

SOLVENCY  
AND FINANCIAL  
CONDITION REPORT (SFCR)  
**2021**

# **Fortegra Europe Holdings Limited**

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## **INTRODUCTION**

This report is the Solvency and Financial Condition Report (SFCR) of Fortegra Europe Holdings Limited, for the reporting period ended December 31, 2021, pursuant to Articles 51, 53, 54, 256 and 256a of the Solvency II Directive 2009/138/EC, as amended and Articles 290 to 298 and 359 to 364 of Delegated Regulation (EU) 2015/35, as amended. The report has been prepared in accordance with the Solvency II Regulations governing insurance company reporting, and is solely intended to fulfil the requirements thereof.

Pursuant to Article 51 of the Directive, certain information provided in this report is incorporated by reference to the Annual Report. There are, however, certain specific SFCR requirements which are not already reported publicly elsewhere, and those are specifically included in this report. In particular, this report includes reporting of the Solvency II valuation undertaken at December 31, 2021. Those results are also presented in the Quantitative Reporting Templates (QRTs).

### **Presentation of information**

This report relates to Fortegra Europe Holdings Limited and its subsidiary insurance company, Fortegra Europe Insurance Company, which constitute an insurance group at the level of Fortegra Europe Holdings Limited (collectively “the Group”) in terms of Articles 218 to 258 of the Solvency II Directive 2009/138/EC. Fortegra Europe Holdings Limited is a pure holding company with no other trading activity.

The Group’s financial statements and related notes are prepared in accordance with International Financial Reporting Standards (IFRS) and published in United States Dollar (“USD”). Unless otherwise stated, all amounts in this report are expressed in USD. Amounts may have been rounded. Rounding differences may exist, including for percentages.

The Group’s solvency calculation is prepared using the Accounting consolidation-based method in line with Article 230 of the Solvency II Directive 2009/138/EC.

### **Cautionary statement regarding forward looking statements**

This report may include statements with respect to future events, trends, plans, expectations or objectives and other forward-looking statements relating to the Group’s future business, financial condition, results of operations, performance, and strategy. Forward-looking statements are not statements of historical fact and may contain the terms “may”, “will”, “should”, “continue”, “aims”, “estimates”, “projects”, or words of similar meaning. Such statements are based on Management’s current views and assumptions and, by nature, involve known and unknown risks and uncertainties’ therefore undue reliance should not be placed on





them. Actual financial condition, results of operations, performance or events may differ materially from those expressed or implied in such forward-looking statements, due to a number of factors, including, but not limited to, general economic and political conditions and competitive situation, future financial market performance and conditions, including fluctuations in exchange and interest rates, frequency and severity of insured loss events, and increases in loss expenses, changes in laws, regulations and standards, the impact of acquisitions and disposals, including related integration issues, and reorganisation measures, and general competitive factors, in each case on a local and/ or global basis. Many of these factors may be more likely to occur, or more pronounced, as result of catastrophic events, or terrorist-related incidents.

## EXECUTIVE SUMMARY

Pursuant to the Solvency II Regulations, the following is a summary overview of each of the sections required in the report. Please refer to each of those sections in their entirety, including in each case the materials incorporated by reference therein.

### A. Business and performance (Section A)

The Group was formed at the beginning of 2018 and is a wholly-owned subsidiary of LOTS Intermediate Co., with Fortegra Financial Corporation serving as the ultimate parent.

The strategy of the Group is to support its sole subsidiary, Fortegra Europe Insurance Company Limited (the “Insurance Company”) in its primary activities being underwriting of non-life insurance. The Insurance Company was authorised on 29 March 2018 and accepts risks on the following Solvency II lines of business:

- Other Motor insurance;
- Fire and other damage to property insurance;
- Miscellaneous financial loss;
- Assistance

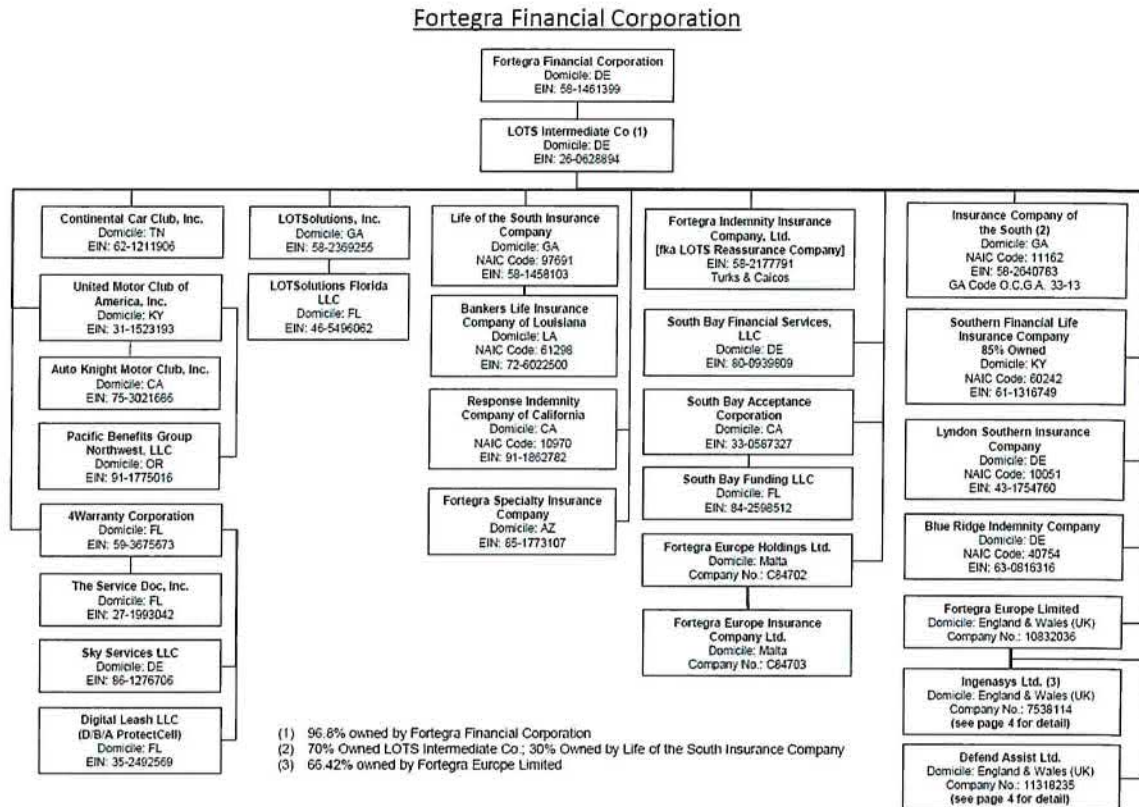
The Insurance Company transacted the first insurance business in November 2018. For the year ended 31 December 2021 gross written premiums amounted to USD101.0 million (2020: USD47.9 million) and claims incurred totalled USD17.8 million (2020: USD8.7 million). The Insurance company registered a profit before tax of USD8.7 million (2020: USD3.5 million) and the group profit before tax amounted to USD8.3 million (2020: USD 3.3 million).

### B. System of governance (Section B)

The Group’s structure is shown in the figure below:



The structure of Fortegra Financial Corporation is shown in the figure below:



In order to manage the risks to which the Group is exposed, the Group has put in place a comprehensive system of internal controls and risk management governance designed to ensure that executives are informed of significant risks on a timely and continuing basis and have the necessary information and tools to appropriately analyse and manage these risks. Such controls include an internal framework with three risk-related lines of defence; the use of the four key functions (Risk Management; Compliance; Internal Audit; and Actuarial) as required by the Solvency II Regulations; and a system of internal risk management governance designed to ensure that the risks to which the Group is exposed are identified, assessed, monitored and controlled in a timely manner.

### C. Risk profile (Section C)

Having no other trading activity other than the investment within the Insurance Company, the Group is exposed to the same risks of the Insurance Company. The Group is exposed to underwriting risks, market risks, credit risks, liquidity risks, operational risks and other material risks. These risks relate to the Insurance Company and reflect the fact that the Insurance Company is a start-up and is underwriting business across Europe. The nature of such risks and their impact on the Group’s risk profile under various scenarios are in each case set forth in



Section C hereof, including by reference to the documents incorporated therein.

As part of the Group's regulated Own Risk and Solvency Assessment (ORSA), the Group also considered a number of stress tests and scenarios to assess its resilience and strength of its business model when facing adverse events during the projected period. The results from these analyses indicate that the Group will continue to have eligible own funds to comply with the Solvency Capital Requirements (SCR) even in stressed scenarios.

## D. Valuation for solvency purposes (Section D)

The Group's Solvency II balance sheet is prepared as of December 31, 2021, in compliance with Solvency II Regulations.

Assets and liabilities are valued based on the assumption that the Group will pursue its business as a going concern. Technical provisions are recognised with respect to all insurance obligations towards policyholders and beneficiaries of insurance contracts. The value of technical provisions corresponds to the current amount that the Group would have to pay if it were to transfer its insurance obligations to another insurance undertaking.

Assets and liabilities, other than technical provisions, are recognised in compliance with IFRS and interpretations of the IFRS Interpretations Committee that are endorsed by the European Union before the balance sheet date, which were effective for the current financial period, provided that those standards and interpretations include valuation methods that are in accordance with the following market consistent valuation approach set out in Article 75 of the Solvency II Directive:

- Assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
- Liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

## E. Capital management (Section E)

The Group has the appropriate structure and processes necessary to manage and oversee its own funds, and has a policy and medium-term capital management plan to maintain solvency levels within the limits established by the legislation and by the Group's own risk appetite.

The following table shows details of the Group's solvency ratio:

	<b>31 December 2021</b>
Solvency Capital Requirement (SCR)	USD31,278,676
Eligible own funds to meet the SCR	USD53,526,649
<b>Solvency ratio (SCR coverage)</b>	<b>171.1%</b>



The Group's Solvency Capital Requirement amounted to USD31.2 million. The SCR corresponds to the own funds that the Group must hold to limit the probability of bankruptcy to one case per 200, or that the Group is still 99.5% able to meet its commitments to insurance beneficiaries or policyholders during the following year.

To calculate the solvency ratio, the Group does not make use of matching and volatility adjustments, or transitional measures for technical provisions.

The Solvency II regulation also establishes a Minimum Capital Requirement (MCR), which is the minimum level of security under which financial resources should never fall. The Group's MCR amounted to USD12.4 million. The ratio of eligible own funds to MCR is equal to 433.2%.

## **Events after the reporting date**

The geopolitical situation in Eastern Europe intensified in late February 2022, with the commencement of Russia's military action against Ukraine. Political events and sanctions are continually changing and differ across the globe. There is currently no indication that there will be a significant impact on the company's financial performance, financial position and cash flows. The situation continues to be closely monitored by management to ensure that the interests of all its stakeholders are safeguarded.



## **A. BUSINESS AND PERFORMANCE**

## **A. BUSINESS AND PERFORMANCE**

### **A.1 Business**

Fortegra Europe Holdings Limited is a limited liability company incorporated in Malta with registration number of C 84702. It is a pure holding company with no other trading activity and its strategy is to support its subsidiary, Fortegra Europe Insurance Company Limited (the “Insurance Company”) in its primary activities being underwriting of non-life insurance. Fortegra Europe Holdings Limited is defined as being an “insurance holding company” in Article 212 (f) of the Solvency II Directive.

The Insurance Company operates as a non-life insurance company authorised by the Malta Financial Services Authority (“MFSA”) with the head office situated in Malta. The Group is a wholly-owned subsidiary of LOTS Intermediate Co., with Fortegra Financial Corporation serving as the ultimate parent. Fortegra, an insurance holding company, was incorporated in the State of Georgia in 1981 under the name Life of the South Corporation. In 2009, Fortegra changed its name to Fortegra Financial Corporation and subsequently reincorporated in the State of Delaware in November 2010. Its principal executive offices are located at 10751 Deerwood Park Boulevard, Suite 200, Jacksonville, Florida, 32256.

The Insurance Company is authorised under the Insurance Business Act (Cap. 403) to write insurance under business Classes 3 (Land vehicles), 8 (Fire and natural forces), 9 (Other damages to property), 16 (Miscellaneous financial loss) and 18 (Assistance), transacting business and providing its services in the following territories:

- |                  |                 |                  |
|------------------|-----------------|------------------|
| - Austria        | - Germany       | - Netherlands    |
| - Belgium        | - Greece        | - Norway         |
| - Bulgaria       | - Hungary       | - Poland         |
| - Croatia        | - Iceland       | - Portugal       |
| - Cyprus         | - Ireland       | - Romania        |
| - Czech Republic | - Italy         | - Slovakia       |
| - Denmark        | - Latvia        | - Slovenia       |
| - Estonia        | - Liechtenstein | - Spain          |
| - Finland        | - Lithuania     | - Sweden         |
| - France         | - Luxembourg    | - United Kingdom |

The business written to date is in the UK, Spain, Ireland, the Netherlands, Poland, the Czech Republic, Hungary, Slovakia, France, Germany, Italy, Denmark, Sweden, Lithuania and Malta.

The below are details of the Group:

#### REGISTERED ADDRESS

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Office 13, SOHO Office, The Strand, Fawwara Building  
Triq l-Imnsida, Gzira, GZR 1401  
Malta

#### SUPERVISORY AUTHORITY

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The Group's principal supervisor is the Malta Financial Services Authority (MFSA).

Malta Financial Services Authority (MFSA),  
Triq l-Imdina,  
Zone 1, Central Business District, Birkirkara  
CBD 1010  
Malta  
Phone: + 356 2144 1155  
Website: [www.mfsa.com.mt](http://www.mfsa.com.mt)

#### STATUTORY AUDITORS

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Deloitte Audit Limited,  
Deloitte Place,  
Triq l -Intornjatur  
Central Business District  
CBD 3050  
Phone: + 356 2343 2000

#### SHAREHOLDERS

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The table below reflects the company, which hold qualified investments in the Group:

Name	Legal Status	Location	% of ownership
LOTS Intermediate Co.	Limited Liability	Delaware, United States	100%

The registered address of the shareholder is:

LOTS Intermediate Co. (Reg no: 4365570)  
National Corporate Research Ltd,  
850 New Burton Road, Suite 201, Dover,  
Kent County, Delaware 19904,  
United States



## A.2 Underwriting performance

The Group saw significant growth in 2021 with the Insurance Company writing increased volumes across all of its product lines; Guaranteed Asset Protection, Other Motor Insurance products (Tyre & Wheel insurance, SMART insurance (dents & scratches), Auto Extended Warranty, Car Hire Excess insurance, Roadside Assistance) and Household Insurance products (Mobile Phone & Gadget cover, Furniture Insurance).

The following is a list of the main product and policy types that the Company wrote during the year:

### **Miscellaneous Financial Loss:**

**Guaranteed Asset Protection (GAP):** Motor vehicle asset protection products providing customers with a financial benefit over and above the amount a motor insurer will pay out in the event the vehicle is declared a total loss, for example, as a result of accidental or malicious damage, fire, theft or flood. The main types of GAP policies purchased are as follows:

**i) Contract Hire/ Lease GAP**

Where a policyholder has leased or hired a motor vehicle for a fixed period, the policy will pay the difference between the contract hire/ lease settlement figure and the motor insurers' settlement.

**ii) Finance GAP**

Where the motor vehicle has been purchased under a finance agreement, the policy will pay the amount by which the finance agreement settlement figure exceeds the motor insurers' settlement.

**iii) Combined Return to Invoice and Finance GAP**

Will pay the greater of a) the amount by which the purchase price of the motor vehicle exceeds the comprehensive motor insurers' settlement or b) the Finance GAP benefit as explained above.

**iv) Combined Vehicle Replacement and Finance GAP**

Will pay the greater of a) the amount by which the cost of a replacement vehicle (equivalent to the original motor vehicle specification) exceeds the comprehensive motor insurers' settlement or b) the Finance GAP benefit as explained above.

### **Other Motor Insurance:**

**Extended Warranty / Mechanical Breakdown Insurance (MBI):** A motor vehicle warranty providing cover for mechanical or electrical failure to specific components up to an agreed limit per claim and in aggregate over the term.

**SMART Repairs (Small to Medium Accident Repair Techniques):** SMART products providing insurance to cover the cost of any parts and labour for minor repair damage, which can be defined as chips, minor dents, light scratches and incidents sustained to the vehicle caused by day to day motoring.

**Key & Misfuel Insurance:** Products providing cover in the event of theft or loss of keys (or remote entry device) to a motor vehicle and where the vehicle has been filled accidentally with the incorrect type of fuel.

**Tyre Insurance:** In the event of accidental or malicious damage, policies providing cover for repair (where possible) or replacement of tyre(s) with tyres of the same or similar specification, subject to the excess payable.

**Alloy Wheel Insurance:** Policies covering the cost of parts and labour to carry out minor repairs to the painted finish of alloy wheels resulting from accidental damage.

**Roadside Assistance:** Policies covering the service of carrying out minor mechanical repairs and adjustments making the vehicle drivable again following a break down.

**Car Hire XS:** Policies providing customers with a financial benefit to cover the risk of loss of any excess amount due in the event of a claim on the primary insurance cover for the hired vehicle.

**Other Property Insurance:**

**Furniture:** Policies covering structural defects beyond the manufacturer's warranty and accidental damage. Depending upon the type of furniture that is purchased, the length and type of cover that is provided by the manufacture can differ, therefore extended warrant or cover can differ in duration and benefit can be purchased to compliment any warranty that is provided at point-of-sale.

**Mobile & Gadget Cover:** Insurance for mobile phones, tablets, iPads, cameras, laptops, MacBook's, etc.

**Home Appliance: White Goods:** Policies covering mechanical or electrical failure or breakdown, typically for kitchen appliances such as washing machines, tumble dryers, washer dryers, dishwashers, fridges, freezers, fridge freezers and cookers, being operated in a domestic environment.

**Small Appliance:** Policies covering mechanical or electrical failure or breakdown for small appliances typically used around the home, such as microwaves, irons, toasters, kettles and others being operated in a domestic environment.

**Consumer Electronics: Brown Goods:** Policies covering mechanical or electrical failure or breakdown, typically for home entertainment products such as televisions, DVD



players/recorders, digital receivers, games consoles etc. being operated in a domestic environment.

Below is the quantitative information regarding the activity and underlying results for 2021 by line of business.

<b>Non-life insurance</b>	<b>Miscellaneous financial loss 2021 (USD)</b>	<b>Other motor Insurance 2021 (USD)</b>	<b>Other property insurance 2021 (USD)</b>	<b>TOTAL 2021 (USD)</b>
Gross premiums written	30,811,416	48,682,285	21,516,024	101,009,725
Reinsurers' share	(11,650,851)	(14,704,344)	(6,692,160)	(33,047,355)
<b>Net premiums written</b>	<b>19,160,565</b>	<b>33,977,941</b>	<b>14,823,864</b>	<b>67,962,360</b>
Change in the gross provision for unearned premium	(14,789,409)	(19,181,790)	(14,347,617)	(48,318,816)
Change in the gross provision for unearned premium, reinsurers' share	6,742,426	11,222,724	5,739,255	23,704,405
<b>Earned premiums, net of reinsurance</b>	<b>11,113,582</b>	<b>26,018,875</b>	<b>6,215,502</b>	<b>43,347,959</b>
<b>Operating expenses</b>				
Acquisition costs	(5,640,182)	(10,959,920)	(4,836,311)	(21,436,413)
Change in deferred acquisition costs, net of reinsurance	485,439	1,477,343	2,753,389	4,716,171
<b>Earned premiums, net of reinsurance and acquisition costs</b>	<b>5,958,839</b>	<b>16,536,298</b>	<b>4,132,580</b>	<b>26,627,717</b>
Claims paid	(2,378,217)	(11,707,520)	(3,703,478)	(17,789,215)
Change in the provision for claims	13,931	-	(4,378)	9,553
<b>Claims incurred, net of reinsurance</b>	<b>(2,364,286)</b>	<b>(11,707,520)</b>	<b>(3,707,856)</b>	<b>(17,779,662)</b>
<b>Net underwriting income</b>	<b>3,594,553</b>	<b>4,828,778</b>	<b>424,724</b>	<b>8,848,055</b>

As can be seen from the above table, the Company closed the year with net annual premium for these policies amounting to USD68.0 million.

### A.3 Investment performance

The only investment of Fortegra Europe Holdings Limited is within the Insurance Company. The latter has an Investment Management Policy in place. In line with the Investment Management Policy, the Insurance Company only invests in assets whose risks can be properly identified, measured, monitored, controlled and reported. Moreover, such assets shall meet the specific risk profile, approved risk tolerance limits and the business strategy of the Insurance Company. It is the Insurance Company's policy that the funds are invested in a range of instruments and credit institutions in order to provide for their safety, liquidity and return.

Through the year the company's cash resources have grown. As at 31 December 2021, the majority of the Company's liquid assets are held in cash and cash equivalents and ETFs.

<b>Investment income</b>	<b>2021 (USD)</b>	<b>2020 (USD)</b>
Interest and investment income	214,444	733,323
<b>Total financial income</b>	<b>214,444</b>	<b>733,323</b>





## **A.4 Performance of other activities**

The Group's income is solely generated from the underwriting performance of the policies and the investment performance of the Insurance Company. Likewise, the expenses are solely generated from the technical and operational costs of the Insurance Company. The Group had no other material income and expenses from other activities in the reporting period.



## **A.5 Any other information**

There is no additional information that has not been included in the preceding sections.

## **B. SYSTEM OF GOVERNANCE**

## **B. SYSTEM OF GOVERNANCE**

### **B.1 General information on the system of governance**

The Board of Directors of the Insurance Company, which is the entity responsible for fulfilling the governance requirements at the level of the Group, is the focal point of the Group's corporate governance regime and is ultimately responsible for all decisions made regarding its governance. In the setting up and design of the structure of the organisation, the Board of the Insurance Company ensures that there are adequate and suitably qualified human resources to safeguard the proper operation of the Group. In addition to this, the Board of the Insurance Company ensures at all times that there are well defined communication and reporting procedures in place to ensure that any relevant and critical information is immediately shared amongst the appropriate persons throughout the organisation and that these have access at all times to any information that they need in order to discharge their duties effectively, efficiently and in a timely manner. The flow of information will flow across the organisational hierarchy top down and vice versa, and across any operational or functional units as required.

Moreover, the Board of the Insurance Company drives and monitors the system of governance to ensure that the Company's established functions, controls and systems are effective and in line with the Company's policies and regulatory requirements. This is achieved through established policies, processes, key function holders, committee meetings and board meetings.

#### **Board of Directors**

The Group has common Board members. This is not considered to result in a conflict of interest given that the Group shares common goals and to date, only one entity has business activities. The Board of Directors of Fortegra Europe Holdings Limited is composed of Richard Kahlbaugh (Chairman), Michael Vrban and Michael Grasher. Richard Kahlbaugh is the President and CEO of Fortegra Financial Corporation, the ultimate parent. This ensures effective communication with the wider corporate group. The Board of Directors of the Insurance Company is composed of Richard Kahlbaugh (Chairman), Michael Vrban, Michael Grasher, Sanjay Vara, Kevin Vella, Michael Gatt and Francis Colalucci.

The Board of the Insurance Company is responsible for setting out the general direction of the Group, the goal being of achieving sound and prudent management. Sound and prudent management entails an effective risk management function and the implementation of adequate internal control practices in a consistent manner throughout the organisational structure. The Board of the Insurance Company has established various policies to encompass all the Group's controls and processes.



To this effect the Board of the Insurance Company has the following written policies:

- Business Continuity Policy	- Capital Management Policy
- Complaints Handling Policy	- Compliance Policy
- Conduct Risk Policy	- Corporate Governance Policy
- Data Privacy Policy	- Fit and Proper Policy
- Internal Audit Policy	- Investment Management Policy
- Own Risk and Solvency (ORSA) Policy	- Outsourcing Policy
- Underwriting, Pricing and Risk Appetite Policy	- Product Oversight and Governance Policy
- Disclosure Policy	- Reserving Policy
- Risk Management Policy	

All policies are reviewed at least annually or when there are material changes to the business structure or changes in any process or processes, in order to ensure that they are up to date and that they reflect the controls intended to be put and kept in place by the Board. All policy reviews are documented and there will be an identified reviewer for each policy. Any recommendation for change is proposed directly to the respective Board Committee and the Board gives the final approval or otherwise for any proposed changes. Any reason for change or otherwise is also documented. The Board of the Insurance Company ensures that all policies are communicated and understood throughout the organisation, and where necessary or applicable they are made known to any outsourced service providers. In addition to the above, the Board may develop any other policies if required by its business profile or make changes to existing policies where required.

The Board of the Insurance Company meets at least four times every year or more frequently if required by the business of the Group, or if any circumstance material to the organisation arises at any point in time.

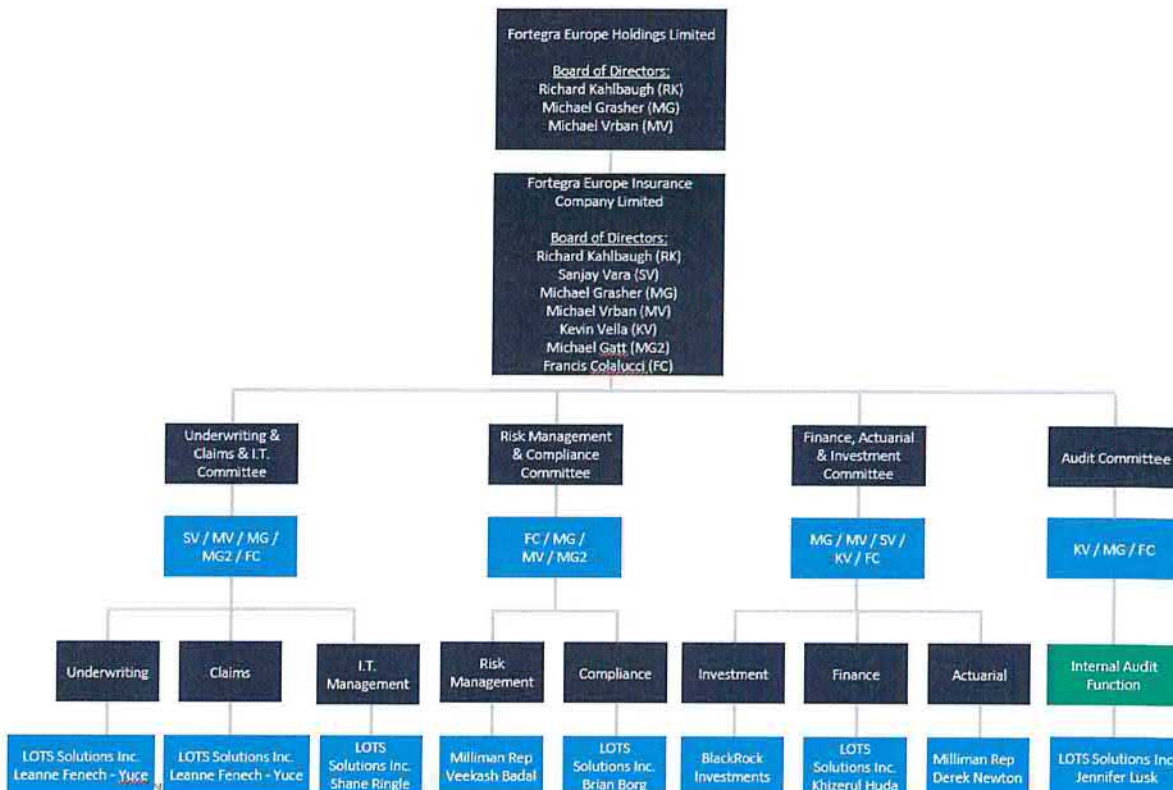
The Board of the Insurance Company possesses the required diversity of knowledge, skills and experience to perform their role effectively and fulfil the Solvency II criteria to collectively possess the appropriate qualification, experience and knowledge about at least:

- a) Insurance and financial markets;
- b) Business strategy and business model;
- c) System of governance;
- d) Financial and actuarial analysis;
- e) Regulatory framework and requirements.

All Group Directors have been assessed to be fit and proper for the roles. Personal Questionnaires for each Director have been completed.

## Group's governance structure

The Group's governance structure is shown in the figure below:



## The Board Committees

The Board of the Insurance Company appointed various committees to assist it in its governance role. However, it still retains the ultimate responsibility for these delegated functions. Each committee has its own terms of reference and the reporting of each of the established committees is directly to the Board of the Insurance Company. The Board Committees are as follows:

### Underwriting and Claims and IT Committee

Chairman: Mr. Sanjay Vara  
 Members: Mr. Mike Grasher  
 Mr. Mike Vrban  
 Mr. Michael Gatt  
 Mr. Francis Colalucci

This Committee exists to establish and review, on a regular basis, the insurance needs of the



Company's clients and the adequacy of the policies in place, via relationships or otherwise, to ensure the terms and conditions of the Company's Underwriting Agreements with Third Party Administrators (TPAs) or intermediaries in the host jurisdictions are complied with. The Committee is also responsible for ensuring that appropriate due diligence processes are conducted in relation to the quality, size and geographic scope of the claims handling services of the TPAs. Meetings of the Committee are held at least on a quarterly basis.

Finance, Actuarial and Investment Committee

Chairman: Mr. Mike Grasher  
Members: Mr. Sanjay Vara  
Mr. Mike Vrban  
Mr. Kevin Vella  
Mr. Francis Colalucci

This Committee is responsible for the oversight of the service providers performing the finance, actuarial and investment management functions of the Company and ensuring they meet the expected standards of service in terms of their outsourcing agreements. The Committee is also responsible for the monitoring of the integrity of the financial statements of the Company and the appropriateness of the Company's internal data, systems and controls and compliance with legal and regulatory requirements relating to financial reporting, actuarial and investment management functions. Meetings of the Committee are held at least on a quarterly basis.

Risk Management and Compliance Committee

Chairman: Mr. Francis Colalucci  
Members: Mr. Mike Grasher  
Mr. Mike Vrban  
Mr. Michael Gatt

This Committee is responsible for the oversight of the service providers performing the risk management and compliance functions of the Company and ensuring they meet the expected standards of service in terms of their outsourcing agreements. In performing its oversight role, the Committee shall ensure that it receives regular reports from the risk management and compliance functions of the Company at each Committee meeting. Meetings of the Committee are held at least on a quarterly basis.

In terms of Article 2(1) (f) of the Solvency II Directive 2003/71/ EC, the Company classifies as a small and medium-sized enterprise.



## Key functions

The Board of the Insurance Company approved various policies to ensure operational independence of the key functions and direct access to the governing body. The Board and/ or relevant delegated committees receive reports from the responsible areas at the Group. The names of the parties responsible for the key functions were communicated to the MFSA.

The key functions have the resources that are necessary to perform the functions assigned to them under their respective policies.

The Company has identified the following key functions:

### SALES AND DISTRIBUTION FUNCTION

The Group promotes its products primarily via insurance intermediaries who will introduce their business to Fortegra. The Group ensures that all appointed insurance intermediaries are duly licensed entities and will enter into a formal Terms of Business Agreement (TOBA) with such intermediaries on a temporary, annual basis. These intermediaries are independent from Fortegra and intermediate on behalf of various insurance undertakings. The function holder is Ms. Leanne Fenech Yuce as General Manager, with the oversight role being assumed by Mr. Sanjay Vara as the Chairman for the Underwriting, Claims and IT Committee.

### UNDERWRITING FUNCTION

The function holder is Ms. Leanne Fenech Yuce, with the oversight role being assumed by Mr. Sanjay Vara as the Chairman for the Underwriting, Claims and IT Committee.

### FINANCE FUNCTION

The function holder is Mr. Khizerul Huda. The oversight for the finance function is assumed by Mr. Mike Grasher as Chairman for the Finance, Actuarial and Investment Committee.

#### COMPLIANCE FUNCTION

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The key function holder of this function is Mr. Brian Borg. The oversight of the function is held by Mr. Francis Colalucci as Chairman of the Risk Management and Compliance Committee. The Group's intention is to continue to passport its services to various territories within Europe and in order to ensure full compliance with the general good provisions of the host jurisdiction, the Group engages the services of suitably qualified companies or individuals to provide such local advice pertinent to each territory, who in turn will support the compliance function in Malta. The Compliance Officer will continue to ensure that when the Group obtains such services, it does so with fit and proper service providers and will oversee the approval of such compliance matters.

#### RISK MANAGEMENT AND ACTUARIAL FUNCTION

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These functions are both assumed by Milliman LLP. The Group has taken this path to ensure that both functions, which are very much aligned in Solvency II disciplines are managed by a Group which is well known, professional and experts in this field. The Risk Management Function is overseen by Mr. Frank Colalucci as the Chairman of the Risk Management and Compliance Committee, while the Actuarial Function is overseen by Mr. Mike Grasher as the Chairman of the Finance, Actuarial and Investment Committee.

#### CLAIMS HANDLING FUNCTION

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The Group utilises the expertise of outsourced TPAs to handle claims management functions. All TPAs are vetted under strict guidelines and formally appointed by the Group. TPAs operate under strict delegated authority in line with the terms of formal Claims Management Agreements. TPAs will manage claim files in line with the Group's instructions and have defined limits for the payment of specific indemnities. Within the Group, the Claims Handling Function is assumed by Ms. Leanne Fenech Yuce. Mr. Sanjay Vara, as Chairman of the Underwriting, Claims and IT Committee carries out the oversight role on the Claims Handling Function.

#### INTERNAL AUDIT FUNCTION

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This function is outsourced intra-group to group internal audit. The key function holder is Ms. Jennifer Lusk of LOTS Intermediate Co, with the oversight role being held by Mr. Kevin Vella as Chairman of the Audit Committee. On-site audits are conducted on a regular basis, maintaining an independent outlook on various matters, in adherence to the Internal Audit Policy. Moreover, an Internal Audit Plan was presented to the Board for approval during the year. Periodic review of compliance with relevant rules, regulations and regulatory requirements at an operational level are also conducted. Internal auditors also perform tests of information system general controls for systems used in claims processing, as well as tests of inventory integrity and internal controls over financial reporting.



## INVESTMENT MANAGEMENT FUNCTION

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This function is outsourced to BlackRock (Netherlands) B.V. The investment management function will perform investment in securities in accordance with the approved Board's written guidelines and restrictions. The oversight role is held by Mr. Mike Grasher as Chairman of the Finance, Actuarial and Investment Committee.

## IT MANAGEMENT FUNCTION

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Mr. Shane Ringle of LOTS Intermediate Co is responsible for IT management and he establishes and directs the strategic and tactical goals, policies, and procedures for the information technology department at Fortegra Group. He is responsible for direction in the software development, network operations and IT security teams. The oversight for this key function is carried out by Mr. Sanjay Vara as Chairman for the Underwriting, Claims and IT Committee.

The forums and their responsibilities are as set out below:

<b>Management Body</b>	<b>Risk Management Roles and Responsibilities</b>
Board of Directors	<ul style="list-style-type: none"> <li>- Set and agree Group's strategic direction</li> <li>- Maintain the Risk Management Framework, including any major or significant changes</li> <li>- Agree risk strategy</li> <li>- Agree risk appetite</li> <li>- Review and approve risk register</li> <li>- Oversee information systems and data appropriateness</li> <li>- Ensure adequate and appropriate communication between Directors and with all other parties</li> <li>- Ensure that members of the Board, Committees and other parties, including those performing significant outsourced functions, possess the relevant knowledge and experience and fully understand what is required of them</li> <li>- Oversee the calculation of the SCR and continuous compliance therewith</li> <li>- Ensure any conflicts are appropriately managed and do not hinder the proper performance of any individual's duties</li> <li>- Oversee and challenge the ORSA and ensure that this forms an integral part of the decision-making process</li> <li>- Approve the ORSA</li> <li>- Ensure that all sub-committees and other functions perform their required duties adequately and promptly and, where required, report to the Board in a timely and appropriate manner</li> </ul>

- Set and agree an appropriate remuneration policy
  - Oversee processes and procedures to enable relevant reporting information to be obtained
  - Oversee QRT reporting disclosures
  - Oversee and approve the annual Solvency and Financial Condition Report
  - Oversee and approve the annual Regular Supervisory Report
- Risk Management and Compliance Committee
- Propose and oversee Risk Management Framework, including any major or significant changes
  - Propose and oversee risk strategy
  - Propose and oversee risk appetite
  - Determine risk register and keep up-to-date
  - Oversee fair outcomes for consumers
  - Ensure that information systems are adequate and appropriate to the Group's requirements, that the data produced is appropriate for the intended use and that the systems enable the identification and management of all risks
  - Oversee the calculation of the SCR and continuous compliance therewith
  - Assist in the ORSA process and ensure that this forms an integral part of the decision-making process
  - Ensure that appropriate processes and procedures are in place to enable relevant reporting information to be obtained
  - Recommend and approve QRT reporting disclosures
  - Oversee and recommend the annual Solvency and Financial Condition Report
  - Oversee and recommend the annual Regular Supervisory Report
  - Ensure the internal audit requirements are met in an appropriate and proportional manner
  - Liaise with internal audit
  - Report to the Board the results of internal audits
  - Ensure any weaknesses/ issues arising from the internal audit are appropriately dealt with
  - Liaise with in-house/ outsourced actuarial function providers
  - Report to the Board on the actuarial function
  - Ensure all required Pillar III disclosures are met
- Underwriting and Claims and IT Committee
- Assist Board in setting insurance risk strategy and appetite
  - Ensure insurance risk strategy is adhered to
  - Propose to the Board insurance risk appetite limits and tolerances



- Monitor insurance risk against limits and ensure this is appropriately reported to the Board
- Provide appropriate input into the calculation of the SCR and technical provisions
- Provide appropriate input into the ORSA process
- Provide any required input into the QRT reporting and the SFCR

#### Audit Committee

- Informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the Committee was in that process
- Review and approval of the internal audit plan
- Monitoring the financial reporting process and the submission of recommendations or proposals to ensure its integrity
- Providing recommendations to the Board of Directors as respects filing of all required interim and annual financial reports, including audited financial statements and such other statutory reports including Own Risk and Solvency (ORSA), Solvency and Financial Condition Report (SFCR) and Regular Solvency Report (RSR) that require Board approval;
- Establishing procedures for the receipt and treatment of complaints or concerns coming from employees, contractors or the external auditors regarding accounting, internal controls or auditing matters;
  - Y Ensuring that significant findings and recommendations made by internal audit are received and discussed on a timely basis and ensuring that management responds to recommendations by internal audit;
- Monitoring the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the Accountancy Board established by article 6 of the Accountancy Profession Act (Cap. 281), pursuant to Article 26 (6) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, (“Statutory Audit Regulation”);
- Reviewing the additional report prepared by the approved auditor submitted to the Committee in terms of Article 11 of the Statutory Audit Regulation;
- Reviewing and monitoring the independence of the approved auditor in accordance with Articles 22 (2), 22 (4) (a), 22 (4) (b) and 24 of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (“Statutory Audit Directive”) and Article 6 of the Statutory Audit Regulation, and in particular the suitability of the provision of non-audit services to



the Company in accordance with Article 5 of the said Regulation; Y Selection of the approved auditor and recommending the approved auditor to be appointed in accordance with Article 16 of the Statutory Audit Regulation.

Although responsibility for various areas has been delegated, the Board of the Insurance Company retains overall responsibility for risk management and for ensuring at all times that the Group is managed in a risk-focused manner.

## Relevant resolutions adapted by shareholders and the Board

During 2021, there were no changes to the Group's governance structure, other than the introduction of the Audit Committee.

## Additional information

In the normal course of business operations, a number of transactions took place between the Group and Fortegra Financial Corporation. These transactions related to reinsurance and the payment of costs and administrative expenses.

## **B.2 Fit and proper requirements**

The Group has an approved Fit and Proper Policy. The Policy aims to establish the fitness and propriety requirements of the Group with the applicable legislation, regulations and standards of good practice, particularly with Article 42 of the Solvency II Directive and Chapter II - Fit and Proper of the Guidelines on System of Governance issued by EIOPA on 28<sup>th</sup> January 2015 (EIOPA - BOS-14/253).

The aim of this Policy shall be to ensure that all persons who effectively run the Group or have key functions within the Group, fulfil the following requirements at all times:

- That their professional qualifications, knowledge and experience are adequate to enable sound and prudent management;
- That they are of good repute and integrity.

The Policy shall be reviewed by management and presented to the Board of the Insurance Company, including any proposed amendments thereto, at least on an annual basis. The same Board will consider any recommendations arising from the annual review and will be required to approve any proposed revision of the Fit and Proper Policy before it becomes effective.

The Insurance Company's Board must have:

Collectively: the appropriate qualifications, experience, and knowledge in at least the following areas:

- a) Insurance and financial markets;
- b) Business strategy and business model;
- c) System of governance;
- d) Financial and actuarial analysis;
- e) Regulatory framework and requirements.

Individually: training and experience appropriate to the professional profile, specifically in the insurance and financial services area, with practical experience obtained from prior positions held during a sufficient period of time.

Relevant personnel and, where applicable, outsourced personnel must have proven personal, professional and business integrity based on trustworthy information about their personal and professional conduct and reputation, including any criminal, financial and supervisory issue which is relevant for this purpose.

To this effect, relevant personnel and outsourced personnel, where applicable must meet the following requirements:



**Personal, professional and business integrity**

- A personal career reflecting the highest respect for company and other laws governing economic activity and business operations, as well as good sales, financial, and insurance practice;
- No criminal records related to crimes against heritage, money laundering, against the social/ economic order and against the tax authorities and social security, and fines related to offences related to infringement against the insurance industry, securities market or consumer protection;
- They must not be prevented from exercising representation in public or management positions in insurance or financial entities;
- They must not be disqualified based on the prevailing regulations.

**Eligibility and compatibility**

- Shall not be subject to incompatibility, disqualification or prohibition pursuant to the laws and internal regulations in force;
- Shall not find themselves in an unavoidable conflict of interest pursuant to the laws and internal regulations in force;
- Shall not hold substantial shareholdings in, or provide professional services to, competitors of the Group, or to be employees, executives or officers thereof, unless they are expressly authorised by the Insurance Company's Board;
- Shall not be involved in circumstances which may cause their appointment to or participation in the Insurance Company's Board to place the Group's interest at risk.

## Assessment of fitness and properness

The Group ensures that the person is fit for the position to be held by following these procedures:

- Evidence shall be provided of qualifications and degrees that are in line with the requirements of the job description, prior to the recruitment of the person in question by the Group;
- The Group shall encourage and sponsor ongoing training and personal development through attendance at seminars and courses related to the area of specialisation of the person in question.

The Group ensures that the person is proper for the position to be held by following these procedures:

- A recent good conduct background check is completed and recent employment references shall be obtained prior to the employment of the person in question;
- As part of the recruiting process, at least one of the Directors, representing the



shareholder, shall hold an interview with the person in question in order to ensure that the person is of integrity, honest, competent, and with the correct appetite, attitude and motivation for the position;

- The Compliance Officer shall obtain an annual declaration from every Director of the Group and persons who have submitted their Personal Questionnaire to the MFSA. This shall ensure that they have not been condemned to pay convictions, been subjected to disciplinary, administrative or other action in any court of law in relation to administrative, disciplinary or criminal offence relating to the exercise of duties as Director or Officer of the Group. Furthermore, such declaration shall confirm that they have not been subject of any ongoing investigations, enforcement actions or administrative sanctions by any relevant regulatory or professional body for non-compliance with the provisions governing banking, financial, securities, insurance activity, securities markets, payment instruments or any financial services legislation.

## B.3 Risk management system including the own risk and solvency assessment

### Governance structure

The Insurance Company's Board is ultimately responsible for ensuring the Risk Management System's effectiveness and for determining the Group's Risk profile and tolerance limits. Further to this, the Insurance Company's Board is also responsible for approving the Risk Management Strategies and policies within the Risk Management Framework. In performing these functions, the Insurance Company's Board is supported by the Risk Management and Compliance Committee.

The Insurance Company's risk management function facilitates the application of the Risk Management System. Its functions include the coordination of the strategies, processes and procedures that are necessary to continually identify, measure, monitor, manage and report all the risks to which the Group is exposed to, or may be exposed to.

The risk management function reports to the Insurance Company's Board through the Risk Management and Compliance Committee any risk exposures, taking into account their interdependencies, and compliance with established limits, including the ORSA.

### Risk management objectives, policies, and processes

The main components of the Insurance Company's approach to Risk Management are as follows:

#### **Risk appetite**

The Insurance Company sets risk appetites for the various risk categories and appropriate measures and controls are selected and agreed for each of the risk categories. This enables regular reporting to the Board of the Insurance Company and assists the same Board in monitoring the Insurance Company's risks. The risks and controls will be refined as the business grows. Risk appetite is measured in terms of:

- Those activities and associated risk exposures within a given period of time that the Insurance Company is prepared to accept, those it will avoid, those to be transferred via insurance/ reinsurance or other contracts and those requiring mitigation through control;
- The ranking of risks within the Insurance Company's risk register, i.e. management's view as to whether the risk is adequately controlled or if further work is required to mitigate the risk to improve the resultant risk score;

- Internal Capital Assessment (ICA)
  - a) Total capital required to meet strategic and operational objectives; and
  - b) As a measure of the total risk based capital which the Insurance Company is prepared to set aside, in case of the crystallisation of significant risks. The capital to be held will be determined by the statutory requirements (under Solvency II insurers are required to hold sufficient available capital to avoid the risk of insolvency within the next year with a confidence level of 99.5%) and by the Insurance Company's Board's own risk appetite, e.g. using different measures and over a different timeframe.

### **Risk profiling**

The risk register is used to record the risk profiling exercise. The information to be recorded in the risk register includes risk reference number/ ID, risk category, risk type, risk description, risk controls and risk tolerance.

### **Internal Capital Assessment**

A key component of the Risk Management Framework is the Internal Capital Assessment (ICA). This assessment is used to calculate the capital required for each category of the risk that the Insurance Company is exposed to. Capital requirements are calculated at the 99.5% confidence level with a 1-year horizon, i.e. to represent a worst-case scenario of a 1 in 200-year event. The capital analysis of the risks contained within the risk register is completed at least annually during the ORSA.

Capital is managed by the Insurance Company to ensure the ongoing viability and success of the Company. Pure financial objectives are balanced with the need to set aside appropriate capital in case of adverse events, in accordance with risk appetite and the MFSa requirements.

### **Strategic planning**

The strategic planning process is an annual process when strategy is reviewed and operating plans for future years are formulated. This process considers the Insurance Company's risk profile as recorded within the risk register, together with the current risk policies and ICA requirements.

The business objectives are determined, key challenges identified and core assumptions agreed. Scenario analysis is used to help shape strategic options at an early stage, stress tests are applied to challenge key assumptions behind strategic objectives and the overall plan, and operating plan objectives are analysed in detail to identify and assess associated risks.

### **Record keeping**

Risk register details are retained indefinitely by the Insurance Company and include details of risk identification and assessment, risk appetite, key controls and remedial actions proposed and implemented. The following records are of particular importance:



- Risk register
- Risk Management Framework Policy, including approval of changes
- Strategic Planning documents
- Compliance exceptional reports
- Internal audit plans and reports
- Board reports and minutes

### **Risk assessment**

The Insurance Company aims to:

- Identify the risks and identify what could affect the business and processes going forward;
- Communicate risks that crystallise to the Directors and the Risk Management and Compliance Committee;
- Ensure that controls are identified for each operational risk.

### **Monitoring and controlling risk**

Key monitoring and control activities are undertaken by the Risk Management and Compliance Committee and ultimately the Board of the Insurance Company.

The Risk Management Policy has the following main objectives:

- To explain the Group's underlying approach to risk management, whilst giving key aspects of the risk management process, and identifying the main reporting procedures;
- To embed a culture of risk awareness within the Group;
- To make all directors, management and staff accountable for managing risk in line with their roles and responsibilities;
- To identify, prioritise, measure, manage, monitor and treat all critical risks in a consistent and effective manner;
- To report using appropriate and reliable risk management tools (including key risk indicators, risk and control self-assessments) to support risk based decision making and capital assessment;
- To comply with all relevant legislation, regulatory requirements, guidance and codes of practice;
- To provide senior management and the Insurance Company's Board with timely and dependable assurance that the organisation is managing the significant risks to its business; and
- To enable the Insurance Company's Board to review, refresh and approve the Insurance Company's Risk Management Strategy annually, as well as to follow any significant change to the business' operating model environment.

Capital is generally estimated in line with the budget for the following year, and is periodically reviewed throughout the year according to risk development, to ensure compliance with the established Risk Appetite limits.



The governing bodies of the Group receive information regarding the quantification of the main risks to which the Group is exposed and the capital resources available to absorb them, as well as information regarding compliance with Risk Appetite limits.

The ORSA is another process through which the Group monitors and identifies any material risks the company may face. A breakdown of the processes for the identification, measurement, management, monitoring, and notification of risks, by type, is set out below.

Type of Risk	Measurement and management	Monitoring and reporting
<b>Non-life underwriting risk</b> <ul style="list-style-type: none"> <li>- Premium risk</li> <li>- Reserve risk</li> <li>- Lapse risk</li> <li>- Reinsurance mitigation</li> </ul>	Standard formula	Annual
<b>Market risk</b> <ul style="list-style-type: none"> <li>- Interest rate risk</li> </ul>	Standard formula	Annual
<b>Credit risk</b> Reflects any possible losses arising from unexpected non-compliance by counterparties and debtors over the subsequent twelve months.	Standard formula	Annual
<b>Operational risk</b> Risk of possible losses deriving from the inadequacy or malfunction of internal processes, personnel or systems, or from external events.	Standard formula	Annual
<b>Liquidity risk</b> Risk that the Group might not be able to realize its investments and other assets in order to meet its financial commitments at maturity.	Liquidity position Liquidity indicators	Continuous

<p><b>Compliance risk</b></p> <p>Risk of losses due to legal/ regulatory penalties or reputation losses arising from the failure to comply with laws and regulations, or with applicable administrative requirements.</p>	<p>Monitoring and recognition of significant events</p>	<p>Continuous</p>
<p><b>Strategic and corporate governance risk</b></p> <p>Includes the following risks:</p> <ul style="list-style-type: none"> <li>- Business ethics and good corporate governance</li> <li>- Distribution channels</li> <li>- Organizational structure</li> <li>- Market competition</li> </ul>	<p>Through the corporate policies aligned with the Group's business and organisational principles</p>	<p>Continuous</p>

All of the calculations deriving from the standard formula are updated when there is a material change in the risk profile. The Group's Board is regularly informed of the risks to which the Group is exposed.

## Own Risk and Solvency Assessment (ORSA)

The Own Risk and Solvency Assessment (ORSA) is an integrated process in the Insurance Company's Risk Management System. The ORSA is a mechanism, which identifies, measures, monitors, manages, and reports any short or long-term risks. Further, to ensure a relationship between the business strategy and the overall solvency capital level, the ORSA process is synchronised with the Group's strategic plan. Thus, the ORSA includes all the significant and potential risk that the Group might face and the measures required to mitigate them.

The ORSA is a forward looking process with a three year time horizon which is consistent with business planning, that the ORSA model is based (after demonstrating its appropriateness) on the standard formula approach therefore assuming confidence level of 99.5% and that risks not covered by the Standard Formula are looked at qualitatively or quantitatively if deemed material.

The ORSA process considers all potential risks facing the Group, using the risk appetite statement as a starting point. The Group's Board is supported in this by key function holders and Milliman LLP, as set out in the Insurance Company's Governance Framework. However, the Group's Board retains ultimate responsibility for the ORSA, including approving the ORSA Policy, directing the

process, challenging the assumptions, methodologies and results, and ensuring the output is taken into account in any decisions made. Save for extraordinary events, the ORSA is prepared annually and will take place during the final months of the Group's financial year, thus ensuring that the timing is aligned with the business planning process.

The risk management function also carries out capital management activities that verify the following:

- The eligibility of capital in line with the current legislation;
- The compatibility of distributable dividends for continuous compliance with the Solvency Capital Requirement;
- Continuous compliance with future solvency capital requirements;
- Amounts and quality of the various eligible capital items capable of absorbing losses.

In addition to this, the risk management function is also responsible for the preparation, submission and approval by the Insurance Company's Board of the medium-term Capital Management Plan, encompassing the results from forecasts included within the ORSA.

The Group has built validation mechanisms to ensure that the data used is complete, accurate and appropriate. Section E of this report includes more detailed information on capital management.



## **B.4 Internal control system**

The Insurance Company within the Group is equipped with a comprehensive and effective internal control system encompassing all activities, including those carried out by third party service providers, to ensure well-ordered and efficient operations.

Due to its nature, Internal Control involves all people, irrespective of their hierarchical level within the organization, who collectively contribute to providing reasonable assurance on the achievement of the objectives mainly with regard to:

- Operations objectives: effectiveness and efficiency of operations, differentiating the insurance operations (mainly underwriting, claims, reinsurance and investment) as support operations and functions (human resources, administration, commercial, legal, IT, etc.);
- Information objectives: trustworthiness of information (financial and non-financial, both internal and external) regarding its reliability, timeliness or transparency, among others;
- Compliance objectives: compliance with applicable laws and regulations.

For its development within the organisation, the Group adopts a 'three lines of defence' Risk Management Framework for managing the uncertainty and prevention of risk as described below:

- 1) The first line of defence consists of functions that own and manage risk. It is made up of the employees, the management and operations, business and support departments, which are responsible for maintaining an effective control on a day- to-day basis.
- 2) The second line of defence consists of functions that oversee or specialise in risk management and compliance. It is made up of the key functions such as risk management, actuarial function, compliance and other assurance functions, which ensure the internal control functioning.
- 3) The third and final line of defence consists of functions that provide independent assurance, above all internal audit, which provides independent assessment of the adequacy, appropriateness and effectiveness of the Internal Control System and communicates eventual weaknesses timely to whom is responsible for taking the corrective measures, including Top Management and Governing Bodies, as appropriate.

The objective of the governance mechanism is to have continuous appropriate compliance, controls, incentives, communications systems and internal structures that encourage prudent effective internal decision-making and transparent operations. The Group's internal control



system consists of tasks and actions that are present in all the activities of the organization and as such is fully integrated into the organisational structure of the Group.

## Compliance function

The role of the compliance function is to advise the Insurance Company's Board on the laws, regulations and administrative provisions that effect the Insurance Company, hence the Group's compliance with the established regulations. Further to this, the compliance function also conducts an impact assessment of the changes in the legal environment.

The Insurance Company's compliance function is based on the specific applicable regulatory requirements, as well as the principle of proportionality based on its business volume and the nature and complexity of the risks assumed by the Group.

Moreover, the compliance function has other responsibilities as set out below:

- Maintain control schedule of required functions/ actions and ensure carried out within specified timeframes;
- Ensure all aspects of the governance framework are kept up-to-date;
- Prepare and update risk events log and report to Board;
- Report to the Board on regulatory, legislative, and other compliance matters;
- Oversee the implementation of improvements/ changes recommended by internal audit.

The Insurance Company's Compliance Policy approved by the Board in 2019, and the subsequent reviews established that no updates to the Policy were required since then. The Policy defines the structure and responsibilities of the compliance function.

## **B.5 Internal audit function**

The internal audit function provides an objective, independent and value added overview of the Group's system of governance. It maintains its independence as it reports directly to the Audit Committee and also has free and unrestricted access to meetings and to all information considered necessary for the proper execution of the function.

Moreover, the internal audit function has other responsibilities as set out below:

- Develop and implement a flexible annual audit plan using an appropriate risk based methodology, taking into consideration any risks or control concerns identified by management. The audit plan as well as periodic updates to the plan must be shared with the Audit Committee to coordinate internal audit activities and plans with other assurance providers;
- Review and monitor functioning of internal controls;
- Assess internal control effectiveness;
- Assess appropriateness and effectiveness of overall systems of governance;
- Ensure that the internal audit resources are appropriate and effectively deployed to achieve the annual audit plan;
- Make recommendations to correct deficiencies and for improvements;
- Report to the Board of the Insurance Company, and at least annually, on the sufficiency and appropriateness of the Group's policies, practices, and controls;
- Make recommendations for remediation action in respect of any significant weaknesses, deficiencies, or matters of noncompliance and ensuring that the remediation actions are carried out.

The mission, function, attributes and obligations of the internal audit function are outlined in the Internal Audit Policy. This has been approved by the Insurance Company's Board.

The Policy includes the rights and obligations of the Group's internal auditors, as well as their code of ethics. The primary objective is to communicate knowledge and internal audit aspects, classification of audit work, recommendations and deadlines, treatment of audit reports, and any other circumstance related to internal audit activities.

In addition to the aforementioned rights and obligations, the Group's internal auditors avail themselves of the code of ethics as spelled out in the Internal Audit charter. The code of ethics embodies the following four main requirements for internal auditors: Fit and proper, Objectivity, Confidentiality and Proficiency.

## B.6 Actuarial function

The Group's actuarial function is outsourced to Milliman LLP and governed by the requirements set out in Article 48 of the Solvency II Directive. The actuarial function's oversight is the responsibility of the Finance, Actuarial and Investment Committee and the Insurance Company's Board in ensuring continuous adequacy of own funds in line with the Group's risk appetite, business strategies and regulatory Minimum Capital Requirement.

The Actuarial Function Policy sets out the basic principles and methods and the structure required to perform this function. It outlines in particular the objectives and tasks, the area of responsibility and information, disclosure and audit rights of the actuarial function. The overarching objectives of the actuarial function are defined as follows:

- to coordinate the calculation of technical provisions for the economic solvency balance sheet;
- to ensure the appropriateness of the methods and underlying models used, and of the assumptions made in the calculation of the technical provisions for the economic solvency balance sheet;
- to evaluate the adequacy and quality of the data used for calculating the technical provisions for the economic solvency balance sheet;
- to provide an opinion on general underwriting and acceptance policy; and
- to provide an opinion on the appropriateness of reinsurance agreements.

Beyond this, it is the actuarial function's objective to ensure consistency of the methods used for calculating technical provisions in areas of substantive overlap between the valuation standards of Solvency II and IFRS and to consider the impact of the valuation of technical provisions on other positions of the balance sheet.

The actuarial function performs its tasks independently. To ensure that their independence is not compromised in any way, actuarial function staff may not perform any operational tasks in risk acceptance that they are themselves responsible for monitoring. The actuarial function reports to the Board of the Insurance Company at least once a year in the form of a written Actuarial Function Report. This report contains opinions on:

- the reliability and appropriateness of the calculation of the technical provisions;
- the general underwriting and acceptance policy;
- the appropriateness of the reinsurance agreements; and
- the activities undertaken by the actuarial function, including their outcomes.

The Finance, Actuarial and Investment Committee reviews the written Actuarial Function Report and makes recommendations to the Board of the Insurance Company in respect of any matters arising from the report which it considers require action or improvement. The Actuarial Function on request reports once a year at a meeting of the Finance, Actuarial and Investment Committee on its activities and the results of its work.



## **B.7 Outsourcing**

The Outsourcing Policy establishes the general principles, tasks, processes and responsibilities in the event of outsourcing of a critical and/ or important business function. The scope of this Policy is to establish the standards for implementing outsourcing arrangements for any key, critical, important operational function of the Group in full compliance with legislative and regulatory requirements.

Any outsourced key function or critical function must be notified to the MFSA.

The Insurance Company's Board retains ultimate responsibility for the discharging of any obligations related to the outsourced activity or function and must exercise due care in the selection of the service providers, ensuring that they are fit and proper and that any risk generated by the outsourced activity is managed effectively. The Insurance Company's Board also remain fully responsible for any sub out-sourcing by the service provider. Furthermore, the Board must ensure that any sub-outsourcing would be notified prior to becoming effective and that it is satisfied that the ultimate service provider also meet the Group's fitness and properness requirements.

The existing governance structure ensures that the Group has sufficient control over the critical functions and/ or activities that have been outsourced, in the terms established in the Solvency II Directive and the enabling local legislation.



## **B.8 Any other information**

There is no additional information that has not been included in the preceding sections.

## **C. RISK PROFILE**



## **C. RISK PROFILE**

### **Preliminary information**

The Group is committed to implementing a continuous, proactive and systematic approach to risk management that is effected by the Insurance Company's Board and management. The Insurance Company's risk management processes are designed to identify any potential risks that may affect the operations of the Group and the support it is expected to provide to its respective stakeholders, and to manage these within an agreed upon range of risk tolerances. Risk management is applied strategically and appropriately to provide reasonable assurance that the Group will achieve its objectives.

Risk identification involves documenting the risks within the business and those influencing from the outside. The causes and consequences, together with the mitigation controls are identified for each risk. Each risk identified is assessed, in terms of impact and probability. Level of concern is expressed for each risk and represents a measure of risk appetite. The assessments of inherent risk, residual risk and level of concern are performed by the risk management function holder and reviewed by the Risk Management and Compliance Committee and ultimately the Insurance Company's Board.

The Group calculates its Solvency Capital Requirement (SCR) using the standard formula. For the main risk categories, the standard formula is considered an appropriate risk measurement tool for determining the Group's risk exposure, as it recognises the capital charge corresponding to key risks (such as underwriting, market, counterparty and operational risk).

The Group's exposure to other risks not included in the Standard Formula SCR (such as liquidity risk) is not considered significant, as the Group has effective measures in place for the management and mitigation of such risks.

This section provides detail on the breakdown of the capital requirement under Solvency II by risk module and risk sub-module. It also includes a description of the reduction and mitigation techniques used by the Group to minimise its risks. Any possible concentrations are also indicated.

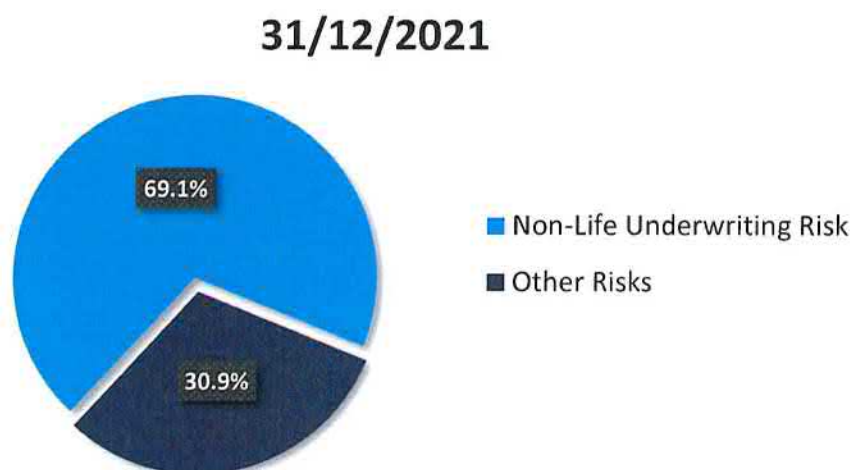
## C.1 Underwriting risk

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. The Company underwrites three lines of business:

- Other Motor insurance;
- Fire and other damage to property insurance;
- Miscellaneous financial loss.
- Assistance

Section A.2 'Underwriting performance' details the breakdown of lines written by the company in the year ended 31 December 2021.

As at 31<sup>st</sup> December 2021, underwriting risk represented 69% of all of the risk modules included in the SCR standard formula calculation. The following chart presents details by module.



The Insurance Company has an Underwriting and Pricing Policy in place which exists to ensure that it has a clear and formal framework of underwriting principles that will provide sustainable pricing for its core functions in full compliance with the Risk Management Policy of the Group. The Policy outlines the processes and controls that are required to adequately analyse, price and manage the business it is willing to accept.

The Group minimises underwriting risk through the implementation of the following measures:

### **Establishing policies, limits and exclusions in underwriting risk**

The insurance products sold by the Group outline the cover provided but are all subject to terms, conditions, limitations and exclusions. These are generally subject to domestic and international

market standards and practices. Notwithstanding, the Insurance Company's Underwriting and Pricing Policy establishes the insurance products that can be sold or written by the Group and the lines of business that cannot be entertained. Furthermore, the Underwriting and Pricing Policy provides authority limits which detail the Gross Written Premium by function holder and define the information that is required to be submitted as part of the underwriting process.

#### **Setting of a sufficient premium**

The Group gives importance to premium sufficiency, which is supported by actuarial calculations. In relation to pricing, the Group bases its underlying assessment of risk to drive a minimum 15% margin (of net risk), achieving a loss ratio no greater than 85%.

#### **Adequate allocation of the technical provisions**

Claims handling and the sufficiency of technical provisions, are basic principles of insurance management. Technical provisions are calculated by the Group's Finance Department with the involvement of the Actuaries.

#### **Use of reinsurance**

During the year the Insurance Company has entered into a Quota Share Reinsurance Treaty with Fortegra Indemnity Insurance Company, wherein the Company would cede 50% of its business on a Quote Share basis, upon activation of the Reinsurance. This was activated on 1 July 2021.

The Insurance Company also has in place (since 2020) a separate Reinsurance Treaty with Fortegra Indemnity Insurance Company, wherein the Company cedes 90% of its risk specific to one particular GAP program.

The Group's objectives overall and for managing underwriting risk are as follows:

- To provide quality insured products that provide value to the end customer;
- To deploy its products and services through B2B relationships with well recognised, reputable brands only;
- To appoint partners, including brokers and TPA's that are financially sound and that are highly regarded within the industry;
- To have a clearly defined understanding of the insurance business it wishes to write;
- To refer to the Underwriting and Claims and IT Committee any business that is considered not to be within its risk appetite or is deemed to be of high risk in nature.

The Company is exposed to underwriting risk arising from natural or man-made catastrophes. To mitigate catastrophe risk, specific reinsurance coverage (as mentioned above) will be purchased to protect the Company's net retained exposure.



## Claims risk

The Group utilises the expertise of outsourced TPAs to handle claims management functions. TPAs are vetted under strict guidelines and formally appointed by the Group. TPAs are required to operate under strict delegated authority in line with the terms of formal Claims Management Agreements.

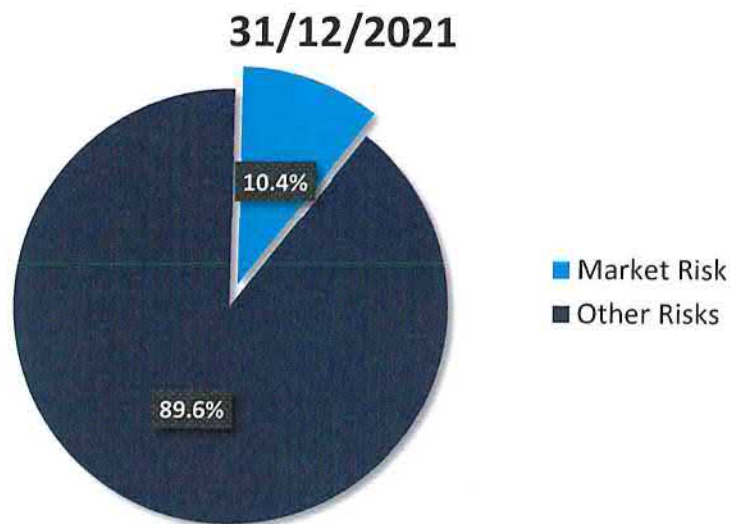
TPAs manage claim files in line with the Group's instructions and have defined limits for the payment of specific indemnities. Any claims or losses exceeding these agreed limits will be referred to the General Manager for approval prior to authorisation and payment of the claim. It must be noted that for the majority of products the claims are low value, routine claims subject to fixed pre-agreed amounts such as replacement costs or repair costs that do not involve complex loss adjustment processes. Any exceptional or large loss would be referred to the General Manager who consults with the Underwriting and Claims and IT Committee members or the Board by circular email or in ad hoc meetings and refers the Committee's decision to the TPA in writing.

Within the delegated authority there will be no allowance for any declinature, denial, ex-gratia payments or commercial decision making. Any exceptions to the policy terms or guidelines will require written approval from the Underwriting and Claims and IT Committee members or the Board prior to execution.

## C.2 Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. It is the risk that arises from fluctuations in the values of, or income from, assets. It includes risks associated with movements in interest rates, foreign exchange exposure, equity investments and valuation processes.

As at 31<sup>st</sup> December 2021, market risk represents 10.4% of all the risk modules included in the SCR standard formula calculation. The following chart presents details by module.



The Group aims to maintain a balance between capital preservation, liquidity and investment return. As at 31 December 2021, the majority of the Group’s liquid assets are held in cash or short and medium term iShares Exchange Traded Funds.

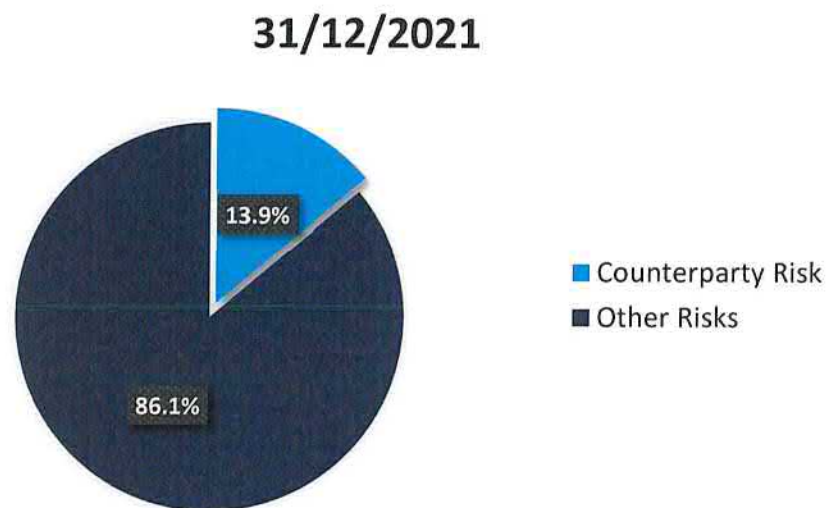
The Group has put in place arrangements such that liabilities falling due will be met by assets matched by currency for all of the Insurance Company’s business written across Europe. However, from the point of view of the Solvency II balance sheet, in contrast to the IFRS balance sheet, an element of currency risk may arise from the expected future profit arising from the business and the recognition of this profit in the reporting currency. This risk is not deemed material.

The Company mitigates its exposure to market risk through a prudent investment policy, characterised by eligible investments included within the benchmark. The Company is prohibited to invest in open-end or closed-end collective investment schemes or any commodity futures or options contracts.

### C.3 Credit risk

Credit risk is the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties, and any debtors to which insurance undertakings are exposed, in the form of counterparty default risk.

As at 31<sup>st</sup> December 2021, the counterparty default risk represents 13.9% of all of the risk modules included in the SCR standard formula calculation. The following chart presents details by module.



#### Counterparty default risk

The company currently holds almost all of its cash resources at one bank, which currently has long term issuer credit ratings from the major rating agencies which are in the 'A' range, and is therefore exposed to counterparty default risk if bank credit is downgraded. This could occur if one or more bank(s) are impacted by material adverse financial market performance and global economic downturn, leading to an increase in the likelihood of bank failure.

During the year, the Company entered into a Quota Share reinsurance arrangement with Fortegra Indemnity Insurance Company (a company with an 'A'- rating). This gives rise to a counterparty default risk capital charge on the reinsurance arrangement.

The risk management of credit risk should cover the failure of counterparty due diligence of both insurance counterparties and reinsurers. Risks that have been identified as material are included within the risk register. Risk identification involves a regular, systematic review of the risks on the risk register and documentation of other new and developing risks within the business and those



influencing it from outside. This risk identification phase should reflect the most current status of the undertaking's risk profile.

The risk management process will include systems and controls set out as applicable policy and procedures in respect of counter-party assessment including screening, credit risk measurement, problem exposures, provisioning and mitigation and record keeping. Each risk is classified into a risk zone denoted by green, amber or red, with the zones being aligned to the risk appetite of the Company. The risk profile is monitored by the Risk Management and Compliance Committee.

#### **Management and mitigation techniques**

Key controls in place are:

- Due diligence reviews of counterparties
- Terms of Business Agreements in place
- Regular monitoring on aged debt
- Audits of counterparties
- Review of credit ratings of counterparties
- Review of all new and renewing reinsurance transactions
- Limiting loss funds held by TPAs

## C.4 Liquidity risk

Liquidity risk is the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

Liquidity risk is not included in the SCR Standard Formula calculation. Exposure to liquidity risk is considered to be low, taking into account the Group's conservative investment policy, with its investments held in cash and cash equivalent assets. Accordingly, the Group's investment risk is relatively limited.

### Management and mitigation techniques

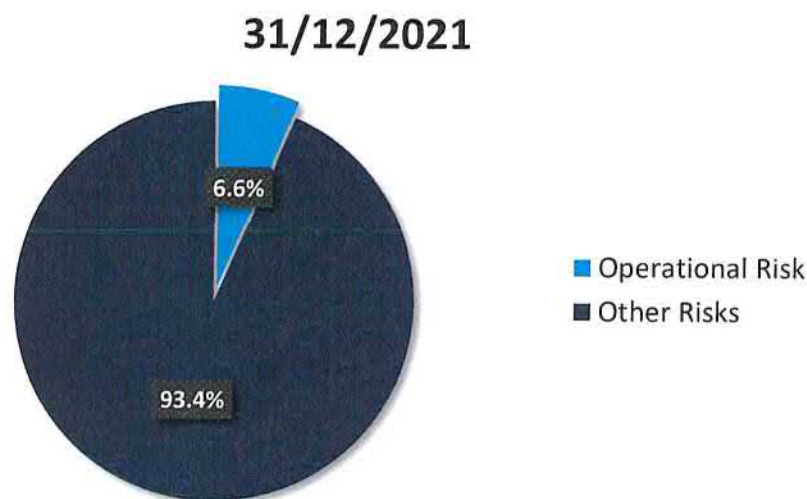
Key controls in place are:

- Cash flow monitoring and reporting
- Claim movements reports
- Claim settlement statements from business partners using in cash flow planning

## C.5 Operational risk

The Group defines operational risk as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk is diverse in nature and permeates all business activities, but remains a distinct form of risk in its own right. Operational risk includes the risk associated with information systems, people, external events and strategy, process, finance and accounting, business continuity, outsourcing, regulatory and legal, security and financial crime.

As at 31<sup>st</sup> December 2021, the operational risk represents 6.6% of all of the risk modules included in the SCR standard formula calculation. The following chart presents details by module.



Some of the operational tasks involved in the running of Fortegra are outsourced and therefore, most of the operational risk would result from a dysfunction within the outsourcing counterparty. The Group reviews the functions of outsourced service providers to ensure there is a sufficient control environment to mitigate this risk.

The Group seeks to conduct its operations in accordance with market good practice and the highest standards of integrity and fair dealing issues as endorsed by the regulatory requirements, designed to protect policyholders. The operational activities of the Group are supported by appropriate suitable IT systems which are all backed up. Moreover, people risk is managed with the aim of ensuring that sufficient skilled and motivated staff are engaged in a cost effective and compliant manner. Personnel who require MFSA approval (approved persons) are subject to ongoing monitoring with regards to fitness and properness requirements.





### **Management and mitigation techniques**

Key controls in place are:

- Data back-up and recovery
- Emerging risk process
- Business continuity plan
- Training and development programme
- Conduct risk controls
- Sanction process
- Business change management

## C.6 Other material risks

### Non-compliance risk

Non-compliance risk is defined as the risk of incurring losses as a consequence of legal or regulatory penalties, or loss to reputation that may affect the Group as a result of not complying with laws, regulations, rules, internal and external standards or administrative requirements which should be applied to its activities.

The risk is primarily mitigated through the work performed by the compliance function who advises the Group on compliance with laws and regulations and also include an assessment of the possible impact of any changes in the legal environment on the operations of the Group and the identification and assessment of compliance risk.

### Legal risk

Legal risk is defined as the event arising from a change in regulations, law or administrative procedures that may adversely affect the Group.

Over the last years, the regulatory framework to which the insurance industry is subject is being extended with new regulations both at the international and the local level. Additionally, it must be borne in mind that the Group operates in a complex environment under increasing regulatory pressures, not only in the insurance sector but also in the technological, corporate governance or criminal corporate responsibility fields, among others.

This risk is primarily mitigated through the work performed by the compliance function and through the support from the Group's legal counsel.

### Cybersecurity risk

Cyber risks are those risks related to security in the use of information and communication technologies, cyberspace and the transfer, processing and storage of electronic data. These cyber risks can compromise:

- The confidentiality, integrity and availability of information handled by the Group, as well as that of the systems which store, process and/ or transmit it;
- The continuity of the Group's business activity and the services it provides to clients;
- In extreme cases, the physical security both of the facilities and of the people.



The Group relies on the Fortegra Group IT infrastructure and the various IT systems of its key service providers. Fortegra Financial Corporation is responsible for ensuring IT maintains PCI, SOX and regulatory compliance, while establishing policies and procedures that protect the Company against IT risks, including unauthorized access to information, data integrity issues and emerging cybersecurity threats.

## Group risk

The Group has assumed no additional capital requirement for group risk due to the simplicity of the Group structure and the risk mitigations in place. The Group views the operational risk capital requirement of the Insurance Company as sufficient to appropriately cover group risk. There is only one subsidiary company within the Group, being the Insurance Company. Given Group's structure and the current state of the business, group risk is deemed to be immaterial.

## Strategic risk

The Group aims to operate an appropriate framework for limiting the possibility of strategic risk which could arise from inappropriate business decisions or the implementation of such decisions or a lack of consideration of the wider markets in which the Group operates. The Group sets a high level business strategy which is translated into a three year financial business plan, a volume plan by distribution channel and a detailed one-year budget. Performance both against budget and volume plan are reviewed quarterly.

## Brexit

The Board will continue to monitor the impact of Brexit to ensure that prompt mitigation action can be taken at the appropriate time were this to become necessary due to any adverse Brexit related consequences.

The Insurance Company currently participates in the Temporary Permissions Regime (TPR) for inbound passporting EEA Firms, as well progressing its application to open a UK Branch in order to maintain access to the UK market post completion of Brexit.



## C.6 Any other information

### Stress and scenario tests

The purpose of such stress and scenario tests is to determine the areas of greatest risks to the financial wellbeing of the Company. These tests allow the Board to consider the impact on the internal view of required capital and to plan any actions that may be required.

Under the ORSA process, the Board of Fortegra have directed a number of scenario tests to be carried out, a summary of which is provided below.

#### **Scenario 1: Volumes outperform business plan**

As the company only commenced underwriting in Q4 2018, the volumes of business expected to be written in future years are subject to significant uncertainty. The purpose of this scenario is to establish the effect on the overall solvency capital requirement and available capital from a 20% increase in business volumes written over the next 3 years, above those forecast in the business plan. In this scenario, at no point during the next 3 years would the solvency ratio of the company drop to below the target of 120%.

#### **Scenario 2: Pessimistic business plan**

The aim of the second scenario is to establish the effect on the overall solvency capital requirement of a 20% decrease in business volumes written over the next 3 years. In this scenario, it was assumed that business volumes are 20% lower than expected from 1<sup>st</sup> January 2022, with the volumes of business written in the next subsequent years also assumed to be 20% lower than expected. In this scenario, at no point during the next 3 years would the solvency ratio of the company drop to below the target of 120%.

#### **Scenario 3A: Downgrade of The Company's primary bank credit rating from A range to BB**

The company currently holds almost all of its cash resources at one bank, which currently has long term issuer credit ratings from the major rating agencies which are in the A range. The company is therefore exposed to counterparty default risk from this entity and it is prudent to investigate the impact of this entity having its credit rating downgraded. The company has therefore considered a credit rating downgrade to the BB range.

The increased probability of default increases the projected SCR, as would be expected, but only by a relatively marginal amount. The Solvency Ratio target of 120% would still be comfortably met in all years.

**Scenario 3B: Downgrade of the Company's reinsurer from A to BBB**

The Company is exposed to counterparty default risk from its reinsurer as the 50% Quota Share reinsurance arrangement is applied to business written from July 2021. The increased probability of default due to the assumed lower credit rating of the reinsurer increases the Counterparty Risk SCR.

The overall impact of this on the Overall SCR is somewhat mitigated by the increased diversification benefit. Under this scenario, the solvency ratio continues to stay well above 120%.

**Scenario 4: Failure of the company's largest Outsourced Service Provider**

This scenario is based on the possibility that Fortegra's largest TPA is required to cease operating due to becoming financially insolvent, fraud issues or regulatory sanctioning. The business with the TPA is assumed to cease at the end of 2021.

In the modelled scenario the adverse impacts of this for Fortegra comprise:

- Loss of debt (outstanding premiums owed to Fortegra as well as the associated premium tax);
- Potential recourse from repairers for outstanding repair costs;
- Costs associated with transferring the existing book of business to an alternative TPA

The results of the modelled scenario illustrate a reduction in the Solvency Ratio, however, the Solvency Ratio target of 120% would still be comfortably met in all years.

**Scenario 5: A combination of weaker than expected volumes and increased loss ratios**

This scenario considers the combined effect of business volumes underperforming the plan by 10% and loss ratios being higher than plan in both 2022 and 2023. Such a scenario could be consistent with the present weakness of the global economy (as a consequence of the impact of the COVID-19 pandemic) overlaid with hypothetical higher rates of claims for some of Fortegra's product lines.

The stress to the loss ratios leads to a decline in the Solvency Ratio, although the Solvency Ratio target of 120% would still be comfortably met in all years.

**Scenario 6: An increase in loss ratios with business volumes remaining in line with plan**

This scenario considers the isolated effect of loss ratios being higher than plan in both 2022 and 2023. Such a scenario could be consistent with the present weakness of the global economy (as a consequence of the impact of the COVID-19 pandemic) combined with potentially higher claims for some of Fortegra's product lines. However, in contrast to scenario 5 the impact on Solvency is not mitigated by lower business volumes.

The stress to the loss ratios lead to a decline in the Solvency Ratio, although it remains above the target of 120%.

**Scenario 7: A combination of higher than expected volumes and increased loss ratios**

This scenario considers the combined effect of business volumes out performing the plan by 10% and loss ratios being higher than plan in both 2022 and 2023. Such a scenario could potentially be consistent with an aggressive growth strategy.

The stress to the loss ratios lead to a decline in the Solvency Ratio, although it remains above the target of 120%.

**Scenario 8: No Approval of UK Branch**

This scenario considers the effect where the Company's UK Branch is not approved (i.e. adverse Brexit scenario), and that, as a result of the rejection, no UK business would be underwritten from 2023 onwards.

Under this scenario the solvency ratio increases significantly due to the fact that the loss of business reduces the SCR Insurance Risk significantly, whereas the available capital continues to increase.



## **D. VALUATION FOR SOLVENCY PURPOSES**

## D. VALUATION FOR SOLVENCY PURPOSES

### D.1 Assets

The below are the main differences between the measurement of assets under Solvency II (“Solvency value”) and IFRS (“Accounting value”) as at 31 December, 2021.

It must be noted that the balance sheet presented is in-line with the Solvency II regulations, and therefore it was necessary to re-classify data included under certain headings in the financial statements to different headings as presented under “Accounting value” in the table below.

Assets	Solvency II Value	Accounting Value
	2021 (USD)	2021 (USD)
Deferred acquisition costs	-	25,106,756
Deferred tax assets	-	6,457
Insurance and intermediaries receivables	18,170,005	18,170,005
Reinsurance best estimates	19,854,231	24,154,555
Collective investments undertakings	54,108,216	54,108,216
Bonds	31,269,480	31,269,480
Cash and cash equivalents	29,521,504	29,521,504
Any other assets, not elsewhere shown	749,548	1,073,021
<b>TOTAL ASSETS</b>	<b>153,672,984</b>	<b>183,409,994</b>

Below are the explanations of the key asset valuation differences in the table above:

#### Deferred acquisition costs

Under IFRS, acquisition costs can be deferred whilst for Solvency II, reserving expenses are not deferred but are taken into account fully in the technical provisions.

#### Deferred tax assets

Deferred taxes are measured under Solvency II as the amounts reported in the audited financial statements as adjusted by the tax impact (at different applicable rates) on the difference between the values assigned to assets and liabilities for solvency purposes and their carrying values as recognised in the financial statements and valued for tax purposes.

Under IFRS, deferred taxes are calculated on all temporary differences using a principal tax rate of 5% with the exception of investment property and freehold and other property for which deferred income taxes may be calculated using a principal tax rate of 8% or 10% of the carrying amount.

The differences between the Solvency II and IFRS value of the deferred tax assets arose due to

the Insurance Company not recognising a deferred tax asset in the SII Balance Sheet until consistent future profitability can be demonstrated.

**Insurance and intermediaries receivables**

Insurance and intermediaries receivables represent the amounts past due for payments by insurers and other insurance-linked business. These payments are not included in the cash inflows of technical provisions.

**Reinsurance best estimates**

The "best estimate" for reinsurance is based on the following principles:

- It relates to future claims recoverable, or those which take place subsequent to the valuation date, within the remaining claim coverage period;
- It is calculated as the present value of expected cash flows associated with the current portfolio, in accordance with contract boundaries;
- Projected cash flows will include payments for benefits and related expenses: administration, acquisition, claim management, and investment management;
- The best estimate takes into account the time value of money based on an analysis of claim inflows and outflows;
- The difference between Solvency II reinsurance best estimate and IFRS arises from the differences in the valuation of the technical provisions on a gross basis as further disclosed in Section D.2 below

**Collective investments undertakings**

Investments represents amounts in a money market fund, corresponding to highly liquid short-term investments that can be easily converted to fixed amounts of cash and have an insignificant risk of changes in value.

**Bonds**

Bonds represents amounts held in rated government bonds and corporate bonds.

**Cash and cash equivalents**

Cash includes cash in hand. For the purposes of the Solvency II balance sheet, cash and cash equivalents have been valued in accordance with IFRS.

**Any other assets, not elsewhere shown**

The difference between the IFRS value and the Solvency II value of USD323,474 relates to prepayments and intercompany balances which are usually not recognised under Solvency II, unless the asset could be recognised and transferred to a third party.



## D.2 Technical provisions

The below are the main differences between the valuation of technical provisions under Solvency II and IFRS:

Technical provisions	Solvency II Value 2021 (USD)	Accounting Value 2021 (USD)
Technical provisions non-life	-	103,967,888
Best Estimate (BE)	78,515,431	-
Risk Margin (RM)	2,330,558	-
<b>TOTAL TECHNICAL PROVISIONS</b>	<b>80,845,989</b>	<b>103,967,888</b>

Following are the qualitative explanations of the key technical provision valuation differences using Solvency II criteria and those used during the preparation of the financial statements. In general terms, the main difference between the two valuation methods is the criteria framework under which each regulation falls. While under Solvency II, technical provisions are measured using market economic criteria, for financial statements, technical provisions are calculated based on accounting standards.

The Solvency II Directive 2009/138/EC stipulates that the value of technical provisions shall be equal to the sum of a best estimate and a risk margin. To calculate the solvency ratio, the Group does not make use of matching and volatility adjustments, or transitional measures for technical provisions.

### Best estimate of the provision for claims outstanding

The "best estimate" for the provision for claims outstanding is based on the following principles:

- Taking into account all claims which have been incurred prior to the valuation date, regardless of whether they have been reported or not;
- It is calculated as the present value of expected future cash flows associated with the incurred claim. Projected cash flows will include payments for benefits and related expenses;
- Should there be any liabilities transferred to a counterparty, the recoverable amounts are adjusted to factor in the expected losses due to default of the counterparty;
- The best estimate considers the time value of money based on the consideration of the claim inflows and outflows.

The claim provisions in the financial statements include the provision for outstanding claims reported. The claim provisions calculated based on Solvency II criteria present the following differences with respect to those calculated based on financial statement requirements:

- The consideration of all cash flow sources;

- The counterparty default risk adjustment to reinsurance recoverable amounts;
- The financial discount of cash flows.

### **Best estimate of the provision for premiums**

The "best estimate" for the premium provision is based on the following principles:

- It relates to future claims, or those which take place subsequent to the valuation date, within the remaining claim coverage period;
- It is calculated as the present value of expected cash flows associated with the current portfolio, in accordance with contract boundaries;
- Projected cash flows will include payments for benefits and related expenses: administration, acquisition, claim management, and investment management;
- Should there be any liabilities transferred to a counterparty, the recoverable amounts are adjusted to consider the expected losses due to default of the counterparty.
- The best estimate takes into account the time value of money based on an analysis of claim inflows and outflows.

As indicated previously, the calculation of this provision is comprised of the cash flows corresponding to two portfolios:

- Current portfolio which includes the following:
  - Expected claims. Two different methods may be used to calculate the present value of benefit payments:
    - ✓ The frequency and average cost method: claims are calculated as the result of exposure based on frequency assumptions and final average costs;
    - ✓ Loss ratio method: the expected claims arising from applying the ultimate loss ratio to Unearned Premium Reserve (UPR), gross of acquisition expenses.
  - Expenses attributable to the current portfolio: acquisition (no commissions), administration, chargeable to benefits, investment expenses, as well as other technical expenses.
- Future business which includes the following
  - Premiums for policies, which have not yet been renewed but include company commitments to renew. This calculation includes the future behaviour of the policyholders based on the application of an estimated lapse ratio;
  - Expected loss ratio relating to future premiums. The same methods indicated for the current portfolio may be used;
  - Expenses attributable to future premiums (charged expense-to-premium ratio applied to future premiums): acquisition expenses (including commissions),

administration, chargeable to benefits, investment expenses, as well as other technical expenses.

Under IFRS, this provision is recognised under the unearned premium reserve, which is calculated on a policy-by-policy basis, reflecting the premium rate on a pro-rata temporary basis for the unearned period of such policies and complemented by the unexpired risk provision calculated segment-by-segment where applicable. The provision supplements the unearned premium reserve with an amount by which the future contractual cash flows arising from such reserve exceed the same reserve.

### **Risk margin**

The risk margin is the cost of providing the capital to cover the SCR over the lifetime of the liabilities. It is intended to ensure that the value of the technical provisions is equivalent to the amount that an insurer would be expected to require in order to take over and meet the insurance obligations.

The calculation of the risk margin complies with the technical specifications set in Articles 37 to 39 of the Delegated Acts.

### **Degree of uncertainty associated with the amount of technical provisions**

The value of technical provisions is directly linked to estimates and projections for future cash flows, which might be subject to a number of factors of uncertainty, which are mainly the following:

- The probability that the obligation will materialise with regard to future cash flows;
- The timing of the claim;
- Potential amount of the future cash flows;
- The risk-free interest rate.

These factors are generally estimated based on expert opinions within the area, or using market data.



### D.3 Other liabilities

The below are the main differences between the measurement of other liabilities under Solvency II and IFRS:

Other liabilities	Solvency II Value 2021 (USD)	Accounting Value 2021 (USD)
<b>Total technical provisions</b>	<b>80,845,989</b>	<b>103,967,888</b>
Insurance and intermediaries payables	16,142,688	16,142,688
Payables (trade, not insurance)	3,157,411	3,157,411
<b>TOTAL LIABILITIES</b>	<b>100,146,088</b>	<b>123,267,987</b>

#### **Insurance and intermediaries payables**

For the purpose of the Solvency II balance sheet, the valuation is considered consistent with that under IFRS, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions under mutually-independent conditions.

#### **Payables (trade, not insurance)**

This section includes other payables unrelated to the insurance business. For the purposes of the Solvency II balance sheet, the valuation is considered consistent with that under IFRS, valued at the amount at which they may be transferred or settled between duly-informed interested parties carrying out transactions under mutually-independent conditions.

## D.4 Alternative methods for valuation

No alternative valuation methods have been used.

## D.5 Any other information

There is no other significant information regarding the valuation of assets and liabilities that has not been included in the preceding sections.



## **E. CAPITAL MANAGEMENT**

## E. CAPITAL MANAGEMENT

### E.1 Own funds

#### Equity objectives, policies and management processes

The Capital Management Policy aims to establish standards for the efficient management of capital, to meet the needs of the business in consideration of the overall objectives of the Group. This includes the capital required to support the risk appetite identified in the risk policies of the Group together with a margin for safety, in full compliance with the regulatory requirements.

This Policy, together with the methods of assessment of capital adequacy will be reviewed at least annually by the Board, to ensure its ongoing fitness for purpose. The Board will consider any recommendations arising from the review and will approve any proposed revision before it becomes effective.

Capital management is the collection of processes and activities undertaken to ensure that sufficient capital and reserves (including risk based capital) are maintained, in an economic fashion to ensure the undertaking's ability to meet liabilities particularly in the case of losses arising from adverse events.

Capital management includes the assessment of capital required to support the plans and objectives of the Group, the structure of its equity and retained earnings, arrangements to secure capital, and the ongoing monitoring of capital against business requirements, as well as the assessments required by the MFSA, including future Solvency II requirements.

Should the eligible capital be insufficient at any time during the period covered in the three-year projections, in line with the ORSA, the Group should propose future management measures to remedy such insufficiency and maintain the solvency levels within the levels established in the applicable regulations and the risk appetite. The medium-term capital management plan prepared by the Group must at least take into account the following:

- a) The capital required to support the existing business and profit targets;
- b) Regulatory capital requirements, based on relevant solvency frameworks for the respective future planning period, particularly the MCR and the SCR over the planning period and the capital requirements as projected by the ORSA;
- c) The planned dividends, if any, and their impact on eligible capital.

During 2021, there were no significant changes to the objectives, policies and processes used to manage the Group's own funds.

## Structure, amount, and quality of own funds

As stipulated in the Solvency II regulations, own funds are classified as either basic or ancillary. They are also classified by Tiers (1, 2, or 3) depending on the characteristics determining their availability to absorb losses.

Tier 1 'own funds' include ordinary share capital, non-cumulative preference shares and relevant sub-ordinated liabilities. All distributions on tier 1 items must be cancelled in the event of a breach of the SCR and repayment of principal must be suspended. Preference shares and sub-ordinated debt will be subject to a new 'loss absorption' requirement which could involve writing off all amounts owed by the insurer. Instruments which do not meet the tier 1 requirements on permanence or loss absorbency may still be categorised as tier 2 or tier 3 items.

As at 31 December, 2021, the unrestricted basic Tier 1 own funds of the Group consist of ordinary share capital, additional capital contributions and the reconciliation reserve.

Tier 2 'own funds' are likely to include cumulative preference shares, and sub-ordinated liabilities with a shorter duration. As at 31 December, 2021, the Group had no tier 2 'own funds'.

Tier 3 'own funds' are intended (by the Solvency II Directive) to catch own funds which do not satisfy the tier 1 or tier 2 requirements but it appears (from the 5 year minimum duration), and the requirement for supervisory approval before redemption, that there may be other requirements for tier 3 instruments. As at 31st December, 2021, the Group had no tier 3 'own funds'.

All of the own funds of the Group are basic own funds. There are no limitations on their eligibility to cover the SCR and MCR and have the maximum availability for absorbing losses. None of the own fund items required supervisory approval.

The following reflects the structure, amount and quality of own funds, as well as the Group's coverage ratios i.e. the ratio of eligible own funds to SCR and MCR:



	2021				2020					
	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector										
Ordinary share capital (gross of own shares)	7,490,000	7,490,000				7,490,000	7,490,000			
Non-avalible called but not paid in ordinary share capital at group level										
Share premium account related to ordinary share capital										
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings										
Subordinated mutual member accounts										
Non-avalible subordinated mutual member accounts at group level										
Surplus funds										
Non-avalible surplus funds at group level										
Preference shares										
Non-avalible preference shares at group level										
Share premium account related to preference shares										
Non-avalible share premium account related to preference shares at group level										
Reconciliation reserve	5,536,709	5,536,709				-6,280,753	-6,280,753			
Subordinated liabilities										
Non-avalible subordinated liabilities at group level										
An amount equal to the value of net deferred tax assets										
The amount equal to the value of net deferred tax assets not available at the group level										
Other items approved by supervisory authority as basic own funds not specified above										
Non-avalible own funds related to other own funds items approved by supervisory authority	40,499,940	40,499,940				32,065,206	32,065,206			
Minority interests (if not reported as part of a specific own fund item)										
Non-avalible minority interests at group level										
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										
Deductions										
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities										
whereof deducted according to art. 228 of the Directive 2009/138/EC										
Deductions for participations where there is non-availability of information (Article 225)										
Deduction for participations included by using D&A when a combination of methods is used										
Total of non-avalible own fund items										
Total deductions										
Total basic own funds after deductions	53,526,649	53,526,649				33,274,453	33,274,453			



	2021				2020					
	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds										
Unpaid and uncalled ordinary share capital callable on demand										
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand										
Unpaid and uncalled preference shares callable on demand										
A legally binding commitment to subscribe and pay for subordinated liabilities on demand										
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC										
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC										
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC										
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC										
Non available ancillary own funds at group level										
Other ancillary own funds										
Total ancillary own funds										
Own funds of other financial sectors										
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total										
Institutions for occupational retirement provision										
Non regulated entities carrying out financial activities										
Total own funds of other financial sectors										
Own funds when using the D&A, exclusively or in combination of method 1										
Own funds aggregated when using the D&A and combination of method										
Own funds aggregated when using the D&A and combination of method net of IGT										
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	53,526,649	53,526,649				33,274,453	33,274,453			
Total available own funds to meet the minimum consolidated group SCR	53,526,649	53,526,649				33,274,453	33,274,453			
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	53,526,649	53,526,649				33,274,453	33,274,453			
Total eligible own funds to meet the minimum consolidated group SCR	31,278,676	31,278,676				20,474,744	20,474,744			
Consolidated Group SCR	12,358,987					8,492,273				
Minimum consolidated Group SCR										
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)	171.13%					162.51%				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	433.17%					391.82%				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	53,526,649	53,526,649				33,274,453	33,274,453			
SCR for entities included with D&A method										
Group SCR	31,278,676					20,474,744				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	171.13%					162.51%				



## Analysis of changes in Own Funds

The main movements that arose in the year are detailed in the table below:

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total basic own funds after deductions 2020	33,274,453	33,274,453			
Additional capital contribution	8,434,734	8,434,734			
Change in Reconciliation reserve (see table below)	11,817,462	11,817,462			
Change in amount equal to the value of net deferred tax assets					
Total basic own funds after deductions 2021	53,526,649	53,526,649			

## Reconciliation Reserve

### S.23.01.01.02 - Reconciliation reserve

Rows		2021
Reconciliation reserve		
Excess of assets over liabilities	R0700	53,526,895.26
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	47,989,940.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Other non available own funds	R0750	
Reconciliation reserve	R0760	5,536,709.35
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	

## Difference between the equity in the financial statements and the excess of assets over liabilities for Solvency II purposes

When valuing assets and liabilities for the purposes of Solvency II, different criteria are used from those applied when preparing the financial statements. The above criteria differences lead to differences between the equity stated in the financial statements and excess of assets over liabilities for Solvency II purposes.

As at 31<sup>st</sup> December 2021, the excess of assets over liabilities for Solvency II purposes amounted to USD54.3 million, while equity in the financial statements totalled USD60.1 million.

The main adjustments that arise from the reconciliation of equity in the financial statements and own funds under Solvency II may be observed below:

	2021
Equity (IFRS value)	60,142,008
<b>Difference in valuation of assets</b>	
Deferred acquisition costs (DAC)	(25,106,756)
Deferred tax asset	(6,457)
Any other assets, not elsewhere shown	(323,474)
Reinsurance Best Estimate	(4,300,324)
<b>Difference in the valuation of liabilities</b>	
Technical provisions	23,121,899
Tax liabilities	
Excess of assets over liabilities	53,526,895

The quantitative and qualitative explanations are provided in Sections D.1 Assets, D.2 Technical Provisions and D.3 Other liabilities, in this report.

## E.2 Solvency capital requirement (SCR) and minimum capital requirement (MCR)

### General principles

Solvency II provides for two separate levels of solvency capital requirements: (i) the Minimum Capital Requirement (MCR), which applies at Group level and is the amount of own funds below which policyholders and beneficiaries are exposed to an unacceptable level of risk should the insurance company be allowed to continue its operations, and (ii) the Solvency Capital Requirements (SCR), which applies at both insurance company and group level and corresponds to the level of eligible own funds that enables insurance companies to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made when due.

### Solvency Capital Requirement (SCR)

The SCR corresponds to the own funds that the Group must hold to limit the probability of bankruptcy to one case per 200, or that the Group is still 99.5% able to meet its commitments to insurance beneficiaries or policyholders during the following year.

As stipulated in the Solvency II Directive, all the unrestricted basic Tier 1 own funds are eligible to cover the SCR. To calculate the SCR, the Group does not use any simplifications for any of its' risk modules.

The Group's SCR Ratio is equal to 171.1%. The solvency ratio measures the relationship between the eligible own funds and the solvency capital requirements, and was calculated using the standard formula. The ratio shows the Group's significant capital buffer to absorb extraordinary losses deriving from a 1-in-200 year adverse scenario.

The SCR at risk module level and calculated using the Standard Formula is set out below:



	Gross solvency capital requirement USD	
	2021	2020
Market risk	3,911,649	1,548,489
Counterparty default risk	4,975,429	1,917,485
Life underwriting risk		
Health underwriting risk		
Non-life underwriting risk	24,796,765	17,626,913
Diversification	(4,760,856)	(1,969,234)
Intangible asset risk		
Basic Solvency Capital Requirement	28,922,987	19,123,653

### Calculation of Solvency Capital Requirement

	2021 USD	2020 USD
Adjustment due to RFF/MAP nSCR aggregation		
Operational risk	2,355,689	1,351,091
Loss-absorbing capacity of technical provisions		
Loss-absorbing capacity of deferred taxes		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC		
Solvency Capital Requirement excluding capital add-on	31,278,676	20,474,744
Capital add-ons already set		
Solvency capital requirement for undertakings under consolidated method	31,278,676	20,474,744
Other information on SCR		
Capital requirement for duration-based equity risk sub-module		
Total amount of Notional Solvency Capital Requirements for remaining part		
Total amount of Notional Solvency Capital Requirements for ring fenced funds		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios		
Diversification effects due to RFF nSCR aggregation for article 304		
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	No adjustment	No adjustment
Net future discretionary benefits		
Minimum consolidated group solvency capital requirement	12,356,987	8,492,273
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions		
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities		
Capital requirement for non-controlled participation requirements		
Capital requirement for residual undertakings		
Overall SCR		
SCR for undertakings included via D and A		
Solvency capital requirement	31,278,676	20,474,744

## Minimum Capital Requirement (MCR)

The MCR is the minimum level of security under which financial resources should never fall. When the amount of eligible basic own funds falls below the MCR, the policyholders and beneficiaries are exposed to an unacceptable level of risk, should the Group continue with its business.

All the basic unrestricted Tier 1 own funds are eligible to cover the MCR.

The ratio of eligible own funds to MCR is equal to 433.2%.

## Analysis of changes in Capital requirement

The main contributor for the capital requirements is Non-Life Insurance Risk which contributes \$24.8m pre-diversification. This relates principally to the Premium Risk arising from unearned premium and expected future business within ForteGra's business plan.

The SCR for counterparty default risk is \$5.0m pre-diversification and arises primarily from i) ForteGra's holding of \$29.5m in cash mainly at one A rated bank; and receivables from 3<sup>rd</sup> parties amounting to \$19.2m.

The SCR for market risk is \$1.5m pre-diversification and arises from ForteGra's ETF Fund Investments and bonds giving rise to spread and concentration risk. Currency risk relates to the balance of Net assets in the non-reporting currencies of EUR, GBP, CZK, PLN and HUF.

Operational risk is calculated as a factor applied to the gross best estimate SII claims and premium provisions (as per standard formula).

No allowance for the loss absorbing capacity of deferred taxation has been recognised in determining the overall solvency capital requirement.

## Other information

### Items deducted from own funds

The Group did not deduct any items from own funds.

### Own funds issued and instruments surrendered

The Group did not issue or surrender any own fund instruments during 2021.

**Transitional measures**

The Group did not consider any basic own-fund items subject to the transitional arrangements referred to in Article 308b(9) and 308b(10) of the Solvency II Directive 2009/138/EC to be applicable.



### **E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

The Group did not use the duration-based equity risk sub-module set out in Article 304 of the Solvency II Directive 2009/138/EC for the calculation of its Solvency Capital Requirement.

## **E.4 Differences between the standard formula and any internal model used**

The Group does not make use of internal models in its Solvency calculations, but follows the Solvency II Standard formula.

## **E.5 Non-compliance with the Minimum Capital Requirement and Non-compliance with the Solvency Capital Requirement**

As at 31 December 2021, the Group had a good solvency position and therefore, it was considered unnecessary to adopt any other action or corrective measure.





## **E.6 Any other information**

There is no other information regarding the management of capital that has not been included in the preceding sections.

## **APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES**

**Balance sheet**

S.02.01.01.01 - Balance sheet

Rows		Solvency II value	Statutory accounts value
		C0010	C0020
Assets			
Goodwill	R0010		
Deferred acquisition costs	R0020		25,106,756.40
Intangible assets	R0030		
Deferred tax assets	R0040		6,456.62
Pension benefit surplus	R0050		
Property, plant & equipment held for own use	R0060		
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	85,377,695.40	85,377,695.40
Property (other than for own use)	R0080		
Holdings in related undertakings, including participations	R0090		
Equities	R0100		
Equities - listed	R0110		
Equities - unlisted	R0120		
Bonds	R0130	31,269,480	31,269,480
Government Bonds	R0140	26,664,027	26,664,027
Corporate Bonds	R0150	4,605,453	4,605,453
Structured notes	R0160		
Collateralised securities	R0170		
Collective Investments Undertakings	R0180	54,108,215.79	54,108,215.79
Derivatives	R0190		
Deposits other than cash equivalents	R0200		
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	19,854,231.31	24,154,555.44
Non-life and health similar to non-life	R0280	19,854,231.31	24,154,555.44
Non-life excluding health	R0290	19,854,231.31	24,154,555.44
Health similar to non-life	R0300		
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	18,170,005.45	18,170,005.45
Reinsurance receivables	R0370		
Receivables (trade, not insurance)	R0380		
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	29,521,503.81	29,521,503.81
Any other assets, not elsewhere shown	R0420	749,547.79	1,073,021.37
Total assets	R0500	153,672,983.76	183,409,994.49
Liabilities			
Technical provisions - non-life	R0510	80,845,989.31	103,967,888.16
Technical provisions - non-life (excluding health)	R0520	80,845,989.31	103,967,888.16
Technical provisions calculated as a whole	R0530		
Best Estimate	R0540	78,515,431.30	
Risk margin	R0550	2,330,558.01	
Technical provisions - health (similar to non-life)	R0560		
Technical provisions calculated as a whole	R0570		
Best Estimate	R0580		
Risk margin	R0590		
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		
Provisions other than technical provisions	R0750		
Pension benefit obligations	R0760		
Deposits from reinsurers	R0770		
Deferred tax liabilities	R0780		
Derivatives	R0790		
Debts owed to credit institutions	R0800		
Financial liabilities other than debts owed to credit institutions	R0810		
Insurance & intermediaries payables	R0820	16,142,687.62	16,142,687.62
Reinsurance payables	R0830		
Payables (trade, not insurance)	R0840	3,157,411.15	3,157,411.15
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		
Total liabilities	R0900	100,146,088.08	123,267,986.93
Excess of assets over liabilities	R1000	53,526,895.67	60,142,007.56

**Non-Life Technical Provisions**

5.17.01.01.01 - Non-Life Technical Provisions

Rows		Direct business and accepted proportional reinsurance			Total Non-Life obligation
		Other motor insurance	Fire and other damage to property insurance	Miscellaneous financial loss	
		CO040	CO040	CO130	
Technical provisions calculated as a whole	80010				
Direct business	80020				
Accepted proportional reinsurance business	80030				
Accepted non-proportional reinsurance	80040				
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	80050				
Technical provisions calculated as a sum of BE and RM					
Best estimate					
Premium provisions					
Gross - Total	80060	17.217.058	17.966.211	21.294.262	76.477.532
Gross - direct business	80070	17.217.058	17.966.211	21.294.262	76.477.532
Gross - accepted proportional reinsurance business	80080				
Gross - accepted non-proportional reinsurance business	80090				
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	80100	8.597.724	3.842.397	6.346.566	18.786.707
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	80110	8.597.724	3.842.397	6.346.566	18.786.707
Recoverables from SPV before adjustment for expected losses	80120				
Recoverables from Finite Reinsurance before adjustment for expected losses	80130				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	80140	8.595.430	3.841.132	6.345.100	18.781.723
Net Best Estimate of Premium Provisions	80150	28.421.669	14.125.079	14.949.103	57.695.843
Claims provisions					
Gross - Total	80160	919.318	484.326	634.233	2.037.860
Gross - direct business	80170	919.318	484.326	634.233	2.037.860
Gross - accepted proportional reinsurance business	80180				
Gross - accepted non-proportional reinsurance business	80190				
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	80200	452.873	235.623	359.149	1.072.644
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	80210	452.873	235.623	359.149	1.072.644
Recoverables from SPV before adjustment for expected losses	80220				
Recoverables from Finite Reinsurance before adjustment for expected losses	80230				
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	80240	452.816	235.594	359.098	1.072.508
Net Best Estimate of Claims Provisions	80250	466.502	251.722	255.116	965.133
Total Best estimate - gross	80260	38.116.417	18.450.331	21.928.477	78.515.411
Total Best estimate - net	80270	29.018.171	14.372.811	15.194.218	58.661.200
Risk margin	80280	1.155.647	571.258	601.651	2.330.558
Amount of the transitional on Technical Provisions					
TP as a whole	80290				
Best estimate	80300				
Risk margin	80310				
Technical provisions - total	80320	39.292.064	19.021.795	22.532.130	80.843.959
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	80330	9.048.246	4.071.725	6.714.259	19.854.231
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	80340	30.243.818	14.950.069	15.797.871	60.991.728
Line of Business: further segmentation (Homogeneous Risk Groups)					
Premium provisions - Total number of homogeneous risk groups	80350	12	14	9	
Claims provisions - Total number of homogeneous risk groups	80360	12	14	9	
Cash-flows of the Best estimate of Premium Provisions (Gross)					
Cash-out-flows					
Future benefits and claims	80370	30.466.473	16.145.595	20.815.058	67.370.164
Future expenses and other cash-out flows	80380	6.810.827	1.617.616	234.125	8.394.119
Cash-in-flows					
Future premiums	80390			1.571.645	1.571.645
Other cash-in flows (incl. Recoverable from salvages and subrogations)	80400				
Cash-flows of the Best estimate of Claims Provisions (Gross)					
Cash-out-flows					
Future benefits and claims	80410	919.318	484.326	634.233	2.037.860
Future expenses and other cash-out flows	80420				
Cash-in-flows					
Future premiums	80430				
Other cash-in flows (incl. Recoverable from salvages and subrogations)	80440				
Percentage of gross Best Estimate calculated using approximations	80450				
Best estimate subject to transitional of the interest rate	80460				
Technical provisions without transitional on interest rate	80470				
Best estimate subject to volatility adjustment	80480				
Technical provisions without volatility adjustment and without others transitional measures	80490				



**Own funds**

S.23.01.04.01 - Own funds

Rows	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					
Ordinary share capital (gross of own shares)	R0010	7,490,000.00	7,490,000.00		
Non-available called but not paid in ordinary share capital at group level	R0020				
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				
Non-available subordinated mutual member accounts at group level	R0060				
Surplus funds	R0070				
Non-available surplus funds at group level	R0080				
Preference shares	R0090				
Non-available preference shares at group level	R0100				
Share premium account related to preference shares	R0110				
Non-available share premium account related to preference shares at group level	R0120				
Reconciliation reserve	R0130	5,536,709.35	5,536,709.35		
Subordinated liabilities	R0140				
Non-available subordinated liabilities at group level	R0150				
An amount equal to the value of net deferred tax assets	R0160				
The amount equal to the value of net deferred tax assets not available at the group level	R0170				
Other items approved by supervisory authority as basic own funds not specified above	R0180	40,499,940.00	40,499,940.00		
Non available own funds related to other own funds items approved by supervisory authority	R0190				
Minority interests (if not reported as part of a specific own fund item)	R0200				
Non-available minority interests at group level	R0210				
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 other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230				
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240				
Deductions for participations where there is non-availability of information (Article 229)	R0250				
Deduction for participations included by using D&A when a combination of methods is used	R0260				
Total of non-available own fund items	R0270				
Total deductions	R0280				
Total basic own funds after deductions	R0290	53,526,649.35	53,526,649.35		
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				
Non available ancillary own funds at group level	R0380				
Other ancillary own funds	R0390				
Total ancillary own funds	R0400				
Own funds of other financial sectors					
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - total	R0410				
Institutions for occupational retirement provision	R0420				
Non regulated entities carrying out financial activities	R0430				
Total own funds of other financial sectors	R0440				
Own funds when using the D&A, exclusively or in combination of method 1					
Own funds aggregated when using the D&A and combination of method	R0450				
Own funds aggregated when using the D&A and combination of method net of IGT	R0460				
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	R0520	53,526,649.35	53,526,649.35		
Total available own funds to meet the minimum consolidated group SCR	R0530	53,526,649.35	53,526,649.35		
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A )	R0560	53,526,649.35	53,526,649.35		
Total eligible own funds to meet the minimum consolidated group SCR	R0570	53,526,649.35	53,526,649.35		
Consolidated Group SCR	R0590	31,278,675.80			
Minimum consolidated Group SCR	R0610	12,356,986.99			
Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A )	R0630	1.7113			
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	4.3317			
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A )	R0660	53,526,649.35	53,526,649.35		
SCR for entities included with D&A method	R0670				
Group SCR	R0680	31,278,675.80			
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1.7113			

**S.23.01.01.02 - Reconciliation reserve**

Rows		2021
Reconciliation reserve		
Excess of assets over liabilities	R0700	53,526,895.26
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	47,989,940.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Other non available own funds	R0750	
Reconciliation reserve	R0760	5,536,709.35
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	

## Solvency Capital Requirement - for groups on Standard Formula

### S.25.01.04.01 - Basic Solvency Capital Requirement

Sheets

Z Axis:

Article 112	20010	No
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Rows		Columns		
		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	3,911,648.68	3,911,648.68	
Counterparty default risk	R0020	4,975,429.14	4,975,429.14	
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	24,796,765.05	24,796,765.05	
Diversification	R0060	-4,760,855.87	-4,760,855.87	
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	28,922,987.00	28,922,987.00	

### S.25.01.04.02 - Calculation of Solvency Capital Requirement

Sheets

Z Axis:

Article 112	20010	No
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Rows		Columns
		Value
		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	2,355,688.81
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	31,278,675.80
Capital add-ons already set	R0210	
Solvency capital requirement for undertakings under consolidated method	R0220	31,278,675.80
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	No adjustment
Net future discretionary benefits	R0460	
Minimum consolidated group solvency capital requirement	R0470	12,356,986.99
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non-regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	R0570	31,278,675.80





## Independent auditor's report

to the directors of  
**Fortegra Europe Insurance Company Limited**

### Opinion

We have audited the following relevant elements of the Group Solvency and Financial Condition Report ("Group SFCR") prepared by Fortegra Europe Insurance Company Limited (the Company) as at 31 December 2021:

- Disclosures pursuant to Articles 296, 297 and 359(d) and (2), as at 31 December 2021 ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.01, S.23.01.04, S.25.01.04 ('the Group Templates subject to audit').

The Narrative Disclosures subject to audit and the Group Templates subject to audit are collectively referred to as the 'relevant elements of the Group SFCR'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Introduction', 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR; and
- Group templates S.17.01.01 and S.28.01.01.

To the extent the information subject to audit in the relevant elements of the Group SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group SFCR of the Company as at 31 December 2021 is prepared, in all material respects, in accordance with the Insurance Business Act (Cap. 403), regulations and Insurance Rules issued thereunder, the Commission Delegated Regulation and the European Commission Implementing Regulation (EU) 2015/2452 (hereafter referred to as "the relevant legislation").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the relevant elements of the Group SFCR in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Independent auditor's report (continued)**

to the directors of  
**Fortegra Europe Insurance Company Limited**

### **Emphasis of Matter – Basis of Accounting**

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Group SFCR, which describe the basis of accounting. The Group SFCR is prepared in compliance with the financial reporting provisions of the Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

### **Other Information**

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group SFCR does not cover the Other Information and, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group SFCR, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the SFCR, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group SFCR or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

We have nothing to report in relation to these matters.

### **Responsibilities of the Directors for the Group Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions contained in the relevant legislation referred to above. In accordance with section 8.9 and paragraph 8.11.1 of Chapter 8 of the Insurance Rules, the Directors are responsible for having in place appropriate systems and structures to meet the Company's public disclosure requirements in relation to the Group SFCR and for the approval of the Group SFCR.

The Directors are also responsible to have the necessary internal controls to enable the preparation of the Group SFCR which is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Company's financial reporting process.

The Directors satisfy themselves that, throughout the financial year in question, the Company has complied in all material respects with the requirements of the relevant legislation as applicable to the Company. The Directors are also required to sign a Declaration Form, in accordance with paragraph 8.6.2 and 8.11.1 of Chapter 8 of the Insurance Rules and Annex IV to the said Chapter, for submission with the Group SFCR to the competent authority.

### **Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion on the Narrative Disclosures subject to audit that the Company shall disclose and on the Templates subject to audit, in accordance with paragraph 8.10.2 and 8.11.1 of Chapter 8 of the Insurance Rules and Annex V to the said Chapter, confirming that the said relevant elements of the Group SFCR have been prepared in all material respects in accordance with the relevant legislation. Such audit is to be made in accordance with paragraph 8.10.2 and Annex V of Chapter 8 of the Insurance Rules and with International Standards on Auditing.



## Independent auditor's report (continued)

to the directors of

Fortegra Europe Insurance Company Limited

### Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report (continued)

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

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

- Identify and assess the risks of material misstatement of the relevant elements of the Group SFCR, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the relevant elements of the Group SFCR or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the relevant elements of the SFCR, including the disclosures, and whether the relevant elements of the Group SFCR represent the underlying transactions and events in a manner that achieves fair presentation.

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

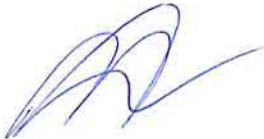
## Independent auditor's report (continued)

to the directors of

**Fortegra Europe Insurance Company Limited**

### Use of our Report

This report is made solely to the Directors of the Company in accordance with our engagement letter dated 18 October 2021. We acknowledge that our report will be provided to the MFSA for the use of the MFSA solely for the purposes set down by Chapter 8 of the Insurance Rules issued under the Insurance Business Act (Cap. 403). Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the MFSA, for our audit work, for this report or for the opinions we have formed.



Mark Giorgio as Director

In the name and on behalf of

**Deloitte Audit Limited**

Registered auditor

Central Business District, Birkirkara, Malta

7 April 2022