177,904)	(1,320,638)	(4,893)	(19,981,283)
	(15,477,848)	(3,177,904)	(1,320,638)	(4,893)	(19,981,283)

The table below analyses the Group's financial liabilities 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, including fiscal liabilities.

Group	As at 31 December 2023 Contracted undiscounted cash flows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other payables, and accruals and deferred income	(2,104,043)				(2,104,043)
Cash and cash equivalents	8,353,079				8,353,079
Financial investments	759,368	770,921	4,238,730	5,010,678	10,779,697
Treasury bills held at amortised cost	3,521,764	-	-	-	3,521,764
Debtors not arising from direct insurance operations, prepayments and accrued income	4,305,203	-	-	-	4,305,203
Current taxation	(824,868)	-	-	-	(824,868)
	14,010,503	770,921	4,238,730	5,010,678	24,030,832

The amounts in the tables above have been compiled as follows:

- The amounts are the gross contractual undiscounted cash flows.
- The interest on floating-rate instruments reflects the market forward interest rates at the reporting date, which may change as market interest rates change.

4.3 Operational risk

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

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 Group considered Strategic Risk as a sub-category of Operational Risk. Since 2020, Strategic 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.

Strategic risk is split into the following risk groupings:

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

Operational Risk is split into (a) Internal Fraud, (b) External Fraud, (c) Employment Practices and Workplace Safety, (d) Clients, Products & Business Ictices, (e) Damage to Physical Assets, (f) Business Disruption and System Failures, 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
- AML/CFT
- Authorisation
- Cell Management Risk
- Complaints handing
- Distribution
- Marketing
- 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 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, the Core and the Group.

4.5 Any other information

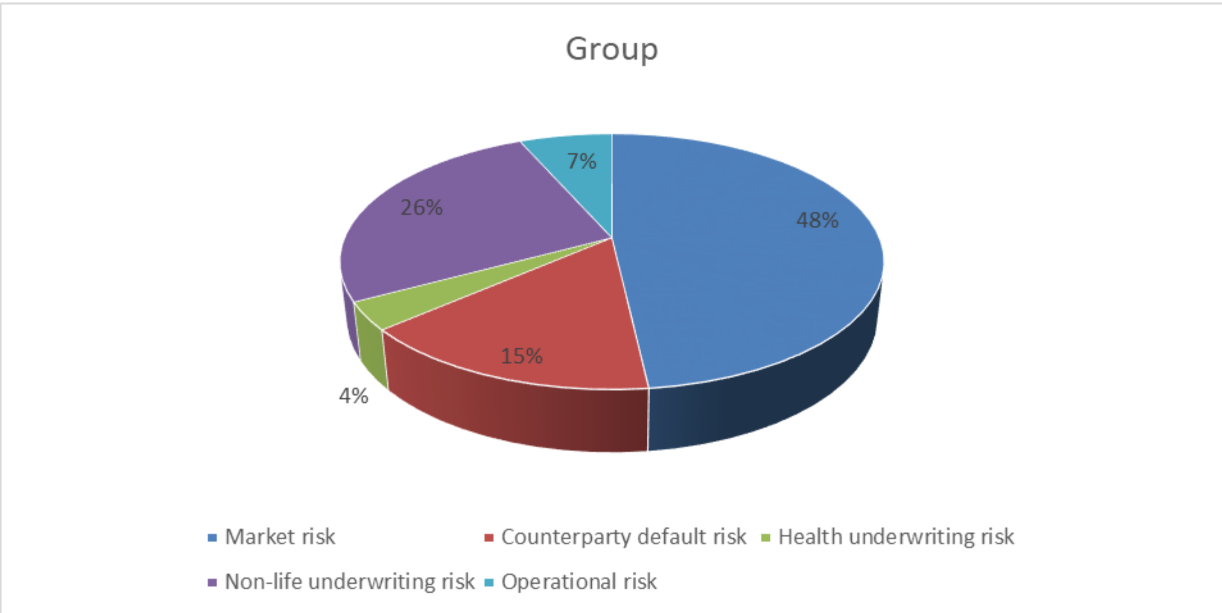
Atlas Group diversifies its operations with an end to minimise risks that may threaten the financial stability of the Group and its stakeholders.

Mitigation of risk ranks highly in priority in all the various Board of Directors business within the Group 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 Group under insurance regulation and financial requirements set under the Group'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 and the Atlas Group financial statements for the year under review as evidenced by the external auditor report attaching to the respective financial statements.

The Group's risk profile is simply reproduced and expressed in percentages of the calculated end 2023 solvency capital requirement (SCR) of €15,081,642 as follows:



The Group is required to report on the PCC's Aggregate risk profile and this may be reviewed by following the link https://www.atlas.com.mt/wp-content/uploads/2024/04/Solvency-and-Financial-Condition-Report-2023-Atlas-Insurance-PCC-Limited.pdf on page 80.

Solvency II regulation requires that the Group 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 in aggregate allowed to apply for up to 50% of the nSCR. The Atlas Group matches its SCR with 100% Tier 1 Own Funds which total €49,862,927 as on 31 December 2023 (2022: €42,876,719).

Furthermore Solvency II regulations require a Group to ensure that it matches appropriate own funds to the Minimum Consolidated Group Solvency Capital Requirement at all times and may not fall below a 100% ratio of this threshold.

The Minimum Consolidated Group Solvency Capital Requirement is the result of the Solo's Minimum Capital Requirement (MCR) calculation for its Core. The regulations apply the principle of an Absolute Minimum Capital Requirement (AMCR) which is currently set at €7.9m. The Group would be required to hold sufficient own funds in excess of the Core's MCR or AMCR whichever is the highest. As such the Group's MCR for 2023 is being reported at €7.9m.

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

As part of the Atlas Group's regulated Own Risk and Solvency Assessment (ORSA) the Group 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.

5. Valuation of assets and liabilities for solvency purposes

The financial statements of Atlas Holdings Limited are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the requirements of the Companies Act (Cap. 386). They also consider the requirements of the Insurance Business Act, (Cap. 403) in consolidating the results of Atlas Insurance PCC Limited where appropriate. 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.

Reporting the accounting of Insurance Contracts and Financial Instruments

As of 1 January 2023 the Group adopted IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments.

IFRS 17

IFRS 17 has brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Atlas Group has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022 in the financial statements.

The Group applies the Premium Allocation Approach (PAA) to simplify the measurement of contracts.

When measuring liabilities for remaining coverage (LFRC), the PAA is similar to the Group's previous accounting treatment. Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

However, measurement of the LFRC under the GMM varies significantly from IFRS 4. This would be equal to the present value of future cash flows that are expected to arise as the Solo Undertaking fulfils the contracts, an explicit risk adjustment for non-financial risk and the Contractual Service Margin (CSM) (which represents the future profits arising from the insurance contracts recognised).

A significant change as a result of IFRS 17 is in relation to the valuation of the liabilities for incurred claims (LFIC), previously referred to as technical provisions.

When measuring LFIC, the Group now discounts the best estimate of future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Insurance contract assets/ liabilities within the Statement of Financial Position are made up of Liability for Remaining Coverage which, when applying the PAA, corresponds to UPR where all the calculations are based on the premiums received, less the expected premiums to be received allocated to the period (net of deferred acquisition costs and receivables arising from insurance business since the Company elected to treat these using IFRS 17 as opposed to IFRS 9.

Liability for Incurred claims which corresponds to the discounted probably-weighted expected future cash flows (i.e. on a best estimate basis) together with an explicit risk adjustment to cater for non-financial risk.

The future cash flows for incurred claims (i.e. which includes claims outstanding and claims incurred but not reported) are calculated on a best estimate basis (same basis for Solvency II Technical Provisions). This means that the claims provision should equal the expected present value of future cash inflows and outflows arising from claim events occurring before or at the valuation date. It is therefore intended to equal the expected value of the distribution of all possible future outcomes, with no allowance for prudence.

To the best estimate of future cash flows, an expense reserve is added to include expenses that are attributable to claims which the Group would need to incur in the future to run-off the current book of claims.

Furthermore, similar to SII Technical provisions, an events not in data (ENID) allowance is made in order to account for any extreme values that are not present in the historical data.

The **Risk Adjustment** for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

Changes in SII valuation in light of IFRS17

The main valuation principle of Solvency II leading to differences from net technical provision under statutory accounting is the recognition of the risk adjustment as recognised under IFRS 17.

IFRS 9

IFRS 9 Financial Instruments replaces IAS 39. An entity that elects to apply the amendment applies it during the financial year that it has adopted IFRS 17. As such the first financial year for Atlas reporting IFRS 9 is the year ended 31 December 2023.

The new Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not replace the requirements for portfolio fair value of financial instruments where currently required.

The impact of IFRS 9 on Atlas Group's assets is not material.

Inflation impacting claims costs and reserving

The Board remains vigilant for claims reserving procedures in the light of the continued developments for increased costs on claims and for European and National Central Bank interventions on interest rates.

The Board seeks to ensure that the ratio of confidence levels applied to arriving at the insurance contract liabilities and reinsurance assets arising therefrom are appropriate to the risk profile of Atlas.

Solvency II Values

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 Atlas Group is required to report on such valuations. In the following subsections the Group reports its financial positions on a Group consolidation basis.

5.1 Assets

The Atlas Group total assets are represented in the below table showing IFRS values which have been adjusted for Solvency II purposes.

Atlas Group in Euro '000 Assets	IFRS	2023 Solvency II Adjustment	Solvency II value	2022 Solvency II value
Deferred acquisition costs	0	0	**0**	0
Intangible assets	313	-313	**0**	0
Property, plant & equipment held for own use	10,312	0	**10,312**	10,300
Investments (other than assets held for index-linked and unit-				
Property (other than for own use)	9,607	0	**9,607**	9,506
Holdings in related undertakings, including participations	3,905	-406	**3,499**	3,153
Equities				
Equities - listed	5,606	7,680	**13,286**	13,239
Equities - unlisted	0	0	**0**	0
Bonds				
Government Bonds	276	8,784	**9,059**	3,757
Corporate Bonds	10,504	11,807	**22,312**	20,589
Collective Investments Undertakings	24,575	-24,575	**0**	0
Deposits other than cash equivalents	0	0	**0**	0
Loans and mortgages				
Other loans and mortgages	3,522	-3,522	**0**	0
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	11,812	-5,861	**5,952**	22,957
Health similar to non-life	0	4,750	**4,750**	3,658
Insurance and intermediaries receivables	0	2,875	**2,875**	3,407
Reinsurance receivables	0	403	**403**	0
Receivables (trade, not insurance)	4,348	-173	**4,175**	3,099
Cash and cash equivalents	8,353	3	**8,356**	6,977
Total assets	93,134	1,453	**94,587**	100,642

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 an increase in total assets held for the Group of €1.45 million (decrease of €11.99 million for 2022).

Intangible Assets

For the Solvency II balance sheet the intangible asset values recognised under IFRS are 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 Atlas Group 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 Group does not consider any resale value for its computer software.

Deferred Tax Assets

See note under subsection 5.2.2 “Deferred Tax Liabilities”.

Investment Property

The Group holds a substantial investment in property which is intended to derive rental income or held for capital appreciation. These assets are reported in the IFRS and Solvency II balance sheets at the value established by the Board based on a valuation carried out by external valuations and in accordance with the Board 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.

Property, Plant and Equipment held for Own Use (PPE)

The Atlas Group carries a substantial investment in PPE. As noted earlier for Investment Property. These assets are reported in the balance sheet at the value established by the Board based on a valuation carried out by external valuers and in accordance with Board policy.

Holdings in Related Undertakings

Direct holdings in related undertakings are held at cost and tested for impairment as required where this is appropriate under IFRS. For SII purposes, where quoted prices in active markets are not available, direct holdings in related undertakings are valued on an adjusted equity method using IFRS valuation for non-insurer undertakings and SII valuation for insurer undertakings.

Equities

The Atlas Group's exposure to Equity is held both within the Group's Fund portfolios and also under discretionary portfolio agreements with investment managers. The securities are accounted for at market value on the reporting date of the balance sheet.

Bonds

Fixed income securities are reported in the IFRS balance sheet at fair value through 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.

Collective Investment Undertakings

Collective investment undertakings (funds) are reported in the IFRS balance sheet at fair value through 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.

Loans and Mortgages

The Atlas Group also holds its temporary free cash in short term deposits with preferred security in treasury bills. The Group does not hold any mortgage exposures. These are reclassified to the Investments Portfolio for Solvency II reporting.

Reinsurance Recoverables

According to the Atlas Reinsurance Policy, all reinsurers require a minimum S&P credit rating of A- (or equivalent). 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.

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.

The IFRS and Solvency II valuations are both calculated on a "Best Estimate" basis. Therefore, any differences between IFRS and Solvency II amounts are driven by items that are included in Insurance and Reinsurance balances under IFRS but which do not pertain to claims outstanding and IBNR reserves, such as LFRC, which are not considered for Solvency II.

Insurance and Intermediaries Receivables

Atlas Group operates its insurance underwriting either on a direct line of business with negotiation carried out with its policyholders on a direct basis or through a network of intermediaries. This gives rise to timing differences for the collection of premiums. For IFRS 17 purposes, Insurance and Intermediaries Receivables are included within the LFRC (captured in Gross Technical Provisions within liabilities). Any balances that are past due are not considered to be future cash flows under the Solvency II balance sheet and therefore reclassified from technical provisions in the calculation of "best estimate" values for such provisions. The adjustment from technical provisions to insurance and intermediaries' receivables 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 Group is also required to report on the PCC's aggregate financial results.

These may be followed on page 87 of the Solo Undertaking's SFCR through the following link https://www.atlas.com.mt/group/publications/.

5.2 Total liabilities

The Atlas Group total liabilities are represented in the below table showing IFRS values which have been adjusted for Solvency II purposes.

Atlas Group in Euro '000		**2023**		2022
Liabilities	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	38,751	-38,751	**0**	0
Best Estimate	0	21,499	**21,499**	38,363
Risk margin	0	809	**809**	839
Technical provisions - health (similar to non-life)	0	0	**0**	0
Best Estimate	0	7,130	**7,130**	5,596
Risk margin	0	96	**96**	77
Deferred tax liabilities	2,182	2,733	**4,915**	1,641
Debts owed to credit institutions	0	0	**0**	0
Insurance & intermediaries payables	0	951	**951**	915
Reinsurance payables	0	1,907	**1,907**	1,392
Payables (trade, not insurance)	3,693	0	**3,693**	6,244
Total liabilities	44,626	-3,626	**41,000**	55,067

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 liabilities of the Group of €3.63 million (€13.85 million for 2022).

The Group is also required to report on the PCC's aggregate financial results.

These may be followed on page 91 of the Solo Undertaking's SFCR through the following link https://www.atlas.com.mt/group/publications/.

5.2.1 Technical provisions

Technical provisions as reported under IFRS and referred to as Insurance Contract Liabilities are revalued under Solvency II requirements. The best estimate technical provisions comprise 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. 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 Group as explained above.

Atlas Group in Euro '000		**2023**		2022
Technical provisions	**IFRS**	**Solvency II Adjustment**	**Solvency II value**	Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	38,751	-38,751	**0**	0
Best Estimate	0	21,499	**21,499**	38,363
Risk margin	0	809	**809**	839
Technical provisions - health (similar to non-life)	0	0	**0**	0
Best Estimate	0	7,130	**7,130**	5,596
Risk margin	0	96	**96**	77
	38,751	-9,217	**29,533**	44,875

Whilst the starting point for the liabilities for incurred claims under IFRS17 are the best estimate future cashflows which is similar to the best estimate cashflows under the Solvency II claims provisions, the adjustments for expenses within these cash flows are different. Also, whilst Solvency II cash flows are discounted at the risk-free rates, the cash flows under IFRS17 are discounted at rates which allow for the illiquidity premium on top of the risk free rates. In addition, the risk adjustment under IFRS17 uses a VaR approach whilst the risk margin under Solvency II uses a Cost of Capital approach. All these differences result in the value of technical provision liabilities represented in the Solvency II balance sheet totalling €29.5million, being different from the total of the liabilities as represented under IFRS of €38.8million.

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

a) Best estimate of claims reserves has 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 expected future premium as explained under Section 5 for IFRS 17. The loss ratio assumption is based on historic loss ratio experience arising from the claims provision analysis. Any movements in the assumed loss ratios from previous assessments are reflective of additional information experienced throughout 2023, including that of increased claims costs as a result of rising inflation.

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

c) An allowance for the expenses associated with the 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 2023 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 2023 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 the reinsurance share of future expected claims recoverable and allowance for 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.

5.2.2 Other liabilities

Section 5.2 above provides the reporting for the Atlas Group's total liabilities. The following section reports on the movements for other liabilities. Liabilities arising from technical provisions which have been reported on under Section 5.2.1 of this report.

Atlas Group in Euro '000 Other liabilities	IFRS	2023 Solvency II Adjustment	Solvency II value	2022 Solvency II value
Deferred tax liabilities	2,182	2,733	**4,915**	1,641
Insurance & intermediaries payables	0	951	**951**	915
Reinsurance payables	0	1,907	**1,907**	1,393
Payables (trade, not insurance)	3,693	0	**3,693**	6,245
Total liabilities	5,875	5,590	**11,466**	10,194

Deferred tax liabilities

Atlas Group 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 the Group's Solvency II balance sheet. 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

IFRS 17 determines that insurance and reinsurance payables are reported as forming part of the Insurance and Reinsurance Contract Liabilities (classified within technical provisions and reinsurance recoverables in the tables above) and as such the movement for Solvency II values reported are the past due amounts reclassified from technical provisions and reinsurance recoverables to Insurance and intermediaries payables and reinsurance payables.

The Group is also required to report on the PCC's aggregate financial results.

These may be followed on page 97 of the Solo Undertaking's SFCR through the following link https://www.atlas.com.mt/group/publications/.

5.3 Alternative methods for valuation

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

The Group Quantitative Reporting Template QRT G.02.01.02 may be found under the appendix to the Group Solvency and Financial Condition Report.

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 Group may issue new shares or capitalise contributions received from its shareholders.

The Group 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 Group through its PCC's Board 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 Group's solvency position are immediately reported to the directors for resolution prior to notifying the MFSA.

Concern on the impact of inflation

As part of its annual ORSA exercise, Atlas Group 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.

The Directors acknowledge that the global and local economic environment remain uncertain, although 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 above.

With a cover of 331% resulting in surplus eligible own funds of €34.78 million over the SCR for the core, the Group 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.

6.1 Own Funds

A major component of the Own Funds of the Atlas Group 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.
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 Group'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 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, the Atlas Group's boards 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.

Another component of the Own Funds of the Atlas Group and Solo Undertaking is that of ancillary own funds qualifying as Tier 2 Capital. Preferred instruments by the Group 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 Group does not consider any ancillary own funds in its existing capital structure.

The total own funds for the Atlas Group in matching the Solvency Capital Requirement as on 31 December 2023 is equal to €49.86 million (2022: €42.73 million).

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.

The Own Funds applied in matching the Solvency Capital Requirements are detailed in the below table for the Group.

Atlas Group in Euro '000 Own funds	IFRS	2023 Solvency II Adjustment	Solvency II value	2022 Solvency II value
Paid up ordinary shares	5,325	0	**5,325**	5,325
Revaluation reserves	6,706	-6,706	**0**	0
Other reserves	-614	614	**0**	0
Retained earnings	36,929	-36,929	**0**	0
Non-controlling interests in equity	162	-162	**0**	0
Adjustment for restricted own funds	0	0	**0**	0
Reconciliation reserve	0	44,537	**44,537**	37,401
	48,507	1,355	**49,862**	42,727

During the year under review a net interim dividend of €1,100,000 was paid to the shareholders in accordance with a board resolution in March 2023 and a final dividend of €1,250,000 was paid in 2023 as declared at the annual general meeting held on the 22 June 2023

The PCC is the main driver for dividend income receivable by the Company, and during the year under review it received from the PCC a total of €2,200,000 in dividend income net of tax.

In view of this and the positive technical results achieved by the Group during 2023, in accordance with a board resolution of March 2024, an interim dividend of €1,250,000 was paid. The directors propose the payment of a final dividend to the shareholder of €1,435,000.

All the Group and PCC's Core own funds are classified under Solvency II as Tier 1 capital since they are considered to be of high quality under regulation.

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 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 Atlas Holdings Limited, the Core or the Cells on the own funds for approval by the respective Boards of the Atlas Group.

This procedure is to be also followed by the Chief Financial Officer in the event that any Regulatory Solvency shortfalls are identified to be matched by financial instruments other than capital instruments

Medium-Term Capital Management Plan

The Group 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 Group Companies' balance sheets and incorporated cells within the PCC. 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

The Group Quantitative Reporting Template QRT G.23.01.22 may be found under the appendix to the Group Solvency and Financial Condition Report.

6.2 SCR & LACDT Allowance, and MCR

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

Individual cells are not obliged to hold the absolute minimum capital requirement (MCR of €7.90 million) as this is an obligation imposed on the Solo Undertaking's Core, nor is an individual cell obliged under regulation to match its own nSCR with its own funds for as long as that Cell has financial recourse to the Core's own funds. Under the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, the PCC may impose non-recourse for cells authorised to carry on Captive insurance business and/or Reinsurance business. Under such circumstances these cells would have to match their own nSCR with its own funds. The PCC has two Cells, the Amplifon Cell and the AM Cell, which are authorised to carry on the business of reinsurance where non-recourse is in place and on that basis matches their own funds to their nSCR with a solvency ratio of 1282% and 203% respectively.

The following table illustrates in Euro '000 the various risk components making up the SCR requirements for the Group and the PCC Aggregate.

2023

Solvency Capital Requirement	Group Euro '000	Core Euro '000	Amplifon Cell Euro '000	AM Cell Euro '000	Other Cells Euro '000	Aggregated PCC Euro '000
Market risk	**12,549**	12,563	20	-	1,668	**15,530**
Counterparty default risk	**4,009**	3,748	72	1,000	5,697	**11,460**
Life underwriting risk		-	-	2,490	-	**2,713**
Health underwriting risk	**912**	912	-	2,283	6	**3,488**
Non-life underwriting risk	**6,847**	6,847	3	2,734	5,053	**15,951**
Diversification	**(6,306)**	(6,202)	(14)	(3,230)	(2,026)	**(15,519)**
Operational risk	**1,716**	1,716	0	449	1,172	**3,338**
LACDT	**(4,645)**	(4,609)	-	(660)	(1,123)	**(6,392)**
Total SCR	**15,082**	**14,974**	**81**	**5,067**	**10,448**	**30,569**

2022

Solvency Capital Requirement	Group Euro '000	Core Euro '000	Amplifon Cell Euro '000	Other Cells Euro '000	Aggregated PCC Euro '000
Market risk	**11,980**	11,968	76	1,373	**14,206**
Counterparty default risk	**4,432**	4,235	190	4,464	**9,411**
Health underwriting risk	**827**	827	-	1	**877**
Non-life underwriting risk	**6,169**	6,169	43	4,896	**11,761**
Diversification	**(6,101)**	(6,024)	(62)	(1,373)	**(9,781)**
Operational risk	**1,513**	1,513	4	764	**2,589**
LACDT	**(4,480)**	(4,446)	-	(1,478)	**(5,924)**
Total SCR	**14,340**	**14,243**	**251**	**8,647**	**23,140**

The group registered an increase in its SCR for the year under review over the previous year. Increases in bSCR for non-life underwriting risk, market risk and operational risk have been reasonably offset by a reduction in counterparty default risk, improvements for diversification benefit and naturally LACDT which ultimately relates to the growth in the Group's portfolio.

Supervised Groups and 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 Minimum Consolidated Group Solvency Capital Requirement for the Atlas Group is the result of the Solo's Minimum Capital Requirement (MCR) calculation for its Core. The regulations apply the principle of an Absolute Minimum Capital Requirement (AMCR) which is currently set at €7.9 million. The Group would be required to hold sufficient own funds in excess of the Group's MCR or AMCR whichever is the highest. As such the Group's Minimum Consolidated Group Solvency Capital Requirement for 2023 is being reported at €7.9 million.

In both cases the own funds reported for Solvency II comfortably exceed the above MCR requirements.

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:

	Group
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 different approaches described above is chosen.

The amount of LACDT adjustment allowed for in the assessment of the regulatory SCR for the Core for the 2023 valuation year is detailed below:

2023

Loss Absorbing Capacity of Technical Provision and Deferred Tax	**-€4,644,679**		
Losses predicted by SCR Model which can be recovered from future profits	**-€4,644,679**	**Risk Charge**	**Applicable tax rate**
Market Risk	**-€3,513,829**	**€12,549,388**	28%
Counterparty Risk	**-€1,122,460**	€4,008,786	28%
Non-Life Insurance Risk	**-€479,256**	€6,846,514	7%
Health NSLT	**-€63,833**	€911,899	7%
Diversification (Market, Counterparty, Insurance)	€1,015,165		
Operational Risk	**-€480,466**	€1,715,951	28%
LACDT Cappings:			
35% x (BSCR+Op)	**-€6,904,212**		
35% x 3 Year Proj Profits Before Tax Net of Inv Income / 3 x 3 (3 yr)	**-€9,436,560**		
35% x 3 Year Proj Profits Before Tax Net of Inv Income - limited profitability: 50% yr 1, 75% yr 2, 100% yr 3	**-€7,434,481**		

The maximum allowable LACDT in relation to the calculated BSCR and operational risk charge amounts to €6.9m. When this is assessed against the projected future profitability over the 3-year business planning period, the amount is capped at €9.4m. 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 €7.4m. Finally, this is compared to the limitation on the tax charge as described above, resulting in the LACDT adjustment of €4.6m.

The Group Quantitative Reporting Template QRT G.25.01.22 may be found under the appendix to the Group Solvency and Financial Condition Report.

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

Both the Atlas Group and 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

Both the Atlas Group and the PCC do not make use of the possibility allowed under the Solvency II Directive to apply internal or partial internal models and on this basis have nothing to report.

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

As on 31 December 2023 the Group reports a Solvency Ratio of 331% for Solvency II Own Funds over the Solvency Capital Requirement. As such there is no non-compliance issue to report.

6.6 Any other information

As noted throughout the report the Atlas Group reports its results for all its subsidiaries and the PCC under regulation.

The Group Quantitative Reporting Template QRT G.32.01.22 may be found under the appendix to the Group Solvency and Financial Condition Report.

Atlas Holdings Limited

Solvency and Financial Condition Report (SFCR)

for the Financial Year ended 31 December 2023

Quarterly Reporting Templates (QRT)

QRT Table 1 – Atlas Group in Euro '000

G.02.01.02

Balance sheet

Assets		**Solvency II value**
		C0010
Property, plant & equipment held for own use	**R0060**	10,312
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	57,764
Property (other than for own use)	**R0080**	9,607
Holdings in related undertakings, including participations	**R0090**	3,499
Equities	**R0100**	13,286
Equities - listed	**R0110**	13,286
Bonds	**R0130**	31,371
Government Bonds	**R0140**	9,059
Corporate Bonds	**R0150**	22,312
Reinsurance recoverables from:	**R0270**	10,701
Non-life and health similar to non-life	**R0280**	10,701
Non-life excluding health	**R0290**	5,952
Health similar to non-life	**R0300**	4,750
Insurance and intermediaries receivables	**R0360**	2,875
Reinsurance receivables	**R0370**	403
Receivables (trade, not insurance)	**R0380**	4,175
Cash and cash equivalents	**R0410**	8,356
Total assets	**R0500**	94,587

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	29,533
Technical provisions – non-life (excluding health)	**R0520**	22,308
Best Estimate	**R0540**	21,499
Risk margin	**R0550**	809
Technical provisions - health (similar to non-life)	**R0560**	7,225
Best Estimate	**R0580**	7,130
Risk margin	**R0590**	96
Deferred tax liabilities	**R0780**	4,915
Insurance & intermediaries payables	**R0820**	951
Reinsurance payables	**R0830**	1,907
Payables (trade, not insurance)	**R0840**	3,693
Total liabilities	**R0900**	41,000
Excess of assets over liabilities	**R1000**	53,587

QRT Table 2 – Atlas Group in Euro '000

G.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)**								
		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	Total
		C0010	**C0020**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0120**	**C0200**
Premiums written										
Gross - Direct Business	**R0110**	17,118	558	8,183	9,183	1,942	17,303	4,898	1,005	60,190
Reinsurers' share	**R0140**	13,078	5	807		1,026	13,542	1,024	1,090	30,573
Net	**R0200**	4,040	553	7,377	9,183	917	3,761	3,874	-85	29,618
Premiums earned										
Gross - Direct Business	**R0210**	16,295	553	7,684	8,671	1,904	16,352	4,749	990	57,198
Reinsurers' share	**R0240**	12,461	5	814		1,022	12,670	1,038	1,077	29,088
Net	**R0300**	3,834	548	6,869	8,671	882	3,681	3,711	-88	28,109
Claims incurred										
Gross - Direct Business	**R0310**	12,023	43	4,328	3,315	719	-9,904	-172	145	10,497
Reinsurers' share	**R0340**	9,227	0	311		343	-11,707	-198	143	-1,880
Net	**R0400**	2,796	43	4,017	3,315	375	1,803	26	2	12,377
Expenses incurred	**R0550**	7,886	257	3,770	4,230	895	7,971	2,256	463	27,729
Balance - other technical expenses/income	**R1200**									-614
Total expenses	**R1300**									27,115

QRT Table 3 – Atlas Group in Euro ‘000

G.23.01.22
Own funds

		Total	Tier 1 - unrestricted
		C0010	C0020
Basic own funds before deduction			
Ordinary share capital (gross of own shares)	**R0010**	5,325	5,325
Reconciliation reserve	**R0130**	44,537	44,537
Total basic own funds after deductions	**R0290**	49,863	49,863
Total ancillary own funds	**R0400**		
Own funds when using the D&A, exclusively or in combination with method 1			
Total available own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	49,863	49,863
Total available own funds to meet the minimum consolidated group SCR	**R0530**	49,863	49,863
Total eligible own funds to meet the consolidated part of the group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	49,863	49,863
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	49,863	49,863
Minimum consolidated Group SCR	**R0610**	7,900	
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	631.18%	
Total eligible own funds to meet the total group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	49,863	49,863
Total Group SCR	**R0680**	15,082	
Ratio of Total Eligible own funds to Total group SCR - ratio including other financial sectors and the undertakings included via D&A	**R0690**	330.62%	

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	53,587	
Foreseeable dividends, distributions and charges	**R0720**	2,685	
Other basic own fund items	**R0730**	5,325	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	1,039	
Reconciliation reserve	**R0760**	44,537	

QRT Table 4 – Atlas Group in Euro '000

G.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement
		C0110
Market risk	**R0010**	12,549
Counterparty default risk	**R0020**	4,009
Health underwriting risk	**R0040**	912
Non-life underwriting risk	**R0050**	6,847
Diversification	**R0060**	-6,306
Basic Solvency Capital Requirement	**R0100**	18,010

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	1,716
Loss-absorbing capacity of deferred taxes	**R0150**	-4,645
Solvency capital requirement excluding capital add-on	**R0200**	15,082
Consolidated Group SCR	**R0220**	15,082
Minimum consolidated group solvency capital requirement	**R0470**	7,900
Total group solvency capital requirement	**R0570**	15,082

QRT Table 5 – Atlas Group in Euro '000

G.32.01.22
Undertakings in the scope of the group

								Criteria of influence					Inclusion in the scope of group supervision	Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Level of influence	Proportional share used for group solvency calculation	YES/NO	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0220	C0230	C0240	C0260
MT	5299009OC7HGHKVM2254	LEI	Atlas Holdings Limited	5	Limited liability company	2							1	1
MT	529900F52D5B51ONO136	LEI	Atlas Insurance PCC Limited	2	Limited liability company	2	MFSA	100.00%	100.00%	100.00%	1	100.00%	1	1
MT	529900ETP4ZUO613S537	LEI	AISH Limited	99	Limited liability company	2		75.00%	75.00%	75.00%	1	75.00%	1	1
MT	529900N7YYVZLTVTZ734	LEI	Jesmond Mizzi Financial Advisors Limited	14	Limited liability company	2		37.50%		37.50%	2	37.50%	1	1
MT	529900QZNMH0YY2B9Z44	LEI	Atlas Healthcare Insurance Agency Limited	99	Limited liability company	2		100.00%	100.00%	100.00%	1	100.00%	1	1
MT	C28074	SC	Assikura Insurance Brokers PCC Limited	99	Limited liability company	2		40.00%	40.00%	40.00%	1	40.00%	1	1
MT	C104	SC	Eagle Star (Malta) Limited	99	Limited liability company	2		100.00%	100.00%	100.00%	1	100.00%	1	1
MT	C94404	SC	IvaLife Insurance Limited	1	Limited liability company	2	MFSA	25.00%	25.00%	25.00%	2	25.00%	1	1