2024

SOLVENCY & FINANCIAL CONDITION REPORT

Elmo
INSURANCE

Contents

Executive Summary

The Directors of Elmo Insurance Limited ("the Company", "EIL" or "Elmo") present the Solvency and Financial Condition Report ("SFCR") for the year ended 31 December 2024.

The principal activities of the Company are that of an insurance company licenced in terms of the Insurance Business Act, 1998 (Chapter 403 of the Laws of Malta) by the Malta Financial Services Authority ("MFSA") to write general business in Malta.

The Company's audited financial statements are prepared in accordance with IFRS 17 Insurance Contracts, which was adopted with effect from 1 January 2023.

The Company faced several challenges over the past couple of years, particularly due to the ongoing geopolitical tensions, which persist to date and have led to increased claims costs, disrupted economies, high inflation and volatile stock markets. EIL is continuously monitoring ongoing developments to mitigate threats originating from geopolitical risks, such as a global economic downturn or rekindling of inflation, that could have an adverse effect on the Company. The Directors and Senior Management have put in place appropriate measures to monitor the developments closely and take actions where necessary. On the plus side, Malta's annual rate of inflation has eased in 2024 to an average of 2.67% when compared to 6.12% and 5.57% in 2022 and 2023 respectively. This is also thanks to the government's continued intervention to keep fixed energy prices at 2020 levels that will also carry on through 2025.

The anticipated Digital Operational Resilience Act ("DORA") came into force on 17th January 2025. This new regulation represents a significant milestone aimed at enhancing the digital operational resilience of financial institutions within the European Union that now face an added layer of compliance requirements under Throughout 2024, a joint effort between the Company's IT department, and both Compliance and Risk Management function ensured adequate preparation and adherence to the extensive and key provisions of DORA that cover ICT risk management, incident reporting, third-party risk management, resilience testing and information sharing. Furthermore, investment in IT security was a priority in 2024, and cybersecurity measures continued to be highly enhanced and enforced to offer a secure and reliable digital infrastructure and collaboration tools that enable seamless communication, workflow management and continuity.

As part of a best practice-designed HR Strategy, the Company continued to strengthen the implementation of its strategic and business objectives through its people. In particular, this HR Strategy enhances the journey the employees embark upon within the Company and includes every interaction that happens along the employee life cycle, together with the experiences that revolve around it. The right employee experience strategy will continue to boost the Company's ability to attract, engage, retain, and develop high-performing employees. Additionally, EIL prioritises employee well-being by offering flexible work schedules and mental health support.

EIL has accelerated the digital transformation efforts to enhance customer experience and streamline operations. The investment in the new IT system and accompanying digital technologies also aim to leverage data analytics to improve risk assessment and better understand customer behaviour in a rapidly changing landscape.

Business and Performance

The Company's audited financial statements are prepared in accordance with IFRS 17 Insurance Contracts, which was adopted with effect from 1 January 2023.

During the year under review the Company registered a profit before tax of € 9,420K compared to a profit before tax of €9,145K in 2023. The marginal improvement in profitability is mainly attributable to significant gains registered in the performance of the Company's investment portfolio.

The Company's net investment return for the year amounted to a profit of € 5,301K, compared to a profit €4,365K in 2023.

Profit after tax for the year under review amounted to € 7,810K compared to a profit of €7,198K in 2023.

Shareholders' funds amounted to € 36,563K as at 31 December 2024. At the end of 2023, shareholders' funds totalled €32,353K.

The Company is well capitalised with a Solvency II Capital Requirement ratio of 204% as 31 December 2024. This was achieved despite the fact that under Solvency II equity holdings attract a significant capital charge.

System of Governance

EIL effectively meets all regulatory organisational and governance requirements in terms of having the necessary corporate governance structure in place and having filled the necessary key functions with highly qualified and experienced key function holders.

The Company has implemented numerous formal policies, which are reviewed on a yearly basis, systems and processes which are affected by the management team to provide reasonable assurance regarding:

1. Achievement of the Company's objectives
2. Effectiveness and efficiency of operations
3. Reliability of financial and non-financial reporting
4. Effective control of risks
5. A prudent approach to business
6. Compliance with applicable legislation and regulation.

The Company has established a sound control environment by adopting the 'Three Lines Model', which provides a simple and effective way to enhance communications on risk management and internal control by clarifying essential roles and responsibilities. Furthermore, this model reflects the evolving role of risk management and encourages greater collaboration between functions, while putting more focus on the creation and protection of value for shareholders and stakeholders.

The Company has a robust governance framework in place that is reflected in its Strategic Plan, consisting of quarterly reporting to the Board, monthly Management Committee meetings, transparency, a direct interaction of top-down and bottom-up approach, continuous communication, accountability and recalibration. The Senior Management team and the Board of Directors are responsible to set the tone at the top and provide foundation and create discipline and structure for an effective control environment. Control environment factors include the integrity, ethical values and competence of the Company's people, management's philosophy and operating style, the way management assigns authority and responsibility and organises and develops people, and moreover the attention and direction provided by the Board.

There were a few material changes in the Company's System of Governance during 2024. particularly with respect the composition of the Board of Directors. As the Company prepared to celebrate its 20th anniversary as an insurance company, the Board of Directors announced they had welcomed a new member following Mr Roger Bellamy's retirement in early 2024. In fact, as of the 6th May 2024, Mr Anthony Cauchi, who is the existing Chief Operating Officer, was appointed as an Executive Director in a strategic move that ensures succession and continuity at Board level. Over the past 28 years, Mr Cauchi worked immensely hard, dedicating his working life to Elmo and ensuring that the Company evolved into the robust and thriving organisation that it is today. In addition, Mr Cauchi has pursued and achieved an Advanced Diploma in Insurance (ACII), and a Masters in Business Administration, further augmenting his technical expertise. He has also served as President of the Malta Insurance Association in 2021, a position he held with distinction for a two-year term.

Furthermore, with effect from the 31st December 2024, Mr Godfrey Leone Ganado resigned from his position held as an independent non-executive Director of the Company due to retirement. Mr Paul Darmanin replaced Mr Leone Ganado and took over other positions held, namely Chair of the Audit, Investment and Risk Management Committees, and the oversight of the Risk Management System and the outsourced Internal Audit Function. Mr Darmanin is a Certified Public Accountant and Auditor and has a Fellowship with the Chartered Association of Certified Accountants (UK) and the Malta Institute of Accountants. He developed his professional career with Deloitte Malta over a period of 32 years, 20 of which as a Partner. Mr Darmanin submitted his Personal Questionnaire to the Malta Financial Services Authority ("MFSA") and was later approved on the 6th November 2024.

Another change to the System of Governance was the resignation of the Compliance Officer, Ms Erika Bajada, in late 2024. This resignation had no regulatory implications. The new Compliance Officer, Dr. Roberta Abela, joined the Company in early January 2025 and was subsequently approved by the MFSA following submission of a personal questionnaire.

Risk Profile

The continuous changing market dynamics, evolving business environment and the Company's accelerated digital transformation has led the Company to streamline its operations, identify new opportunities and mitigate potential threats. The Company has adopted an effective framework for Enterprise Risk Management ("ERM"). Enterprise risk is defined as all the risks, both internal and external affecting EIL's strategic objectives. EIL adopted an ERM framework, assessing all the risks which may affect its different operations, activities and objectives, by also addressing the interdependencies and interrelationships between risks.

Hence with this ERM approach, the Company has a comprehensive and structured approach to risk identification, assessment, response, and monitoring. The positive effects of ERM are improved decision-making, enhanced risk awareness, more efficient use of resources, increased confidence and transparency, improved business continuity and effective coordination of the strategy and risk management functions.

The Company has adopted the Committee of Sponsoring Organizations' ("COSO") ERM framework published in September 2017, which Includes five interrelated components essential for the development and execution of the business strategy that begins with the mission, vision and core values of the Company with the aim of creating an enhanced value. The five components adopted by the Company are:

- Risk Governance and Culture;
- Business Strategy;
- Performance;
- Review and Revisions;
- Information, Communication and Reporting.

The Company maintains a risk register in place which formally acknowledges all key risks identified by the Company, the impact and likelihood scores for each risk, the department/function responsible for overseeing these risks as well as the respective controls in place to mitigate such risks. There weren't any significant changes to the Company's risk exposure compared to 2023.

The Company continued to enhance its risk management framework by means of its Risk Management Function, including but not limited to the annual review of Company policies, update and approval of Business Continuity Management System documentation, review of EIL's Appetite Statements and Key Tolerance Limits, as well as several risk assessments held throughout the year. All updates and/or changes were approved at Board level following discussions held with the relevant stakeholders and subsequently at Risk Management Committee level.

In 2024, the Chief Officer People and Strategy ("COPS") continued to push for the Company to maximise its strategic implementation targets for the period 2023-2025. The core theme of EIL's existing strategic plan is achieving more organisational resilience through three core pillars, namely 'Employee Experience', 'Customer Excellence' and 'Sustainability'. This strategic plan also utilises frameworks for resilience and sustainable business performance that can provide the secure and sustainable functioning of critical systems and services for the Company's key stakeholders, namely Clients, People and Shareholders. In 2024, a renewed exercise was undertaken to identify the Strengths, Weaknesses, Opportunities and Threats ("SWOT") to determine the Company's existing position and its future ambition. This SWOT analysis also assisted the COPS in his preparations and initial assessment to commence the development of EIL's strategic plan for the 2026-28 period, taking into account all progress made to date thanks to the current strategy implementation and also the ever-increasing expectations of all key stakeholders.

Solvency Position and Capital Management

Since Solvency II came into force on 1 January 2016 the valuation of the Balance Sheet and the SCR is carried out on a quarterly basis by running the standard-formula-based capital model provided by an external firm and performing stress and sensitivity tests.

In relation to the Solvency II Balance Sheet, specific valuation rules are defined in Solvency II for several Balance Sheet items that differ from the accounting rules as laid out in the International Financial Reporting Standards as adopted by the EU ("IFRS"), which is the basis on which the Annual Financial Statements of the Company are published.

The Company's Solvency position as of 31 December 2024 was as follows:

Solvency Position	2024 € '000s	2023 € '000s
Company's Own Funds	**39,930**	**35,132**
Solvency Capital Requirement	19,584	14,629
Solvency Margin cover	**204%**	**240%**
Minimum Capital Requirement	4,896	4,000
MCR cover	**816%**	**878%**

Sub-modules SCR	2024 € '000s	2023 € '000s
Market	19,161	14,291
Default	2,262	2,548
Health	1,194	807
Non-life	6,857	6,355
Diversification Benefit	(6,314)	(5,607)
Basic SCR	**23,159**	**18,395**

SCR	2024 € '000s	2023 € '000s
Basic SCR	23,159	18,395
Operational	967	881
LACDT	(4,543)	(4,648)
Total	**19,584**	**14,629**

The largest risk module under the SCR computation is market risk, mainly due to the Company's holdings in equities and foreign currency investments. Should the need arise, the Company may reduce relatively easily the capital requirements by transferring its exposure to assets which attract lower capital charges.

In comparison, the insurance risk is not material, and any strategic changes to the insurance business will have a very small impact on the SCR mainly due to the comprehensive reinsurance programme with a panel of highly rated reinsurers, which significantly reduces the Company's net exposure. In fact, strategic decisions on core insurance operations would need to be significant in order to have a material impact on the SCR.

A. Business and Performance

A.1 Business Environment

Basic Information

Name of the undertaking:	Elmo Insurance Limited
Company number:	C3500
Registered address:	'Elmo' Abate Rigord Street Ta' Xbiex, XBX 1111 Malta
Legal status:	An insurance company licensed in terms of the Insurance Business Act, 1998 (Chapter 403 of the Laws of Malta) by the MFSA to write general business in Malta.
Directors:	David Bartoli (Managing Director) William Harding (Chairman) Alan Bartoli John Cooper Anthony Cauchi Paul Darmanin

The Company offers its services via staff at head office, nine branch offices spread around the Maltese Islands, and a number of insurance brokers and tied insurance intermediaries. The details of the branch offices, brokers and intermediaries can be found on the Company's website - https://www.elmoinsurance.com/contact-us.

Name of supervisory authority:	Malta Financial Services Authority
Contact details:	Triq l-Imdina, Zone 1 Central Business District, Birkirkara CBD 1010 Malta Tel: +356 2144 1155 www.mfsa.mt
Name of the external auditor:	PricewaterhouseCoopers
Contact details:	78 Mill Street Zone 5, Central Business District Qormi, CBD 5090 Malta

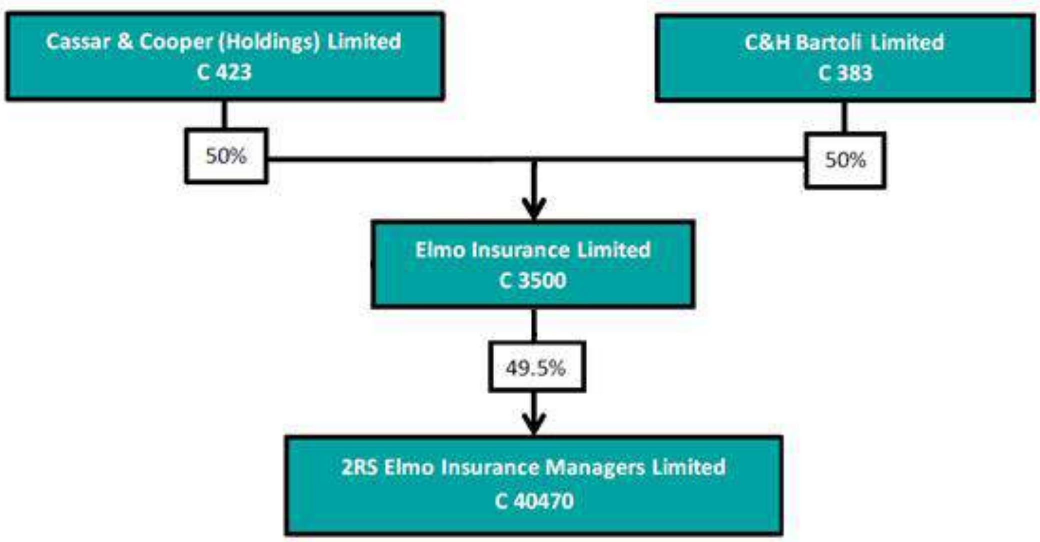
Material Lines of Business

Elmo Insurance Limited is authorised to write most classes of non-life business, including health insurance and is regulated by the MFSA. The following are the material lines of business which the Company writes within the classes of Solvency II:

- Fire and other damage to property insurance
- Other motor insurance
- Motor liability insurance
- Workers' compensation insurance

Ownership Structure

EIL is owned on a 50%-50% basis by C & H Bartoli Ltd and Cassar and Cooper (Holdings) Ltd respectively, and owns 49.5% shares in 2RS Elmo Insurance Managers Limited as represented in the structure hereunder:



Material Transactions with Shareholders and Members of the Board of Directors

Trading transactions with related parties and year end balances arising from these transactions are disclosed in Note 23 to the Company's Financial Statements.

A.2 Underwriting Performance

The Company's audited financial statements are prepared in accordance with IFRS 17 Insurance Contracts, which was adopted with effect from 1 January 2023.

Insurance revenue for the year rose from €29,810K in 2023 to €33,679K in 2024, an increase of 13.3%, after registering a 12.0% increase in 2023 over the revenue reported in 2022. The underwriting performance resulted in an insurance service result of € 8,201K compared to €9,901K in the previous year. The Company's total operating expenses increased by 11.4% to €8,652K from €7,767K in 2023. The combined operating ratio stood at 85.4% compared to 80.4% in 2023.

The tables below show a breakdown of the Company's underwriting performance for all material lines of business for the year ending 31 December 2024:

	Gross premiums written		Gross premiums earned	
	2024 € '000s	2023 € '000s	2024 € '000s	2023 € '000s
Fire and other damage to property insurance	**10,323**	8,999	**8,663**	8,522
Other motor insurance	**6,828**	6,307	**6,572**	5,859
Motor vehicle liability insurance	**13,129**	11,689	**12,484**	10,738
Workers' compensation insurance	**1,239**	1,041	**1,126**	1,047
Other lines of business	**3,607**	3,339	**3,397**	3,215
Total	**35,126**	31,376	**32,242**	29,381

	Gross claims incurred		Gross operating expenses		Reinsurance balances	
	2024 € '000s	2023 € '000s	2024 € '000s	2023 € '000s	2024 € '000s	2023 € '000s
Fire and other damage to property insurance	**6,050**	1,033	**2,850**	2,674	**(543)**	3,914
Other motor insurance	**3,492**	3,306	**1,650**	1,673	**359**	260
Motor vehicle liability insurance	**7,721**	6,380	**3,140**	3,084	**544**	506
Workers' compensation insurance	**129**	40	**355**	328	**197**	212
Other lines of business	**1,051**	1,091	**961**	946	**675**	437
Total	**18,444**	11,849	**8,957**	8,704	**1,231**	5,329

The reinsurance balance represents a charge or credit to the insurance result arising from the aggregate of all items relating to reinsurance outwards.

A.3 Investment Performance

The company registered an excellent investment return on its portfolio which rendered 14.0%, following that registered in 2023 amounting to 14.8%. The main reasons for the gain, relates to our continued exposure to US equities, a substantial percentage of which are invested in technology, communication and related business sectors. The positive trend in performance set in 2024 continued over January 2025, however, the US tariff policies have generated considerable volatility within the world's leading stock markets and all gains made in January were reversed in March of 2025. The Company's Investment Committee meets regularly and closely monitors developments within international financial markets. It is also aware of its ESG obligations and keeps account of ESG score weightings when investing in financial assets.

2RS Elmo Insurance Managers Limited provided the Company with a return of €170K in 2024, compared to €134K in the previous year.

The table below shows a breakdown of the Company's investment performance for the year ending 31 December 2024:

	2024 € '000s	2023 € '000s
Dividends received from investments at fair value through profit or loss	**482**	438
Interest received from investments at fair value through profit or loss	**322**	230
Net (losses)/gains from financial investments at fair value through profit or loss	**4,459**	3,739
Interest revenue calculated using the effective interest method	**195**	37
Share of gains of associated undertaking	**170**	134
Income from investment property	**71**	56
Net surplus arising on revaluation of investment property	**-**	-
	5,698	4,633
Investment expenses and charges	**(197)**	(126)
Interest and finance charges paid for lease liabilities	**(31)**	(9)
Total investment return	**5,471**	4,499

The Company did not have any investments in securitisation during 2024.

A.4 Other material income and expenses

The Company had no other material income and expenses and no leasing arrangements as at 31st December 2024.

A.5 Any other material information

There is no other material information regarding business and performance which has not already been disclosed in the sections above.

B. System of Governance

This section of the report provides an overview on the Company's Board of Directors and Board sub-committees, and the roles, responsibilities and governance of the Company's key functions, namely Risk Management, Compliance, Internal Audit and Actuarial functions. Other components and processes within the system of governance are also outlined, including the risk management system, fit and proper and outsourcing arrangements and the internal control system implemented by the Company.

B.1 General Information on the System of Governance

B.1.1 Governance Structure

As part of its corporate governance, the Company has over the past several years implemented numerous formal board policies, the majority of which are reviewed on a yearly basis, systems and processes which are followed by the management team to provide reasonable assurance regarding:

1. Achievement of the Company's objectives
2. Effectiveness and efficiency of operations
3. Reliability of financial and non-financial reporting
4. Effective control of risks
5. A prudent approach to business
6. Compliance with applicable legislation and regulation.

The Company has also established a number of Board delegated committees and has established Terms of Reference for each committee and for Key Function Holders, including clear reporting lines.

The Board of Directors

The Company's corporate governance starts with the Board of Directors ("the Board") which has overall responsibility for the oversight of the management and governance of EIL through providing leadership of the Company within a framework of prudent and effective controls which enables the effective management and assessment of the risks faced by the Company.

The Board is appointed to act on behalf of the shareholders and to appoint a management team to run the day-to-day affairs of the business. The Board is directly accountable to the shareholders and is responsible for holding regular Board meetings including a statutory annual general meeting during which the directors must provide a report to the shareholders on the performance of the Company, including what its plans and strategies are.

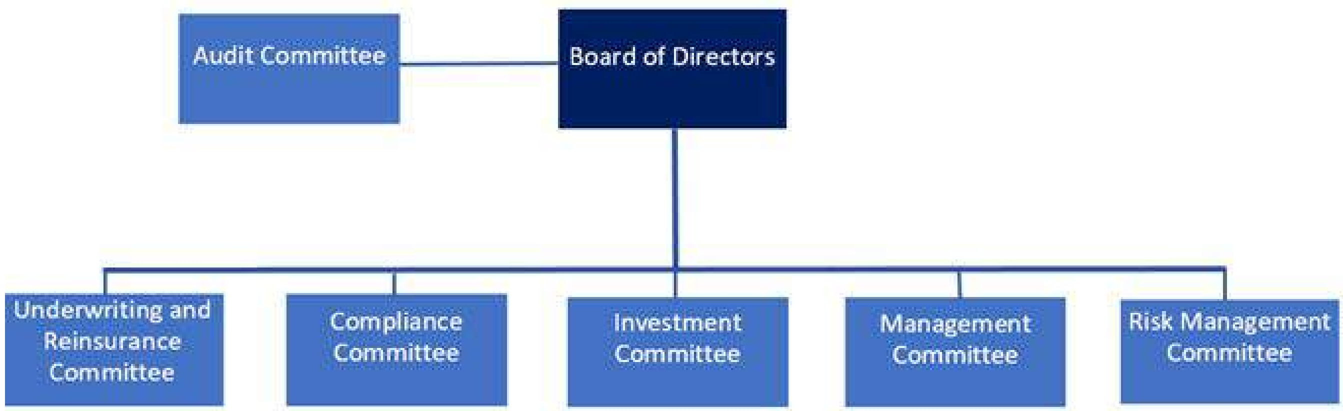
The primary objective of the Board is to ensure the Company's prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders. In addition to business and financial issues, the Board deals with challenges and issues relating to corporate governance, corporate social responsibility, and corporate ethics. In this respect the Board must ensure strict adherence to all relevant laws and regulations.

The Board comprises a mix of executive, non-executive directors and an independent non-executive director in order to allow it to be objective in its decision making. Furthermore, all members of the Board satisfy the fitness and properness criteria as required by the Company.

The Board is responsible for ensuring the effectiveness of the risk management system, setting risk appetite and tolerance limits as well as approving the main risk management strategies and policies. The Board has appointed an independent non-executive Director to oversee the risk management system on the Board's behalf.

Board Committees

The Company has established a number of Board Committees and drawn Terms of Reference for each, including clear reporting lines. The Company's governance and corporate structure is laid out below:



Audit Committee

The Audit Committee reports to the Board of Directors and is responsible for the effectiveness of the systems of internal control and for monitoring the effectiveness and objectivity of the internal auditors.

The main responsibilities of the Audit Committee are twofold:

- Financial Reporting responsibilities, including reviewing and challenging the actions and judgements of management in relation to the Company's financial statements and monitoring the statutory audit of the Company's annual financial statements; and
- Internal Audit responsibilities; including reviewing the internal audit plan and internal audit reports and ensure the internal audit function maintains independence and is adequately resourced and has the appropriate standing within the Company, receiving a report on the results of the internal auditor's work on a periodic basis and monitoring management's responsiveness to the internal auditor's findings and recommendations.

Underwriting and Reinsurance Committee

The Underwriting and Reinsurance Committee was set up since the commencement of the Company's Insurance operations. Membership comprises of two Executive Directors, the Chief Operating Officer and Executive Director, the Chief Officer Commercial Lines & Reinsurance, and other key personnel directly involved in Underwriting, Claims and Reinsurance matters. The committee's responsibilities are to ensure that the Company complies with all underwriting and reinsurance policies and to advise, monitor and guide all other members of staff about insurance technical issues of the Company.

Compliance Committee

The role of the Compliance Committee is to assist the Board in fulfilling their governance and oversight responsibilities for monitoring business conduct and compliance with laws, regulations, relevant codes of conduct and related corporate governance issues.

The responsibilities include:

- providing recommendations to the Board on the Company's attitude towards regulatory compliance;
- maintaining oversight of the Company's regulatory compliance processes and procedures and monitoring their effectiveness;
- ensuring that the Compliance Function is adequately resourced and that it has appropriate standing within the Company;
- keeping up to date with developments and prospective changes in the regulatory environment;
- monitoring the activities of all Tied Insurance Intermediaries and ensuring that these comply and conduct business in accordance with the respective appointment agreement and relevant rules and regulations; and
- considering other topics, as referred to it from time to time by the Board.

Investment Committee

The function of the Investment Committee is to secure the safety, yield and marketability of the Company's investments, ensuring that the investments are diversified and adequately spread in accordance with the prudent person principle and good risk management practices.

The Investment Committee is responsible to formulate the investment policy and guidelines and ensure that systems are in place to verify that the agreed investment strategy is implemented including monitoring the work carried out by the investment manager and the creditworthiness of investment exposures.

Management Committee

The Management Committee offers the right forum for the Senior Management Team of the Company to ensure ongoing effective management of the business. The Management Committee reports to the Board on matters such as insurance market developments, staff developments, sales initiatives, implementation of management action plans and compliance & risk management updates.

Risk Management Committee

The Board set up a Risk Management Committee, chaired by a non-executive director, to assist the Board in discharging its responsibilities for the management and controlling of the significant risks to which the Company may be exposed to. This Committee is responsible for:

- assisting the Board in setting a strategy for risk management which includes risk management objectives, key risk management principles, risk appetite and tolerance limits and assignment of responsibilities across all the activities of the company which is consistent with the company's overall business strategy;
- developing adequate risk management policies that include a definition and categorisation of the material risks faced by the Company;
- building a culture that is aware of the risks and encouraging risk management ideologies throughout the company;
- designing and reviewing formal processes for risk management including the Own Risk and Solvency Assessment ('ORSA');
- supporting the development of risk response processes including contingency and business continuity plans;
- preparing reports on significant risk issues for the Board.

Technology Committee

This is an informal committee whose role is to discuss the operational technology requirements of the Company and ensure that any ICT projects' milestones are achieved in time and within budget. The committee is responsible for:

- identifying the core operational technology requirements of every business function which support the business strategy of the Company;
- identifying internal controls to be incorporated into the systems;
- drafting IT policies supporting these internal controls;
- reviewing current and future technologies to identify opportunities to increase the efficiency of IT resources;
- monitoring and evaluate technology projects; and
- providing advice and recommendations to the Board of Directors on technology strategies and investments.

Key Functions

As part of the Company's System of Governance, EIL has established the four key functions as required by the Solvency II Directive and Chapter 6 of the Insurance Rules. The Company's four key functions, namely the risk management function, the compliance function, the actuarial function and the internal audit function are held by four separate individuals to allow an appropriate segregation of duties, in order to operate objectively and independently of each other and of other functions within the Company.

The key functions are indispensable for the Company's corporate governance framework for the management of risks. This governance framework is based on the 'Three Lines Model' as described under Section B.4.1 below. Furthermore, the four key functions are sufficiently resourced and staffed, have full access to information that is relevant to perform their duties and have direct reporting lines to the Board of Directors.

The information below outlines the main roles and responsibilities of the four key functions:

Risk Management Function

Implementing the Company's Risk Management Framework by coordinating and supporting the identification, measurement, mitigation, monitoring and reporting of the Company's material risks and assisting the Board of Directors in the effective operation of the risk management system.

Compliance Function

Identifying and assessing compliance risks; advising the Board of Directors on compliance matters; assessing the impact of any changes in legislation; establishing a compliance plan; and ensuring that the Company adheres to all applicable laws, rules and regulations.

Actuarial Function

Coordinating and monitoring the calculation of technical provisions, express an opinion on the underwriting policy and the Company's reinsurance arrangements and contribute to the effective implementation of the risk management system.

Internal Audit function

Taking a risk-based approach by providing an independent and objective assurance to EIL's Board of Directors and senior management. This assurance covers, inter alia, an assessment of the main components of the system of governance; the risk management system, including the risk management function and the ORSA process; the compliance function; the actuarial function; and the reinsurance management process.

B.1.2 Material Changes in the System of Governance

As noted above, there were a few material changes in the System of Governance of the Company during the year, namely:

- Retirements of Messrs Roger Bellamy and Godfrey Leone Ganado as Non-Executive Directors;
- Appointment of Mr Anthony Cauchi as Executive Director;
- Appointment of Mr Paul Darmanin as Non-Executive Director;
- Resignation of Ms Erika Bajada as Compliance Officer; and
- Appointment of Dr Roberta Abela as Compliance Officer.

B.1.3 Remuneration Policy

The Company has a Remuneration Policy in place to ensure that the remuneration awards do not threaten the Company's ability to maintain an adequate capital base and that the remuneration arrangements do not encourage excessive risk-taking that is not in line with the risk management strategy of EIL. Remuneration practices for Persons subject to the Remuneration Policy are established, implemented and maintained in line with the business and risk management strategy of the Company, its risk profile, objectives and risk management practices as well as the long-term interests and performance of the Company whilst avoiding conflicts of interest.

Principles of the remuneration policy

The following are EIL's principles of the remuneration policy:

- Where remuneration schemes include both fixed and variable components, such components shall be balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration to avoid staff being overly dependent on the variable components and to allow the Company to operate a fully flexible bonus policy, including the possibility of paying no variable component.

- Where variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall result of the Company.
- The payment of a substantial portion of the variable remuneration component, irrespective of the form in which it is to be paid, shall contain a flexible, deferred component that takes account of the nature and time horizon of the EIL's business: that deferral period shall not be less than three years and the period shall be correctly aligned with the nature of the business, its risks, and the activities of the respective employees.
- The financial and non-financial criteria shall be considered when assessing an individual's performance.
- The measurement of performance, as a basis for variable remuneration, shall include a downward adjustment for exposure to current and future risks, considering the EIL's risk profile and the cost of capital.
- Termination payments shall be related to performance achieved over the whole period of activity and be designed in a way that does not reward failure.
- Persons subject to the Remuneration Policy shall commit to not using any personal hedging strategies or remuneration and liability-related insurance which would undermine the risk alignment effects embedded in their remuneration arrangement.

Variable Remuneration Performance Criteria

The variable part of remuneration of the staff engaged as key function holders referred to in Articles 269 to 272 of the Commission Delegated Regulation shall be independent from the performance of the operational units and areas that are submitted to their control.

Supplementary pension or early retirement schemes

EIL does not provide any supplementary pensions or early retirement schemes for the members of the Board and other Key Function holders.

B.1.4 Material Transactions during the period

There were no material transactions between the Company and EIL's shareholders, the Board of Directors and with persons who exercise a significant influence on the undertaking, other than remuneration and Director's fees.

B.2. Fit and Proper Requirements

The Company has in place a Fit and Proper policy which sets out the procedure for assessing the fitness and propriety of the persons who effectively run the undertaking or have other key functions, both when being considered for the specific position and on an on-going basis.

B.2.1 Policy framework for Fit and Proper Requirements

EIL ensures that all persons who effectively run the Company or hold other key functions are fit and proper persons at all times. This Policy defines the procedures of how the fitness and propriety will be assessed for both newly appointed persons and on an on-going basis.

The Company shall assess fitness and propriety against four criteria:

a. competence;
b. reputation (comprising integrity and financial soundness);
c. conflicts of interest and independence of mind; and
d. time commitment.

In deciding whether a person is fit and proper, the Company shall be satisfied that the person:

a. has the personal characteristics, including that of being of good repute and integrity (proper);
b. has the professional qualifications, and possesses the adequate level of competence, knowledge and experience (fit), required to enable such person to carry out his duties and perform his or her key function effectively and to enable sound and prudent management of the undertaking.

In accordance with the Company's Outsourcing Policy, where the Company outsources key functions, fit and proper procedures are to be applied in assessing persons employed by the service providers or sub-service providers to perform the outsourced key function.

B.2.2 Process for assessing fitness and propriety

Prior to the appointment of a Director, Chief Officer, General Manager or a Financial Controller (Leadership), or a Head of Department, Senior Manager, Key Function Holder or Person responsible for a Branch of the Company, the individual will be required to provide to the Company with the following documentation:

a. a duly completed Personal Questionnaire (if role is subject to notification requirements to the MFSA);
b. a duly completed Conflict of Interest Questionnaire;
c. Curriculum Vitae;
d. copies of major qualification certificates;
e. copies of reference letters; and
f. copy of Police Conduct Certificate (*In accordance with article 10 of the GDPR, the Police Conduct Certificate shall not be retained by the Company; and shall be duly returned to the employee*).

The Board of Directors will consider whether the individual is 'fit and proper' for the role in question and subsequently notify the MFSA accordingly if required to, in terms of para 2.5.1 of Chapter 2 of the Insurance Rules.

The Company shall not merely base its assessment of a candidate's fitness on information provided to it by the candidate, but it shall adopt a proactive approach to the assessment by:

a. Confirming that the applicant does possess the qualifications claimed by requesting a copy of the qualification certificates, updated licenses or certificates to practice in cases where the license or certificate is renewed from time to time and if the applicant is a member of a professional body, the Company shall request evidence of that membership.

b. Requesting, when available, references regarding the applicant's previous employment.
c. If the applicant has other involvements in other entities, the Company shall seek confirmation from the applicant that such involvements will not adversely impact the applicant's ability to perform the key function and shall ensure that such involvements do not conflict with the performance of the key function.
d. Assessing how the applicant's previous experience equips the applicant with the expertise and experience required for the performance of the key function.

The assessment of the fitness of individuals shall not be restricted to the recruitment stage. After employing the person, the Company shall ensure that the person maintains his/her qualifications or licences. Thus, in cases where the maintenance of a person's qualifications is dependent on completing continuing professional development (CPD), the Company may request the employee, on an annual basis to self-certify that he/she is compliant with the particular CPD requirements.

On annual basis the Board of Directors shall carry out a self-assessment, together with an assessment of the Chief Officers, Chief Officers, Financial Controller, Heads of Departments, Senior Managers and Key Function Holders to confirm that these are still 'fit and proper'. This also includes asking the individual to confirm that there were no changes from the Personal Questionnaires submitted to the MFSA in relation to their position and that any individuals with multiple appointments can dedicate enough time and resources to carry out their roles effectively.

B.3 Risk Management System

B.3.1 Description of the Risk Management System

The Board has taken active steps to implement an embedded risk management system in the Company. Implementation of the EIL's risk management system was not viewed as a tick-box exercise to satisfy regulation requirements arising from Solvency II and the Insurance Business Act, but as a structure for effective risk management, which will result in numerous benefits to the Company, including, but not limited to, reduction of exposure to certain hazardous risks and an increased ability to achieve the Company's strategic and business objectives.

For EIL's risk management system to be effective, the risk management system covers all significant risks of the Company and requires an appropriate risk management strategy which includes the risk management objectives and adequate risk management processes and reporting procedures. The Board reviews and sets the risk appetite of the Company based on the key risk indicators and the tolerance limits on an annual basis.

Risk Management Strategy

EIL's risk management strategy includes the risk management objectives, key risk management principles, risk appetite framework and the assignment of responsibilities to risk owners across all the activities of the Company. Critical to an effective risk management strategy is its alignment to the Company's overall business strategy.

Processes and Reporting Procedures

The Company has in place processes and procedures to enable the Company to identify, measure, mitigate, monitor and report the material risks it is exposed to. Furthermore, internal reporting procedures and processes have been set up to ensure that the information on the effectiveness of the risk management system and the material risks faced by EIL are actively monitored and managed by all relevant staff and the Board. This includes the monitoring and reporting of Key Risk Indicators ('KRIs') and Key Performance Indicators ('KPIs') on a quarterly basis and reports submitted to the Risk Management Committee and to the Board on a regular basis.

The mission of the Risk Management Function is to promptly identify, measure, mitigate, monitor and report risks potentially affecting the achievement of strategic, operational and/or financial objectives. The Enterprise Risk Management (ERM) approach provides a platform for managing current and emerging risks and reporting early warning indicators, in order to support the long-term stability and growth of the Company.

Risk Identification

Risk identification is a key component of EIL's risk management process. As part of the annual risk assessment exercise, senior management and risk owners are requested to fill in a comprehensive risk assessment questionnaire as a first step to identify the material risks (current and emerging) which if materialised may have a direct or indirect impact on the achievement of the objectives and operations of their department and/or the Company. A risk assessment workshop and brainstorming exercise is also carried out to enable participants identify significant internal and external risks, through the sharing of information and active participation and discussion during the workshop. The risk assessment workshop facilitates the process of risk identification including the interdependencies and interrelationships between risks and the threats (negative impact) and opportunities (positive impact) on the achievement of EIL's strategic and operational objectives if the risk materialises.

All significant risks which are identified through the risk management process are documented within the risk register which is maintained by the Risk Management Function.

A formal risk identification process is carried out at least on a yearly basis and regular updates are recorded during the year.

Risk Measurement

Following the identification stage, risks are measured to provide the Company with a greater understanding of the materiality of each risk. In particular, this step allows the Company to:

- assess the impact and likelihood of a risk occurring;
- compare risks and prioritise them in terms of focus and attention that should be given to individual risks;
- compare current level of risks with the risk appetite framework to determine whether any remedial action is necessary.

Risk measurement is carried out by determining both the inherent risks and the residual risks. Inherent risk scores are determined by not taking into account the controls in place. Residual risk scores are determined by taking into account the inherent risk scores, the controls in place and the effectiveness level of controls. The residual risk indicates whether the net risk exposure is within the Risk Appetite of EIL.

Should the net risk exposure exceed the Risk Appetite of the Company, the Risk Manager and Senior Management will be required to take further action to reduce the likelihood and the impact of the risk to bring it within the risk appetite of EIL. Determining the impact and likelihood of a risk occurring should be carried out through discussion with Risk Owners and the Board should consider factors such as past internal and external events, personal experience and literature.

Risk Mitigation

A mitigation strategy must be determined to manage each material risk EIL is exposed to. Depending on the criticality of the risk and management's tolerance for risk, EIL must decide whether to accept the risk, avoid the risk, reduce or control the risk, share or transfer the risk. Risk owners must determine the list of controls/mitigations in place where management decided to reduce or control the likelihood and/or impact of the risk.

Risk Monitoring

The development of KRIs and monitoring of risks is an integral part of EIL's risk management process. Risk owners measure risks on a quarterly basis to comprehensively assess whether a risk exceeds its tolerance limit. The development of KRIs serve as warning signals to the management and the Board of EIL on any increasing risk exposures in the different areas of the Company.

Risk Reporting

This step of the risk management process involves the provision of timely and accurate management information to assist Management and the Board to:

- understand the risk profile of the Company and how it has changed over time;
- determine whether risk exposures are being managed in accordance with the risk appetite framework set by the Board;
- where risks are within the set tolerance limits, whether the controls in place are effective and, if not, how to manage the risks; and
- take action to mitigate unacceptable exposures to risk.

B.3.2 Implementation and integration of the Risk Management System in the organisational structure and in the decision-making process

The Company has adopted an effective framework for Enterprise Risk Management ("ERM") where enterprise risk is defined as all the risks, both internal and external affecting EIL's strategic objectives. EIL has adopted an ERM framework, assessing all the risks which may affect its different operations, activities and objectives, by also addressing the interdependencies and interrelationships between risks. With EIL's ERM approach, the relationship between risks is identified by the fact that two or more risks can have an impact on the same activity or objective or the materialisation of a risk in one business area may increase the impact and/or likelihood of risks in another business area.

The Company has adopted the Committee of Sponsoring Organizations ("COSO") ERM framework published in September 2017, which Includes five interrelated components essential for the development and execution of the business strategy that begins with the mission, vision and core values of the Company with the aim of creating an enhanced value. Furthermore, the risk management system comprises of the risk strategy, risk appetite framework and processes and procedures, which are determined in line with the overall business strategy. A "feedback loop" system is in place as business continually evolves and requires that both strategy and risks are monitored, reviewed and re-evaluated. EIL's ERM facilitates the process of obtaining and sharing relevant information, from both internal and external sources, which flows up, down and across the Company.

The ERM Framework adopted by the Company comprises of the COSO's five components:

- **Risk Governance and Culture**

  Risk governance and culture together form a strong foundation for the ERM and basis for all other components of ERM. Risk governance sets the Company's tone at the top, reinforcing the importance of ERM, and establishing oversight responsibilities for it. Culture pertains to ethical values, desired behaviours, and understanding of risk in the Company. Culture is reflected in decision-making.

  The primary responsibility for ERM lies with the Board that is ultimately accountable for reviewing the risk appetite and tolerance levels of EIL and for ensuring that management defines the roles and responsibilities, standards and guidance for employees. Risk Governance and culture is also achieved by holding employees at all levels responsible and accountable to the ERM and motivated to escalate and report any risk events they may become aware of. Furthermore, the Board is responsible for overseeing the ERM framework and efforts are also being undertaken by EIL to align human resource development and retention to the core values of the Company.

- **Business Strategy**

  The Company's ERM is integrated into the strategic planning exercise through the identification of the strengths, weaknesses, opportunities and threats ('SWOT') and the setting of the business strategy, strategic themes and objectives. The SWOT analysis gives EIL an insight into the internal and external factors and their impact on EIL's risks. Articulating risk appetite and tolerance limits is key and these are established and aligned with the business strategy. Business objectives allow strategy to be put into practice and shape the entity's day-to-day operations and priorities. Furthermore, EIL's business strategy is a key input during EIL's risk assessment process to ensure that the Company appropriately identifies, assesses and measures the key risks that may affect the achievement of EIL's strategic themes and objectives.

- **Performance**

  Performance focuses on ERM practices that support EIL's decision making and the achievement of its strategic and business objectives. This component includes risk identification and assessment, risk response and interrelationship of risks.

  Furthermore, the ORSA process continues to strengthen EIL's ERM framework, by assessing the Company's risk management processes, risk exposures and ensure that the Company can withstand financial and economic stresses. The output from the risk management system, and the ORSA process, is used across the Company in business decisions such as underwriting, reinsurance arrangements and investment decisions.

- **Review and Revision**

  Review and Revision includes the monitoring enterprise risk management performance and analysing how well the enterprise risk management components are functioning over time and in light of substantial changes.

Monitoring provides insight into how well the Company has implemented ERM within the entity. The business objectives and the components of ERM may change over time as the entity adapts to shifting internal and external environments. In addition, current practices and processes may no longer apply or may be deemed insufficient to support the achievement of new or updated business objectives.

The Company's Risk Management Function and Risk Management Committee is responsible to review EIL's Risk Management Framework on an annual basis to ensure that the framework, process and procedures are still fit for purpose. Furthermore, the ORSA report enhances monitoring efforts, the ability to make changes to the ERM framework and is also a benefit that allows ERM to achieve its goals and objectives.

- **Information, Communication and Reporting**

  Communication consists of the continual, iterative process of providing, sharing, and obtaining information, which flows throughout the Company. This is critical when implementing a successful ERM Framework. The Company's risk management framework is designed to support decision-making by providing consistent, reliable and timely risk information, thereby protecting the business from undesired deviations from its risk appetite and tolerance limits. Senior management uses relevant information from both internal and external sources to support ERM. To ascertain the achievement of strategic and business objectives, the management of EIL is also required to prepare and present to the Board a list of KRIs and KPIs on a regular basis. Furthermore, the Risk Management Function of EIL communicates the Company's risk data and relevant information to the Board and senior management through regular emails and written reports during the quarterly Board meetings, risk management committee and monthly management meetings.

B.4 Own Risk and Solvency Assessment (ORSA)

The ORSA process forms an integral part of EIL's Risk Management System. The Company conducts and prepares an ORSA document on an annual basis, or immediately following the identification of any significant change to Company's risk profile as set out in EIL's ORSA policy, whichever is the earlier.

The ultimate responsibility for carrying out the ORSA rests with the Board of Directors, hence it needs to ensure that the Company has an adequate Risk Management framework to identify, manage and monitor on an ongoing basis any risks facing the Company. The Board is also responsible to identify any changes to the risk environment in which the Company operates and ensure that any new/emerging risks are identified, mitigated and the impact assessed as early as possible.

In order for the Board to carry out the ORSA it needs to consider EIL's exposure to short term risks (one year) and medium-term risks (three years) and project its capital needs taking into account medium term risks. Consideration must be taken of the likely changes to the risk profile and business strategy over the projected period.

The ORSA document, which is drafted following the input of all key functions and senior management, provides a description of:

- all material risks from all assets and liabilities identified by the Company;
- management practices, systems and controls, including risk mitigation for these risks;
- the quality of processes and inputs, and in particular the related governance issues in place;
- the link between business planning and the overall solvency needs;

- explicit identification of possible emerging risk scenarios; and
- assessment of potential stresses.

The Company conducts its own assessment of overall solvency needs and expresses the overall solvency needs in quantitative terms, while complementing the quantification by a qualitative description of the material risks. The Company's own assessment of overall solvency needs enables the Company to calculate the amount of capital required by taking into consideration all the material risks EIL is exposed to including reputational risks, strategic risks, cyber/IT risks, legal risks and liquidity risks to ensure that the Company holds the appropriate levels of capital.

The assessment of the Company's own risks forms an important part in the development and monitoring of EIL's business strategy and in the decision-making process of the Company. The determination of the overall solvency needs contributes to assessments of whether to retain or transfer risk and how best to optimise the Company's capital management. In this respect, the ORSA allows the Company to assess its overall solvency needs to match its exposure to risk. In light of the above, the overall solvency needs bring together the Company's risk profile and its approved risk appetite and tolerance limits.

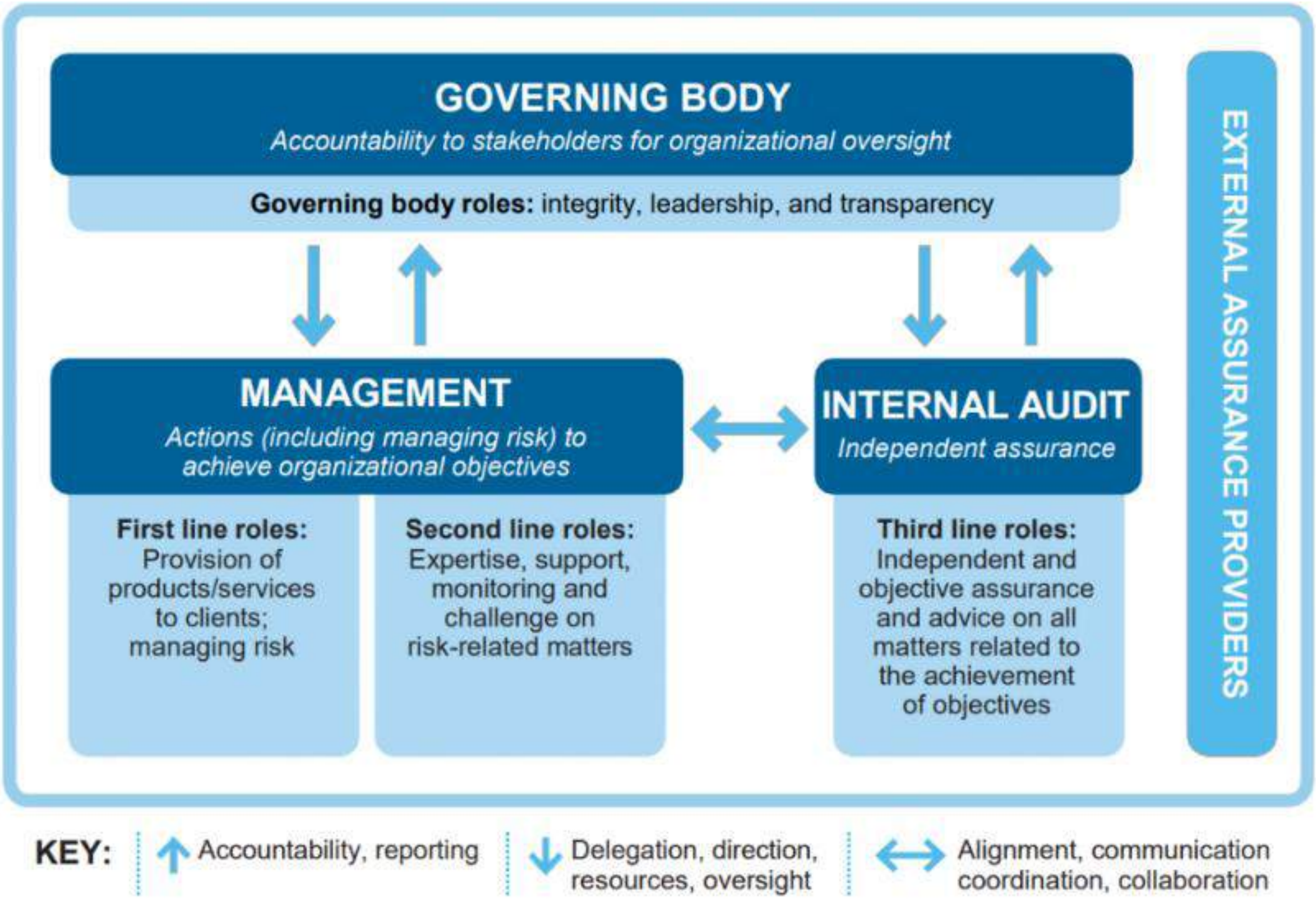
Stress tests and Scenario analysis are also carried out to assess EIL resilience to certain events. Stress tests and scenario analysis are selected by the Board with the input of the Risk Management Committee and Senior Management, taking into account EIL's strategic plan and objectives. A reverse stress test is also carried out to determine which adverse events may reduce EIL's SCR ratio below the Company's tolerance limit or cause significant financial distress. The results are reviewed by senior management and challenged by the Board and where necessary, management actions are established.

The ORSA is reviewed and approved by the Board of Directors. An ORSA workshop is also carried out on an annual basis to communicate the results and conclusions of the ORSA to all relevant staff.

B.5 Internal Control System

B.5.1. Description of the Internal Control Framework

An effective risk management system also requires to be supported by a suitable internal control system. To this effect, the Board of Directors has adopted the 'Three Lines Model' which provides a simple and effective way to enhance communications on risk management and internal control by clarifying essential roles and responsibilities and this is depicted in the following diagram:



The original 'Three Lines of Defence' model was published in 2013, however this was later updated to the 'Three Lines Model' by the Institute of Internal Auditors in July 2020. In the original model, all management controls and internal control measures represented the first line of defence, while the second line comprised of various risk management functions, including financial control, security, risk management, quality, inspection and compliance. However under the new revised model, both Management and Internal Audit report to and receive oversight from the organisation's governing body. Furthermore, Management is now deemed responsible for both the First Line and Second Line roles.

Management is responsible to set the tone at the top and provide foundation and create discipline and structure for an effective control environment. Control environment factors include the integrity, ethical values and competence of the Company's people; management's philosophy and operating style; the way management assigns authority and responsibility and organises and develops people; and the attention and direction provided by the Board.

Primary responsibility for the management of risks lies with operational management – the first line of defence. Operational management has ownership, responsibility and accountability for assessing, controlling and mitigating risks together with maintaining effective internal controls.

Support for and challenge on the risk management activities including the identification, measurement, monitoring, management and reporting of risk are performed by the Risk Management function and the respective Board

Committees set up by the Board, each having their own separate terms of reference – the second line of defence. Although clearly identified in the original model, the updated 'Three Lines Model' does not list Compliance as part of the second line of defence. However, the relevant guidance states that management should ensure "compliance with legal, regulatory and ethical obligations."

Independent and objective assurance on the robustness of the Risk Management Function and the appropriateness and effectiveness of internal control is provided by the Internal Auditors. In order to maintain complete independence, the Company outsources the Internal Audit Function to a third-party service provider.

An external line of defence is found through the work performed by the external auditors, who annually audit and provide the shareholders with reasonable assurance that the financial statements are free from material misstatement due to fraud and error.

Through the internal control system implemented by the Board above, it is able to provide to its stakeholders' reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations.

B.5.2 Compliance Function

EIL's Compliance Function is established in house and is an independent control function at the second line of defence. The Compliance Function ensures that the Company and employees comply with all applicable laws, regulations, insurance rules, and internal policies; continuously monitor any amendments to the applicable legislation and regulations and assessing the potential impact of proposed legislation on the Company; monitor the Company's distribution network in order to ensure adherence with the applicable Insurance Distribution Rules including prudential requirements and continuous professional development requirements and the Rules contained in the Conduct of Business Rulebook relating to disclosures, product oversight and governance and sales processes and selling practices; and provides independent information and objective advice to the Board on regulatory issues and developments applicable to EIL.

The Company has established a Compliance Policy which identifies all areas of EIL's business activities that are susceptible to compliance risk and to implement the necessary controls to ensure that the Company complies with the applicable legislation and regulatory requirements. The Compliance Policy is reviewed on an annual basis and was last updated and approved by the Board on 28th May 2024.

B.6 Internal Audit Function

B.6.1 Implementation of the Internal Audit Function

The Internal Audit Function's role is to provide independent, objective assurance and consulting activity designated to add value and improve to the Company whilst ensuring effectiveness of the systems of internal control. The Internal Audit Function helps the Company to accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, control and governance processes. EIL's Internal Audit key function is outsourced, and the list of responsibilities are included within the Terms of Reference of the

Internal Audit Function and the Internal Audit Policy. The Internal Audit Policy is reviewed on an annual basis and was last updated and approved by the Board on 29th August 2024.

The Internal Audit activity's responsibilities are defined by the Audit Committee as part of their oversight role. The key responsibility of the Internal Audit is to the Board of Directors in discharging its governance responsibilities and to perform the following functions:

- evaluating the Company's governance processes including ethics;
- performing an objective assessment of the effectiveness of risk management and the internal control framework;
- systematically analysing and evaluating business processes and associated control; and
- communicating to the Board and Senior Management any opportunities for improving management of risks, internal control, governance, profitability and the organisation's effectiveness.

B.6.2 Independence and Objectivity of the Internal Audit Function

The Internal Audit Function is objective and independent from the operational functions and free from undue influence by any other functions, including key functions. The persons carrying out the Internal Audit Function shall not assume responsibility for any other function.

Internal Audit does not assume any operational responsibility or authority over any of the activities audited unless it can be reasonably established that such operational involvement will not impair the independence of the Internal Audit Function. Consequently, Internal Audit does not implement controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgement.

Internal Audit demonstrates the highest level of professional objectivity in obtaining, evaluating and communicating information and findings about the activity or process under review.

B.7 Actuarial Function

The role of the Actuarial Function is to assist the Board of Directors in discharging its responsibilities for the management and controlling the significant risks to which the company may be exposed.

The Actuarial Function is responsible to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;
- back-test actual results against estimates to improve the quality of current reserves and the methodology used;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the Board of Directors on the reliability and adequacy of the calculation of technical provisions;
- report at least annually to the Board on the tasks undertaken, any identified shortcomings and recommendations on how to remedy deficiencies; oversee the calculation of technical provisions in the cases set out in Article 82 of Directive 2009/138/EC;

- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk-management system., in particular with respect to the risk modelling underlying the calculation of the capital requirements and the ORSA.

The Company outsources its Actuarial Function, and the Actuarial Function holder coordinates the calculation of the technical provisions ensuring that the calculation is compliant with the requirements regarding the calculation of technical provisions and reported on those calculations to EIL, including reporting whether there are any uncertainties connected to this calculation in the Actuarial Function Report.

B.8 Outsourcing

To conduct operations as effectively and efficiently as possible, the Company finds it advantageous to outsource certain functions. The Company has in place an Outsourcing Policy to ensure that the development and implementation of any proposal to outsource operational functions are carried out in a rigorous, transparent and a consultative manner that ensures the Company's best interests are served.

Notwithstanding the processes and procedures in place, effort is made to maintain several activities or key functions in-house and only outsource them in case of situations wherein finding suitable replacement would be cumbersome and would result in the interruption of internal processes.

The Company may also decide to outsource a critical or important function. The Company considers a critical or important function or activity as being "a function or activity that is fundamental to carrying out the core business as it would be unable to deliver its services to policyholders without the function or activity". The Company shall not undertake the outsourcing of a critical or important operational function or activity in such a way as to lead to any of the following:

- Materially impairing the quality of the undertaking's system of governance;
- Unduly increasing the operational risk;
- Impairing the ability of the competent authority to monitor the undertaking's compliance with its obligations; or
- Undermining the continuous and satisfactory service to the policyholders.

Before outsourcing a key or a critical/important function, the Company should obtain a number of quotations from different service providers and carry out a proper due diligence and risk assessment process prior to any final decision being made as to whether to outsource a material business activity. This ensures that the potential service provider has the ability, the capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the Company's objectives and needs, as per Article 274(3)(a) of the Commission Delegated Regulation (EU) 2015/35. This due diligence process addresses all material factors that would impact on the potential service provider's ability to perform the activity, including an assessment of the technical ability and capacity of the service provider to deliver as well as its reputation, experience with the proposed outsourced function and potential conflict of interest where the service provider is related to the Company or has arrangements with competitors. The Company shall also ensure that the service provider's risk management and internal control systems are adequate, that the service provider has the necessary financial resources to perform the additional tasks in a fit and proper way and that all their staff who will be involved in providing the outsourced function are sufficiently qualified and reliable. Regulatory compliance is also considered at every stage of the outsourcing process.

Furthermore, for all outsourcing arrangements, a legally binding agreement is established and documented, to clearly define the respective rights and obligations of the Company and the service provider. Outsourcing arrangement agreements must document all components of the outsourcing arrangement between the parties as per Article 274(4) of the Commission Delegated Regulation (EU) 2015/35. The full requirements of Article 274(4) are also included in Annex I to EIL's outsourcing policy. Furthermore, the agreement shall also include start and finish dates, service levels, frequency of payments, invoicing and payment procedures, dispute resolutions and confidentiality. Decisions to outsource a material business activity and to select the relevant service provider should be approved by the Board. The Board shall also authorise the terms and conditions within the outsourcing agreement.

The Company currently outsources a number of operational activities, which are considered to be critical, and two of its key functions, namely the Internal Audit and Actuarial functions. The Company has outsourced the Internal Audit Function to KPMG in Malta and the Actuarial Function to KPMG in Ireland. EIL has designated two Board members responsible for the oversight of these two outsourced functions which are fit and proper to be able to provide appropriate challenge and oversight of the performance and results of the service providers and ensure that the functions are being carried out in an effective manner and in line with all Solvency II requirements.

B.9. Any other information

B.9.1 Evaluating the appropriateness of the System of Governance

An internal review of EIL's System of Governance is carried out on an annual basis. Gaps identified following the review of the MFSA's Corporate Governance Code were taken into account during the Strategic Planning exercise for the period 2023-2025, for instance gaps related to new expectations over and above Solvency II requirements, such as embracing Environmental, Social and Governance standards into the company's strategy and culture. The System of Governance is considered to be adequate for the Company, taking into account the nature, scale and complexity of the risks inherent in EIL's business.

B.9.2 Other material information

There is no other material information regarding system of governance which has not already been disclosed in the sections above.

C. Risk Profile

This section describes the risk profile of the Company. The objective of the risk management strategy employed by the Company is primarily to:

- fully integrate risk management into the culture of the Company;
- ensure that the risk management framework is understood and implemented by staff with an operational responsibility for risk;
- ensure the benefits of risk management are realised through maximising opportunities and minimising threats; and
- ensure consistency throughout the Company in the management of risk.

The Company maintains a risk register recording the results of its risk and control self-assessment process providing an assessment of multiple risks across defined categories. The risk register includes assessments both of those risks considered covered by own funds and those that are not, and moreover describes the controls applied in the management of these risks. Material risks or material changes in the perception of actual or potential future risks are reported to the Board together with recommended actions as appropriate.

The Board determined that the risk management system of the Company should cover the following risk categories:

1. *Underwriting and reserving risk* – the risk of loss, or adverse changes in the value of assets and insurance liabilities, due to inadequate pricing and reserving assumptions. It includes fluctuations in the timing, frequency and severity of insured events/claims settlements;

2. *Reinsurance risk* – the inability to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons like unfavourable market conditions. Reinsurance risk also entails the possibility that the reinsurers will dispute the coverage of losses and/or inadequate or inappropriate reinsurance cover;

3. *Credit risk* – the risk that a counterparty will be unable to fulfil their obligations and pay amounts in full when due, leading to an adverse impact on the Company and its financials;

4. *Market and Investment risk* – the risk of loss in value of the investment portfolio due to factors such as macroeconomic risk and political risk. This includes interest rate risk, currency risk, credit spread risk, market concentration risk and equity price risk;

5. *Liquidity risk* – the risk that the Company is unable to realise investments and other assets in order to settle their financial obligations at a reasonable cost when they fall due;

6. *Asset Liability Management risk* – the risk refers to the management of a business in such a way that decisions on assets and liabilities are coordinated in order to manage the exposure to the risk associated with the Variation of their economic values. The Board decided to consider this risk within the same category of Liquidity Risk;

7. *Operational risks* – the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational Risk therefore encompass a large number of risks, including outsourcing risk, regulatory and legal risk, business continuity, cyber risks and process failure risk;

8. *Reputational risks (including regulatory and legal risks)* – the risk that adverse publicity regarding EIL's business practices, whether accurate or not, will cause a loss of consumer confidence in the integrity of the Company which may result in significant financial losses; and
9. *Strategic risk* – the risk of loss arising from the pursuit of an unsuccessful business plan, adverse business decisions, the improper implementation of those decisions, inadequate resource allocation or failure to respond well to changes in the business environment.
10. *ESG and Sustainability risks* –ESG risks have gained significant importance over the past few years. These are risks related to any environmental, social or governance ('ESG') event or state which, if it were to occur, could have an actual or potential negative effect on the value of the investment or on the value of the liability. Environmental risks, such as climate change and natural disasters, can lead to increased claims costs and transitional risks. This risk can be compounded by the potential impact on insurers' investment portfolios. Social risks, such as changes in demographics may lead to changes in customer demand which can impact customer retention and brand value. Lastly, Governance risks relate to the policies adopted, culture, management practices and decision-making of the Company through its Board of Directors, Senior Management, shareholders and other key stakeholders.

The Board considers the accumulation and Interaction of insurance policies the Company writes and how these are to be managed within the underwriting and reserving, reinsurance and asset liability risk categories. Concentration risks with respect to credit counterparties and investment risks are considered within the respective risk categories as well. Interaction between risk categories is considered during the risk assessment exercises when determining the impact and likelihood of each risk.

C.1 Underwriting and Reserving Risk

C.1.1 Risk Exposure

Underwriting and reserving risks may arise from the following sub-categories:

Insufficient Premium**:** The risk of earning lower premiums compared to previous periods due to inadequate or inappropriate (lower) product pricing, bad reputation, insurance policy not meeting the demands and needs of target market, lack of marketing, and an economic slowdown.

Product Design risk: Product defects due to inadequate product design, including defining the target market, identifying insurable risks, determining key product features, distribution channel and regular product review and monitoring in respect of new or significantly adapted products.

Underwriting of Highly Technical Insurance risk*:* Inadequate or inappropriate underwriting. The risk of incurring underwriting losses due to the lack of technical knowledge and understanding on particular and highly technical insurance policies and documentation. May also be due to failure to comply with the underwriting guidelines, including staff operating outside of their delegated authority.

Reserving risk: The risk of technical provisions established being insufficient to cover losses that have already been incurred. This may be due to inadequate or inappropriate reserving techniques including unforeseen, unknown or unintended liabilities that may occur.

Higher than estimated frequency and severity of losses: The risk of insured losses being more frequent and higher than our expectations, such as increasing traffic accidents and more fatalities, increased rates of construction accidents, changes in legislation, climate change (freak storms) and other natural or man-made catastrophes (including earthquake, tsunami, riots, strikes, civil commotion, explosion, pandemic). This may also be due to inadequate or inappropriate claims management including overpayment, failure to collect recoveries, fraudulent misrepresentation or staff operating outside of their delegated authority.

Insurance concentration risk: Adverse concentration exposure, due to lack of diversification of the overall insurance portfolio. For example, geographical exposure, catastrophe exposure, underwriting segment factor, industry or distribution channel.

Increased claims serving costs: Increased claims serving costs are a significant risk, particularly in light of recent global economic challenges where inflation and global supply chain problems led to increased costs of repairs and replacement of parts for damaged vehicles, which ultimately resulted in higher claims costs.

The impact of this risk is leading to lower profits or even losses if claims costs exceed premiums collected. In order to mitigate this risk, the Company has taken a number of measures ranging from reviewing premium rates to improving the claims handling processes and using technology to streamline claims processing and reduce costs. Mitigation measures taken aim to help ensure the Company's long-term financial stability and ability to continue providing essential services to the customers.

Inadequate insurance policy wording and review: Inadequate policy wording may lead the Company vulnerable to disputes and legal challenges, which can be costly and damaging to the Company's reputation. customer base as policyholders may switch to other companies with more clearly written policies. EIL is focused on developing clear and concise policy wording and regularly reviews and updates its policies. The Company will also be conducting periodic audits and risk assessments can also help identify and address potential policy wording weaknesses.

The Company writes all classes of general insurance business (excluding Classes 5 – Aircraft; 14 – Credit; 15 – Suretyship and 18 - Assistance) in relation to risks situated in Malta, with business generated through the following channels: in-house sales and branches, tied insurance intermediaries and insurance brokers. The main aim is of achieving a good balance between motor and non-motor classes, with the Company having a strong share in the engineering – construction insurance classes. The Company has also availed itself of passporting rights by way of the freedom of services for several lines of business in Cyprus and Greece.

Every quarter, EIL measures and assesses its exposure to underwriting risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for non-life and health underwriting risks. Additionally, on an annual basis as part of the ORSA process, the Company also measures and assesses its exposure to underwriting risks using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors underwriting and reserving risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis. There were no material changes in the overall Underwriting risk exposure of the Company in 2024.

C.1.2 Risk Concentration

Underwriting risk concentration may occur due to geographical exposure, catastrophe exposure, underwriting segment factor, industry or distribution channel. EIL has a well-diversified insurance portfolio, however the largest concentration of underwriting risk relate to the geographical area since EIL's risks are predominantly situated in Malta.

C.1.3 Risk Mitigation

The Directors manage exposure to insurance risk through an Underwriting and Reinsurance Committee that considers aggregation of risk and establishes risk retention levels. The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type and amount of risk and industry. Disciplined underwriting, encompassing risk assessment, risk management, pricing and exposure control is critical to the company's success.

The goal is for underwriters to be in a position to:

- Understand and assess each risk;
- Make appropriate decisions within their area of competence and authority limits;
- Differentiate between risks;
- Apply suitable terms and conditions in order to manage the portfolio;
- Control exposure; and
- Improve the predictability of the loss experience and make appropriate use of the company's technical capacity.

Underwriting guidelines are in place and each underwriter has a specific delegated authority that sets clear parameters for the business that they can underwrite, based on the competence of the individual underwriter. The Underwriting and Reinsurance Committee looks at the Company's underwriting issues, reviews and agrees the underwriting direction, issues instructions and directives where appropriate, and moreover takes decisions on the overall risk retention of the Company. To mitigate underwriting and reserving risks, the Underwriting and Reinsurance Committee is also responsible of product oversight and governance responsibilities assigned to it by the Board of Directors in terms of the Company's Product Oversight and Governance Policy, including responsibility of ensuring an adequate risk survey capability.

Pricing is generally based upon historical data, claims frequencies and claims severity averages, adjusted for inflation and trended forward. While claims remain the Company's principal cost, allowance is also made in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance, and for a profit loading that adequately covers the cost of the capital exposed to risk.

The Company has the right not to renew individual policies or to reprice on renewal, it can impose deductibles and it has the right to reject the payment of a fraudulent claim.

The Company also has in place several reinsurance arrangements to limit its exposure to single or multiple large risks, including catastrophes. The Company reinsures that portion of the underwritten risks above its risk appetite to control exposure to losses, to reduce volatility, and to protect capital. The type of reinsurance cover and the level of retention are based on the Company's risk management assessment which takes into consideration the risk being covered and sums insured.

Risks relating to the Claims handling process are mitigated through the Company's in-house teams of skilled claims technicians who apply their experience and knowledge on resolving individual claims. These teams are responsible for investigating and adjusting claims, together with specialist independent loss adjustors that might be engaged depending on exigencies. Claim estimates are reviewed periodically and adjusted on the basis of information that becomes available specific to the claim as well as changes in external factors such as judicial decisions and legislation. The Company generally pursues early settlement of claims to reduce its exposure to unpredictable developments and limit the effect of inflation.

Sources of uncertainty in the estimation of future claim payments (claims on contracts) are accounted for on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, the estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company. Claims falling under certain classes of business can take several years to develop and/or discover, in particular claims involving casualty, and are therefore subject to a greater degree of uncertainty than other classes of business that are typically settled in a shorter period of time.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR in the Company's technical accounts.

In calculating the estimated cost of unpaid claims, the Company uses a combination of estimation techniques, based partly on known information and partly on statistical analyses of a historical experience.

Reserves are analysed by line of business. Case reserves are established on each individual claim and are adjusted as new or updated information becomes known throughout the course of handling the claim. Lines of business for which claims data (eg. paid claims and case reserves) emerge over a long period of time are referred to as long tail lines of business. Lines of business for which claims data emerge more quickly are referred to as short tail lines of business. Risks underwritten by the Company are typically short tail, although certain lines of business may take longer to develop, including, for example, personal accident and employers' liability.

The Company's claims departments regularly review reserves for both current and prior accident years using the most recent claims data. These reserve reviews incorporate a variety of judgments and involve extensive analysis. The ultimate cost of outstanding claims, including claims incurred but not reported, is subsequently estimated through statistical analyses of historical claims trends, which are projected forward giving greater weighting to recent years. Additional qualitative judgment is applied to assess the extent to which past trends may not apply in the future.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of all underwriting and reserving risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle. The Risk Management Committee also monitors the effectiveness of the underwriting and reserving risk mitigations through the monitoring of the KRIs and KPIs.

C.1.4 Risk Sensitivity

To assess the material risks of the Company in a comprehensive way, a sensitivity analysis and stress scenarios are carried out. Please see section C.7 for information on stress testing and sensitivity analysis for all risk categories.

C.2 Market Risk

C.2.1 Risk Exposure

Market and Investment risk is split into three main risk categories:

Interest Rate risk: Change of value of investment portfolio due to changes in interest rates and low rates of return on fixed income instruments.

Equity Price risk: Change of value of investment portfolio from changes in equity prices due to market volatility arising from macro-economic environment and overconcentration to a particular counterparty, geographical area or industry.

Currency risk: Change of value of investment portfolio from changes in exchange rates arising from macro-economic environment and overconcentration to a particular currency.

Credit Spread risk: Fixed-income assets, such as bonds, may lose value if credit spreads widen due to changes in the creditworthiness of the issuer, changes in the macro-economic environment and other movements in investments markets.

Property Price risk: The risk of a fall in property values.

Every quarter, EIL measures and assesses its exposure to market risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for market risk. Additionally, on an annual basis as part of the ORSA process, the Company also measures and assesses its exposure to market and investment risks using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors investment risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis.

Additionally, on a monthly basis during the Investment Committee meetings, the Investment Committee members review and assess the composition of the investment portfolio in detail to ensure that it continues to be adequately diversified and spread in line with the regulatory requirements and with the Company's investment policy guidelines and thresholds.

C.2.2 Prudent person principle

The Company's Investment Policy Guidelines ensure its continued compliance with the Prudent Person Principle (PPP) as laid down in Article 132 of the Directive 2009/138/EC. The Prudent Person Principle requires companies to invest in a manner ensuring security, quality, liquidity and profitability of the investment portfolio and to also have a well-diversified portfolio.

The Company's current investment portfolio is prudent and consistent with the portfolio guidelines and criteria established in the Investment policy guidelines approved by the Board of Directors. The investment portfolio of EIL provides an optimal asset allocation allowing the maximisation of the levels of security, quality, liquidity and profitability. This is achieved through the well-diversified investment portfolio given the Company's investments in property, equities. bonds. and cash & deposits, as well as setting sectoral limits and exposure limits with regards to investment in any one counterparty. Furthermore, the Company avoids investments in derivatives and similar commitments as it has no appetite for such complex investment instruments.

C.2.3 Risk Concentration

Market risk concentration may occur due to lack of diversification in the investment portfolio, which may lead to a large exposure in a foreign currency, asset class or issuer. EIL holds a well-diversified investment portfolio in line with the established Investment Policy guidelines, and there were no material market risk concentrations as of 31 December 2024.

C.2.4 Risk Mitigation

Market and Investment risks are managed through the Company's Investment Committee which sets out investment guidelines which are approved by the Board of Directors and regularly reviewed. The investment guidelines set out the parameters for investment and ensures that corrective action is taken in a consistent and timely manner if required.

Interest rate risk is principally managed through the investment in debt securities having a wide range of maturity dates. Moreover, investment parameters exist to limit exposure to any one particular issuer and any one particular debt security.

The risk of equity price volatility is managed by maintaining a diverse range of investments including equities and collective investment schemes. EIL has an active Investment Committee that has established a set of investment guidelines that is also approved by the Board of Directors. These guidelines provide parameters for investment management, including contracts with external portfolio managers. The Directors review market value fluctuations arising on the Company's investments on a monthly basis. Investment parameters and diversification procedures also consider solvency restrictions.

The Company's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. The investment guidelines set allowable thresholds with regards to the Company's exposure to foreign exchange risk.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of market and investment risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle. The Risk Management Committee also monitors the effectiveness of the market risk mitigations through the regular monitoring of the KRIs and KPIs.

C.2.5 Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.3 Credit Risk

C.3.1 Risk Exposure

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Credit and counterparty default risks may arise from the following sub-categories:

Reinsurance credit risk: Default of a reinsurer which results in exposure to claims and loss of recoverable balances.

Intermediaries, policyholders and co-insurers credit risk: Default of an intermediary, policyholder or a co-insurer resulting in loss of recoverable balances.

Investment Counterparties credit risk: Default of fixed income counterparties resulting in loss of nominal holdings, in particular due to excess exposure to geographic region, industry, or a single counterparty.

Local and Foreign Banks credit risk: Default of a bank resulting in loss of cash and cash equivalents, in particular due to excess exposure to geographic region or a single counterparty.

Every quarter, EIL measures and assesses its exposure to credit risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for counterparty default risk. Additionally, on an annual basis as part of the ORSA process, the Company also measures and assesses its exposure to credit risks using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors credit risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite, including reinsurance credit ratings and cash balances held with one single bank. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis.

C.3.2 Risk Concentration

Credit Risk concentration is associated with any single exposure or group of exposures with the potential to produce large losses to threaten the Company's core operations. It may arise either from a single counterparty concentration or industry concentration. The directors consider that the company is not exposed to material concentration of credit risk in respect of trade debtors due to the large number of customers comprising the company's debtor base.

The Company's most material Credit Risk concentration relates to reinsurance arrangements. The reinsurer's credit rating and amount of exposure is monitored on a regular basis and a report is presented to the Underwriting and Reinsurance Committee and the Compliance Committee on a quarterly basis.

C.3.3 Risk Mitigation

The company places limits on the level of credit risk undertaken from the main categories of financial instruments. These limits also take due consideration of the solvency restrictions imposed by the relevant Regulations. The investment strategy of the Company considers the credit standing of the counterparty and control structures are in place to assess and monitor these risk thresholds.

The Company structures the levels of credit risk it accepts by limiting as far as possible its exposure to a single counterparty or groups of counterparties. Limits on the level of credit risk are approved by the directors, and the credit terms allowed depend on the distribution channel through which business is secured. Frequent meetings are held, attended by directors, to monitor the overall credit situation, and to take remedial measures as appropriate.

Reinsurance is used to manage insurance risk. This does not, however, discharge the company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is monitored by reviewing their financial strength on a regular basis and prior to finalisation of any contract. The company's appetite is to only contract reinsurers with a minimum rating of A-.

The Credit risk in relation to default from policyholder and intermediaries is managed through the Company's Debtor Policy which sets out the credit terms which may be given. Furthermore, the Company's credit control function constantly monitors debtor balances and follows up long-outstanding balances. The Company also closely monitors debtors who exceed credit terms and consider revoking credit terms when transacting new business.

The company is also exposed to credit risk for its cash at bank and investments. The company's cash is placed with quality financial institutions.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of credit risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle. The Risk Management Committee also monitors the effectiveness of credit risk mitigations through the monitoring of the KRIs and KPIs.

C.3.4 Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.4 Liquidity Risk

C.4.1 Risk Exposure

The company's exposure to liquidity risk arises from the eventuality that the frequency and severity of losses are greater than estimated and funds may not be available to pay claims when due at a reasonable cost.

The Directors do not consider these risks to be significant given the nature of the company's financial assets and liabilities. The company's financial assets are considered to be readily realisable as they consist of local and foreign securities listed on recognised stock markets. There have been no material changes in exposure to liquidity risk over the reporting period.

On an annual basis, EIL measures and assesses its exposure to liquidity risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs. The Company also monitors net cash flows on a regular basis.

C.4.2 Risk Concentration

There were no material liquidity risk concentrations as of 31st December 2024.

C.4.3 Risk Mitigation

The company ensures that a reasonable level of funds is available at any point in time for unexpected large claims and the company may also resort to overdraft facilities which provide a short-term means of finance. Furthermore, the investment policy provides parameters for investments, requiring a high percentage of cash and cash equivalents to be held in the investment portfolio, and regular monitoring of cash accounts is carried out to maintain an adequate level of liquidity in line with average claim payments.

On an annual basis during the annual risk assessment exercise, the risk management function in conjunction with the risk owners assesses the effectiveness of liquidity risk mitigation techniques and controls in place. Furthermore, the risk mitigations and controls in place are reviewed and assessed by the Internal Audit function during its Internal Audit cycle.

C.4.4 Expected profit included in future premiums (EPIFP)

As of 31 December 2024, the Company had no future premiums cash-flows on existing unexpired policies and therefore there is no expected profit included in future premiums.

C.4.5 Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.5 Operational Risk

C.5.1 Risk Exposure

Operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems risk, or external events. During 2024, EIL was exposed to several operational risks, namely:

Speed of technological change: Failure to adapt to and implement new technologies, or failure to adequately implement new technologies.

People's Risks: Lack of succession planning and recruitment, individual's goals not aligned with Company's goals, lack of required skills, lack of staff development, inadequate performance management systems and workplace health & safety.

IT Risks: Inadequate system design or capability to maintain business functionality, hardware & software failure and human error that could lead to cyber risks.

Information Security Risk: The risk of loss of confidentiality, integrity, or availability of information (whether digital or not) or information systems which will have an adverse impact to information assets, operational resilience, and reputational damage.

Cyber Risks: The risk of financial loss, disruption to operations or reputational damage resulting from cyber incidents which may lead to a data breach, material damage to EIL's software or hardware, malicious disruption, denial of service, payment fraud, regulatory fines and reputational damage.

Failure of internal processes / controls: Failure of internal control processes due to incorrect design and implementation or management override.

***Fraud Risk**:* This could be both Internal and External Fraud risk. Internal fraud may arise internally due to asset misappropriations, which involves the theft or misuse of an organisation's assets. External fraud may arise from policyholders deliberately misrepresenting, concealing, suppressing or not disclosing material facts upon the underwriting of risks or the policyholder making a false insurance claim.

Project and Change Management: Failure to deliver the expected results of a project or initiative, project costs exceeding benefits, inadequate implementation of a project or initiative.

Regulatory Compliance Risks**:** The risk of non-compliance with EU host countries' general good provisions, inadequate system of governance framework, not meeting supervisory reporting deadlines; and breaching the conditions of authorisation or non-compliance with all applicable rules, legislation and regulations.

Legislative and Regulatory Changes: The risk of increasing legislative and regulatory changes and heightened regulatory scrutiny.

Business Continuity Risk: Any event that disrupts the business operations of the Company and/or its performance and lack of planning ahead of managing the aftermath of such event.

Outsourcing: The risk of an unexpectedly bad outcome to outsourcing arrangements of critical/important or key functions or the risk of operational disruption due to a failure by one of the outsourcing partners.

Distribution vulnerability: Risks emanating from distribution channels. This may be caused by loss of business to a distribution channel and over-reliance on a particular distribution channel.

Every quarter, EIL measures and assesses its exposure to operational risks using the Solvency II SCR calculation which is used to measure the regulatory capital requirement for operational risk. Additionally, on an annual basis, EIL measures and assesses its exposure to all its operational risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors operational risk exposures through the assessment of KRIs and KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis.

C.5.2 Risk Concentration

There were no material operational risk concentrations as of 31st December 2024.

C.5.3 Risk Mitigation

The Company has implemented additional processes and controls to mitigate operational risks and continues to monitor such risks to ensure these remain at an acceptable level.

The Company manages people's risk through its Human Resources ('HR'), led by the Chief Officer People and Strategy, and supported by other members of Senior Management. This includes regular communication with staff, workshops, regular discussion forums, both in-house and outsourced training for staff and executives, as well as a full commitment on employee retention. The Company focuses on ensuring the health and safety, personal resilience and mental wellbeing of all its employees.

After considering a number of alternative IT systems over the past years, the Board of EIL has commissioned the implementation of a new integrated insurance software system that will provide a significantly improved IT platform to allow EIL to better service its customers, grow, enhance its processes and meet current and future operational and regulatory requirements. The implementation period is in its final phases and the Company plans to transition over to the new system in the very near future.

The Company has heavily invested in its IT infrastructure to ensure that its IT system is modernised and continues to fulfil Elmo's current and projected business requirements whilst mitigating the ever-increasing cyber threats. The IT department is partly also responsible for the management of IT safety and security, where a new role of an Information Security Officer was created to take over responsibility of information security and cyber risks. In view of the new DORA Regulation that came into force on the 17th January 2025, several new IT policies were introduced throughout 2024, while existing IT policies were also updated to ensure the Company is resilient to IT risks and information security risks.

All departmental managers are responsible to establish all relevant internal controls within their area of responsibility in line with the Internal Control Policy. The Company outsources the internal audit function to a third-party firm in order to provide additional assurance to the Board of Directors on the adequacy of internal controls. A Fraud Policy is in place with respect to the procedures necessary to combat and report fraud, while a Whistleblowing Reporting Internal Procedure is in place for employees to disclose information, including reasonable suspicion, on improper practice committed within or by the Company.

The Compliance Officer is responsible to manage regulatory compliance risks. Laws and regulations are reviewed when introduced, deadlines are monitored actively and compliance updates are rolled out to staff and the Board to bring their attention to the matter. A complaints register is maintained by the Compliance Officer to keep record of all formal complaints.

The Company constantly reviews the market to determine any trends which are arising in pricing and policy covers. Dedicated staff are responsible of handling customer care, including replying to queries received through the Company's social platforms and website, carrying out regular surveys and reviewing comments on social media and other sources. The results of the trends are then discussed at Committee level and during strategic planning to ensure a high level of customer excellence and always meet clients' ever-growing expectations.

The Company has established a Business Continuity Policy, which is reviewed and approved by the Board of Directors on an annual basis. The Company frequently considers the events which may impact business continuity and has established and formalised a Business Continuity Plan, including a Disaster Recovery Plan which prescribes preparedness procedures to deal with disasters and their aftermath. The plan is tested on an annual basis by the Disaster Recovery Team and presentations, internal emails and memos are circulated to Senior Management and staff to raise awareness on the risks entailed and responsibilities in case of an incident.

The Company's distribution channels consist of internal branches, internal sales representatives, tied insurance intermediaries and insurance brokers Certain distribution channels are considered key for the generation of good premiums and profitable business. Good relations are maintained with all distribution channels, including invitations to Company social events. The Company controls its reliance on a particular distribution channel by reviewing its statistics on a monthly basis at Underwriting and Reinsurance Committee level.

C.5.4 Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.6 Other Material Risks

C.6.1 Reinsurance Risk

C.6.1.1 Risk Exposure

The Company reinsures a portion of the risks underwritten to control exposure to losses, to reduce volatility and to protect capital. The type of reinsurance cover, and the level of retention, are based on the company's internal risk management assessment, which takes into account the risk being covered and the sums assured. The reinsurance strategy and programme are set and agreed by the Underwriting and Reinsurance Committee on an annual basis. The reinsurance arrangements include a mix of proportional, facultative and non-proportional cover, which limit the liability of the company to any one individual claim or event.

The company's exposure to reinsurance risk arises from the risk of being unable to obtain reinsurance cover at the right time and at an appropriate cost and the risk of buying inadequate reinsurance covers including the risk of exceeding the reinsurance surplus facility limit and the risk that insurance policies issued by EIL are not aligned to the reinsurance agreement terms and conditions. Reinsurers' credit ratings are monitored on an ongoing basis, and moreover EIL measures and assesses its exposure to reinsurance risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs.

C.6.1.2 Risk Concentration

Each quarter the Underwriting and Reinsurance Committee review the gross and net aggregate exposures for all classes of business, including our exposures in each of the marinas in Malta. Appropriate action is taken if necessary, by the Underwriting and Reinsurance Committee so as to ensure that concentration of risks remains within the parameters set by the Committee.

C.6.1.3 Risk Mitigation

Monthly reviews of aggregates are carried out to ensure that adequate reinsurance is in place. Periodical meetings are held with the company's reinsurance brokers, the purpose of which is to systematically agree the renewal process of the company's reinsurance requirements, and to ensure a formalised means of communication between Elmo and its reinsurance brokers. Contact with reinsurance brokers is maintained during the year when dealing with risks that are not catered for by the standard reinsurance treaties.

The Company also performs technical audits periodically in order to ensure that EIL's policy wordings being issued by the underwriting teams do not conflict with the reinsurance terms, which would effectively render the reinsurance taken out null and void in case of a claim.

The company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements regularly to ensure that its counterparty exposure to individual reinsurance groups is within the parameters set by the Underwriting and Reinsurance Committee. The company does not place reinsurance with reinsurers having a credit rating lower than 'A-'.

C.6.1.4 Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C. 6.2 Reputational risk

C.6.2.1 Risk Exposure

Reputational risk is the risk of loss as a result of negative perception or experience by the various stakeholders of the Company. This risk is interrelated to other risks and in fact could arise from other risks including conduct, compliance, operational and cyber risks. This is a very relevant risk since in today's business environment, positive reputation drives customer trust and loyalty, enhances brand image and ultimately may lead to the success or failure of any Company.

On an annual basis, EIL measures and assesses its exposure to reputational risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs.

C.6.2.2 Risk Concentration

There were no material reputational risk concentrations as of 31st December 2024.

C.6.2.3 Risk Mitigation

EIL manages reputational risk through its ethics framework, ongoing customer care and providing product training to EIL employees and tied insurance intermediaries, focusing on legislative and regulatory requirements and ensuring proper adherence, review and prompt settlement of complaints.

C.6.2.4 Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.6.3 Strategic risk

C.6.3.1 Risk Exposure

Following the onboarding of the Chief Officer People and Strategy in 2022, the Company's exposure to strategic risk changed as this shifted from lack of strategic planning and clear business objectives to the risk of not implementing the Company's strategic objectives and direction for the period 2023-2025.

On an annual basis, EIL measures and assesses its exposure to strategic risks as part of the ORSA process, using its own risk assessment methods to assess its overall solvency needs. The Company also measures and monitors strategic risk exposures through the assessment of KPIs against the Company's risk appetite. This exercise is carried out and reported to the Risk Management Committee and the Board on a quarterly basis.

C.6.3.2 Risk Concentration

There were no material strategic risk concentrations as of 31st December 2024.

C.6.3.3 Risk Mitigation

On a yearly basis, the Board, together with the Senior Management Team, enter into strategic thinking exercise in order to devise a short to medium term strategy for the Company. This exercise takes into account the key requirements of all stakeholders, including shareholders, customers and staff. During the strategic planning exercise, the Board of Directors and the Senior Management team also identify the Company's strengths, weaknesses, opportunities and threats ("SWOT") to help determine where the Company is now and where it wants to go. The exercise sets out KPIs which should be reached in order to ensure maximum value to stakeholders. Furthermore, on a yearly basis, the Directors of the Company determine premium targets and set the overall tone for the business plan of the forthcoming year.

C.6.3.4 Risk Sensitivity

See section C.7 for information on stress testing and sensitivity analysis for all the risk categories.

C.7 Any Other Information

The Company has prioritised the following important matters in 2024:

C.7.1 ESG and Sustainability Risks

ESG and Sustainability are high on the agenda and the Company has implemented a number of initiatives to improve its performance in this regard. EIL, being one of the largest insurance companies in Malta, is aware of its responsibility and believes it can make a noticeable contribution to the environment and society. ESG has been integrated in the EIL's strategic pillars and an ESG working group has been formed to implement its ESG Strategy and ensure that all short to long term priorities are actioned accordingly. The Company has a solid governance framework, a business ethics policy in place, remote working, is currently enhancing its digitalisation process, promotes diversity and equality at the place of work and has a CSR team that organises activities on a monthly basis in a bid to help those in need. Moreover, the Investment Policy Guidelines have been updated to ensure ESG ratings are taken into consideration during the decision-making process. Going forward, an ESG Policy shall soon be approved by the Board and other initiatives are also planned such as the installation of photovoltaic panels on the roofs of the premises.

Furthermore, the Company has also considered the impact of climate change in its 2024 ORSA process and hence assessed the material risk on the Company's business and performance by applying specific stress scenarios. The impact of climate change continues to be kept under review to assess the vulnerability and exposure of EIL and also to capture such risks that may emerge in the near future. Moreover, failure to integrate ESG in the business strategy could also amplify other correlated risks such as reputation and operational.

C.7.2 Implementation of Digital Operational Resilience Act (DORA) Regulation

The evolving digital threat landscape means the Company is exposed to new and evolving cyber threats on a daily basis, ranging from risk of data loss, theft of Intellectual Property or financial loss as a result of more sophisticated cyber techniques and the current global macroeconomic discomfort amplifying both motive and opportunity for potential ransomware attacks. Furthermore, cyber risks may lead to other adverse risks such as GDPR related fines, business continuity concerns due to downtime, reputational damage and potential financial instability.

This introduces us to DORA, which is a European regulatory framework on digital operational resilience whereby all entities need to ensure they can withstand, respond to and recover from all types of ICT-related disruptions and threats. DORA, which came into force on 17th January 2025, is made up of five key pillars, namely ICT risk management, ICT-related incident management, digital operational resilience testing, the management of ICT third-party risks and lastly, sharing of information.

The Company carried out a DORA gap assessment in early 2024 to identify gaps with regards to the new regulation and has since taken a proactive approach towards continuous improvement, hence also strengthening its ICT-related resilience in the meantime. The Board led this project, additional resources were allocated within the relative departments, and a working group consisting of the COO, CTO, Risk Manager and Compliance Officer was setup in a bid to ensure that the Company is in line with the new rigorous requirements specified under this new act. The Company's efforts in this regard included but were not limited to the enhancement of the ICT risk management framework, adoption of several new IT policies, updating of existing IT policies, the carrying out of several risk assessments, revision of contract wording and addendums with critical ICT-third party service providers, penetration testing held on EIL's systems, completion of a Register of Information and more.

C.7.3 Stress testing and scenario analysis

On an annual basis the Company performs stress and scenario testing aimed at quantifying the impact certain risk events will have on own-funds and the solvency capital requirement of several scenarios. The Company also conducts reverse stress tests on an annual basis that examine the conditions that would push the SCR ratio below 100% and which would completely deplete the Company's equities. These stress tests and scenarios help EIL to understand potential losses to ensure that the Company is prepared to withstand projected losses from the selected events, including ensuring that there is adequate capital to withstand the event. The selection of the stress and scenario tests are agreed by Senior Management and the Risk Management Committee and approved by the Board as part of the ORSA process.

The scenarios which the Company considered for stress testing and scenario analysis, as reported in the 2024 ORSA report are as follows:

- ***Scenario 1:*** Earthquake impacting on EIL's entire portfolio of PDBI, Motor and Marine risks (subject to a PML computation);
- ***Scenario 2:*** Investment portfolio shock resulting from market instability;
- ***Scenario 3:*** Downtime in IT systems

The above stress tests were performed using the 3-year business plan and the 3-year financial projections that were based on 2023 actual year-end figures.

The results of the above stress tests and scenarios undertaken have shown that under the three risk events, the Company manages to keep the SCR ratio above 100%. This implies that EIL is well capitalised and able to withstand the impact of the three selected plausible scenarios. The results of the stress tests and scenario analysis are also reported to the Board in the ORSA report.

The results of sensitivity analysis with respect to financial risks can be found in note 3 to the financial statements.

D. Valuation for Solvency Purposes

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

The values of the assets and liabilities in the IFRS financial statements have been used with some adjustments as outlined in the following sections. These adjustments are in line with the recommendations in the Technical Specifications.

A comparison of asset figures under both Solvency II and IFRS is set out below:

Balance Sheet - as at 31 December	2024			2023
	SII € '000s	IFRS € '000s	Difference € '000s	SII € '000s
ASSETS				
Intangible assets - computer software	-	116	(116)	-
Tangible assets:				
- land and buildings	13,457	13,457	-	13,470
- plant and equipment	1,225	1,225	-	866
Investments:				
- investment in associated undertaking	374	374	-	306
- investment property	1,615	1,615	-	1,615
- other investments:				
▪ equities	29,465	29,465	-	21,966
▪ bonds	11,514	11,403	111	7,862
▪ loans and receivables	1,562	1,562	-	1,566
Deferred taxation	133	133	-	181
Reinsurers' share of technical provisions	8,323	9,524	(1,201)	4,330
Debtors:				
- arising out of direct operations	5,868	-	5,868	6,720
- other debtors	60	60	-	74
Prepayments and accrued income	450	561	(111)	334
Current tax	-	-	-	334
Cash at bank and in hand	5,047	5,047	-	6,397
TOTAL ASSETS	**79,093**	**74,542**		**66,021**

Balance Sheet - as at 31 December	2024 SII € '000s	2024 IFRS € '000s	2024 Difference € '000s	2023 SII € '000s
CAPITAL AND RESERVES				
Called up share capital	5,000	5,000	-	5,000
Revaluation reserve	7,052	7,052	-	7,052
Profit and loss account	24,511	24,511	-	20,219
Reconciliation reserve	3,367		3,367	2,861
TOTAL EQUITY	**39,930**	**36,563**		**35,132**
LIABILITIES				
Technical Provisions		33,913	(33,913)	
- best estimate	31,297		31,297	25,488
- risk margin	937		937	815
Deferred taxation	2,104	1,323	781	2,231
Creditors:				
- creditors arising out of direct insurance operations	2,735	653	2,082	1,439
- accruals	267	267	-	254
- current taxation	1,275	1,275	-	-
- lease liabilities	547	547	-	663
TOTA LIABILITIES	**39,163**	**37,979**		**30,889**
TOTAL EQUITIES AND LIABILITIES	**79,093**	**74,542**		**66,021**

D.1 Assets

Intangible assets

The value of intangible assets has been removed from the Solvency II Balance Sheet in accordance with Article 12 of the Regulation.

Land and buildings and Investment Property

Land and buildings and investment property were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have been stressed under the property risk module within the market risk module.

Tangible assets – plant and equipment

Plant and equipment were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These assets have been stressed as an Equity Type 2 within the equity risk module in line with clarifications issued by EIOPA.

Investments in associated undertaking

Investments in associated undertaking were valued in accordance with Article 8 of the Regulation by using the equity method of accounting as per IFRS. This has been classified as other equity in the SCR calculation and stressed under the equity risk module.

Equities

Equities were valued in accordance with Article 8 of the Regulation by using the last available quoted active market prices which is consistent with the valuation approach under IFRS. Equities were classified under "EEA or OECD Equities" and "Other Equities" and then stressed according to their classification under the equity risk module. Equities also include exposures in foreign currencies which were stressed under the currency risk module.

Bonds, Loans and receivables, and Subordinated loans receivable

Bonds, loans and receivables, and subordinated loans receivable were valued in accordance with Article 8 of the Regulations. Bonds and loans and receivables were valued using the last available quoted active market price and includes the value of accrued interest. Subordinated loans were valued using the cost approach and includes the value of accrued interest. This is consistent with the valuation approach under IFRS, with the exception that accrued interest is shown as a separate line item under IFRS.

These assets were stressed under the interest rate, spread and concentration risk modules under market risk. Bonds also include exposures in foreign currencies which were stressed under the currency risk module within market risk.

Deferred tax asset

Deferred tax asset was valued in accordance with Article 15 of the Regulation and is consistent with the valuation approach under IFRS.

Reinsurers' share of technical provisions

Reinsurers' share of technical provisions have been stressed under counterparty default risk. The calculation of the Solvency II reinsurers' share of technical provisions is explained in section D.2.

Debtors

Under IFRS17, trade and other receivables are added to the Liability for Remaining Coverage, whereas under Solvency II these are stressed under the counterparty default risk module.

Cash at bank and in hand

Cash at bank and in hand was valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. Cash at bank was stressed under the counterparty default risk module and the foreign currency exposures were stressed under the currency risk module within market risk.

Prepayments and accrued income

Prepayments were valued in accordance with Article 8 of the Regulation and is consistent with the valuation approach under IFRS. These have not been stressed in the SCR computation. Accrued interest on bonds, loans and receivables and subordinated loan receivables have been removed from this line item and added to the respective line item under the Solvency II balance sheet to arrive to the Solvency II valuation of the respective line item. Accrued interest has therefore been stressed under the modules of the above items.

D.2 Technical Provisions

The tables below show the main differences in technical provisions between the Solvency II and the IFRS valuation in the financial statements, and a breakdown of the Company's Solvency II technical provisions for all material lines of business as at 31 December 2024:

Technical Provisions	SII € '000s	IFRS € '000s	Difference € '000s
Best Estimate Premium Provision	9,737		
Best Estimate Claim Provision	21,560		
Risk Margin	937		
Liability for remaining coverage		8,157	
Liability for incurred claims		25,337	
Gross Technical Provisions	**32,234**	**33,494**	**(1,260)**
Reinsurers share of Technical Provisions	8,323		
Assets for remaining coverage		1,061	
Amounts recoverable on incurred claims		8,045	
Net Technical Provisions	**23,911**	**24,389**	**(477)**

Technical Provisions	Fire & other Property damage € '000s	Other motor insurance € '000s	Motor vehicle liability € '000s	Workers Compensation € '000s	Other lines of business € '000s	Total € '000s
Net Best Estimate Premium Provision	481	2,403	5,213	203	587	8,887
Net Best Estimate Claim Provision	1,262	1,828	8,860	800	1,337	14,087
Risk Margin	49	192	491	99	106	937
Net Technical Provisions	**1,793**	**4,422**	**14,563**	**1,102**	**2,030**	**23,911**

Below is a description of each step of the change in technical provisions:

1. Adjustments to determine the Best Estimate Technical Provisions

1A. Margin over best estimate for outstanding claims and allowance for Solvency II expenses

The claims provision under both Solvency II and IFRS 17 is reported on a best estimate basis.

The following standard actuarial methods were used to calculate the best estimate of claims reserves including expenses:

- Paid Claim Chain Ladder Method;
- Incurred Claim Chain Ladder Method;
- Loss Ratio Method;
- Bornhuetter-Ferguson Method.

In determining the best estimate using these methods, reliance was made on:

- Claims triangles (constructed to include allocated and unallocated claims expenses) from 2000 – 2024;
- Tail factors on the liability lines to allow for longer reporting and settlement delays associated with liability lines of business;
- Expert Actuarial judgement where necessary particular in respect of:
    - Emerging trends or events which will not be present in the historic claim data used to project ultimate losses i.e. the additional allowances made for Events not in Data ("ENID's")/ Binary Events;
    - Selection of development patterns, Initial Expected Loss ratios and method selections;
    - Inflation adjustment selected by the actuaries in their projection of the IBNR; and
    - Treatment of one-off large loss in the projections of ultimate losses.

Note that allocated and unallocated expenses associated with settling claims are implicitly included in the claims projections due to the construction of the claims triangles, claims triangles used in the projections include paid and incurred Allocated Loss Adjustment Expenses ("ALAE") amounts and therefore the claims projections implicitly include costs associated with future claims expenses. The ALAE triangles are constructed based on an analysis carried out such that the claims department salaries and overheads such as property costs, claims management etc. are aggregated to a global Paid ALAE figure. This amount is divided by the total Gross Claims Paid figure to obtain the percentage to be applied to the pure paid claims triangles resulting in an expense allowance by line of business.

In prior years, the calculation of the ENID loading, included an inflationary adjustment in response to the inflationary pressures that prevailed during and post the COVID-19 pandemic. During 2024, inflation in Malta is at a base rate of 1.7% which is close to the long-term average. Due to this low level of uncertainty surrounding inflation, the inflationary adjustment was not deemed necessary in the current year's calculation of the ENID loading.

1B. Release of expected profits in LRC

In calculating the premium provision, a loss ratio based on loss history (claims triangles as mentioned above) and the performance of the current accident year to date was applied. In all cases, the loss ratio calculated for the accident year 2024 was used to estimate claims arising from unexpired risks. This loss ratio makes an implicit allowance for claims expenses as they are incorporated in the triangulated data as discussed above.

An allowance for binary events and expenses associated with servicing of in force policies has been made for within the premium provision.

1C. Discounting

Both claims and premium provisions cashflows were projected based on claims payment pattern history and premium income history. These were discounted by the year end 2024 Euro risk free yield curves as published by EIOPA.

2. Risk Margin

The risk margin was calculated without simplification. Each component of the SCR was calculated at each future date assuming no future business was written. This was then discounted using the year end 2024 yield curve and a 6% cost of capital was applied.

The calculation of the risk margin relies on the cashflow assumptions used to calculate the technical provisions.

Non-Life Underwriting Risk and Health Underwriting Risk was calculated individually for each line of business. The risk margin was allocated to each line of business based on the underwriting risk used to determine it.

In the calculation of the IFRS17 technical provisions, the non-financial risk adjustment has been estimated using a confidence-interval-based approach, using Value at Risk metrics for the probability distribution of the current value of future cash flows, and calibrating the target percentile confidence interval to 75 percentiles. An adjustment for non-financial risk was estimated separately from all other estimates.

3. Reinsurers' share of SII Technical Provisions

This was calculated by first determining the net technical provisions. To derive the net results, we primarily used net to gross paid, ultimate claims, reserve and premium ratios (mostly the incurred or premium ratios were selected) which we applied to the gross ultimate claims. Net premium provisions were determined by using the net loss ratio for underwriting year 2024 as implied from the net claims' methodology above.

4. Counterparty default adjustment

Counterparty default risk was calculated in line with the technical specifications using the assumptions outlined in the assumptions table below.

Uncertainty regarding technical provisions

- The choice of loss ratio for the premium provision is informed by historic and current year's to date accident year loss ratios.
- The development patterns used to calculate the best estimate of claims provisions are based on historical claims settlement patterns. Future claims development may not reflect historic development.
- The reinsurers' share of technical provisions is based on historic net loss ratios. The number of claims and relative size of each claim could have an impact on the net technical provision not captured in the loss ratio.
- The payment patterns used in determining the cashflows may not be reflected in reality, particularly with respect to claims payments. They are however based on historic claims settlement patterns and can be considered a best estimate.
- Future claims payments will be impacted by future claims inflation, on which there is currently heightened uncertainty. An allowance for claims inflation is implicit within the projection methods that were used.
- Direct claims handling expenses can be expected to impact future claim payments. The estimates are intended to allow fully for future direct expenses by using the rate implicit within the historical claims development. Therefore, no explicit adjustment has been made for future direct expenses.

- The counterparty default adjustment is estimated and no analysis has been carried out on the actual probability of default or loss given default of the reinsurers.

- Other sources of uncertainty include but are not limited to:
  - Change in future claims / regulatory environment;
  - Actual future claims inflation, whether from economic or non-economic drivers, may differ from that implied by historic data or explicit inflation assumptions where these have been made;
  - Latent claims emergence;
  - Impact of underwriting changes, inflation, rate changes and premium increases on future business mix and future claims experience. In the current reporting period, there is heightened uncertainty relating to inflationary pressures than in previous reporting periods;
  - Changes in mix of business over time, for example due to underwriting action; and
  - Some long-tailed segments that are material in reserve terms have limited / low volumes of historic data which may reduce reliability of historic claims experience.

D.3 Other Liabilities

Deferred tax liability

The deferred tax liability has increased to reflect the movement from IFRS to Solvency II. The increase in own funds, as outlined by a positive Reconciliation Reserve in the Solvency II Balance Sheet, has been taxed at an estimated effective rate of 18.8% and a related deferred tax liability has been created on the Balance Sheet.

Other liabilities

Under IFRS17, reinsurance payables are netted off from Assets for Remaining Coverage.

All other liabilities have been valued in accordance with Article 8 of the Regulation and is consistent with the value approach taken under IFRS.

D.4 Alternative Methods for Valuation

EIL does not make use of alternative methods of valuation.

D.5 Any other information

There is no other material information regarding the valuation for solvency purposes which has not already been disclosed in the sections above.

E. Capital Management

The Company has implemented a Capital Management Policy in order to be able to comply with future requirements relating to own funds and capital management. Under Solvency II, sound and prudent management of the Company is implemented in the first instance through a Capital Management Policy. The policy describes the policies and practices to support the Company's business strategy and to ensure that it is sufficiently capitalised to withstand even severe macroeconomic recessions.

E.1 Own Funds

The Company's own funds are made up as follows:

	Tier 1 2024 € '000s	Tier 1 2023 € '000s
Called up share capital	5,000	5,000
Revaluation reserve	7,052	7,052
Profit and loss account	24,511	20,219
Reconciliation reserve	3,367	2,861
Total Own Funds	**39,930**	**35,132**

The Company has assessed the composition of its own fund items as of 31st December 2024 and considers that it is of the highest quality and comprises solely of Tier 1 Capital. Processes and procedures have been put in place so that any additional share capital is analysed prior to its injection. The analysis shall include the impact the classification will have on the Minimum and Solvency Capital Requirements and be presented to the Executive Directors for their review.

Deferred tax assets are recognised and valued in accordance with Article 15 of the Regulation and the valuation is consistent with the valuation approach under IFRS. No deferred tax assets have arisen on the movement between IFRS and Solvency II Balance Sheets and the Company holds a Net Deferred Tax Liability on its Solvency II Balance Sheet.

The Board of Directors take due care that the dividend distributions of the Company provide an adequate return on capital employed and also do not disrupt the operations or impact its ability to meet regulatory capital requirements. During the year under review, the Company paid net dividend of €3,600K.

Based on the calculations within the 2024 ORSA, the Directors have determined that the Company has sufficient eligible own funds to:

- continue its business on a going concern basis over the business planning time horizon;
- meet its regulatory solvency target (100% SCR) for its current and projected business activities over the business planning time horizon.

The following table provides a reconciliation between the Solvency II Own Funds and the Total Equity as per IFRS:

Reconciliation of Own Funds to Equity in the Financial Statements as at 31 December 2024		
	€ '000s	€ '000s
Solvency II Own Funds		**39,930**
Items not recognised in the Financial Statements:		
- Risk Margin	**937**	
		937
Items not recognised in the Solvency II Balance Sheet:		
- Intangible assets	**116**	
		116
Change in valuation of Technical Provisions from Best Estimate calculation		**(5,200)**
Deferred tax movements		**781**
Resulting figure		**36,563**
Total Equity as per IFRS		**36,563**
Difference		**-**

None of the Company's own funds are subject to transitional arrangements and the Company has no ancillary own funds. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The amount of the Company's Solvency Capital Requirement and Minimum Capital Requirement at the end of the reporting period are €19,584K and €4,896K respectively.

The table below shows the components of the SCR (using the Standard Formula) at 31 December 2024 and 2023:

Sub-modules SCR	2024 € '000s	2023 € '000s
Market	19,161	14,291
Default	2,262	2,548
Health	1,194	807
Non-life	6,857	6,355
Diversification Benefit	(6,314)	(5,607)
Basic SCR	**23,159**	**18,395**

SCR	2024 € '000s	2023 € '000s
Basic SCR	23,159	18,395
Operational	967	881
LACDT	(4,543)	(4,648)
Total	**19,584**	**14,629**

The Company uses EIOPA's Solvency II Standard Formula. It does not use Company specific parameters and does not use simplified calculations in its computation.

The Basic SCR increased to €23,159K in 2024. The increase was mainly driven by an increase in market risk following the continuous positive performance in international stock markets and also due to an increase in equity holdings. The value of the SCR has been reduced to allow for the loss absorbing capacity of deferred taxes ("LACDT"). The LACDT was calculated in accordance with Article 207 of the Regulation and is equal to the change in value of deferred taxes that would result from an instantaneous loss of an amount that is equal to the Basic SCR plus Operational Risk. As of 31 December 2024, the LACDT was calculated at an estimated effective rate of 18.8% and amounted to €4,543K. The LACDT was recognised in full on the basis of the reversion of deferred tax liabilities amounting to €2,104K and by reference to probable future taxable profits.

The following considerations were taken into account when utilising the future taxable profits:

- The Company is strongly capitalised and over the past five years, the Solvency Capital Requirement margin has averaged to 245%, which equates to an average surplus capital of €18.6 million above the regulatory requirement. As of 31 December 2024, the Company has surplus capital of €20,346K above the regulatory requirement of €19,584K, resulting in a Solvency Capital Requirement margin of 204%. Excluding the positive impact of LACDT, the surplus capital would amount to €15,803K. This capital base is considered sufficient for the Company to continue to operate at relatively normal levels.

- Since the Company commenced its insurance operations in 2004, it has established itself as a major player in the local insurance market. Throughout the years, EIL's business model has been put to the test as the Company has successfully overcome a number of international financial crises, periods of slowdown in the local economy and most recent, conflicts in the middle East, Russia's invasion of Ukraine and a global pandemic. The Company has a history of profitability and along the years, it has successfully achieved and maintained stability in earnings. It is therefore reasonable to project that the same level of profitability will be maintained going forward especially when one considers that EIL operates in a mature and saturated insurance market.

- Through ongoing and successful management of its underwriting and claims risks, EIL has over the past five years, maintained a stable overall loss ratio that averages to 50%. Additionally, the Company maintains control on operating costs, thus allowing for an acceptable combined operating ratio.
- The Company has in place a comprehensive reinsurance programme placed with leading international reinsurers, the majority of which are rated ‘AA’, which protects the Company against high severity claims or catastrophes. This reinsurance programme has historically had a positive impact on net loss ratios, and it was fundamental in reducing volatility and establishing stability in earnings.
- Currently, and over the business plan horizon, EIL is authorised to write most classes of non-life business. The products offered are therefore well diversified and it is reasonable to assume that should there be an instantaneous decrease in gross written premium, the reduction will be at different levels for different lines of business. Additionally, the impact will be minimal on those products that are obligatory including motor insurance, home insurance in case of home loans, marine hull insurance which is required to obtain a marine license and Contractors All Risk insurance for construction or infrastructure projects.
- EIL utilises a variety of distribution channels, thus ensuring that potential and existing clients have a range of channels through which they may access and purchase the Company’s insurance products.
- The Company’s taxable profits are not dependant solely on underwriting results. EIL holds a highly diversified investment portfolio that provide consistent dividend and interest income flows which are expected to continue going forward.
- The Company also holds a portfolio of properties that provide a flow of rental income and capital appreciation.
- EIL is financially very strong and has a high level of liquidity which will enable it to withstand an instantaneous economic downturn. Over the past five years, through different periods of economic and investment markets performance, the Company’s SCR margin has averaged to 245%.

Due to the above and since companies in Malta do not have a time limit by when to utilise trading losses, LACDT was maintained at an estimated effective tax rate of 18.8% of Basic SCR and operational risk.

The MCR was calculated in accordance with the Commission Delegated Regulation. The table below shows the net best estimates and net written premiums for the year 2024 per line of business utilised in the calculation of the Linear MCR.

SII Line of Business	Net best estimate € '000s	Net written premiums in past 12 months € '000s
Fire and other damage to property insurance	1,744	996
Other motor insurance	4,231	6,512
Motor vehicle liability insurance	14,072	12,493
Workers' compensation insurance	1,002	984
Other lines of business	1,925	2,034
Total	22,974	23,019

The following table summarises the calculation of the linear MCR, MCR cap and MCR floor:

Overall MCR calculation	2024 € '000s	2023 € '000s
Linear MCR	4,024	3,648
MCR cap	8,813	6,583
MCR floor	4,896	3,657
Combined MCR	4,896	3,657
Absolute floor of the MCR	4,000	4,000
Minimum Capital Requirement	4,896	4,000

The floor of the MCR calculated at €4,896K applies for the Company and as of 31 December 2024, the Company had an MCR cover of 816%.

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

The Company did not make use of the duration-based equity risk sub-module in the calculation of the SCR.

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

The Company applies the Standard formula model and does not use an internal model to calculate the Solvency Capital Requirement.

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

There was no breach of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

E.6 Any Other Information

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

Appendix I: Annual Quantitative Reporting Templates

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	133
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	14,682
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	44,530
Property (other than for own use)	**R0080**	1,615
Holdings in related undertakings, including participations	**R0090**	374
Equities	**R0100**	21,441
Equities - listed	**R0110**	21,441
Equities - unlisted	**R0120**	0
Bonds	**R0130**	11,514
Government Bonds	**R0140**	0
Corporate Bonds	**R0150**	11,514
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	8,024
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	1,562
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	8,323
Non-life and health similar to non-life	**R0280**	8,323
Non-life excluding health	**R0290**	8,320
Health similar to non-life	**R0300**	3
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	5,868
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	60
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	5,047
Any other assets, not elsewhere shown	**R0420**	450
Total assets	**R0500**	79,093

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	32,234
Technical provisions – non-life (excluding health)	**R0520**	30,685
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	29,894
Risk margin	**R0550**	791
Technical provisions - health (similar to non-life)	**R0560**	1,549
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	1,403
Risk margin	**R0590**	146
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	2,104
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	653
Reinsurance payables	**R0830**	2,082
Payables (trade, not insurance)	**R0840**	1,543
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	547
Total liabilities	**R0900**	39,163
Excess of assets over liabilities	**R1000**	39,930

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**										
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0110**	**C0120**	**C0200**
Premiums written												
Gross - Direct Business	**R0110**	653	342	1,239	13,129	6,828	1,359	10,323	801	240	213	35,126
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0130**											0
Reinsurers' share	**R0140**	329	68	254	636	316	881	9,326	91	11	193	12,107
Net	**R0200**	323	274	984	12,493	6,512	478	996	710	229	20	23,019
Premiums earned												
Gross - Direct Business	**R0210**	540	330	1,126	12,484	6,572	1,291	8,663	721	292	223	32,242
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0230**											0
Reinsurers' share	**R0240**	277	56	197	624	316	813	7,819	80	11	203	10,395
Net	**R0300**	262	274	929	11,860	6,256	479	844	641	282	20	21,846
Claims incurred												
Gross - Direct Business	**R0310**	88	104	103	6,825	3,023	385	5,867	208	118	56	16,777
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**											0
Reinsurers' share	**R0340**	44	0	0	79	-42	196	4,896	0	0	45	5,218
Net	**R0400**	44	104	103	6,746	3,065	189	971	208	118	12	11,559
Expenses incurred	**R0550**	25	114	382	4,036	2,120	129	-434	244	77	-14	6,677
Other expenses	**R1200**											0
Total expenses	**R1300**											6,677

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance										
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0120	C0130	C0180
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM												
Best estimate												
Premium provisions												
Gross	**R0060**	109	32	161	5,032	2,245	337	1,654	141	8	17	9,737
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	31	-7	-42	-181	-158	84	1,173	-56	-3	8	850
Net Best Estimate of Premium Provisions	**R0150**	78	39	203	5,213	2,403	254	481	197	11	9	8,887
Claims provisions												
Gross	**R0160**	43	258	800	9,096	1,828	498	8,163	724	44	106	21,560
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	15	5	0	236	0	238	6,901	0	0	79	7,473
Net Best Estimate of Claims Provisions	**R0250**	28	254	800	8,860	1,828	261	1,262	724	44	27	14,087
Total Best estimate - gross	**R0260**	152	290	961	14,127	4,073	836	9,818	865	52	124	31,297
Total Best estimate - net	**R0270**	106	292	1,002	14,072	4,231	514	1,744	921	55	36	22,974
Risk margin	**R0280**	17	30	99	491	192	18	49	32	8	1	937
Amount of the transitional on Technical Provisions												
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total												
Technical provisions - total	**R0320**	169	321	1,060	14,618	4,264	853	9,867	897	60	125	32,234
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	46	-2	-42	55	-158	321	8,074	-56	-3	87	8,323
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	122	322	1,102	14,563	4,422	532	1,793	954	63	37	23,911

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Accident year [AY]

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											-1,428	R0100	-1,428	-1,428
N-9	R0160	3,288	2,254	369	717	1,134	225	185	167	166	189		R0160	189	8,695
N-8	R0170	3,223	2,067	562	282	185	205	214	178	191			R0170	191	7,108
N-7	R0180	3,924	2,334	775	360	206	216	202	217				R0180	217	8,234
N-6	R0190	3,982	3,088	1,496	343	245	195	186					R0190	186	9,534
N-5	R0200	5,327	4,025	511	751	323	214						R0200	214	11,151
N-4	R0210	3,636	3,184	644	477	244							R0210	244	8,186
N-3	R0220	3,952	3,270	912	538								R0220	538	8,671
N-2	R0230	5,236	4,158	775									R0230	775	10,169
N-1	R0240	5,698	3,769										R0240	3,769	9,466
N	R0250	5,830											R0250	5,830	5,830
												Total	R0260	10,726	85,618

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											756	R0100	-893
N-9	R0160	165	1,904	1,857	1,325	457	510	501	548	468	443		R0160	432
N-8	R0170	4,101	1,148	702	327	395	315	317	312	387			R0170	378
N-7	R0180	5,366	2,282	1,018	837	714	537	458	529				R0180	516
N-6	R0190	5,763	1,864	883	736	521	398	356					R0190	350
N-5	R0200	7,688	3,783	3,248	1,880	1,404	1,735						R0200	1,681
N-4	R0210	6,160	2,272	1,282	683	750							R0210	727
N-3	R0220	7,411	3,538	1,342	1,330								R0220	1,290
N-2	R0230	13,361	4,234	1,664									R0230	1,606
N-1	R0240	8,085	2,710										R0240	2,617
N	R0250	11,721											R0250	11,348
												Total	R0260	20,052

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	5,000	5,000		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertaki	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	34,930	34,930			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
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**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	39,930	39,930	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	39,930	39,930	0	0	0
Total available own funds to meet the MCR	**R0510**	39,930	39,930	0	0	
Total eligible own funds to meet the SCR	**R0540**	39,930	39,930	0	0	0
Total eligible own funds to meet the MCR	**R0550**	39,930	39,930	0	0	
SCR	**R0580**	19,584				
MCR	**R0600**	4,896				
Ratio of Eligible own funds to SCR	**R0620**	2.04				
Ratio of Eligible own funds to MCR	**R0640**	8.16				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	39,930
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	0
Other basic own fund items	**R0730**	5,000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0
Reconciliation reserve	**R0760**	34,930
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0
Total Expected profits included in future premiums (EPIFP)	**R0790**	0

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	19,161		
Counterparty default risk	**R0020**	2,262		
Life underwriting risk	**R0030**	0		
Health underwriting risk	**R0040**	1,194		
Non-life underwriting risk	**R0050**	6,857		
Diversification	**R0060**	-6,314		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	23,159		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	967
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-4,543
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	19,584

Capital add-on already set	**R0210**	0
of which, capital add-ons already set - Article 37 (1) Type a	**R0211**	0
of which, capital add-ons already set - Article 37 (1) Type b	**R0212**	0
of which, capital add-ons already set - Article 37 (1) Type c	**R0213**	0
of which, capital add-ons already set - Article 37 (1) Type d	**R0214**	0
Solvency capital requirement	**R0220**	19,584
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

		Yes/No
Approach to tax rate		**C0109**
Approach based on average tax rate	**R0590**	1 - Yes

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
DTA	**R0600**	
DTA carry forward	**R0610**	
DTA due to deductible temporary differences	**R0620**	
DTL	**R0630**	
LAC DT	**R0640**	-4,543
LAC DT justified by reversion of deferred tax liabilities	**R0650**	-2,104
LAC DT justified by reference to probable future taxable economic profit	**R0660**	-2,439
LAC DT justified by carry back, current year	**R0670**	0
LAC DT justified by carry back, future years	**R0680**	0
Maximum LAC DT	**R0690**	-4,543

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	4,024

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expenses insurance and proportional reinsurance	R0020	106	323
Income protection insurance and proportional reinsurance	R0030	292	274
Workers' compensation insurance and proportional reinsurance	R0040	1,002	984
Motor vehicle liability insurance and proportional reinsurance	R0050	14,072	12,493
Other motor insurance and proportional reinsurance	R0060	4,231	6,512
Marine, aviation and transport insurance and proportional reinsurance	R0070	514	478
Fire and other damage to property insurance and proportional reinsurance	R0080	1,744	996
General liability insurance and proportional reinsurance	R0090	921	710
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	55	229
Miscellaneous financial loss insurance and proportional reinsurance	R0130	36	20
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	4,024
SCR	R0310	19,584
MCR cap	R0320	8,813
MCR floor	R0330	4,896
Combined MCR	R0340	4,896
Absolute floor of the MCR	R0350	4,000
		C0070
Minimum Capital Requirement	R0400	4,896

Elmo Insurance Ltd, Abate Rigord Street, Ta' Xbiex, XBX 1111, Malta
T: 2343 0000 | info@elmoinsurance.com | www.elmoinsurance.com