GasanMamo
INSURANCE
we're always there

# 2019 SOLVENCY and FINANCIAL CONDITON REPORT

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## Statement of Directors' Responsibilities

The Board of Directors (hereafter "the Board") of GasanMamo Insurance Ltd. acknowledges its responsibility for preparing the Solvency and Financial Condition Report (SFCR) in all material respects in accordance with Chapter 8 of the Insurance Rules issued by the Malta Financial Services Authority (MFSA), Article 304 and Chapter XIII of the EU Commission Delegated Regulation 2015/35 (CDR), Articles 51 and 53 to 55 of the Solvency II Directive 2009/138/EC (Solvency II Directive) and the Guidelines on Reporting and Public Disclosure issued by the European Insurance and Occupational Pensions Authority (EIOPA).

The Board is satisfied that:

- Throughout the financial year, GasanMamo Insurance Ltd. has complied in all material respects with the requirements of the MFSA rules and Solvency II Regulations as applicable to the Company.
- It is reasonable to believe that, at the date of the publication of the SFCR, the Company complies and will continue to comply in the future with the applicable Solvency II requirements.

## Executive Summary

This document has been compiled by GasanMamo Insurance Ltd. (hereafter “the Company” or “GasanMamo”) and is publicly disclosed on the Company’s website in accordance with the Solvency II regulatory regime for EU insurance companies. Solvency II aims to unify the European insurance market and enhance consumers’ protection by primarily addressing the amount of capital that companies must hold to reduce their insolvency risk.

This report covers the Business and Performance of the Company, its System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management for the year ended December 2019. The Company’s Board of Directors has the ultimate responsibility for all of these matters, supported by governance and control functions in place.

This document aims to assist interested parties in understanding how the Company has taken the Solvency II regime in its stride and the capital position of GasanMamo. Through its prudent and steady approach to business, the continuous investment in infrastructure (including Information Technology (IT), Tied Insurance Intermediaries (TIIs) and Branch network) and the friendly, professional service provided at all levels, GasanMamo is well capitalised, with a solvency ratio of 219%.

### A. Business and Performance

The economic backdrop in Malta remained strong once again with GDP growth exceeding 7% and full employment. The global economy also maintained a positive growth trajectory with the US leading from the front. Concerns of trade wars subsided and markets pushed forward.

The market jitters of Q4 2018 gave way to a more positive sentiment and markets rebounded strongly, particularly in Q1 2019. This is confirmed by €3,943K in net investment returns generated for 2019, representing an annual return rate of 7.54%, when compared to a loss of €701K in 2018.

As a Company, GasanMamo has been committed to seek out profitable growth in our chosen markets by primarily keeping customers at the heart of its business, focusing on quality service and products. This is achieved primarily by investing in people, building a team of outstanding individuals working towards a common purpose. GasanMamo also invests in systems to ensure that it remains at the forefront of our industry and maintain efficiency levels that are essential in today’s environment. The positive economic environment referred to above has led to an increase in operational costs as well as an increase in claims costs. To cope with this every effort is made to do things smarter and grow the business profitably at a faster rate than the costs increase. The strong market position and brand loyalty has enabled the Company to be well placed to achieve this.

During the year under review the Company has registered a slight deterioration of the Combined Operating Ratio which closed at 83.8% compared to 80.9% in 2018. This was anticipated due to the development of the insurance risk portfolio and the impact of the catastrophic windstorm that struck Malta and Gozo in February 2019.

Overall Gross Written Premium (GWP) closed at €52,564K registering a growth of 17.8% when compared to €44,604K for 2018. The combination of a strong technical result and an excellent investment return has put the Company ahead of its expectations and registered a profit before tax of €11,386K compared to €7,322K in 2018.

## B. System of Governance

GasanMamo is ultimately governed by the Board which is composed of both executive and non-executive directors such that it reflects the range of skills, knowledge and experience necessary for its effectiveness. The Board is responsible for providing advice, oversight, challenge and guidance of the Company's performance. For more effective operation, the Board has established Board Committees with oversight responsibilities over the Company's key functions.

The system of governance is based on the Three Lines of Defence model, and provides a framework with a clear organisation structure, clear reporting lines and responsibilities and effective processes to identify, evaluate, analyse, manage, report, monitor and review risks to which it might be exposed. Adequate internal control mechanisms and remuneration policies which promote effective risk management are in place.

In line with Solvency II requirements the Company has in place a Risk Management Function (RMF), Compliance Function, Internal Audit Function and Actuarial Function, out of which the latter two are outsourced.

Effective 10th April 2019, Mr Nick Bell was appointed as an Independent Non-Executive Director. Mr Bell comes with vast experience from the investment banking world and is deemed to be a welcome addition to the Board bringing both insight and scrutiny. On the other hand, Mr Martin Wonfor has retired from the Board on the 31st December 2019. Over the years, Mr Wonfor has contributed significantly to the success of the Company.

## C. Risk Profile

The SCR metric is used to assess the Company's ability to meet all its regulatory capital obligations under both normal and stressed conditions. The Company has determined the Solvency II Standard Formula as defined by EIOPA to be suitable for its business and implements it for the calculation of the SCR.

The largest component of the SCR is the Non-Life Underwriting risk module, which includes the risk of loss to the Company due to inappropriate and ineffective underwriting and reserving process, lapse risk and the risk of loss due to catastrophic events. The Company manages this risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The second largest component is the Market risk that is the risk of loss arising from fluctuations in the values or income from its assets. These changes could arise through interest rates, exchange rates and market prices' fluctuations, among others. GasanMamo invests its assets in accordance with the 'Prudent Person Principle' which does not allow engagement in speculative or high-risk investment activities and does not capitalize in complex instruments or markets where the risks cannot be sufficiently understood and measured. This approach is documented in the Company's Asset Allocation Policy.

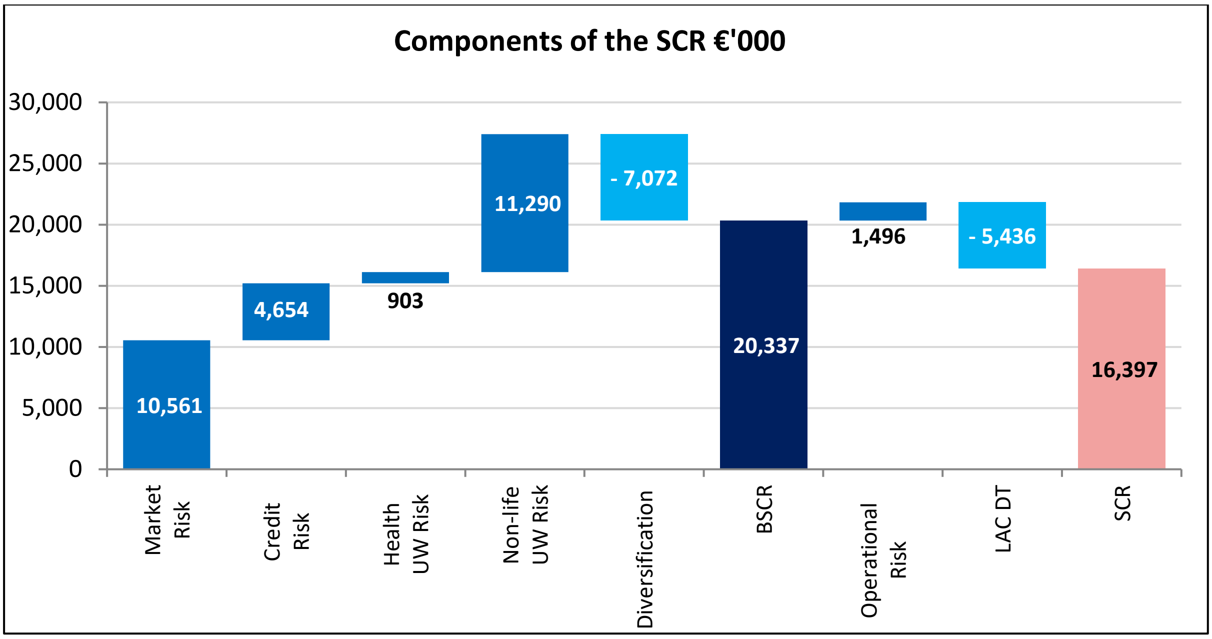



**Figure 1: Components of the SCR**

The Company carries out an annual Own Risk and Solvency Assessment (ORSA) report within which extensive stress testing is undertaken for events which the Company considers itself most vulnerable to. The results show that the Company is in a strong capital position, and it remains solvent and can withstand both plausible and extreme shocks over its business plan.

## D. Valuation for Solvency Purposes

The SFCR was prepared in line with the annual quantitative templates referred to in Article 304 of the CDR, and the values disclosed within this document are according to the Solvency II regime. As a result, values may differ from those reported in the Audited Financial Statements (AFS) due to different valuation methods.

An analysis of the valuation of assets, technical provisions and other liabilities per Solvency II and per IFRS valuation is given in section D.1, D.2 and D.3 respectively. These sections provide detail on the difference between the two valuations, any judgements and assumptions made.

## E. Capital Management

This chapter provides an analysis of the Company's own funds items held as at the reporting date. The Company's own funds are fully made up of Tier 1 capital which are highly liquid and is readily available to fully absorb any losses that should arise and are free of encumbrances.

As at December 2019, the Company closed at excess of assets over liabilities of €36,916K as per Solvency II valuation basis and a solvency ratio of 229%. In January 2020, the directors recommended the payment of a final net dividend of €1,500K which was paid in February 2020. As required under the Solvency II regime, such a payment is to be considered as foreseeable dividend and are therefore deducted from the Company's Own Funds. As a result, the Company's eligible own funds, SCR ratio and MCR ratio as at December 2019 amounted to €35,416K, 219% and 508% respectively.

## Coronavirus disease (COVID-19) pandemic

During the Q1 of 2020, the outbreak of COVID-19 in Wuhan China, has had a global impact, the proportions of which have not been witnessed in living memory. The spread of the virus has led to unprecedented economic downturns. Investment markets across the globe have plunged, further exacerbating the macro and micro economic effects that lockdown brings. International travel has been effectively suspended with all related enterprises from airports and airlines to hotels and restaurants and all the connected industries being savaged in the process. Governments around the world have launched assistance packages in an attempt to avert a total economic meltdown but the jury is out as to whether this is enough or indeed the right assistance. This is the bleak backdrop of operations in Q1 2020.

The Company has carried out various scenario analyses taking the above into account, on the basis of information available to date. While acknowledging that the situation is fluid, the Directors deem that the healthy position of the Company is sufficient to enable it to continue to operate as a going concern.

Despite these developments, GasanMamo Insurance is able to report that it is still in a sound financial position with a Solvency Ratio substantially higher than the minimums required by regulatory bodies. This is the result of the Company’s conservative financial approach, taken to ensure resilience over the long term.

# A – Business and Performance

## A.1 Business Environment

GasanMamo Insurance Limited is a limited liability company incorporated in Malta. The Company was formed in 1999 after a merger between two leading insurance providers – Gasan Insurance Agency Ltd. and Galdes & Mamo Ltd. In 2003, the Company was transformed from an agency into an insurance Company and was licensed by the MFSA to write general insurance business in Malta in terms of Section 7 of the Insurance Business Act 1998. The Company was also granted rights to provide services under the Freedom of Services Legislation in terms of the European Passporting Rights in several European Countries.

The parent Company of GasanMamo Insurance Limited is Gasan Group Limited, a Company registered in Malta, with its registered address at Gasan Centre, Mriehel By-Pass, Mriehel. The ultimate parent Company of GasanMamo is J.A.G. Limited. The ultimate controlling party of GasanMamo Insurance Limited and J.A.G. Limited is Mr J. A. Gasan.

As the Company does not form part of an insurance group, it is treated as a solo legal entity for Solvency II reporting purposes. Therefore, insurance group supervision is not applicable.

Personal lines is an area where the Company is particularly strong, having one of the largest motor portfolios and significant business in home, boat and travel insurance. GasanMamo also has substantial business on the commercial front participating on a cross section of risks and featuring as a participant on many of the country's largest risks. The Company derives 82.3% of its premium income from risks written in Malta, whilst most of the other risks are written in Greece, Cyprus and France. During 2019, a strong growth of 9% was registered in existing markets while significant traction was achieved in Greece where we have completed the first full year of activity underwriting a Motor portfolio, spread throughout Greece. The Company is pleased with the way that the business is developing, with its partners in Greece and the reinsurance arrangements that are in place.

GasanMamo has a wide distribution network in Malta with a large centrally located head office and strategically located branch offices situated in the following locations: Birkirkara, Mellieha, Mriehel, Naxxar, Mosta, Paola, Qormi, Rabat, Sliema and Valletta. The Company also has a large network of TIIs, located throughout Malta and Gozo, and providing a very personalised level of service to their customers. Brokers are seen as an essential source of business and GasanMamo maintains an excellent relationship with all leading brokers and provides market-leading support.

### A.1.1 Regulator

The Company is authorised by the MFSA. The registered office is as follows:

Malta Financial Services Authority (MFSA)
Triq l-Imdina, Zone 1
Central Business District, B'Kara
CBD 1010
Malta
www.mfsa.com.mt
Telephone: +356 2144 1155

### A.1.2 External Auditor

PricewaterhouseCoopers Malta (PwC) is the Company's external auditor. The auditor's contact details are as follows:

PricewaterhouseCoopers (PwC)
78 Mill Street, Qormi
QRM3101
Malta
www.pwc.com/mt
Telephone: +356 2124 7000

### A.1.3 Shareholders

The shareholders of GasanMamo as at December 2019 are as per the below:

- Galdes & Mamo (Holdings) Limited has 43.75% holding in GasanMamo Insurance Limited. Shares in Galdes & Mamo (Holdings) Limited are split equally between Lansdowne Properties Limited and M.I.L. Limited. In view of their holding in M.I.L. Limited, Dr Vanessa Portelli and Mr Mark Mamo indirectly hold 10.94% each.
- Gasan Group Limited has 56.25% holding in GasanMamo Insurance Limited. J.A.G Holdings Limited owns 54.25% of Gasan Group Limited and Troy Limited owns 14.71%. The remaining shares are held by various shareholders holding less than 10% ownership of Gasan Group Limited.

An ordinary resolution shall be passed by a member or members having the right to attend and vote holding in the aggregate sixty per cent (60%) or more in nominal value of the ordinary shares represented and entitled to vote at the meeting.

During the reporting year 2019, the net dividends paid on ordinary shares amounted to €3,000K.

## A.2 Performance from Underwriting Activities

During the year under review, the Company achieved growth in the overall GWP of 17.8% closing at €52,564K compared to €44,604K achieved during the previous reporting year.

Underwriting activities generated a profit of €9,940K in 2019 (compared to €6,380K in 2018). The table below illustrates the profit and loss account for yearend 2019 as shown in the Company's financial statements, compared to the previous reporting year.

| **Technical Account** | **2019 €'000** | **2018 €'000** |
|---|---|---|
| Gross premiums written | 52,564 | 44,604 |
| Outward reinsurance premiums | - 8,038 | - 3,889 |
| **Net premiums written** | **44,526** | **40,715** |
| Change in the gross provision for unearned premiums | - 1,886 | - 1,979 |
| **Earned premiums, net of reinsurance** | **42,640** | **38,736** |
| Allocated investment return transferred from the non-technical account | 2,486 | - 1,434 |
| **Total technical income** | **45,127** | **37,302** |

| **Technical Account** | **2019 €'000** | **2018 €'000** |
|---|---|---|
| *Claims paid* | | |
| Gross amount | 22,816 | 18,641 |
| Reinsurers' share | - 2,183 | - 520 |
| *Change in the provision for claims* | | |
| Gross amount | 3,273 | 2,306 |
| Reinsurers' share | - 1,763 | - 987 |
| **Claims incurred, net of reinsurance** | **22,143** | **19,440** |
| Net operating expenses | 13,044 | 11,482 |
| **Total technical charges** | **35,187** | **30,922** |
| **Balance on the technical account** | **9,940** | **6,380** |

**Table 1: Statement of Income Technical account**

| **Non-Technical Account** | **2019 €'000** | **2018 €'000** |
|---|---|---|
| Balance on technical account | 9,940 | 6,380 |
| Investment Income | 4,182 | - 476 |
| Investment expenses and charges | - 239 | - 224 |
| Allocated investment return transferred to technical account | - 2,486 | 1,434 |
| Other income | 754 | 615 |
| Administration expenses | - 548 | - 406 |
| Impairment of assets | - 217 | - |
| Tax expenses | - 3,725 | - 2,607 |
| **Profit for the Financial Year** | **7,661** | **4,716** |

**Table 2: Statement of Non-Technical Account**

### A.2.1 Income Statement by Material Line of Business

A breakdown of GasanMamo's underwriting performance by material line of business is presented in Table 3 below. The values are compared to the aggregate information of the reporting year 2018. More details in relation to reporting year 2019 can be found in template S.05.01 within the Annex II.

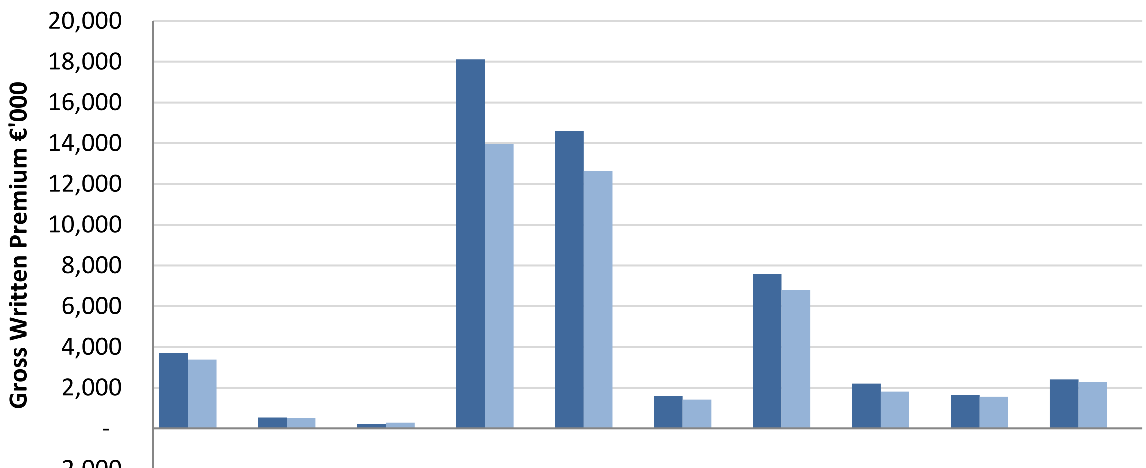
| **Underwriting Performance** | **Premiums Written** | | **Premiums Earned** | | **Claims Incurred** | | **Expenses Incurred** |
|---|---|---|---|---|---|---|---|
| **€'000** | **Gross** | **Net** | **Gross** | **Net** | **Gross** | **Net** | |
| Medical expense | 3,706 | 3,600 | 3,451 | 3,344 | 1,460 | 1,432 | 869 |
| Income protection | 532 | 446 | 548 | 462 | 36 | 36 | 154 |
| Workers' compensation | 210 | 199 | 198 | 187 | 64 | 64 | 92 |
| Motor vehicle liability | 18,114 | 13,783 | 17,022 | 13,367 | 10,891 | 9,017 | 4,104 |
| Other motor | 14,592 | 13,282 | 13,829 | 12,659 | 5,551 | 5,156 | 4,069 |
| Marine, aviation & transport | 1,585 | 1,418 | 1,558 | 1,392 | 393 | 386 | 413 |
| Fire & other prop. damage | 7,577 | 5,847 | 7,185 | 5,455 | 5,062 | 3,422 | 2,200 |

| Underwriting Performance | Premiums Written | | Premiums Earned | | Claims Incurred | | Expenses Incurred |
|---|---|---|---|---|---|---|---|
| **€'000** | **Gross** | **Net** | **Gross** | **Net** | **Gross** | **Net** | |
| General liability | 2,203 | 2,129 | 2,104 | 2,030 | 417 | 416 | 599 |
| Assistance | 1,648 | 1,597 | 1,619 | 1,568 | 530 | 530 | 484 |
| Miscellaneous | 2,397 | 2,225 | 2,348 | 2,176 | 202 | 202 | 1,357 |
| **Total for year 2019** | **52,564** | **44,526** | **49,862** | **42,640** | **24,606** | **20,661** | **14,341** |
| **Total for year 2018** | **44,604** | **40,715** | **42,105** | **38,736** | **19,669** | **18,162** | **12,555** |

**Table 3: Undertaking performance by material line of business**

During the reporting year, the Company has experienced an increase of €7,960K in the GWP over the whole portfolio, compared to a growth of €5,666K during 2018.

As displayed in the data section of Figure 2 below, the Company has experienced a significant growth in the Motor portfolio, with a growth of 29.7% and 15.6% in Motor Vehicle Liability and Other Motor respectively, which is mainly attributed to overseas business in Greece.




| | ME | IP | WC | MVL | OM | MAT | F&PD | GL | Ass. | Misc. |
|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | 3,706 | 532 | 210 | 18,114 | 14,592 | 1,585 | 7,577 | 2,203 | 1,648 | 2,397 |
| 2018 | 3,386 | 499 | 284 | 13,965 | 12,627 | 1,420 | 6,781 | 1,807 | 1,554 | 2,281 |
| Growth | 9.5% | 6.6% | -26.1% | 29.7% | 15.6% | 11.6% | 11.8% | 21.9% | 6.1% | 5.1% |

**Figure 2: GWP comparison by line of business**

### A.2.2 Income Statement by Material Geographical Area

The Company derives 82.31% of its premium income from risks written in its home country, Malta. Most of the other business is generated from risks in Greece, Cyprus and France, which account for 9.74%, 4.17% and 3.41% of the GWP respectively.

The following table shows the premiums written, premiums earned, and claims incurred for Malta, Cyprus, France and Greece. A more detailed table can be found in template S.05.02 attached to the Appendix.

| **Underwriting Performance €'000** | **Home Country (Malta)** | **GREECE** | **CYPRUS** | **FRANCE** | **Total (Home & Top 5) 2019** | **Total (Home & Top 5) 2018** |
|---|---|---|---|---|---|---|
| **Premium written** | | | | | | |
| Gross | 43,264 | 5,118 | 2,191 | 1,794 | 52,554 | 44,595 |
| Net | 40,063 | 519 | 2,003 | 1,794 | 44,519 | 40,708 |
| **Premiums earned** | | | | | | |
| Gross | 41,266 | 4,222 | 2,424 | 1,767 | 49,853 | 42,096 |
| Net | 38,065 | 439 | 2,236 | 1,767 | 42,634 | 38,729 |
| **Claims incurred** | | | | | | |
| Gross | 20,399 | 2,603 | 1,192 | 216 | 24,607 | 19,669 |
| Net | 20,103 | - 1,046 | 1,191 | 216 | 20,661 | 18,162 |
| **Expenses incurred** | **11,906** | **155** | **1,048** | **1,177** | **14,338** | **12,552** |

**Table 4: Underwriting performance by geographical area**

## A.3 Performance from Investments

The net investment return for 2019 was €3,943K representing a return of 7.54% compared to the previous year's statistic of -1.38%. The investment expenses amounted to €239K in 2019 (2018: €224K).

### A.3.1 Bonds

The total exposure to this asset class as at December 2019 was €21,142K (2018: €19,689K). Total interest generated during the year amounted to €466K (2018: €508K) whereas a gain of €557K in 2019 (2018: a loss of €735K) was registered on market price movement.

### A.3.2 Equities

The total exposure to equities as at December 2019 was €8,260K (2018: €6,208K). Total dividends received during the year amounted to €235K (2018: €214K), whereas gains/losses of €1,261K (2018: -€1,208K) were registered on market price movement.

### A.3.3 Collective Investment Funds

The total exposure to this asset class as at December 2019 was €5,658K (2018: €3,726K). Total income received during the year amounted to €79K (2018: €99K), whereas gains/losses of €661K (2018: -€501K) were registered on market price movement.

### A.3.4 Cash and Cash Equivalents

The total allocation to cash exposures as at December 2019 was €12,033K (2018: €10,365K). The total interest received during the year amounted to €111K (2018: €103K).

### A.3.5 Property

The total exposure to investment property as at December 2019 was €10,552K (2018: €11,854K).Rental income generated during the year amounted to €358K (2018: €350K). Investment property was revalued during the year. Also, one investment property was sold. These activities resulted in total gains of €471K.

The Company invests in the above asset classes according to the parameters as set in the Asset Allocation Policy.

## A.4 Performance from operating and leasing activities

GasanMamo has leasing arrangements in place in respect of investment property as reported under investment activities. The Company also has lease agreements on some of its property for own use and the amount spent in this respect during 2019 was €175K (2018: €123K). A major reason for the increase was due to the introduction of a new accounting standard. Rental income from investment property amounted to €358K (2018: €350K).

## A.5 Any Other Disclosures

**COVID-19**

The underwriting exposure to the Company emanating from COVID-19 is considerable and a number of large claims have been lodged. This will of course have an adverse effect on the Company loss ratio. Nevertheless, the Company is in a good position to meet all its obligations thanks to the strong balance sheet and the strength of the reinsurance programme that is in place.

Following several years of economic growth, it is expected that there will be a significant economic slowdown, this will most likely result in a contraction of GWP across most lines of business.

Due to the significant market reaction to the outbreak, international markets have seen very substantial drawdowns. The Company has a prudent investment allocation policy in place that has been refined over the years and this provides for the mitigation of the impact of such phenomena, however in spite of this, the balance sheet has suffered mark to market losses of approximately 9% during Q1 2020.

**Any Other Disclosures**

The Company does not hold any investments in securitisations and does not have any other material information regarding the business and performance of the Company, which has not already been disclosed in the sections above.

# B – System of Governance

## B.1 General Governance Arrangements

The Board is composed of both Executive and Non-Executive Directors and holds the ultimate responsibility for the prudent management and governance of the Company. For a more effective operation, the Board has delegated some of its responsibilities to Board Committees; whose roles and responsibilities are described in Section B.1.1.

GasanMamo has in place key functions and a governance framework based on the Three Lines of Defence model. Section B.1.2 describes in more detail the overall hierarchical framework and internal control structure of GasanMamo.

### B.1.1 The Board of Directors

As at 31st December 2019, GasanMamo is ultimately governed by the Board comprising of a Non-Executive Chairman and Deputy Chairman, another five Non-Executive Directors and the Executive Director, who is also the Managing Director of the Company. The composition of the Board is such that it reflects the range of skills, knowledge and experience necessary for its effectiveness. The members of the Board act as advisors to the Managing Director and Senior Management and oversee the Company's performance on behalf of the shareholders. Four of the Non-Executive Directors are independent of GasanMamo and are appointed to provide their informed and independent external challenge and guidance. Following Mr Wonfor's retirement at the end of 2019, the number independent Non-Executive Directors has reduced to three.

The Board is responsible for the prudent management of the Company, which organises and directs its affairs in a manner that seeks to protect its policyholders' funds and maximise the value of GasanMamo for the benefit of its shareholders. In performing its overall oversight function, the Board reviews and assesses GasanMamo's strategic and business planning and solvency position. The Board challenges Senior Management and key functions, including outsourced functions in their approach to addressing significant risks and challenges facing the business. As part of this function, the Board reviews and discusses reports regularly submitted by Senior Management with respect to the financial and non-financial performance of the Company and challenges regulatory reporting and results which include, among others, the quantitative reporting templates and the annual ORSA report. Such reports must be given the final approval by the Board prior to their submission to the MFSA.

Board meetings are held on at least a quarterly basis, however each member keeps frequent, active and open communication with various key officers within the Company.

No business shall be transacted at any Board meeting unless the quorum is present throughout the meeting. The quorum necessary is the first whole number exceeding fifty percent of the directors in the office. At least one of the directors forming the quorum shall be a director appointed by the holders of the "A" ordinary shares, whilst another shall be a director appointed by holders of the "B" ordinary shares.

The 2019 Board members were the following:

| | |
|---|---|
| Joseph A. Gasan | Chairman (Non-Executive) |
| Albert P. Mamo | Deputy Chairman (Non-Executive) |
| Julian J. Mamo | Managing Director |
| Mark Gasan | Non-Executive Director |
| Robert Rogers | Independent Non-Executive Director |
| Baudouin Deschamps | Independent Non-Executive Director |
| Martin Wonfor | Independent Non-Executive Director |
| Nick Bell | Independent Non-Executive Director |

The Company Secretary is Vanessa Portelli B.A., LL.D, Dip. CII.

Effective 10th April 2019, Mr Nick Bell was appointed as an Independent Non-Executive Director. Mr Bell comes with vast experience from the investment banking world and is deemed to be a welcome addition to the Board bringing both insight and scrutiny.

On the other hand, Mr Martin Wonfor has retired from the Board on the 31st December 2019. Over the years, Mr Wonfor has contributed significantly to the success of the Company.

For more effective operation, the Board has established the following Committees with oversight responsibilities over the Company's key functions.

**Executive Committee**

The Executive Committee of the Board consists of all the local directors together with five members from Senior Management. Meetings are held monthly to review the management accounts of the previous month, business performance, key performance indicators and discuss any operational business issues or potential business prospects.

**Audit Committee**

The Audit Committee meets on a regular basis to review processes connected with internal controls, review audit reports and findings, coordinate the work of the external and the internal auditors and make any recommendations for better performance and governance of the Company.

**Investment Committee**

The Investment Committee has the responsibility of updating the Asset Allocation Policy and monitoring the performance of portfolio managers. Moreover, the Investment Committee has appointed the *Property-Investment sub-committee* to consider and propose investments in immovable property and to subsequently manage any rental property the Company may own.

**Governance Risk and Compliance (GRC) Committee**

The GRC Committee has been developed to provide a combined focus within the organisation because of interdependencies between the three components namely Governance, Risk and Compliance.

The Committee is responsible for defining and revising the corporate governance as well as overseeing the processes and procedures of GasanMamo to ensure the sound and prudent management of the business. The Committee provides advice to the Board, to actively promote ethical and responsible decision-making and ensure that the Company recognises legal and other obligations to all legitimate stakeholders. It contributes to the formulation of the overall risk strategies and polices for managing significant business risks and is responsible for designing and implementing the Risk Management Framework. It ensures that the internal control system operates effectively and monitors risk exposures and breaches. In addition, the GRC Committee reviews the reports submitted by the Actuarial Function and the Compliance and RMF.

The GRC Committee has appointed a ***Product Oversight and Governance (POG) sub-committee*** which is responsible to carry out the product oversight and governance functions in accordance with the Conduct of Business Rulebook. As an advisory committee to the GRC Committee, the POG Committee shall maintain, operate and review a product approval process for each newly developed product and for significant changes to an existing product. The committee shall ensure that the process shall contain measures and procedures for designing, monitoring, reviewing and distributing products.

**Remuneration Committee**

The Committee meets on at least an annual basis and, as an advisory committee to the Board, assists with the formulation of GasanMamo's overall Remuneration Policy for defining remuneration practices (refer to Section B.1.3). In addition, the Committee ensures that these policies promote an effective internal control system and escalates any recommendations to the Board.

In addition to the above-mentioned Board Committees, GasanMamo has also established the following Management Committees in order to achieve a more effective management of its operations:

- Reinsurance Committee
- Health & Safety Committee
- Debtors' Review Committee

### B.1.2 Key Functions and Governance Framework

In line with Solvency II regulations and guidelines, GasanMamo recognises the RMF, Compliance Function, Internal Audit Function and the Actuarial Function to be key functions. The main roles and responsibilities for each of the key functions are further explained in Sections B.6, B.7, B.8 and B.9.

The key functions are essential for the corporate governance framework for the management of risks within the Company. The governance framework is based on the Three Lines of Defence model as depicted in Figure 3 below.

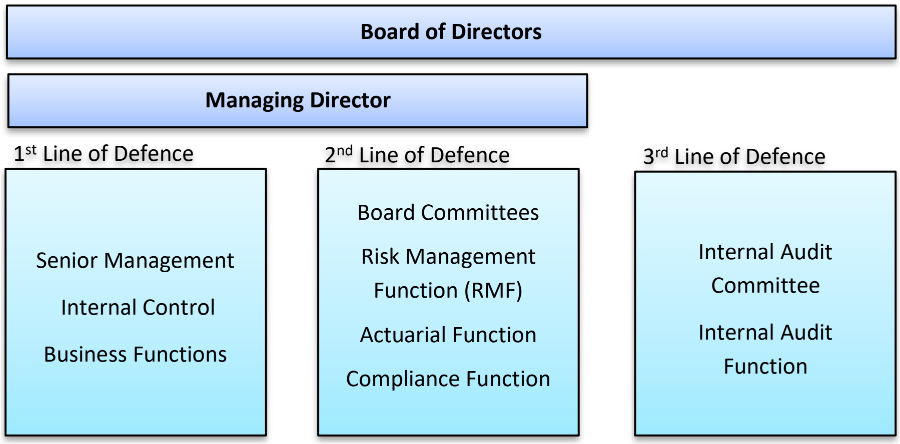



**Figure 3: Three Lines of Defence Model**

All risk management activities are undertaken by the First Line of Defence functions, which is composed of the business units and Senior Management. An internal control framework is set up by business line management, and includes controls specific for risk-taking functions, Human Resources, IT etc. These controls are documented and embedded in the Company's systems and policies and procedures of the specific business unit.

These activities are overseen and assessed by the Second Line of Defence functions consisting of the RMF, Compliance Function and Actuarial Function. The performance and effectiveness of these functions is supervised by the GRC Committee.

The Third Line of Defence is made up of the Internal Audit Function, whose role is to act as independent control function with the purpose of securing the effectiveness of Risk Management Framework and Internal Control System established by the first and second lines of defence.

All the key functions have a direct reporting line to the Board through their respective committees thus ensuring their independence from the other operational functions, and the escalation of any issues identified.

### B.1.3 Remuneration Policy

As described in Section B.1.1, the Remuneration Committee is responsible for the overall Remuneration Policy defining the remuneration practices within GasanMamo. The Remuneration Policy in place states the following:

- Any remuneration agreement with service providers of outsourced functions need to be approved by the General Manager of the concerned function and the Managing Director. Moreover, remunerations should be set at market rates and ensure that the Company is achieving good value.
- Arrangements are made such that they do not encourage risk taking that is averse to the risk management strategy. During the reporting period the strategy did not include variable components of remuneration in such a proportion that the employees are overly dependent on such variable remuneration.
- The Remuneration Committee in consultation with the Managing Director determines the remuneration of staff and Senior Management. These are both reviewed and approved on an

annual basis. The Committee also determines the remuneration of the locally based directors and the independent directors.

The Remuneration Policy has limited individual and collective performance criteria on which any variable components of remuneration are based as a high proportion of variable remuneration could encourage behaviours that are not in line with the undertakings' business and risk management strategy, endanger sound and prudent management, and encourage risk taking in order to maximise remuneration. The policy does not define any supplementary pension or early retirement schemes for the members of the Board and other key function holders.

## B.2 Fit and Proper

The persons who effectively run the Company or perform the key functions are identified within the Governance policy and are also subject to Fit and Proper requirements as per Article 42 of the Solvency II Directive 2009/138/EC.

The policy defined the procedures of how the fitness and propriety will be assessed for both newly appointed persons and on an on-going basis.

Individuals in scope of the requirement are required to self-certify their continuing fitness and propriety through an annual questionnaire which is submitted to the Compliance Function, ensuring that these individuals are competent, act with integrity and are financially sound, on continuous basis. The Fit and Proper assessment addresses the following details:

- Background checks to ensure honesty, integrity, reputation and financial soundness of the individual, taking into consideration any convictions for criminal offences, adverse findings in civil proceedings, or disciplinary actions by the MFSA or the regulators abroad;
- Professional competence of Senior Management in terms of skills, care, diligence and compliance with the relevant standards for the sector they are currently working in;
- Technical competence with regards to the appointed role. This is based on the person's previous experience, knowledge and professional qualifications;
- The MFSA's approval that the individual is fit and proper for the designated role; and
- Ensure that the individuals adhere to the Company's Code of Ethics and Conduct and any relevant policies.

The Board must always have the collective knowledge of the financial and insurance market, business strategy, system of governance, financial and actuarial analysis, and the regulatory framework and requirements.

GasanMamo also documents the Code of Ethics and Conduct, which establishes the Company's core values and principles and sets the standards for behaviour in the Company. The Code equally applies to all individuals, including Board members, Senior Management and staff. These principles seek to ensure that a culture of integrity is maintained throughout the organisation and promotes standards of ethical behaviour. All individuals are encouraged to promptly report any suspected irregularities or dishonesty.

All individuals within scope of the requirements mentioned above, must promptly inform the Compliance function if they think their fitness and propriety (as applicable) has changed adversely or if it is possible, they have breached or will breach the Code of Ethics and Conduct.

## B.3 Risk Management System

The risk governance of the Company forms an integral part of the Risk Management Framework and is organised in a way that ensures the establishment of clear responsibility boundaries, the proper segregation of duties and the avoidance of conflicts of interest at all levels of the Company, including the Board, Senior Management, key functions and business units.

The Company's risk management strategy is to operate an effective and efficient Risk Management System that continuously identifies, measures, manages, reports and monitors any current and potential risks to which the Company is or may be exposed to. Annually the Board reviews and sets the risk appetite for GasanMamo which is supported by the key risk indicators and tolerance limits as documented in the Company's policies. These are monitored on a quarterly basis and seek to be a measure on whether the Company remains within the approved risk appetite.

On an annual basis, the RMF with the support from other departments, reviews and updates the risk register which tabulates all the risks to which the Company is exposed as well as any emerging risks. For each risk, a qualitative estimate of their impact on the business and likelihood are assessed. Once reviewed, the risk register is analysed by the GRC Committee and any feedback on the adequacy of the controls in place is noted by the RMF. Risk owners are responsible for the implementation of any remedial actions required. The RMF shall follow up in order to ensure that adequate controls have been put in place. The final approval of the updated risk register is given by the Board.

The GRC Committee contributes to the preparation of the Company's overall risk strategies and policies for managing significant business risks and is responsible for the effective implementation of GasanMamo's Risk Management Framework. Moreover, the GRC with the support of the RMF has responsibility for overseeing the implementation of any additional controls that might be deemed necessary. Through regular communication, the GRC Committee keeps the Board informed on updates and changes in the exposure to risks faced by the business.

As outlined in Section B.4, an annual ORSA process is also carried out. This forms a core component of the Risk Management System of the Company. In addition, the Company has a fully documented risk management strategy which comprises of the Underwriting & Reserving Risk Policy, Investment and Asset-Liability Risk Policy, Credit Risk Policy, Liquidity Risk Policy, Concentration Risk Policy, Operational Risk Policy, Reinsurance Policy, Capital Management Policy, ORSA Policy, Disclosure and Reporting Policy and a Business Continuity Plan.

## B.4 Own Risk and Solvency Assessment (ORSA) Process

The ORSA is a component of the overall control system of GasanMamo. The objective of the ORSA is to allow the Board to assess its capital adequacy considering all the risks associated with the Company's business strategies and the required level of capital that the Company needs to cover such risks.

In line with this, the ORSA is based on adequate measurement and assessment processes and forms an integral part of the management process and decision-making framework of the Company. In addition, the ORSA enhances the risk awareness embedded in the Company's culture.

GasanMamo has determined that the Solvency II Standard Formula is suitable for the calculation of the Solvency Capital Requirement (SCR) and to assess the overall own solvency needs of the Company.

The ORSA process is highlighted below:

- Defining the driving factors i.e. size and complexity, internal governance issues, supervisory expectations in relation to the ORSA etc. before the ORSA planning process commences;
- Determining the overall solvency needs, taking into consideration the Company's risk profile and business plan. Identifying and assessing the risks faced over the short, medium and long term. The exercise is carried out through extensive discussion with senior management and the Actuarial Function, to ensure that drawn-up stress scenarios are adequately reflecting a realistic picture of business performance;
- The Board approves the proposed stress scenarios to be carried out by the RMF and Actuarial Function as an assessment and measurement of material risks through stress testing;
- According to the risk profile, the Company determines the necessary additional capital over and above the SCR and carries out its capital planning for the next four years based on its strategic plans and objectives;
- The approved stress scenarios are performed on the forward-looking capital plan and management actions are taken in unforeseen circumstances in the future;
- The RMF presents the results to the Board and prepares the ORSA report; and
- The final ORSA report is presented to the GRC Committee for their comments and review before it is finally circulated to the Board for their approval and consideration in the following business plan.

Figure 4 below illustrates the ORSA process and how this is linked to the business strategy of GasanMamo:


**Figure 4: The ORSA process**

An additional ad-hoc ORSA is also carried out prior to embarking on a new material project or immediately following any significant changes. These include but are not limited to, significant changes in the Company's risk profile; significant changes to the financial and political environment in which the Company operates; significant operational loss; and mergers and acquisitions.

This allows for strategic decisions such as the expansion into new markets, the introduction of new products, amongst others to be assessed and evaluated in the light of their effect on the Company's risk situation and risk-bearing capacity. The impact of these significant business changes and strategic decisions are assessed and evaluated in light of their consequence on the Company's capital and risk situation and its risk-bearing capacity.

## B.5 Internal Control System

The Internal Control System is an important aspect of corporate governance since a system of effective internal controls is fundamental to the safe and sound management of the Company.

Internal control is designed to provide reasonable assurance regarding the achievement of objectives through effective and efficient operations, reliability of financial reporting and compliance with applicable laws and regulations. It also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur. Effective internal controls help the Company protect and enhance shareholders' value and reduce the possibility of unexpected losses or damage to its reputation.

Every member of the Company has a role in the Internal Control System. This system depends on the Company's culture towards internal control and their attention to it:

- The Board is responsible for setting the strategy, tone, culture and values of the Company;
- Senior Management, the RMF, the Compliance and Actuarial Function design policies and procedures to ensure that an effective Internal Control System is established within the Company;
- The Internal Audit Function monitors the effectiveness of the Internal Control System.

GasanMamo's internal control is based on a standardised framework having the following five interrelated components of effective internal control:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

The Internal Control System is documented through various Company policies namely; the Governance Policy, Internal Control Policy, Compliance Function, Actuarial Function Policy, Risk Management Function Policy, Internal Audit Function Policy and Outsourcing Policy.

The Company's data and information are appropriately backed up and maintained for business continuity purposes as per policies and procedures which are documented formally in the Business Continuity Plan (BCP).

## B.6 Risk Management Function

The RMF is responsible for the implementation of an effective Risk Management System for the identification, management and reporting of the key risks that the Company is exposed to (refer to Section B.3); and oversees the establishment of an effective internal control framework within GasanMamo (refer to Section B.5).

To ensure the effective operation and objectivity of the Risk Management System, the RMF is independent of all the risk-taking functions. The RMF reports to the General Manager – Operations, Risk & Compliance and also has a direct reporting line to the Board through the GRC Committee. The RMF is also subject to internal audit to assess the adequacy and effectiveness of its control procedures.

In addition to the quarterly monitoring of the Company's solvency position, the RMF, with the support of the Actuarial Function and Senior Management, carries out an annual ORSA process, as discussed in Section B.4. The ORSA results and projections are significant contribution to the decision-making process within GasanMamo.

## B.7 Compliance Function

The Compliance Function is an integral part of the Company's Internal Control System as it is responsible for protecting the Company from material, financial or reputational loss and from non-compliance with internal policies and applicable external rules and regulations.

Compliance interacts with regulatory bodies to monitor trends and changes in regulations. It also works closely with the RMF to establish and maintain a focused, risk-based environment.

As stated in the Company's Compliance Policy, the function is assigned to persons who are independent from other significant and key functions of the Company to avoid any conflicts of interest. The function reports to the Managing Director and has a direct reporting line to the Board through the GRC Committee, to ensure its operational independence and to safeguard its ability to escalate important issues. The function is also subject to internal audit to ensure the adequacy and effectiveness of its control procedures.

## B.8 Internal Audit Function

The Internal Audit Function is outsourced to KPMG in Malta, thus ensuring the independence and objectivity from the processes it reviews. Through quarterly audits, the Internal Audit Function provides assurance and advice on the adequacy and effectiveness of GasanMamo's Internal Control System, operational functions and any matters which would require their review.

The Internal Audit Function reports to the Board through the Audit Committee. It does not subordinate to any other operational functions of GasanMamo however, all its reports are communicated to GasanMamo's Senior Management, as applicable. The function together with the Audit Committee, takes the necessary steps to ensure that the scope and frequency of separate evaluations of internal control are appropriate for the Company and establishes a formal methodology for evaluating internal control, which is logical and appropriate to the operations of the Company.

The policies and procedures of the function are governed by the Company's Internal Audit Function Policy.

## B.9 Actuarial Function

The Actuarial Function is outsourced to Deloitte Actuarial Services Limited in Cyprus. The Actuarial Function reports to the Managing Director and to the Board through the GRC Committee. The Actuarial Function is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its procedures. Based on the information provided by GasanMamo, the Actuarial Function is responsible for the following processes:

- Assessing the adequacy and quality of data provided;
- Ensures that homogeneous risk groups of insurance and reinsurance obligations are identified for an appropriate assessment of underlying risks;
- Ensure the most appropriate approximations for the purposes of calculating the best estimate are used in cases referred to in Article 82 of Directive 2009/138/EC;
- The calculation of technical provisions, whilst ensuring its appropriateness of the methodologies, models and assumptions;
- Assess the uncertainty associated with the estimates made in the calculation of the technical provisions;
- Analysing the movement in technical provisions, including the comparison of best estimates against experience;
- Consider relevant information provided by financial markets on underwriting risks and ensure that it is integrated in the assessment of technical provisions;
- Review of the loss portfolios and providing advice on the current underwriting policy and the adequacy of the pricing and reinsurance arrangements of the Company;
- Contributing to the effective implementation of the Risk Management System, particularly in the compilation of the ORSA report and performing the SCR calculations; and
- Annual reporting to the Board documenting all material tasks undertaken by the Actuarial Function, their results and identification and recommendation for deficiencies.

## B.10 Outsourcing

GasanMamo has in place an Outsourcing Policy, which has been approved by the Board. The document outlines the outsourcing procedures of the Company in order to ensure the on-going compliance with the regulatory requirements and Solvency II regulations with respect to the effective control and management of risks associated with outsourced services. The policy outlines the outsourcing procedures based on the outsourcing requirements and establishes the responsibilities of all parties in the Company with respect to outsourcing. The policy also includes the information that should be included in written agreements with providers.

As disclosed in the previous sections, the Company has outsourced the Actuarial Function to Deloitte Actuarial Services (Cyprus) Limited and the Internal Audit Function to KPMG in Malta. As per Company policy, a Board member is responsible for the oversight of outsourced key functions. During 2019, Julian J Mamo was responsible for the oversight of the Actuarial Function while Baudouin Deschamps was responsible for the oversight of the Internal Audit Function.

## B.11 Any Other Disclosures

**COVID-19**

Governments around the world have launched assistance packages in an attempt to avert a total economic meltdown but the jury is out as to whether this is enough or indeed the right assistance. This is the bleak backdrop of operations in Q1 2020.

The Company has been impacted by the disruptive nature of the pandemic and while a robust BCP is in place, efficiency will suffer.

**Any Other Disclosures**

The Board members are required to conduct an annual evaluation of the performance and effectiveness of the Board in light of its responsibilities. In this process, the Board members provide their views on whether the Board is functioning effectively and consider whether changes to their processes, composition or committee structure are appropriate. These changes are followed up by GRC Committee to ensure their implementation.

Similarly, each Board Committee annually evaluates its effectiveness in carrying out its duties specified in the Company's Governance Policy and considers whether any changes need to be implemented.

In light of the independence of its key functions, audit monitoring and controls over fitness and propriety ensuring culture integrity, GasanMamo considers itself to have a sound corporate governance system and has concluded that it effectively provides for the sound and prudent management of its business, which is proportionate to the nature, scale and complexity of the operations carried out within the Company.

# C – Risk Profile

The risk profile of the Company is described in the following sections. GasanMamo uses the Standard Formula to measure the regulatory capital obligations. For each risk component of the SCR, the following sections shall describe the risk exposure, the risk mitigation process used, and results of the sensitivity analysis and stress scenarios carried out. The Company has also identified additional risk exposures which are not included within the Solvency II Standard Formula. These are listed in the Company's risk register. The material risk exposures identified are also described in Section C.6. Figure 5 includes a comparison of the SCR components of 2019 when compared to 2018.

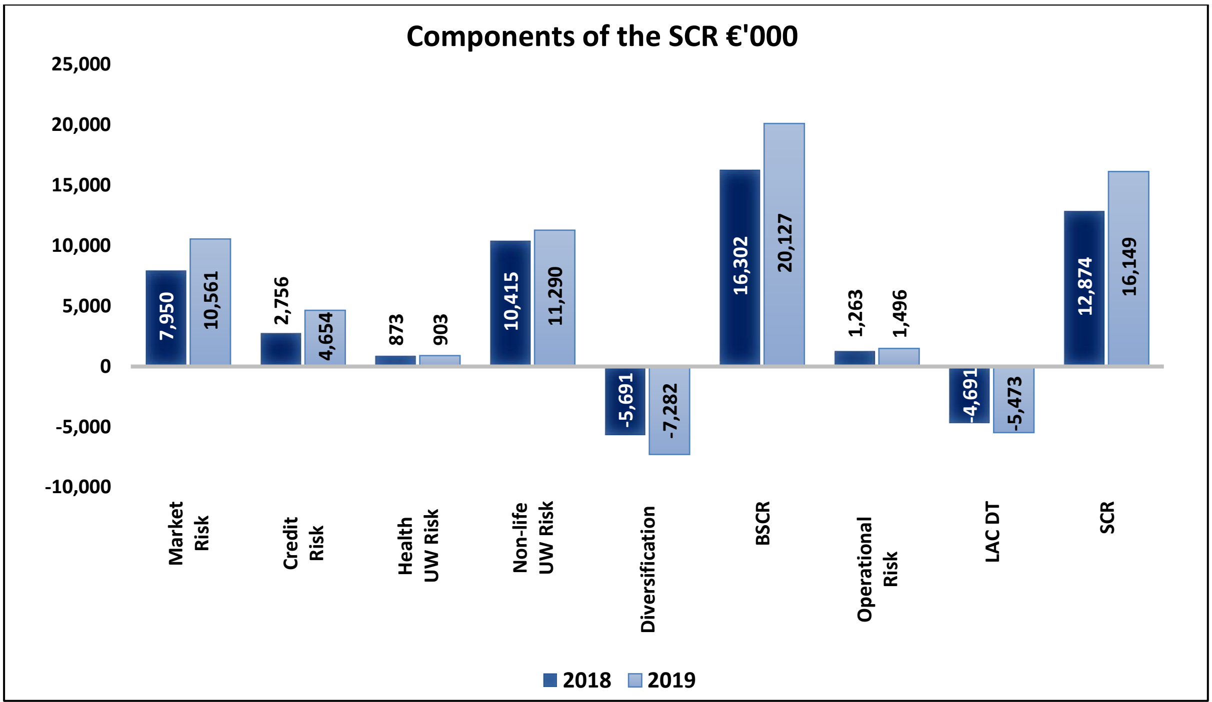



**Figure 5: SCR Components Comparison**

Figure 6 below shows the percentage BSCR capital allocation for each risk component as calculated by the Solvency II Standard Formula (after diversification).

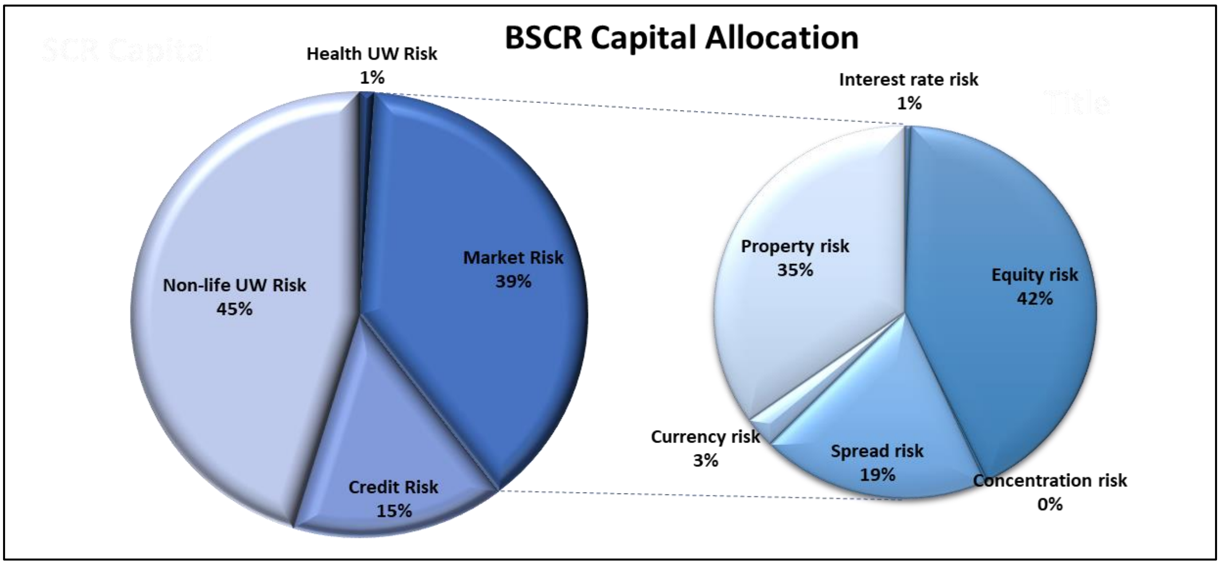



**Figure 6: BSCR Capital Allocation**

## C.1 Underwriting Risk

### C.1.1 Risk Exposure

Underwriting risk is the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. Underwriting and reserving risk includes the fluctuations in the timing, frequency and severity of insured events, with relation to the Company's expectations at the time of underwriting. This risk can also refer to fluctuations in the timing and amount of claims settlements.

Being an insurance company specialising in Non-Life and Health lines of business, GasanMamo's largest risk exposure is in premium, reserving and catastrophe risk. The Company underwrites mainly annual policies (with the exception of Contractors all Risks and Erection all Risks contract term covers, Travel and Marine cargo short-term policies), and therefore has the ability to rate risks individually and to impose conditions in accordance with the risk under consideration. The underwriting strategy is to diversify the type of insurance risk accepted; and to obtain a sufficiently large population of risk to reduce the variability of the expected outcome, within each line of business.

### C.1.2 Risk Mitigation Practices

Risks arising from underwriting activities are managed through its underwriting strategy, internal risk limits and underwriting guidelines that are in place to enforce appropriate risk selection criteria and are also reinforced by internal controls.

The Company has reinsurance protection in place substantially for all lines of business. Product approval process, premium rate reviews and internal underwriting authority and limits are also in place to further mitigate the underwriting risk exposures. GasanMamo does not allow, under any circumstances, the underwriting of high-risk or complex products, of which risks cannot be fully understood, measured and/or managed.

To further mitigate the underwriting risk of the Company, GasanMamo also undertakes an actuarial evaluation of technical provisions and regular pricing analysis is performed using Multivariate Analysis (MVA) and General Linear Model (GLM) to evaluate the adequacy of premium pricing rates.

### C.1.3 Risk Sensitivity

In order to assess the material risks of the Company in a comprehensive, integrated and forward-looking manner, the RMF carries out sensitivity analysis and stress scenarios.

Sensitivity analysis is usually based on a less complex methodology and illustrates how GasanMamo's position would change in case a single relevant risk factor is modified but all other circumstances remain unchanged. On the other hand, a stress scenario is based on a hypothetical or historic scenario and assumes the simultaneous change of several risk factors. This way the Company quantifies their combined impact on the Company's position, suitably taking into consideration the impact of all underwriting and reserve risk factors which may have an impact on the prudent and solvent operation of the Company.

During 2019, the Company has also carried out stress scenarios including significant loss ratio increases, catastrophe events and adverse claim experience. These tests help management assess the effectiveness of the current reinsurance programme, and the strength of the Company's financial position to withstand such events. In all instances, the Company has remained comfortably above the regulatory solvency level of 100%.

### C.1.4 Any Other Disclosures

No additional disclosures need to be reported.

## C.2 Market Risk

### C.2.1 Risk Exposure

The Company's investment portfolio is monitored by the Investment Committee that meets monthly 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 the Asset Allocation Policy, which includes benchmarks and guidelines on various aspects of portfolio management, including currency, instruments, rating, localisation, concentration and maturity.

In order to diversify investment techniques and concentrations, the Company operates a number of investment portfolios. Each portfolio is handled by a different investment manager who is required to adhere to the Asset Allocation Policy on a continuous basis.

The Asset Allocation Policy is periodically reviewed by the Investment Committee and amended as necessary to reflect the Company's overall investment objective which is principally the preservation of capital and liabilities. The diagram below presents an overview of the composition of GasanMamo's asset portfolio.

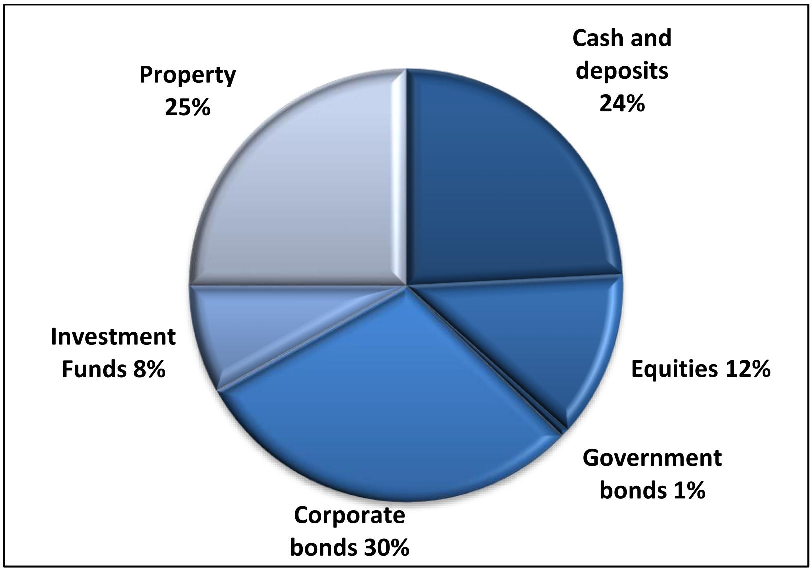



**Figure 7: Composition of Asset Portfolio**

As discussed in the following paragraphs, various investment risks arise from the assets held by the Company, and is dependent on the nature and characteristics of the assets.

**Interest Rate Risk**

Interest rate risk arises from the sensitivity of the values of liabilities and assets to changes in the term structure of interest rates, or in the volatility of interest rates. The Company's assets which are subject to this risk include government and corporate bonds, debt funds, structured notes, short term deposits and intra-group loans.

This risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the Company's Asset Allocation Policy defines limits on the credit rating band, concentration to the fund and issuer etc.

**Equity Risk**

Equity risk arises from the sensitivity of asset values to fluctuations in the level or volatility of market prices for equities. In line with the quantification of Equity risk using the Standard Formula, the mentioned assets are classified as:

- Type 1: equities listed in regulated markets in the countries that are members of the European Economic Area (EEA) or Organisation for Economic Co-operation and Development (OECD) or traded on multilateral trading facilities whose registered head office is in a Member State.
- Type 2: equities other than the above which are listed in emerging markets and as a result carry more risk. It also includes commodities, other alternative investments and any other assets that are not explicitly treated elsewhere under the Market risk module.

The Company reduces this risk by diversifying its investments in different countries and in different sectors in accordance with the limits within the Asset Allocation Policy.

**Currency Risk**

Currency risk arises from the values of assets invested in currencies other than Euro; due to their sensitivity to the level and volatility of exchange rates to foreign currencies. As at December 2019, the Company held investments valued in US Dollars, Great Britain Pound, Swiss Franc, Danish Krone, Russian Ruble, Swedish Krone and Norwegian Krone.

The Company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than Euro. As at December 2019, 96% of the Company's investments were denominated in Euro and thus the majority of the portfolio is not exposed to currency risk.

The Company's Investment Committee establishes allowable thresholds with regards to the Company's exposure to foreign exchange risk. As a result of the above factors, the Board does not consider the Company's exposure to Currency risk to be significant.

**Property Risk**

Property risk arises from the sensitivity of the values of assets and liabilities to changes in the level or in the volatility of market prices of real estate.

Property represents a major asset class in the Company's investment portfolio, most of which are invested in residential properties.

The Investment Committee has appointed a Property Investment sub-committee to consider and propose investments in immovable property and to manage any rental property of GasanMamo. To mitigate risk exposure, property valuations are carried out by qualified professionals regularly and the Company's property portfolio is maintained to adhere the Company's Asset Allocation Policy.

**Spread Risk**

Spread risk arises from the sensitivity of the values of assets, and financial instruments, to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. This is applicable for fixed income investments and is particularly sensitive to the duration of each security and the credit rating of the issuer.

The Company's exposure to Spread risk can be potentially reduced by investing in higher grade instruments or other assets which are not subject to Spread risk.

**Concentration Risk**

This comprises of additional risks stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer or a group or related issuers.

### C.2.2 Risk Mitigation Practices

Every month investments are valued at their market values in accordance with the IFRS standard. As mentioned in Section C.2.1, the Investment Committee meets monthly to review the position of its investments and plan its investment strategy in line with GasanMamo's Asset Allocation Policy.

The Company's overall investment objective is to adequately fund the Company's technical reserves and solvency margin, and to contribute to the growth of surplus for the benefit of the shareholders. The Board and Investment Committee define and review the investment strategy of the Company by considering the financial environment and macroeconomic factors, the Company's solvency position and the Company's exposure to material risks. The investment strategy forms part of the Company's business strategy documentation and considers multiple investment horizons; both short and long term.

### C.2.3 Risk Sensitivity

Considering the liabilities of the Company, in terms of nature, currency, duration, and amount, no significant sensitivity from the volatility in the market parameters can be observed. Movement in the interest rates is the only factor affecting the amount of liabilities, in terms of Market risk, however the impact is not considered material as it is fully offset from the corresponding movement in the amount of the backing assets.

The Company's investment portfolio comprises of a large number of high-grade financial instruments whose behaviour is not materially different from general market trends. The investment portfolio currently held by the Company together with the assets held for own use can be considered to be well diversified.

As part of the business and capital planning processes, the RMF carries out stress tests as well as sensitivity and scenario analyses. These tests or analysis measure the impact of any change in the risks including establishing a proper management of any change that happens, monitoring and measuring prospective changes in the risk situation, and determining any consequences.

GasanMamo has performed stress scenarios to assess its resilience to a financial crisis coupled up with the incurrence of multiple claims. In this instance, the Company remains in a strong capital position with a ratio well above the regulatory level of 100%.

### C.2.4 Any Other Disclosures

No additional disclosures need to be reported.

## C.3 Credit Risk

### C.3.1 Risk Exposure

Credit risk is the risk of loss or adverse change in the financial situation, resulting from fluctuation in the credit standing of issuers of securities, counterparties and any debtors to which GMI is exposed. Sources of Credit risk can be categorised as follows, listed by highest order of exposure:

- Cash at bank;
- Receivables from brokers, intermediaries, agents or policy holders, which have not yet been collected;
- Reinsurance recoverables where claims paid are not immediately reimbursed by the reinsurer; and
- Prepayments of substantial amounts to third parties, in exchange of services or products that shall be provided to the Company in the future;

### C.3.2 Risk Mitigation Practices

The Company has in place a Credit risk policy to provide a framework and principles for the effective management of credit risk. It defines the internal control processes and procedures to assess and monitor credit exposures and any set thresholds and tolerance levels.

For the amounts due from insurance intermediaries and contract holders, the Company manages its credit risk through the work of its Debtors Review Committee. This Committee meets every two months and ensures that the credit is controlled with pre-agreed payment schedules on a case-by-case basis.

Credit risk relating to debtors is identified, assessed and monitored through the risk register on which key market risks are recorded. The default credit period is set to three months for brokers and to one month for TIIs and agents. Any credit periods longer than the default period is to be approved by Senior Management.

The creditworthiness of reinsurers is considered on an annual basis by the Board. The Company's policy is to only enter into contracts with reinsurers having a minimum Standard & Poor's rating (or equivalent when not available) of A minus.

The Company is also exposed to credit risk for its cash at bank, which are limited through the Asset Allocation Policy. Significant prepayments to suppliers or other third parties are subject to the prior approval by the Managing Director.

### C.3.3 Risk Sensitivity

As part of the business and capital planning processes, the Company carried out stress scenarios to assess the effect of material credit risks on the prudent and solvent operation of the Company. In these cases, the Company has remained comfortably above the regulatory solvency level of 100%.

### C.3.4 Any Other Disclosures

No additional disclosures need to be reported.

## C.4 Liquidity Risk

### C.4.1 Risk Exposure

The Company's Liquidity risk arises from the eventuality that the frequency or severity of claims are greater than estimated and/or the inability to liquidate assets, thus leading to significant asset/liability mismatches in relation to duration, currency, and timing. The following is a list of GasanMamo's potential sources of Liquidity risk exposure:

**Assets**

- Lower than expected income from new business;
- Inability or delay in collecting policyholder premium receivables and other receivables;
- Failure or delay in receiving reinsurance recoverable;
- Impairment of assets and or inability to liquidate investments due to deterioration of the wider market environment and the deterioration in the credit standing of specific counterparties.

**Liabilities**

- Unexpected large outflows due to large claims or catastrophe claims
- Unexpected large outflows due to non-claim related liabilities;
- Inability to secure external funding from banks due to systemic (e.g. wider financial crisis) or idiosyncratic (e.g. Reputation risk due to fraud, or non-compliance) reasons.

GasanMamo calculates Expected Profit Included in Future Premiums (EPIFP) by projecting the expected cash-flows resulting from premium receivables in relation to existing contracts or to any bound but not yet incepted contracts. As at valuation date, there are no future premiums cash-flows within the contract boundaries of unexpired policies and therefore there is no expected profit included in future premiums.

### C.4.2 Risk Mitigation Practices

Liquidity risk is currently classified as Low since the Board does not consider this risk as significant given the nature of the Company's financial assets and liability. The Company's financial assets are in their greater part readily realised as they consist of local and foreign securities listed on recognised stock markets and deposits held with well rated credit institutions.

Moreover, the Company ensures that a reasonable level of funds is available at any point in time through regular bank reconciliations and cashflow forecasting. This ensures that unexpected large claims can be adequately managed and processed. Moreover, the Company has in place a number of reinsurance treaties which could be called upon depending on the severity of claims, and if necessary, it may also resort to banking facilities as a means of finance.

### C.4.3 Risk Sensitivity

GasanMamo undertakes regular stress testing for the measurement of the impact of the Company's capital in through sensitivity analysis i.e. by applying one or more stresses to a single risk factor (e.g. impact of a large claim pay-out) and also through constructing scenarios that consider the impact of several risk factors crystallizing at the same time.

During 2019, the Company has also carried out several stress scenarios considering the events of catastrophe, the default of reinsurers, financial crisis and adverse claim experience. In all instances, the Company has remained comfortably above the regulatory solvency level of 100%, suggesting that GasanMamo has adequate liquidity management to financially withstand stressed conditions.

The outcome of the stress testing is monitored against GasanMamo's risk appetite and reported to the Board and GRC Committee. The Company uses the output of the stress testing to develop appropriate contingency plans that can be unfolded in the event of an actual stress. In addition, GasanMamo uses the outcome of the stress and scenario analysis, to inform decision-making and to develop and enhance its risk appetite and risk limits.

### C.4.4 Any Other Disclosures

No additional disclosures need to be reported.

## C.5 Operational Risk

### C.5.1 Risk Exposure

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, or from personnel and systems or other external events. GasanMamo has identified the following as potential sources of Operational risk:

- **Processes** includes inter alia breach of mandate, transaction error, loss of client assets, under-reserving, compliance issues, corporate action errors, accounting or taxation errors, inadequate record-keeping;
- **People** includes inter alia fraud, employee illness or injury, discrimination claims, compensation/ benefit / termination issues, recruitment and staff retaining issues;

- **Systems** includes inter alia hardware/ software failure, unavailability and integrity issues of the data, unauthorised access to information and systems security, telecommunications failure, utility outage, computer hacking or viruses; and
- **External events** include inter alia operational failure of suppliers or outsourced services, disasters, terrorism, vandalism, theft, robbery, weather.

#### C.5.2 Risk Mitigation Practices

To minimise the loss arising from Operational risk, segregation of duties is practiced by the Company with the main objective being the prevention of fraud and errors. Internal and external auditors have annual plans to review processes connected with internal controls of the operations of the Company and to make recommendations that are necessary for better performance and governance of the Company.

The Company has internal processes in place to reduce the risk of business interruption, that could arise from major internal and/or external events. This includes the setting up of a robust BCP and an IT disaster recovery plan.

#### C.5.3 Risk Sensitivity

GasanMamo implements a rigorous risk management and internal control framework giving satisfactory mitigation against Operational risks. GasanMamo continues to monitor and control Operational risk exposures as prescribed in its Risk Management Framework.

During 2019, GasanMamo stress tested the occurrence of cyber-attack resulting in a significant operational loss and a degrade of reputation. The test has shown no significant impact on the Company's SCR which has remained comfortably above the 100% regulatory level.

#### C.5.4 Any Other Disclosures

No additional disclosures need to be reported.

### C.6 Other Material Risks

The Company has also identified additional risk exposures, which are split into sub-risks and are also documented in GasanMamo's risk register. Each of these risks is managed by the respective risk owners, who assign a residual impact considering the risk mitigation processes in place.

The following paragraphs disclose additional material risks to which the Company is exposed.

#### C.6.1 Information Technology and Security Risk

The risk that the Company suffers from a service disruption to its customers or that it incurs losses due to system defects such as failures, faults, inadequate security considerations, cyber-attacks, and phishing mail amongst others. Processes are in place to reduce the risk of business interruption that could arise from major events. The Company also has in place a disaster recovery plan and BCP. During the reporting year, GasanMamo appointed an Information Security Officer to further enhance the implementation of the cybersecurity framework.

### C.6.2 Human Resources Risk

The risk arises from the inability to meet Company's strategic and operating objectives due to loss of personnel, deterioration of morale, inadequate competence and development, inappropriate working schedule, inequality or inappropriate working and safety environment, amongst others.

GasanMamo ensures that newly recruited employees have adequate knowledge to perform high standards and provide excellent services. Moreover, the Company constantly invests in technical and soft skills training to make good for any shortfall in employee's needs; and invests in trainee and apprenticeship schemes. The required training is discussed during the annual performance review performed for each employee and a Continued Professional Development programme is organised for those employees falling within the scope of the applicable legislation.

### C.6.3 Strategic Risk

Strategic risk arises from the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. As a result, the Company could be unable to implement appropriate business plans and strategies, make decisions, allocate resources, comply with laws, regulations, and obligations or adapt to the changes in the business environment etc.

The Company's constantly monitors the emergence of new risks and the evolvement of existent ones within both the local and foreign markets; e.g. electric cars, driverless cars, high-rise buildings and towers, artificial intelligence technology etc., with the objective to provide superior product and services which are improved on a continuous basis to reflect customers' needs.

### C.6.4 Reinsurance Risk

Reinsurance risk refers to the inability to obtain insurance from a reinsurer at the right time and at the appropriate cost. This could emanate from unfavourable market conditions such as default of reinsurer or adverse market conditions.

All the Company's largest risk exposures are covered by annually reviewed reinsurance treaties. Reinsurance cover is split against multiple reputable and professional reinsurers to avoid risk concentration. The stress scenarios carried out in the ORSA report also aid in assessing the adequacy of the Reinsurance strategy in place.

### C.6.5 Reputational Risk

Refers to the potential loss through the deterioration of its reputation or standing due to a negative perception of the Company's or the country's image among customers, counterparties and/or supervisory authorities.

The Company maintains a prudent approach to its risk portfolio. Since reputation may also be affected by the reputation of new and existing associations, due diligence and background checks are carried out prior to a new partnership or association. Customer satisfaction is also given high importance, market studies are conducted regularly and customer complaints are handled according to Company's policy, documented and closely monitored by management.

## C.7 The Nature of Material Risk Exposures

The Company has no further information to disclose regarding its risk exposure; including exposures arising from off-balance sheet positions and the transfer of risk to Special Purpose Vehicles.

## C.8 The Prudent Person Principle

GasanMamo invests its assets in accordance with the Prudent Person Principle set out in article 132 of Directive 2009/138/EC, which states that assets must be invested in a manner that a prudent person would. In accordance with the Prudent Person Principle the Board has set out high-level investment principles that should be followed by the Company's Investment Committee.

The Company does not engage in speculative or high-risk investment activities and does not capitalize in complex instruments or markets where the risks cannot be sufficiently understood and measured. The investment activities are appropriate so that shareholders and policyholders are not exposed to undue risk. GasanMamo's assets must also meet the criteria of EIOPA and MFSA insurance regulations.

The investment strategy is constantly aligned with the Company's internal policies thus ensuring that the Company holds sufficient assets with enough liquidity to meet all liabilities and enable payments as they fall due.

On a quarterly basis, the Company's investment consultants perform a detailed analysis of the investment portfolio's performance in addition to stress testing on the investment portfolio.

## C.9 Any Other Disclosures

**COVID-19**

The outbreak of COVID-19 has had a global impact which increased level of uncertainty to the Company's risk exposures. GasanMamo has been impacted by these developments through an increase claims and through investment performance drawdown which will have an impact on the underwriting, market, credit and operational risks.

The Company has a robust BCP in place which was initiated for execution as soon the relevant authorities in Malta initiated the implementation of the country's strategy for managing the coronavirus outbreak. The BCP is constantly being reviewed as necessary as the situation develops across the nation and world.

**Any Other Disclosures**

The Company does not have any additional material information to disclose regarding the risk profile of the Company.

# D – Valuation for Solvency purposes

## D.1 Assets

| Assets | IFRS €'000 | Solvency II €'000 |
|---|---|---|
| Deferred acquisition costs | 4,081 | |
| Property, plant and equipment held for own use | 6,896 | 6,896 |
| Property (other than for own use) | 10,552 | 10,552 |
| Holdings in related undertakings, including participations | 432 | 432 |
| Equities | 8,260 | 8,260 |
| Bonds | 20,907 | 21,142 |
| Collective Investment Undertakings | 5,658 | 5,658 |
| Deposits other than cash equivalents | 4,826 | 4,845 |
| Reinsurance recoverables | 5,447 | 5,365 |
| Insurance and intermediaries receivables | 7,309 | 7,309 |
| Receivables (trade, not insurance) | 369 | 369 |
| Cash and cash equivalents | 12,033 | 12,033 |
| Any other assets, not elsewhere shown | 3,342 | 3,088 |
| **Total Assets** | **90,112** | **85,949** |

**Table 5: Valuation of Assets**

### D.1.1 Property, plant & equipment held for own use

Property held for own use is recorded at historical cost less depreciation and subsequently adjusted to reflect fair value changes, if there are any. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Due to the introduction of a new accounting standard, this amount also includes a right of use asset for properties leased by the Company. The right of use asset is valued at the present value of lease payments payable over the term of the contract. The asset is subsequently amortised over the lease term.

There are no differences between the Solvency II valuation and the IFRS valuation of the properties.

### D.1.2 Property (other than for own use)

Investment property is initially recorded at the acquisition cost and subsequently adjusted to reflect fair value. Historical cost includes expenditure that is directly attributable to the acquisition of the property. Each year, an internal revaluation exercise is carried out and additionally a periodic external valuation is obtained. A number of factors are taken into consideration including the rental yield, the quality of the property, values of surrounding properties, and market conditions in the area. Investment property was revalued during the financial year ended 2019. An investment property was also disposed. This resulted in a realised gain of €471K. The Company is earning a return through rental income and this is generated from leases to both residential and commercial clients. The main assumptions used in valuing the investment property are the rental yields and the capitalisation rate.

There are no differences between the Solvency II valuation and IFRS valuation of the properties.

### D.1.3 Holdings in related undertakings, including participations

The Company holds investments in entities, which are not measured at cost under IFRS. Instead, the Company reports a proportionate share of the entity's equity as an investment. Profit or loss from the arrangement increases or decreases the investment account by an amount proportionate to the Company's shares in the entity. Dividends paid out are deducted from this amount. There were no significant estimates and judgements used in valuing the participations due to the nature of the asset. There are no differences between the Solvency II valuation and IFRS valuation of the participation.

### D.1.4 Equities

The amount invested in equities at the financial year end 2019 is €8,260K, and this same amount is reported under IFRS and Solvency II. These are also valued at fair value through profit and loss and are denoted by current market prices. The market prices are readily available, and the stocks are actively traded – details of which are provided in a statement produced by the portfolio managers. There were no significant estimates and judgements used in valuing the asset due to the nature of the asset.

### D.1.5 Bonds

As at the reporting date, the Company invested €21,142K in government and corporate bonds. Government and corporate bonds are debt securities which have a fixed rate of interest. The difference of €235K as reported under Solvency II compared to IFRS represents the accrued interest as at 31 December 2019. There were no significant estimates and judgements used in valuing the asset due to the nature of the asset. The investments are valued at fair value through profit and loss, which is based on the prices quoted on active markets. These investments are held with portfolio managers who provide monthly reports detailing current market prices, credit ratings, duration and any accrued interest.

### D.1.6 Collective investment undertakings

As at the reporting date, the Company had collective investment undertakings amounting to €5,658K. There are no significant estimates or judgements used in valuing the collective investment undertakings due to the nature of the asset. The value reported under Solvency II does not differ from the amount reported under IFRS.

### D.1.7 Deposits other than cash equivalents

As at the reporting date, the Company had term deposits amounting to €4,845K. The investment denominated in Euro represents 100% of the total amount. There are no significant estimates or judgements used in valuing the term deposits due to the nature of the asset. The value reported under Solvency II differs from the amount reported under IFRS by €19K. The difference represents the accrued interest earned as at 31 December 2019. No significant estimates and judgements are used in valuing the accrued interest due to the nature of the asset.

### D.1.8 Reinsurance Recoverables

Reinsurance recoverables as at year end was €5,365K and represent the difference between Gross and Net provisions. Due to the nature of the Reinsurance arrangements (non-proportional reinsurance), for the Claim Provision the reinsurance recoverable was determined as the reinsurers' share of current outstanding case by case reserve. For the Premium Provision, we have assumed zero reinsurance recoverable for non-proportional reinsurance arrangements. For proportional reinsurance arrangements, the share of the reinsurer has been considered when calculating the claims and premium provision. Section D.2 contains further information.

Reduction of reinsurance recoverables to allow for expected losses due to a counterparty default is also applied.

### D.1.9 Insurance and intermediaries' receivables

As at the reporting date, the Company had insurance and intermediaries' receivables amounting to €7,309K. There are no significant estimates or judgements used in valuing the insurance and intermediaries' receivables due to the nature of the asset. The value reported under Solvency II does not differ from the amount reported under IFRS.

### D.1.10 Receivables (trade, not insurance)

As at the reporting date, this balance amounted to €369K. The nature of the asset is that of a current taxation asset and arises as a result of the difference between the tax charge for the year and the provisional tax payments made. There are no significant estimates or judgements used in valuing this due to the nature of the asset. The value reported under Solvency II does not differ from the amount reported under IFRS.

### D.1.11 Cash and Cash Equivalents

As at the reporting date, the Company had cash amounting to €12,033K held with local and foreign banks. This amount is invested in savings accounts and current accounts. The cash denominated in Euro represents 98% of the total amount. The value of cash and cash equivalents is confirmed through the statement sent by the respective financial institutions and the Company reconciles these balances with its own records. There are no significant estimates or judgements used in valuing the cash holdings and accrued interest due to the nature of the asset.

### D.1.12 Any other assets, not elsewhere shown

This balance, amounting to €3,088K as at December 2019, relates to two items, one of which is prepayments. The remaining €2,956K relates to an agreement entered into in January 2019 to acquire office space at a total cost of €14,000K in a new business development. It is anticipated that the property will be completed by 2022 by which time the remaining balance of payments will have to be made.

The Solvency II valuation does not differ from the IFRS valuation in this respect. However, the IFRS valuation also includes €254K which relates to accrued income on investments. For Solvency II purposes, this is included in the investments' valuation and thus it is excluded from this item.

## D.2 Technical Provisions

The technical provisions are defined as the probability-weighted average of future cashflows, discounted to take into account the time value of money considering all possible future scenarios. Technical provisions are grouped into the following key components:

- Claims Provisions: Best Estimate of provisions relating to the earned exposure
- Premium Provisions: Best Estimate of provisions that relate to the unearned exposure
- Risk Margin: Additional provision to bring the best estimate to the level required to transfer the insurance obligations to a third party

The results are summarised in the table below.

| Technical Provisions €'000 | Claims Provision | | Premium Provision | | Risk Margin |
|---|---|---|---|---|---|
| | Gross Best Estimate | Reinsurance Recoverable | Gross Best Estimate | Reinsurance Recoverable | |
| Medical expense | 1,060 | 54 | 1,279 | - | 87 |
| Income protection | 96 | - | 65 | - | 8 |
| Workers' compensation | 93 | - | 98 | - | 8 |
| Motor vehicle liability | 11,943 | 2,354 | 6,178 | 628 | 832 |
| Other motor insurance | 2,579 | 432 | 5,170 | 123 | 186 |
| Marine and transport | 237 | 7 | 224 | - | 20 |
| Fire & other property damage | 4,011 | 1,741 | 3,054 | - | 197 |
| General liability | 2,107 | 26 | 454 | - | 181 |
| Assistance | 178 | - | 118 | - | 15 |
| Miscellaneous | 836 | - | 722 | - | 72 |
| **Total** | **23,140** | **4,614** | **17,362** | **751** | **1,606** |

**Table 6: Value Best Estimate and Risk Margin as at Dec 2019**

### D.2.1 Claims Provision

The provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. The components of the claims provision under IFRS are the Case by Case Estimates (OSLR), the Incurred But Not Reported (IBNR), the Incurred But Not Enough Reported (IBNER) and the reserve for Claims Handling Expenses.

The Company calculates its claims provisions applying generally accepted actuarial methodologies namely the Chain Ladder on Paid and Incurred claims, the Loss Ratio method and the Bornhuetter Ferguson method.

Expert actuarial judgement is applied in the choice of methodology and the choice of underlying valuation assumptions.

The outcome of the above methods is then adjusted to allow for the following:

- Expenses
- Events Not In Data (ENID) such as Binary and Extreme events

- Discounting effect
- Reinsurance recoveries (less expected default impact)

### D.2.2 Premium Provision

The calculation of the premium provision relates to all potential future claim payments arising from future events, post the valuation date, that have not yet expired and to all administrative expenses associated with these policies.

The premium provision is determined on a prospective basis taking into account the expected cash-in and cash-out flows and the time value of money. The expected cash flows were determined by applying an appropriate prospective combined ratio and payment pattern to the unearned premium reserve.

On the basis of the data analysis, this methodology and its underlying model and assumptions are deemed to be realistic for each line of business. The conditions rendering this method valid are met, namely:

- It can be expected that the combined ratio, explained below, remains stable over the run-off period of the premium provision;
- A reliable estimate of the combined ratio can be made;
- The unearned premium provision is an adequate exposure measure for estimating future claims during the unexpired risk period.

For the purpose of this valuation it is assumed that “Expenses”, under the Premium Provision, include all expense items, except acquisition costs (as these have already been incurred) as allocated to each line of business by the Company.

### D.2.3 Risk Margin

The risk margin is equivalent to the amount that would be paid to another insurance or reinsurance company in addition to the amount of best estimates to take over the Company’s insurance obligations. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company’s insurance obligations over the lifetime thereof. This rate, called the Cost-of-Capital, is prescribed by EIOPA and currently stands at 6%.

The Company does not use any special purpose vehicles.

### D.2.4 Level of Uncertainty

Future claims experience is dependent on the external environment and its random behaviour gives rise to uncertainty.

The main sources of uncertainty are outlined below:

- Ultimate claim cost for long-tail classes
- Litigation changes
- Model error
- Uncertainty in payment pattern of future claims
- Future expense inflation

The impact of uncertainty is considered throughout the reserving process and a range of possible outcomes within a 90% confidence interval is provided through the use of statistical approaches.

### D.2.5 Differences between Solvency Valuation and IFRS Valuation

| | Solvency II Valuation €'000 | | | | IFRS Valuation €'000 | | |
|---|---|---|---|---|---|---|---|
| | Net Claim Provision | Net Premium Provision | Risk Margin | Technical Provisions | Net Claims Reserve | Net UPR | Technical Provisions |
| Medical expense | 1,006 | 1,279 | 87 | 2,373 | 745 | 1,995 | 2,739 |
| Income protection | 96 | 65 | 8 | 170 | 93 | 203 | 297 |
| Workers' compensation | 93 | 98 | 8 | 199 | 78 | 128 | 206 |
| Motor vehicle liability | 9,589 | 5,550 | 832 | 15,971 | 9,401 | 7,106 | 16,506 |
| Other motor insurance | 2,147 | 5,048 | 186 | 7,380 | 2,393 | 6,915 | 9,308 |
| Marine and transport | 230 | 224 | 20 | 474 | 256 | 396 | 652 |
| Fire & other property damage | 2,270 | 3,054 | 197 | 5,521 | 2,354 | 3,665 | 6,019 |
| General liability | 2,081 | 454 | 181 | 2,715 | 1,765 | 902 | 2,667 |
| Assistance | 178 | 118 | 15 | 311 | 326 | 191 | 517 |
| Misc. financial loss | 836 | 722 | 72 | 1,630 | 803 | 1,166 | 1,969 |
| **Total** | **18,525** | **16,612** | **1,606** | **36,745** | **18,214** | **22,666** | **40,880** |

**Table 7: Comparison of technical provisions under Solvency II and IFRS valuation**

The main valuation principles of Solvency II leading to differences from reserves shown in the Financial Statements are:

- Removal of any implicit or explicit margin for prudence;
- Allowance for time value of money through discounting of future cash flows. For the discounting purposes the Euro risk free curve as at valuation date and without volatility adjustment has been used;
- Allowance is possible for negative IBNER where it is expected that there will be a favourable development of case-by-case reserves;
- Consideration of ENID (Events Not In Data) such as Binary and Extreme events;
- In the calculation of the premium provision under Solvency II, an insurer may take credit for profits embedded in unexpired policies. Under IFRS this is disallowed, and any profits embedded in the UPR may not be recognised until the expiry of these contracts. An Additional Unexpired Risk Reserve is mandatory only where it is positive but not when it is negative;
- The UPR/URR only allows for policies in force at the valuation date. The premium provision needs to include all policies that the (re)insurer is obligated to, at the valuation date, including policies that have not yet incepted;
- There is no explicit allowance in the UPR/URR for ENID. Where an Additional URR is needed, it is sufficient for the URR calculation to allow for reasonably foreseeable events only;
- There is no concept of Deferred Acquisition Costs in Solvency II;
- There is no concept of risk margin in the Financial Statements.

In addition to differences streaming from requirements to value in line with gross liabilities, there are also differences in requirements specific to the valuation of reinsurance. These include the requirement to allow for expected non-payment due to default or dispute.

### D.2.6 Additional Disclosures

There were no material changes in the methodology used when compared to year 2018.

The technical provisions of the Company are not sensitive to changes in the lapse rates. Nevertheless, there were no material changes in the lapse rates assumption compared to previous valuations dates.

The Company does not use the matching adjustment, the volatility adjustment, extrapolation of the risk-free rate, the transitional risk-free interest rate-term structure or the transitional deduction in calculating its technical provisions. Neither does it use economic scenario generator.

## D.3 Other Liabilities

The following section presents the other liabilities and how these were valued for Solvency II purposes.

| Other Liabilities | IFRS €'000 | Solvency II €'000 |
|---|---|---|
| Contingent liabilities | - | 24 |
| Deferred tax liabilities | 1,594 | 1,605 |
| Insurance & intermediaries payables | 1,562 | 1,562 |
| Reinsurance Payables | 1,420 | 1,420 |
| Payables (trade, not insurance) | 1,425 | 1,425 |
| Any other liabilities, not elsewhere shown | 889 | 889 |
| **Total** | **6,890** | **6,925** |

**Table 8: Valuation of Other Liabilities**

### D.3.1 Contingent liability

Contingent liability at year ending 2019 was €24K. This relates to a guarantee made in favour of Malta Insurance Association.

### D.3.2 Deferred tax liabilities

Deferred taxes are calculated under the liability method on all temporary differences. The main components of deferred tax under IFRS include temporary differences attributable to unrealised foreign exchange differences, unrealised capital gains, impairment of receivables, and the provision of a final tax on the value of property. As at the end of December 2019, the Company had a deferred tax liability of €1,594K under IFRS and €1,605K under Solvency II.

The deferred taxation under Solvency II is updated as compared to that under IFRS to take into account the difference between the IFRS net assets and the Solvency II excess of assets over liabilities.

### D.3.3 Insurance & Intermediaries' payables

These payables are related to the commissions due by the Company, but which were not paid as at the end of the year. The balance due in respect of these payables amounted to €1,562K. No estimation methods, adjustment for future value or valuation judgements are required for these balances.

### D.3.4 Reinsurance Payables

These include payables related to the outward reinsurance premium as at the end of the year. The balance due in respect of these payables amounted to €1,420K. No estimation methods, adjustment for future value or valuation judgements are required for these balances.

### D.3.5 Payables (trade not insurance)

The first part of the balance relates to document duty payable to the Commissioner for Revenue. The balance due in this respect is €989K. The remaining relates to balances owed to trade creditors in respect of services provided to the Company. The total payables (trade, not insurance) as at December 2019 was €1,425K. There are no differences between the Solvency II valuation and IFRS valuation of payables (trade, not insurance) and no change in the valuation approach during the reporting period. No estimation methods, adjustment for future value or valuation judgements are required for these balances.

### D.3.6 Any other liabilities, not elsewhere shown

These include amounts related to accruals, deferred income, and the property lease liability. The property lease liability is valued at the present value of lease payments payable over the term of the contract. The asset is subsequently increased with the unwinding of the discount and decreases with any lease payments made. The balance due in respect of these liabilities amounted to €889K. There are no differences between the Solvency II valuation and IFRS valuation.

## D.4 Alternative Methods of Valuation

The Company does not use any alternative valuation methods.

## D.5 Any other information

**COVID-19**

Due to the significant market reaction to the outbreak, international markets have seen very substantial drawdowns. The Company has a prudent investment allocation policy in place that has been refined over the years and this provides for the mitigation of the impact of such phenomena, however in spite of this, the balance sheet has suffered mark to market losses of approximately 9% during Q1 2020.

**Any Other Disclosures**

The Company does not have any additional disclosures.

# E – Capital Management

## E.1 Own Funds

GasanMamo's objectives when managing capital are to comply with the insurance capital requirements required by the MFSA and safeguard the Company's ability to provide adequate return to shareholders and benefits to other stakeholders by pricing insurance contracts commensurate with the level of risk.

The Company's Capital Management Policy establishes the processes which GasanMamo has to have in place with respect to capital planning, issuance of capital, and distribution of dividends. It contains detail on the capital allocation process and on the assessment, monitoring and control processes in place.

The main objective of this policy is to ensure that, through its capital management, the Company maintains sufficient capital to cover regulatory capital requirements at all times. This is attained through yearly development of a business plan, summarising the Company's goals and objectives for the following three years. As part of the strategic plan, the Board and Senior Management set financial targets and plans with respect to capital management.

During the reporting year 2019, a total dividend of €3,000K was distributed to shareholders. As at December 2019, the Company closed at excess of assets over liabilities of €36,916K as per Solvency II valuation basis and a solvency ratio of 229%. In January 2020, the directors recommended the payment of a final net dividend of €1,500K which was paid in February 2020. As required under the Solvency II regime, such a payment is to be considered as foreseeable dividend and are deducted from the Company's Own Funds. As a result, the Company eligible own funds, SCR ratio and MCR ratio as at December 2019 amounted to €35,416K, 219% and 508% respectively.

The own funds of the Company are made up of fully paid-up ordinary share capital and retained earnings which are both classified as unrestricted Tier 1 capital. These have been assessed in line with Article 71 of the CDR. As a result, the full amount of own funds is readily available to fully absorb any losses that should arise and are free of encumbrances. The Company does not have any transitional arrangements and does not currently have any ancillary own funds.

The Company has no intention of changing the current structure of own funds. As established in GasanMamo's Capital Management Policy, should need to change the composition of own funds arise, it shall be discussed between Senior Management and the Board at that time. The following table provides a tier by tier analysis of the own funds at the end of the reporting period and as at the end of the previous reporting period. At financial year end, the Company did not have any items that were deducted from own funds.

| Own Funds €'000 | Dec 2019 | | Dec 2018 | | Movement |
|---|---|---|---|---|---|
| | Total | Tier 1 (unrestricted) | Total | Tier 1 (unrestricted) | |
| Ordinary share capital | 12,000 | 12,000 | 12,000 | 12,000 | - |
| Retained Earnings and Reconciliation Reserve | 23,416 | 23,416 | 17,775 | 17,775 | 5,641 |
| **Total** | **35,416** | **35,416** | **29,775** | **29,775** | **5,641** |

**Table 9: Comparison of own funds as at December 2019 and December 2018**

During the reporting year the Company experienced an increase of €4,661K in retained earnings mainly emanating from the increase in retained profit from 2018, following the dividend distribution of €3,000K during 2019. Additionally, a property revaluation was carried out during 2019, resulting in an increase of €2,554K in retained earnings. Due to its strong capital position, the Company distributed an amount of €1,500K in dividends during February 2020.

| **Reconciliation reserve** | **Dec 2019 €'000** | **Dec 2018 €'000** | **Movement €'000** |
|---|---|---|---|
| Excess of assets over liabilities | 36,916 | 29,775 | 7,141 |
| Foreseeable dividends, distributions and charges | 1,500 | - | 1,500 |
| Other basic own fund items | 12,000 | 12,000 | - |
| **Reconciliation reserve** | **23,416** | **17,775** | **5,641** |

**Table 10: Reconciliation Reserve**

The following summary table shows the comparisons between the IFRS and Solvency II valuation of assets, liabilities and own funds.

| **Reconciliation to Financial Statements** | **IFRS €'000** | **Solvency II €'000** | **Difference €'000** |
|---|---|---|---|
| Total Assets | 90,112 | 85,949 | 4,162 |
| Total Liabilities | 53,216 | 49,034 | 4,182 |
| Foreseeable Dividend | - | 1,500 | - 1,500 |
| **Total Own Funds** | **36,896** | **35,416** | **1,481** |
| Ordinary Share Capital | 12,000 | 12,000 | - |
| Retained Earnings | 24,896 | 23,416 | 1,481 |

**Table 11: Comparison between IFRS and Solvency II valuation**

The reconciliation reserve comprises retained earnings and the adjustment to assets and liabilities. The adjustment results from differences in the valuation of assets and liabilities, as explained in Section D above, between the IFRS and Solvency II principles as summarised below:

- Deferred Acquisition Costs is only included under IFRS;
- Technical provision including risk margin making allowance of the time value of money; and
- Difference in requirements specific to the valuation of reinsurance, contingent liabilities and net deferred tax.

## E.2 Capital Position

The Company does not make use of an internal model and calculates the SCR in accordance with the Standard Formula. GasanMamo does not make use of any simplified calculations when determining the SCR using the Standard Formula. The Company does not use undertaking specific parameters pursuant to Article 104(7) of Directive 2009/138/EC.

GasanMamo's total SCR as at December 2019 was €16,149K while the MCR level was €6,965K. Table 12 summarises SCR results for the Company as at December 2019 compared to the previous reporting year.

| **Regulatory Capital Requirement** | **Dec 2019 €'000** | **Dec 2018 €'000** |
|---|---|---|
| Market Risk | 10,561 | 7,950 |
| Counterparty Default Risk | 4,654 | 2,756 |
| Health Underwriting Risk | 903 | 873 |
| Non-Life Underwriting Risk | 11,290 | 10,415 |
| *Diversification effects* | -7,282 | *-5,691* |
| **Basic SCR** | **20,127** | **16,303** |
| Operational Risk | 1,496 | 1,263 |
| Loss absorbing capacity of deferred taxes | -5,473 | -4,691 |
| **SCR** | **16,149** | **12,875** |
| Total eligible own funds to meet the SCR | 35,416 | 29,775 |
| **SCR Ratio** | **219%** | **231%** |

**Table 12: Regulatory Capital Requirement**

Table 13 below summarises the main components of the MCR as at December 2019 compared to the previous reporting year.

| **Overall MCR** | **Dec 2019 €'000** | **Dec 2018 €'000** |
|---|---|---|
| Linear MCR | 6,965 | 6,431 |
| SCR | 16,149 | 12,874 |
| MCR cap | 7,267 | 5,793 |
| MCR floor | 4,037 | 3,219 |
| Combined MCR | 6,965 | 5,793 |
| Absolute floor of the MCR | 3,700 | 3,700 |
| **MCR** | **6,965** | **5,793** |
| Total eligible own funds to meet the MCR | 35,416 | 29,775 |
| **MCR ratio** | **508%** | **514%** |

**Table 13: Overall Minimum Capital Requirement**

## E.3 Duration-based Equity Risk

The duration-based equity sub-module in the calculation of the SCR is not applicable for the business written by GasanMamo.

## E.4 Difference between Standard Formula and Internal Model

GasanMamo carries out its SCR calculation in accordance to the Standard Formula and does not make use of any internal model. As a result, the Company has no information to disclose regarding:

- Structure of the internal model;
- Aggregation methodologies and diversification effects; and
- Risks not covered by the Standard Formula but covered by the internal model.

## E.5 Non-compliance with the MCR and significant non-compliance with the SCR

GasanMamo monitors the Company's compliance with the MCR and SCR on a quarterly basis. The Company had sufficient capital to meet both the SCR and MCR throughout the financial year and there is no reasonably foreseeable risk of non-compliance with the regulatory requirements in the business planning period ahead.

A Capital Contingency Plan is set up by GasanMamo, documenting possible actions to be effected in the event that the capital position falls below the internal capital targets or the regulatory requirements.

## E.6 Any Other Disclosures

**COVID-19**

It is anticipated that the Company will be adversely impacted by both the underwriting exposure and the economic factors emanating from COVID-19. Having said this, GasanMamo is in a good position to meet all its obligations due to the strong balance sheet position that it had coming into this situation, the strength of the reinsurance programme that is in place and its robust BCP plan.

The Company has carried out various scenario analyses taking the above into account, on the basis of information available to date. While acknowledging that the situation is fluid, the Directors deem that the healthy position of the Company is sufficient to enable it to continue to operate as a going concern.

Despite these developments, GasanMamo Insurance is able to report that it is still in a sound financial position with a Solvency Ratio substantially higher than the minimums required by regulatory bodies. This is the result of the Company's conservative financial approach, taken to ensure resilience over the long term.

**Any Other Disclosures**

There is no other material information regarding the capital management which has not already been disclosed in the sections above.

# Annex I – Abbreviations

| | |
|---|---|
| AFS | Audited Financial Statements |
| BCP | Business Continuity Plan |
| BIA | Business Impact Analysis |
| CDR | Commission Delegated Regulation 2015/35 |
| EEA | European Economic Area |
| ENID | Events Not In Data |
| EPIFP | Expected Profit Included in Future Premiums |
| EU | European Union |
| GLM | General Linear Model |
| GRC Committee | Governance Risk and Compliance Committee |
| GWP | Gross Written Premium |
| IBNER | Incurred But Not Enough Reported |
| IBNR | Incurred But Not Reported |
| IFRS | International Financial Reporting Standards |
| IT | Information Technology |
| LAC DT | Loss Absorbing Capacity of Deferred Taxes |
| MCR | Minimum Capital Requirement |
| MFSA | Malta Financial Services Authority |
| MVA | Multivariate Analysis |
| OECD | Organisation for Economic Co-operation Development |
| ORSA | Own Risk and Solvency Assessment |
| POG Committee | Product Oversight and Governance Committee |
| PwC | PricewaterhouseCoopers |
| QRT | Quantitative Reporting Templates |
| RMF | Risk Management Function |
| SCR | Solvency Capital Requirement |
| SFCR | Solvency and Financial Condition Report |
| TII | Tied Insurance Intermediary |
| UPR | Unearned Premium Reserve |
| URR | Unexpired Risk Reserve |

# Annex II – Quantitative Reporting Templates (QRTs)

## SE.02.01 – Balance Sheet

| | | Solvency II value |
|---|---|---|
| **Assets** | | C0010 |
| Goodwill | R0010 | |
| Deferred acquisition costs | R0020 | |
| Intangible assets | R0030 | - |
| Deferred tax assets | R0040 | - |
| Pension benefit surplus | R0050 | - |
| Property, plant & equipment held for own use | R0060 | 6,896 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 50,888 |
| Property (other than for own use) | R0080 | 10,552 |
| Holdings in related undertakings, including participations | R0090 | 432 |
| Equities | R0100 | 8,260 |
| Equities - listed | R0110 | 8,260 |
| Equities - unlisted | R0120 | - |
| Bonds | R0130 | 21,142 |
| Government Bonds | R0140 | 411 |
| Corporate Bonds | R0150 | 20,732 |
| Structured notes | R0160 | - |
| Collateralised securities | R0170 | - |
| Collective Investments Undertakings | R0180 | 5,658 |
| Derivatives | R0190 | - |
| Deposits other than cash equivalents | R0200 | 4,845 |
| Other investments | R0210 | - |
| Assets held for index-linked and unit-linked contracts | R0220 | - |
| Loans and mortgages | R0230 | - |
| Loans on policies | R0240 | - |
| Loans and mortgages to individuals | R0250 | - |
| Other loans and mortgages | R0260 | - |
| Reinsurance recoverables from: | R0270 | 5,365 |
| Non-life and health similar to non-life | R0280 | 5,365 |
| Non-life excluding health | R0290 | 5,311 |
| Health similar to non-life | R0300 | 54 |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | - |
| Health similar to life | R0320 | - |
| Life excluding health and index-linked and unit-linked | R0330 | - |
| Life index-linked and unit-linked | R0340 | - |
| Deposits to cedants | R0350 | - |
| Insurance and intermediaries receivables | R0360 | 7,309 |
| Reinsurance receivables | R0370 | - |
| Receivables (trade, not insurance) | R0380 | 369 |
| Own shares (held directly) | R0390 | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | - |
| Cash and cash equivalents | R0410 | 12,033 |
| Any other assets, not elsewhere shown | R0420 | 3,089 |
| **Total assets** | R0500 | **85,949** |

| | | Solvency II value |
|---|---|---|
| **Liabilities** | | C0010 |
| Technical provisions – non-life | R0510 | 42,110 |
| Technical provisions – non-life (excluding health) | R0520 | 39,315 |
| Technical provisions calculated as a whole | R0530 | - |
| Best Estimate | R0540 | 37,811 |
| Risk margin | R0550 | 1,504 |
| Technical provisions - health (similar to non-life) | R0560 | 2,795 |
| Technical provisions calculated as a whole | R0570 | - |
| Best Estimate | R0580 | 2,692 |
| Risk margin | R0590 | 104 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | - |
| Technical provisions - health (similar to life) | R0610 | - |
| Technical provisions calculated as a whole | R0620 | - |
| Best Estimate | R0630 | - |
| Risk margin | R0640 | - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | - |
| Technical provisions calculated as a whole | R0660 | - |
| Best Estimate | R0670 | - |
| Risk margin | R0680 | - |
| Technical provisions – index-linked and unit-linked | R0690 | - |
| Technical provisions calculated as a whole | R0700 | - |
| Best Estimate | R0710 | - |
| Risk margin | R0720 | - |
| Other technical provisions | R0730 | |
| Contingent liabilities | R0740 | 24 |
| Provisions other than technical provisions | R0750 | - |
| Pension benefit obligations | R0760 | - |
| Deposits from reinsurers | R0770 | - |
| Deferred tax liabilities | R0780 | 1,605 |
| Derivatives | R0790 | - |
| Debts owed to credit institutions | R0800 | - |
| Debts owed to credit institutions resident domestically | ER0801 | - |
| Debts owed to credit institutions resident in the euro area other than domestic | ER0802 | - |
| Debts owed to credit institutions resident in rest of the world | ER0803 | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | - |
| Debts owed to non-credit institutions | ER0811 | - |
| Debts owed to non-credit institutions resident domestically | ER0812 | - |
| Debts owed to non-credit institutions resident in the euro area other than domestic | ER0813 | - |
| Debts owed to non-credit institutions resident in rest of the world | ER0814 | - |
| Other financial liabilities (debt securities issued) | ER0815 | - |
| Insurance & intermediaries payables | R0820 | 1,562 |
| Reinsurance payables | R0830 | 1,420 |
| Payables (trade, not insurance) | R0840 | 1,425 |
| Subordinated liabilities | R0850 | - |
| Subordinated liabilities not in Basic Own Funds | R0860 | - |
| Subordinated liabilities in Basic Own Funds | R0870 | - |
| Any other liabilities, not elsewhere shown | R0880 | 889 |
| **Total liabilities** | R0900 | **49,034** |
| **Excess of assets over liabilities** | R1000 | **36,916** |

## S.05.01 – Premiums, Claims and Expenses by Line of Business

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | | | | | | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | Line of business for: accepted non-proportional reinsurance | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0200 |
| **Premiums written** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0110** | 3,706 | 532 | 210 | 18,104 | 14,591 | 1,585 | 7,373 | 2,200 | - | - | 1,648 | 2,379 | | | | | 52,329 |
| Gross - Proportional reinsurance accepted | **R0120** | - | 0 | - | 10 | 0 | - | 204 | 3 | - | - | - | 18 | | | | | 235 |
| Gross - Non-proportional reinsurance accepted | **R0130** | | | | | | | | | | | | | - | - | - | - | - |
| **Reinsurers' share** | **R0140** | 107 | 87 | 11 | 4,331 | 1,309 | 167 | 1,730 | 74 | - | - | 51 | 172 | - | - | - | - | 8,038 |
| **Net** | **R0200** | 3,600 | 446 | 199 | 13,783 | 13,282 | 1,418 | 5,847 | 2,129 | - | - | 1,597 | 2,225 | - | - | - | - | 44,526 |
| **Premiums earned** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0210** | 3,451 | 548 | 198 | 17,012 | 13,828 | 1,558 | 6,972 | 2,101 | - | - | 1,619 | 2,330 | | | | | 49,617 |
| Gross - Proportional reinsurance accepted | **R0220** | - | 0 | - | 10 | 1 | - | 213 | 3 | - | - | - | 17 | | | | | 245 |
| Gross - Non-proportional reinsurance accepted | **R0230** | | | | | | | | | | | | | | | | | |
| **Reinsurers' share** | **R0240** | 107 | 87 | 11 | 3,655 | 1,169 | 167 | 1,730 | 74 | - | - | 51 | 172 | - | - | - | - | 7,222 |
| **Net** | **R0300** | 3,344 | 462 | 187 | 13,367 | 12,660 | 1,392 | 5,455 | 2,030 | - | - | 1,568 | 2,176 | - | - | - | - | 42,640 |
| **Claims incurred** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0310** | 1,460 | 36 | 64 | 10,888 | 5,551 | 393 | 4,585 | 417 | - | - | 530 | 202 | | | | | 24,126 |
| Gross - Proportional reinsurance accepted | **R0320** | - | 0 | - | 4 | 0 | - | 477 | - | - | - | - | - | | | | | 481 |
| Gross - Non-proportional reinsurance accepted | **R0330** | | | | | | | | | | | | | | | | | |
| **Reinsurers' share** | **R0340** | 28 | - | - | 1,874 | 396 | 7 | 1,640 | 1 | - | - | - | - | - | - | - | - | 3,946 |
| **Net** | **R0400** | 1,432 | 36 | 64 | 9,017 | 5,156 | 386 | 3,422 | 416 | - | - | 530 | 202 | - | - | - | - | 20,661 |
| **Changes in other technical provisions** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0410** | - | - | - | - | - | - | - | - | - | - | - | - | | | | | - |
| Gross - Proportional reinsurance accepted | **R0420** | - | - | - | - | - | - | - | - | - | - | - | - | | | | | - |
| Gross - Non- proportional reinsurance accepted | **R0430** | | | | | | | | | | | | | | | | | |
| Reinsurers' share | **R0440** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net | **R0500** | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Expenses incurred** | **R0550** | 869 | 154 | 92 | 4,104 | 4,069 | 413 | 2,200 | 599 | - | - | 484 | 1,357 | - | - | - | - | 14,341 |
| **Other expenses** | **R1200** | | | | | | | | | | | | | | | | | 369 |
| **Total expenses** | **R1300** | | | | | | | | | | | | | | | | | 14,709 |

## S.05.02 – Premiums, Claims and Expenses by Country

| | | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total Top 5 and home country |
|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| | R0010 | | GREECE | CYPRUS | FRANCE | LIBYA | PORTUGAL | |
| | | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 |
| **Premiums written** | | | | | | | | |
| Gross - Direct Business | R0110 | 43,261 | 5,079 | 2,163 | 1,794 | 0 | 23 | 52,320 |
| Gross - Proportional reinsurance accepted | R0120 | 3 | 39 | 28 | - | 164 | - | 235 |
| Gross - Non-proportional reinsurance accepted | R0130 | - | - | - | - | - | - | - |
| Reinsurers' share | R0140 | 3,201 | 4,599 | 188 | - | 41 | 6 | 8,036 |
| Net | R0200 | 40,063 | 519 | 2,003 | 1,794 | 123 | 17 | 44,519 |
| **Premiums earned** | | | | | | | | |
| Gross - Direct Business | R0210 | 41,263 | 4,172 | 2,385 | 1,767 | 0 | 21 | 49,608 |
| Gross - Proportional reinsurance accepted | R0220 | 3 | 50 | 39 | - | 153 | - | 245 |
| Gross - Non-proportional reinsurance accepted | R0230 | - | - | - | - | - | - | - |
| Reinsurers' share | R0240 | 3,201 | 3,783 | 188 | - | 41 | 6 | 7,219 |
| Net | R0300 | 38,065 | 439 | 2,236 | 1,767 | 112 | 15 | 42,634 |
| **Claims incurred** | | | | | | | | |
| Gross - Direct Business | R0310 | 20,399 | 2,174 | 1,183 | 216 | - | 154 | 24,126 |
| Gross - Proportional reinsurance accepted | R0320 | - | 429 | 9 | - | 43 | - | 481 |
| Gross - Non-proportional reinsurance accepted | R0330 | - | - | - | - | - | - | - |
| Reinsurers' share | R0340 | 296 | 3,649 | 1 | - | - | - | 3,946 |
| Net | R0400 | 20,103 | -1,046 | 1,191 | 216 | 43 | 154 | 20,661 |
| **Changes in other technical provisions** | | | | | | | | |
| Gross - Direct Business | R0410 | - | - | - | - | - | - | - |
| Gross - Proportional reinsurance accepted | R0420 | - | - | - | - | - | - | - |
| Gross - Non- proportional reinsurance accepted | R0430 | - | - | - | - | - | - | - |
| Reinsurers' share | R0440 | - | - | - | - | - | - | - |
| Net | R0500 | - | - | - | - | - | - | - |
| **Expenses incurred** | R0550 | 11,906 | 155 | 1,048 | 1,177 | 45 | 6 | 14,338 |
| **Other expenses** | R1200 | | | | | | | 369 |
| **Total expenses** | R1300 | | | | | | | 14,707 |

## S.17.01 – Non-Life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | Direct business and accepted proportional reinsurance | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| **Technical provisions calculated as a whole** | R0010 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | R0050 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | | |
| **Best estimate** | | | | | | | | | | | | | | | | | | |
| Premium provisions | | | | | | | | | | | | | | | | | | |
| Gross | R0060 | 1,279 | 65 | 98 | 6,178 | 5,170 | 224 | 3,054 | 454 | - | - | 118 | 722 | - | - | - | - | 17,363 |
| Total recoverable from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | - | 628 | 123 | - | - | - | - | - | - | - | - | - | - | - | 751 |
| Net Best Estimate of Premium Provisions | R0150 | 1,279 | 65 | 98 | 5,550 | 5,048 | 224 | 3,054 | 454 | - | - | 118 | 722 | - | - | - | - | 16,612 |
| **Claims provisions** | | | | | | | | | | | | | | | | | | |
| Gross | R0160 | 1,060 | 96 | 93 | 11,943 | 2,579 | 237 | 4,011 | 2,107 | - | - | 178 | 836 | - | - | - | - | 23,140 |
| Total recoverable from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | 54 | - | - | 2,354 | 432 | 7 | 1,741 | 26 | - | - | - | - | - | - | - | - | 4,614 |
| Net Best Estimate of Claims Provisions | R0250 | 1,006 | 96 | 93 | 9,589 | 2,147 | 230 | 2,270 | 2,081 | - | - | 178 | 836 | - | - | - | - | 18,525 |
| **Total Best estimate - gross** | R0260 | 2,339 | 161 | 191 | 18,121 | 7,749 | 462 | 7,065 | 2,561 | - | - | 296 | 1,557 | - | - | - | - | 40,503 |
| **Total Best estimate - net** | R0270 | 2,285 | 161 | 191 | 15,139 | 7,194 | 454 | 5,324 | 2,535 | - | - | 296 | 1,557 | - | - | - | - | 35,138 |
| **Risk margin** | R0280 | 87 | 8 | 8 | 832 | 186 | 20 | 197 | 181 | - | - | 15 | 72 | - | - | - | - | 1,607 |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | | |
| Technical Provisions calculated as a whole | R0290 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Technical provisions - total** | | | | | | | | | | | | | | | | | | |
| Technical provisions - total | R0320 | 2,427 | 170 | 199 | 18,953 | 7,935 | 482 | 7,262 | 2,742 | - | - | 311 | 1,630 | - | - | - | - | 42,110 |
| Recoverable from reinsurance contract/ SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | 54 | - | - | 2,982 | 555 | 7 | 1,741 | 26 | - | - | - | - | - | - | - | - | 5,365 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | R0340 | 2,373 | 170 | 199 | 15,971 | 7,380 | 474 | 5,521 | 2,715 | - | - | 311 | 1,630 | - | - | - | - | 36,745 |

## S.19.01 – Non-Life Insurance Claims Information (Total by Accident Year)

| | | |
|---|---|---|
| Accident year / Underwriting year | Z0020 | Accident year [AY] |

Gross Claims Paid (non-cumulative)

(absolute amount)

| | Year | Development year - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 |
| Prior | R0100 | | | | | | | | | | | 197 |
| N-9 | R0160 | 7,684 | 3,697 | 919 | 173 | 27 | 133 | -13 | 5 | 1 | -19 | |
| N-8 | R0170 | 7,409 | 3,665 | 458 | 270 | 177 | -8 | 6 | 22 | 14 | | |
| N-7 | R0180 | 8,157 | 3,991 | 356 | 102 | 42 | 39 | 2 | 62 | | | |
| N-6 | R0190 | 9,113 | 4,023 | 327 | 150 | 122 | 32 | -35 | | | | |
| N-5 | R0200 | 8,971 | 3,698 | 581 | 139 | 397 | 32 | | | | | |
| N-4 | R0210 | 10,192 | 5,621 | 663 | 157 | 361 | | | | | | |
| N-3 | R0220 | 8,670 | 3,854 | 935 | 138 | | | | | | | |
| N-2 | R0230 | 9,665 | 4,657 | 977 | | | | | | | | |
| N-1 | R0240 | 11,289 | 6,868 | | | | | | | | | |
| N | R0250 | 12,739 | | | | | | | | | | |

| | | In Current year | Sum of years (cumulative) |
|---|---|---|---|
| | | C0170 | C0180 |
| | R0100 | 197 | 89,542 |
| | R0160 | -19 | 12,606 |
| | R0170 | 14 | 12,014 |
| | R0180 | 62 | 12,753 |
| | R0190 | -35 | 13,732 |
| | R0200 | 32 | 13,818 |
| | R0210 | 361 | 16,993 |
| | R0220 | 138 | 13,597 |
| | R0230 | 977 | 15,299 |
| | R0240 | 6,868 | 18,158 |
| | R0250 | 12,739 | 12,739 |
| Total | R0260 | 21,334 | 231,252 |

**Gross undiscounted Best Estimate Claims Provisions**

(absolute amount)

| | Year | - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 |
| Prior | R0100 | | | | | | | | | | | 582 |
| N-9 | R0160 | - | - | - | - | - | - | 144 | 180 | 177 | 147 | |
| N-8 | R0170 | - | - | - | - | - | 461 | 427 | 386 | 337 | | |
| N-7 | R0180 | - | - | - | - | 561 | 452 | 324 | 89 | | | |
| N-6 | R0190 | - | - | - | 756 | 503 | 386 | 478 | | | | |
| N-5 | R0200 | - | - | 987 | 825 | 433 | 243 | | | | | |
| N-4 | R0210 | - | 3,104 | 2,410 | 1,859 | 1,958 | | | | | | |
| N-3 | R0220 | 6,394 | 1,808 | 1,251 | 958 | | | | | | | |
| N-2 | R0230 | 8,328 | 2,538 | 1,183 | | | | | | | | |
| N-1 | R0240 | 10,761 | 3,385 | | | | | | | | | |
| N | R0250 | 13,685 | | | | | | | | | | |

Development year (columns - to 10 & +)

| | | Year end (discounted data) |
|---|---|---|
| | | C0360 |
| | R0100 | 585 |
| | R0160 | 148 |
| | R0170 | 339 |
| | R0180 | 89 |
| | R0190 | 481 |
| | R0200 | 244 |
| | R0210 | 1,966 |
| | R0220 | 962 |
| | R0230 | 1,189 |
| | R0240 | 3,399 |
| | R0250 | 13,738 |
| Total | R0260 | 23,140 |

## S.23.01 – Own Funds

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 12,000 | 12,000 | | - | |
| Share premium account related to ordinary share capital | R0030 | - | - | | - | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | R0040 | - | - | | - | |
| Subordinated mutual member accounts | R0050 | - | | - | - | - |
| Surplus funds | R0070 | - | - | | | |
| Preference shares | R0090 | - | | - | - | - |
| Share premium account related to preference shares | R0110 | - | | - | - | - |
| Reconciliation reserve | R0130 | 23,416 | 23,416 | | | |
| Subordinated liabilities | R0140 | - | | - | - | - |
| An amount equal to the value of net deferred tax assets | R0160 | - | | | | - |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | R0180 | - | - | - | - | - |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | R0220 | - | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | R0230 | - | - | - | - | - |
| **Total basic own funds after deductions** | R0290 | 35,416 | 35,416 | - | - | - |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | R0300 | - | | | - | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | R0310 | - | | | - | |
| Unpaid and uncalled preference shares callable on demand | R0320 | - | | | - | - |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | R0330 | - | | | - | - |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | R0340 | - | | | - | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | R0350 | - | | | - | - |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0360 | - | | | - | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | R0370 | - | | | - | - |
| Other ancillary own funds | R0390 | - | | | - | - |
| **Total ancillary own funds** | R0400 | - | | | - | - |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | R0500 | 35,416 | 35,416 | - | - | - |
| Total available own funds to meet the MCR | R0510 | 35,416 | 35,416 | - | - | |
| Total eligible own funds to meet the SCR | R0540 | 35,416 | 35,416 | - | - | - |
| Total eligible own funds to meet the MCR | R0550 | 35,416 | 35,416 | - | - | |
| **SCR** | R0580 | 16,149 | | | | |
| **MCR** | R0600 | 6,965 | | | | |
| **Ratio of Eligible own funds to SCR** | R0620 | 219% | | | | |
| **Ratio of Eligible own funds to MCR** | R0640 | 508% | | | | |

| | | C0060 | |
|---|---|---|---|
| **Reconciliation reserve** | | | |
| Excess of assets over liabilities | R0700 | 36,916 | |
| Own shares (held directly and indirectly) | R0710 | - | |
| Foreseeable dividends, distributions and charges | R0720 | 1,500 | |
| Other basic own fund items | R0730 | 12,000 | |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | R0740 | - | |
| **Reconciliation reserve** | R0760 | 23,416 | |
| **Expected profits** | | | |
| Expected profits included in future premiums (EPIFP) - Life business | R0770 | - | |
| Expected profits included in future premiums (EPIFP) - Non- life business | R0780 | - | |
| **Total Expected profits included in future premiums (EPIFP)** | R0790 | - | |

## S.25.01 – SCR for undertakings using the Standard Formula

| - | | Gross solvency capital requirement | Simplifications | USP |
|---|---|---|---|---|
| | | C0110 | C0120 | C0090 |
| Market risk | R0010 | 10,561 | - | |
| Counterparty default risk | R0020 | 4,654 | | |
| Life underwriting risk | R0030 | - | | |
| Health underwriting risk | R0040 | 903 | - | |
| Non-life underwriting risk | R0050 | 11,290 | - | |
| Diversification | R0060 | -7,282 | | |
| Intangible asset risk | R0070 | - | | |
| Basic Solvency Capital Requirement | R0100 | 20,127 | | |

| | | Value |
|---|---|---|
| Calculation of Solvency Capital Requirement | | C0100 |
| Operational risk | R0130 | 1,496 |
| Loss-absorbing capacity of technical provisions | R0140 | - |
| Loss-absorbing capacity of deferred taxes | R0150 | -5,473 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | - |
| Solvency capital requirement excluding capital add-on | R0200 | 16,149 |
| Capital add-on already set | R0210 | - |
| Solvency capital requirement | R0220 | 16,149 |
| Other information on SCR | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | - |
| Total amount of Notional Solvency Capital Requirement for remaining part | R0410 | - |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | R0420 | - |
| Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | R0430 | - |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | - |

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

| Calculation of loss absorbing capacity of deferred taxes | | LAC DT |
|---|---|---|
| | | C0130 |
| LAC DT | R0640 | |
| LAC DT justified by reversion of deferred tax liabilities | R0650 | |
| LAC DT justified by reference to probable future taxable economic profit | R0660 | |
| LAC DT justified by carry back, current year | R0670 | |
| LAC DT justified by carry back, future years | R0680 | |
| Maximum LAC DT | R0690 | |

## S.28.01 – MCR for Only Life or only Non-Life

| Linear formula component for non-life insurance and reinsurance obligations | | C0010 |
|---|---|---|
| MCRNL Result | R0010 | 6,965 |

| Background information | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | C0020 | C0030 |
| Medical expense insurance and proportional reinsurance | R0020 | 2,285 | 3,600 |
| Income protection insurance and proportional reinsurance | R0030 | 161 | 446 |
| Workers' compensation insurance and proportional reinsurance | R0040 | 191 | 199 |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | 15,139 | 13,783 |
| Other motor insurance and proportional reinsurance | R0060 | 7,194 | 13,282 |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 454 | 1,418 |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 5,324 | 5,847 |
| General liability insurance and proportional reinsurance | R0090 | 2,535 | 2,129 |
| Credit and suretyship insurance and proportional reinsurance | R0100 | - | - |
| Legal expenses insurance and proportional reinsurance | R0110 | - | - |
| Assistance and proportional reinsurance | R0120 | 296 | 1,597 |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | 1,557 | 2,225 |
| Non-proportional health reinsurance | R0140 | - | - |
| Non-proportional casualty reinsurance | R0150 | - | - |
| Non-proportional marine, aviation and transport reinsurance | R0160 | - | - |
| Non-proportional property reinsurance | R0170 | - | - |

| Linear formula component for life insurance and reinsurance obligations | | C0040 |
|---|---|---|
| MCRL Result | R0200 | - |

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

| Overall MCR calculation | | C0070 |
|---|---|---|
| Linear MCR | R0300 | 6,965 |
| SCR | R0310 | 16,149 |
| MCR cap | R0320 | 7,267 |
| MCR floor | R0330 | 4,037 |
| Combined MCR | R0340 | 6,965 |
| Absolute floor of the MCR | R0350 | 3,700 |
| **Minimum Capital Requirement** | R0400 | 6,965 |