



ATLAS HOLDINGS LIMITED

Group Solvency & Financial Condition Report **2022**

Atlas Holdings Limited

Solvency and Financial Condition Report
for the Financial Year ended 31 December 2022



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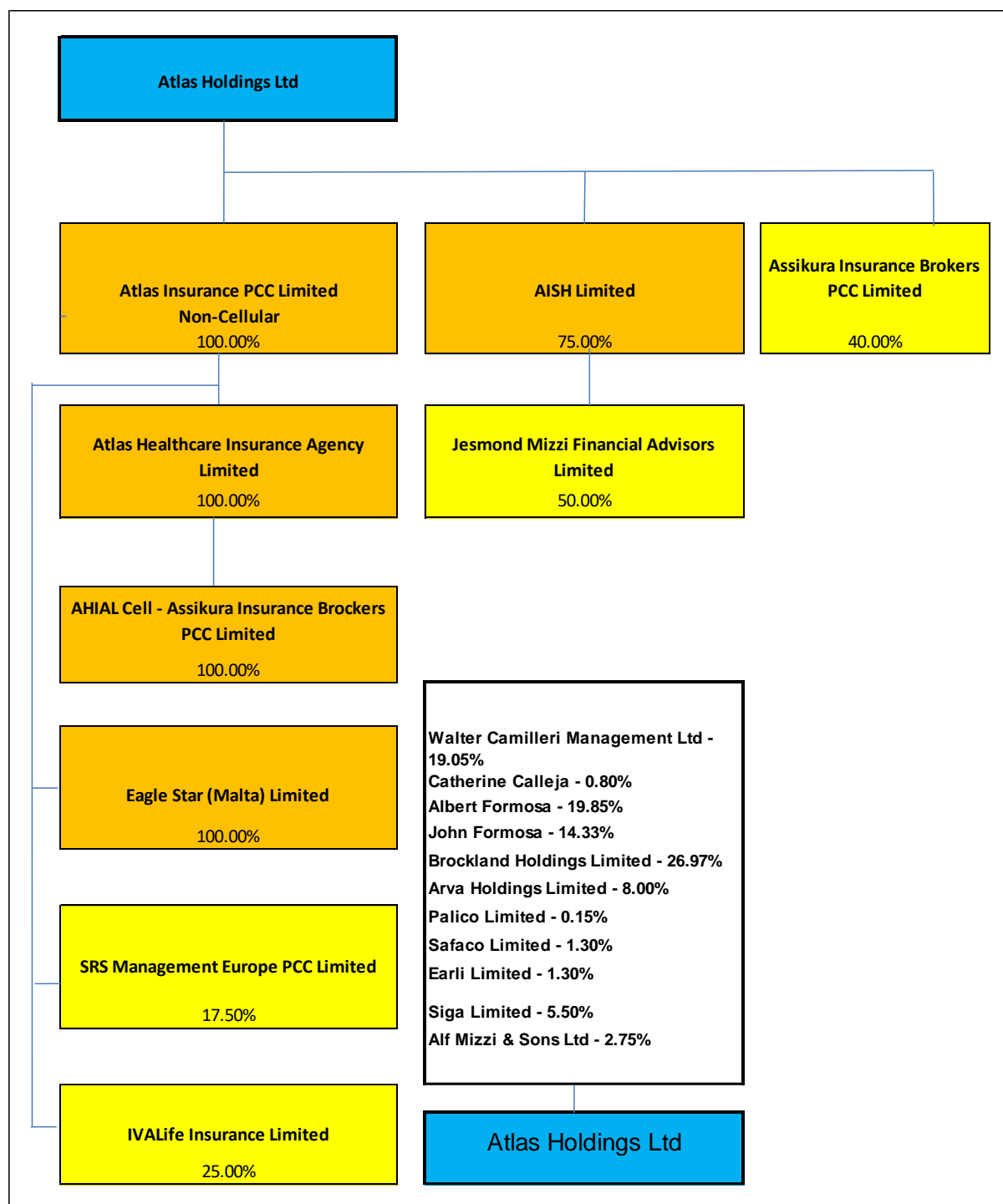
1. Executive summary

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

1.1 Business and Performance

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

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



Atlas Holdings Limited or its subsidiaries do not hold a controlling interest in Assikura Insurance Brokers PCC Limited, Jesmond Mizzi Financial Advisors Limited and IVALife Insurance Limited, and therefore equity held for these companies is recognised in these results as on 31 December 2022 as being those of an Associate.

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

Atlas Holdings Limited

Atlas Holdings Limited receives dividend income from its equity investment in its controlled subsidiaries or from its associate companies. During the year under review the Company received dividends before taxation totalling €3,336,538 (2021: €4,315,385). The Company reports a profit before tax of €3,331,586 (2021: €4,311,352).

The Board of Directors implements a Group wide dividend policy to ensure that dividend distribution does not compromise the Group's strength in matching its Solvency Margin under Solvency II regulation. As on 31 December 2022 the Company reports shareholder funds totalling €12,991,052 (2021: €12,827,173).

Atlas Group and its subsidiaries

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

Throughout this report the quantitative tables being reproduced also include results being reported separately for the Cells attaching to the PCC. Cells that have recourse to the PCC's Core Own Funds, under consolidation Solvency II principles, have recourse to the consolidated Own Funds Reserves of the Group.

The regulated Quantitative Reporting Templates (QRT's) being reproduced in this report will only state positions for the Group and for the PCC's Aggregate Position.

Concern on the Impact of inflation

During 2022, the Russia invasion of Ukraine and resulting supply chain disruptions, as well as stimulus responses to the pandemic have largely contributed to the continued rise in inflation. Inflation inevitably has and will continue to impact the PCC's claims costs in the foreseeable future, most notably in the motor, property and health lines of business and this is likely to remain a prominent part of the business landscape in 2023.

Concern is also focused on the Group's investment portfolio which is exposed to securities market movements. Central banks across the world have responded by accelerating the tightening of monetary policy that, in turn, has triggered a material sell-off in equity and bond markets, as well as drawdowns in most asset classes. The directors address the risks arising from investment asset exposures on an ongoing basis.

The Group reports a profit before tax of €2,594,804 (2021: €7,792,168) of which profit after tax of €1,962,572 (2021: €5,130,544) is attributable to the owners of the Holding Company.

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

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

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

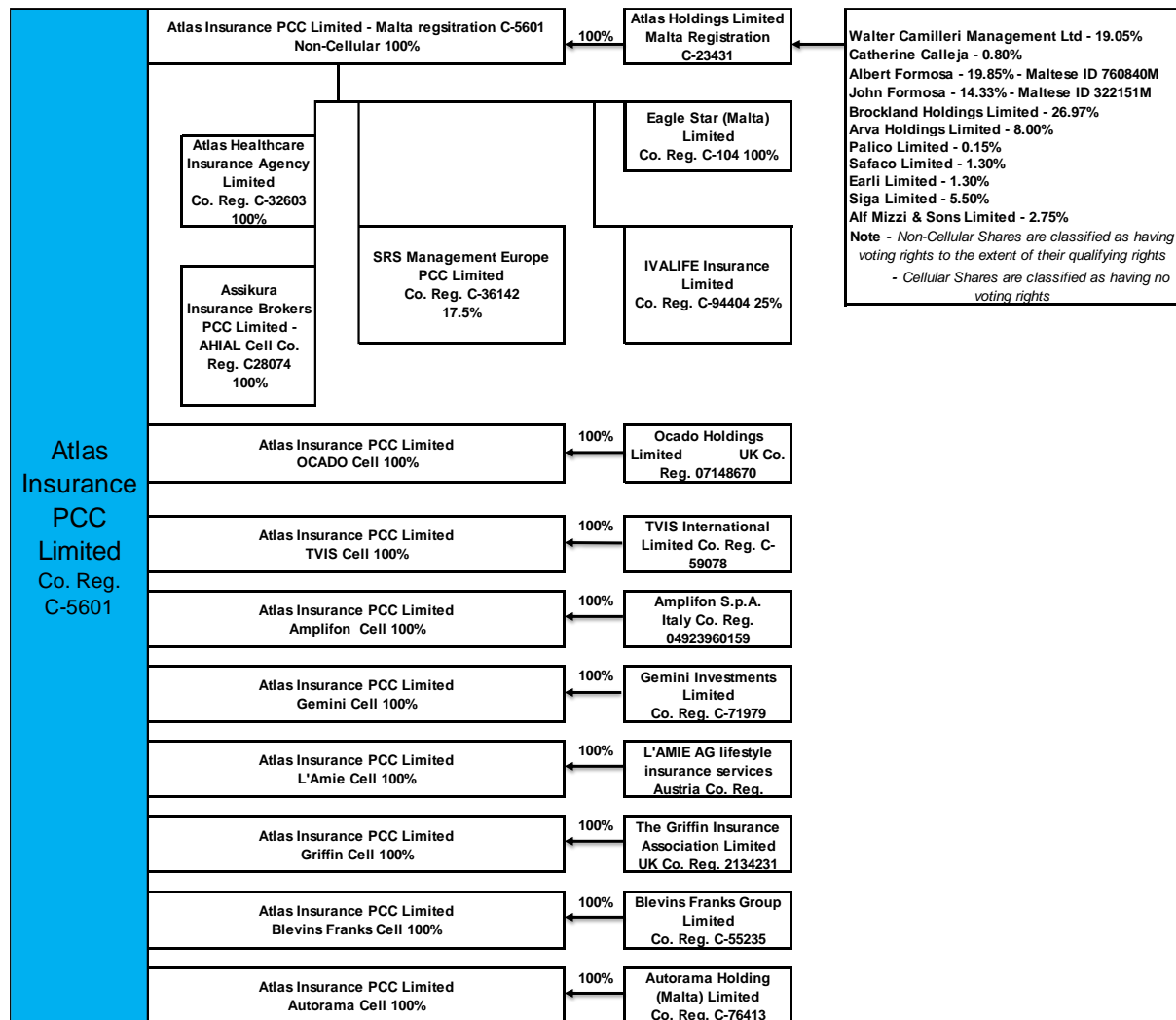
The Solo Undertaking was further authorised by the MFSA to convert to a Protected Cell company on the 1 November 2006, and later, on 11 June 2009, the MFSA reissued its authorisation to also carry on Reinsurance Business under its licence.

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

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

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

The PCC underwrites (re)insurance risk through both its Core Activity and its Cellular Activity. The PCC's corporate structure is represented as follows:



On the 21st November 2022 the PCC incorporated a new cell, the Autorama Cell, which is wholly owned by Autorama Holding (Malta) Limited, subsidiary of the Autotrader Group plc. The Autotrader Group's principal activity is that of wholesale, retail trade and the repair of motor vehicles. The Cell underwrites Finance Gap Insurance for the Group's lease agreement clients.

Environmental Social Governance (ESG)

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

The company is looking into its role in climate change action as an advisor on risk management and is involving itself in the overall debate, taking concrete action to include related risks in its forecasting and supporting sustainable development in various areas. In the 2022 ORSA process, Atlas has considered the impact of climate change risk on its business and performance by applying a specific stress scenario relating to extreme weather events to assess the impact on the projected performance over its business planning period.

The Investment Committee continues its journey to build sustainability and increased ESG direction into its investment strategy.

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

Premim Written by Geographical Area	Northern Europe		Western Europe		Southern Europe		Total	
	Euro 2022	Euro 2021	Euro 2022	Euro 2021	Euro 2022	Euro 2021	Euro 2021	Euro 2020
Core	-	-	441,174	-	52,900,552	46,042,331	53,341,725	46,042,331
Amplifon Cell	-	-	-	-	-	-	-	-
Other Cells	6,369,243	5,766,873	32,498,861	26,567,521	-	-	38,868,104	32,334,394
Total	6,369,243	5,766,873	32,940,035	26,567,521	52,900,552	46,042,331	92,209,829	78,376,725
Percentage Share of Total Premium	6.91%	7.36%	35.72%	33.90%	57.37%	58.74%	100.00%	100.00%

PCC Core Results

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

Premium Written	Motor		Non-Motor		Total	
	Euro 2022	Euro 2021	Euro 2022	Euro 2021	Euro 2022	Euro 2021
	15,120,750	13,622,533	38,220,975	32,419,798	53,341,725	46,042,331
					28.35%	29.59%
					71.65%	70.41%
Percentage Growth for 2022	11.00%		17.89%		15.85%	

Notwithstanding the geopolitical unrest caused by the Russia invasion of Ukraine 2022 premium written for the Core increased by 15.9% over the previous year. Overall positive technical results are reported for the year across the Company's portfolio.

As mentioned earlier inflation has had an immediate effect on claims loss ratios which are reflective of this. The prudent underwriting that continues to be applied positively is working well in combining with the important growth registered during the year.

For these positive results a Core operations combined loss ratio of 91% (2021: 86%) across the Core's full portfolio is reported.

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

Gross Claims Loss Ratio	Motor		Non-Motor		Total	
	Euro 2022	Euro 2021	Euro 2022	Euro 2021	Euro 2022	Euro 2021
Premium Earned	14,246,032	13,349,072	36,179,616	31,128,809	50,425,648	44,477,881
Claims Incurred	7,115,190	5,629,320	31,095,441	6,267,833	38,210,631	11,897,153
Gross Ratio	49.95%	42.17%	85.95%	20.14%	75.78%	26.75%

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

During 2022 the Core registered a Gross Claims Loss Ratio of 75.8% reducing to 47.5% after reinsurance balances. Total gross claims registered during the year are reported at €38,210,631 compared to those registered in 2021 reported at €11,897,153.

The net claims incurred for 2022 is reported at €11,809,898 (2021: €10,620,331), an increase over that of the prior year.

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

Net Claims Loss Ratio	Total	
	Euro 2022	Euro 2021
Net Premium Earned	24,862,019	21,586,861
Net Claims Incurred	11,809,898	10,620,331
Net Ratio	47.50%	49.20%

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

The Core's investment portfolio held in the balance sheet at year end 2022 totalled €50,084,861, 2021 - €51,436,854. The Company has seen the portfolio reduce from the prior year due to the negative returns for fair value experienced during the year under review. The material reductions in value have however been largely offset by further free cash having been invested, thus countering the contraction experienced by the portfolio. The Board remains vigilant and applies a policy to balance risk with security, and as such is satisfied that investment parameters applied allow for effective and immediate access to such securities for meeting its operational cash flows if required.

Negative return on investments held worked toward reducing the positive results generated from technical operations.

Profits before tax in 2022 amounted to €2,836,262 compared to a prior year profit before tax of €7,869,258, increasing the total equity of the Core to €42,083,084 at year end from €41,152,153 at the beginning of the year under review.

The Company owns 25% of an associate company, IVALIFE Insurance Limited, an insurance undertaking authorised by the MFSA to underwrite Long Term classes of Business. The Company does not hold a controlling interest and therefore the results are recognised as being those of equity investment for dividend income received from the entity.

IVALIFE Insurance Limited, which is a startup long term insurance undertaking, has incurred losses during the initial few years of operation. Based on the undertaking's business plan and projected growth the associate is expected to result in positive results in the medium term and therefore it is management's opinion that the carrying amount of the investment held in the undertaking is reflective of the positive outlook of the entity's future results

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

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

PCC - Cells

The PCC had eight Cells incorporated within its structure as on 31 December 2022; the Ocado Cell, the TVIS Cell, the Amplifon Cell, the Gemini Cell, the L'Amie Cell, the Griffin Cell, the Blevins Franks Cell and the Autorama Cell.

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

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

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

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

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

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

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

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

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

Aggregate Cell Results

Cellular aggregated premium written has grown during 2022 by 20.2% and is reported at €38,868,104.

The total premium written by the Cells for 2022 is reported in aggregate in the below table.

Premium Written	Amplifon Cell	Other Cells	Aggregate
	Euro	Euro	Euro
2022	-	38,868,104	38,868,104
2021	-	32,334,394	32,334,394
Percentage Growth/-Diminution for 2022	0.00%	20.21%	20.21%

The Amplifon Cell did not write any new reinsurance premium during 2022. Effective 1 April 2018 the Cell had stopped writing new business in line with the new business objectives of Amplifon SPA, the immediate parent. The Cell carries on its operations in servicing the existing reinsurance risk taken on by the Cell up to 31 March 2018. The Amplifon Cell results are reported separately as the Cell's assets and liabilities are ring fenced to the extent of not having recourse to the Core capital.

The Cells' gross claims loss ratio for 2022 does not cause concern to management for any threats to the Core capital in view that all Cells have registered reasonably good net loss ratios.

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

Gross Claims Loss Ratio	Amplifon		Other Cells		Aggregate	
	Euro 2022	Euro 2021	Euro 2022	Euro 2021	Euro 2022	Euro 2021
Premium Earned	60,106	325,056	39,998,854	30,775,698	40,058,960	31,100,754
Claims Incurred	- 309,255	1,488,310	13,950,073	12,951,217	13,640,818	14,439,527
Gross Ratio	-515%	458%	35%	42%	34%	46%
Net Claims Loss Ratio	Amplifon		Other Cells		Aggregate	
	Euro 2022	Euro 2021	Euro 2022	Euro 2021	Euro 2022	Euro 2021
Premium Earned	60,106	60,106	13,249,793	10,375,469	13,309,899	10,435,575
Claims Incurred	- 309,255	- 309,255	5,261,229	7,072,810	4,951,974	6,763,555
Net Ratio	-515%	-515%	40%	68%	37%	65%

The aggregated profit before tax for all Cells is reported at €3,014,545 (2021: €195,290). It is noted here that the Amplifon Cell, a cell running off its reinsurance portfolio which is expected to be completed by May 2023, has registered a profit before tax €213,048 (2021 Loss: €1,316,048) largely for the release of claims reserves.

The Directors are satisfied that the level of claims reserves is sufficient to see the Cell run off its claims experience for the remaining insurance risk which reduces as closing into the end of the run off of the Cell's insurance operations.

Atlas Healthcare Insurance Agency Limited (the Agency)

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

Atlas Healthcare Insurance Agency Limited is authorised by the MFSA under the Insurance Distribution Act (Cap 487) as enrolled insurance agents for the Company. The Company retains a strong partnership with AXA PPP healthcare Limited as reinsurer for the health insurance portfolio underwritten.

During 2022 the agency continued to grow its results for its intermediation for Long Term Business through its authorised intermediation of IVALIFE Insurance Limited. The agency representation owns 100% equity in a Cell incorporated within Assikura Insurance Brokers PCC Limited which has also produced good results for the year under review contributing dividend income to the agency.

The agency's net asset value totaled €1,221,434 as on 31 December 2022 (as on 31 December 2021 - €1,185,448), which result is in excess of regulated financial resources requirements under the Insurance Distribution Act.

Eagle Star (Malta) Limited (ESL)

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

Eagle Star (Malta) Limited carries on to hold sufficient financial resources over its regulated requirement. The net asset value of the company is reported as on 31 December 2022 at €130,440 (31 December 2021 at €114,372).

1.2 System of Governance

The Atlas Group is captured for group regulatory reporting under the Solvency II regime. The Company, as the ultimate parent insurance holding company of the Insurance Group, has identified Solo Undertaking as being responsible for fulfilling the governance requirements for the Group. The PCC's board and board committees as well as the key functions therefore have an effective overview of the whole Group. Key financial and non-financial performance indicators of group companies are regularly discussed within these fora.

The Atlas Group is responsible to ensure that appropriate governance procedures are set within the whole group as directed by regulation.

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

The Group adheres to the principles set in the Malta Financial Services Authority (MFSA) Corporate Governance Code (the MFSA Code) as updated in August 2022. The Companies Act establishes the accountabilities of the board of directors, the rights of shareholders and its transparency obligations.

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

The Audit Committee, the Remuneration and Nominations Committee, the Risk and Compliance Committee, the IT Committee and the Investment Committee are chaired by the PCC's independent directors. The Protected Cells Committee, the POG (Product Oversight and Governance) Committee and the Executive Committee provide additional support and information to the board. All members of the PCC's board and executive committees are appointed by the PCC's board. The Solo Undertaking's board is also copied with minutes of the committee meetings and matters arising from such committees are a standard agenda item at the Solo Undertaking's board meetings. The committees also have annually reviewed charters to ensure that all delegation of responsibility and function is clear and unequivocal.

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

The Group defines the following risk categories:

Risk Category	Definition
Operational	Potential losses resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk includes risks of internal and external fraud, as well as legal risks.
Underwriting	Risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. This is only applicable to Atlas PCC.
Credit	Risk of a financial loss if another party fails to perform its obligations or fails to perform them in a timely manner. Key counterparties include reinsurers, financial institutions, intermediaries, ceding companies & insureds.

Market	Risk that arises from fluctuations in values of, or income from, assets or interest or exchange rates. Credit risk associated with bonds is captured under this category, as is market concentration risks associated with equity, bonds and property. The Group considers Liquidity Risk (defined as the risk that the Group is unable to realise investments and other assets in order to settle financial obligations when they fall due) under the Market Risk category
Strategic	Risk of the current and prospective impact on earnings or capital arising from wrong business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. The Group considers Reputational Risk (defined as the risk of a potential loss through the deterioration of the Group's reputation or standing due to a negative perception of the Group's image among policyholders, counterparties, shareholders and/or supervisory authorities) under the Strategic Risk Category

The categorisation follows best practice and current regulations.

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

1.3 Risk Profile

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

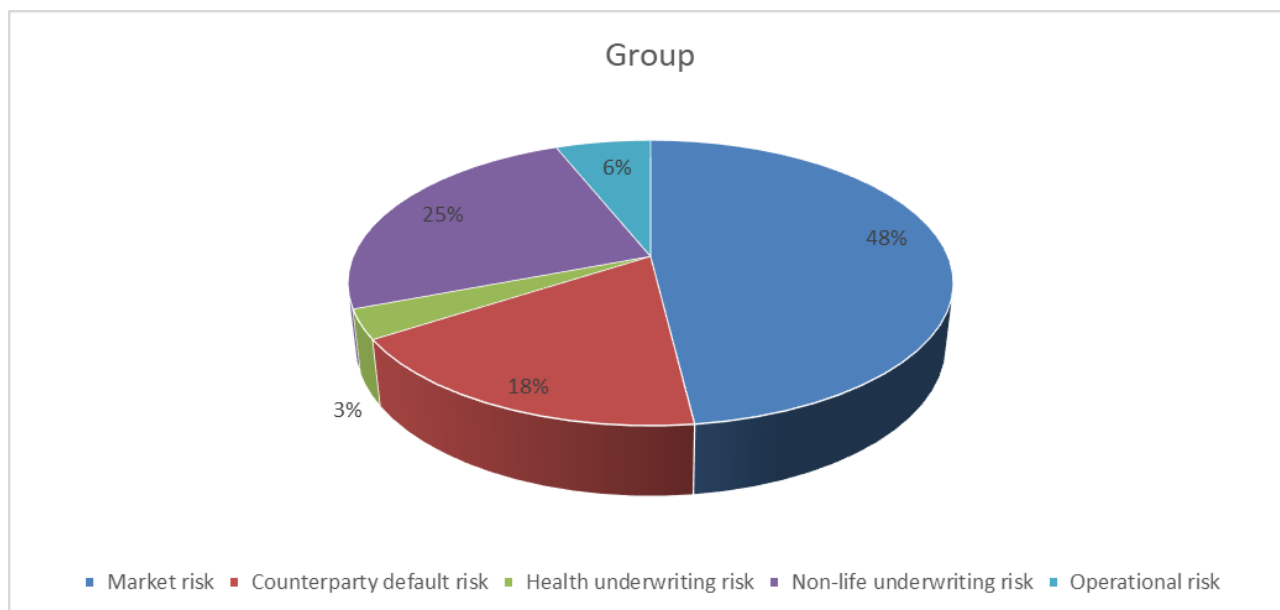
Atlas Group's objectives include achieving target performance and maximising shareholder value, preserving a level of solvency that would support the Group in challenging environments, maintaining adequate liquidity to satisfy obligations as they come due, and protecting all aspects of the Group's value,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

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

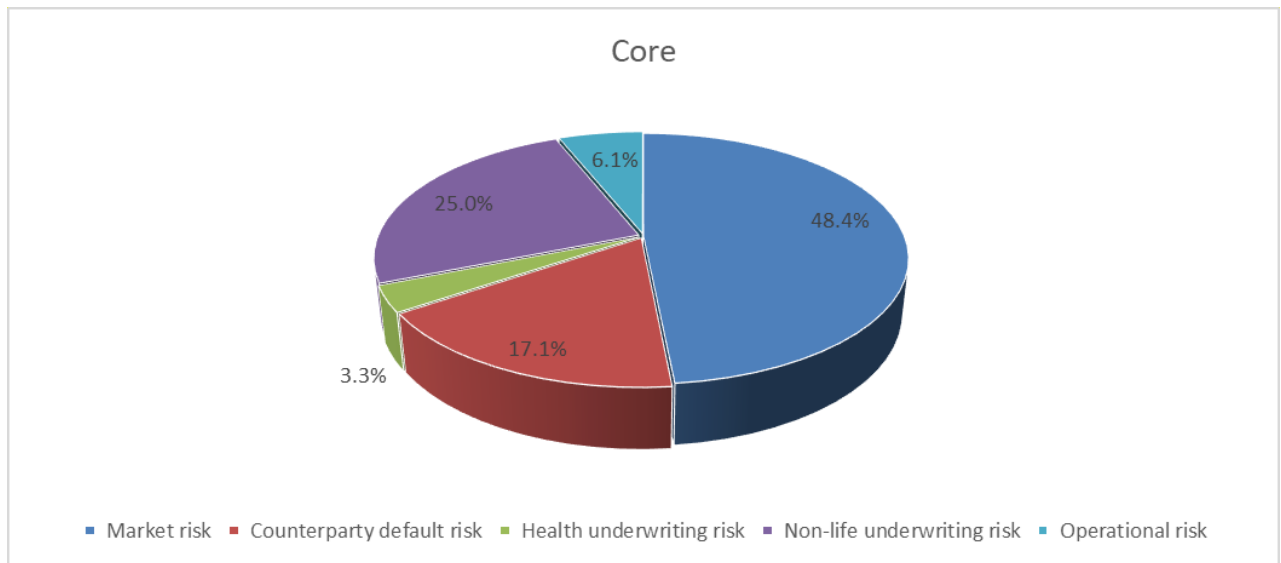
As is obligatory under the Solvency II regime the Group reserves equity so as to ensure that risk scenarios at a minimum confidence level will be sufficiently matched with appropriate assets matched to its existing and contingent liabilities. In so doing the PCC's Board has opted to adopt the standard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

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

The Group's risk profile is simply reproduced and expressed in percentages of the calculated end 2022 solvency capital requirement (SCR) of €14,339,565 as follows:



Same as for the Group above, the PCC’s Core risk profile is also being reproduced as calculated at year end 2022 and the solvency capital requirement (SCR) of €14,242,556 is split between risk components as follows:



Solvency II regulation requires that the Group is to match its SCR with an equal amount or more of Own Funds (Equity). It also defines Equity in three tiers, with Tier 1 ranking to its full capacity and Tiers 2 and 3 in aggregate allowed to apply for up to 50% of the nSCR. The Atlas Group matches its SCR with 100% Tier 1 Own Funds which total €42,876,719 as on 31 December 2022 (2021: €40,619,887).

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

The Minimum Consolidated Group Solvency Capital Requirement is the result of the Solo’s Minimum Capital Requirement (MCR) calculation for its Core. The regulations apply the principle of an Absolute Minimum Capital Requirement (AMCR) which is currently set at €4.0m. The Group would be required to hold sufficient own funds in excess of the Core’s MCR or AMCR whichever is the highest. As such the Group’s MCR for 2022 is being reported at €4.0m.

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

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

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

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

Insurance risk

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

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

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

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

Provision is also made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses.

Financial Risk

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

The Group's investment strategy reflects its profile of liabilities to ensure that sufficient assets of appropriate nature, term and liquidity enable it to meet the liabilities as they become due.

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

Solvency II values

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

The value of assets represented in the Solvency II balance sheet totalling €100.64 million differ from the total of the assets as represented under IFRS for the Atlas Group of €112.63 million. The differences between the Solvency II values and those of IFRS arise due to different criteria of valuation for deferred acquisition costs, deferred taxation and reinsurance recoverables.

The Technical Provisions have been calculated as the sum of a best estimate plus a risk margin in accordance with the Commission Delegated Regulation (EU) 2015/35. The best estimate is calculated separately for the premium provision and for the claims provision. The claims provision is the discounted best estimate of cash flows relating to past claim events that occurred before the valuation date, whether reported or not. The cash flows include: future cash flows resulting from past claims events (including salvage and subrogation) and cash flows arising from allocated and unallocated expenses in respect of past claims events. The premium provision relates to future claims events covered by obligations falling within the contract boundary. Cash flow projections for the calculation of the premium provision includes benefits, expenses and premiums relating to these events. The methodology used to determine the best estimate and risk margin for technical provisions may be found under Sections 5.2.1 and 5.3. This different approach results in the value of liabilities represented in the Solvency II balance sheet totalling €55.07 million having reduced from the total of the liabilities as represented under IFRS of €68.92 million.

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

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

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

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

The PCC's Board are ultimately responsible for the establishment of such procedures and controls in order to provide reasonable assurance that the Atlas Group is adequately capitalised in the interest of all stakeholders. Adequate reporting by the Executive to the Board is routinely carried out.

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

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

As on 31 December 2022 the Atlas Group's eligible own funds in matching the Group's SCR stood at a Solvency ratio of 298% of the required margin and this positioning is perfectly reflective of the prudence applied by the Atlas Group in ensuring sufficient reserves under own funds which totaled €42.73 million. This position also factors in any Cells' shortfall in matching their individual SCR within the PCC.

The PCC's Board of Directors has also developed a Group wide medium-term capital management plan. This control is largely reflected in the Group's ORSA which factors in future year projections for both the Group and the Cells incorporated within the PCC. The ORSA approved by the Solo Undertaking's board carries forecasts that the Group will carry on to register high solvency margin ratios in excess of those required for the medium term.

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

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

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

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

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

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

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

The amount of LACDT adjustment allowed for in the assessment of the regulatory SCR for the 2022 valuation year is detailed below:

Loss Absorbing Capacity of Technical Provision and Deferred Tax	-€4,480,156		
Losses predicted by SCR Model which can be recovered from future profits	-€4,480,156	Risk Charge	Applicable tax rate
Market Risk	-€3,354,400	€11,980,000	28%
Counterparty Risk	-€1,240,857	€4,431,633	28%
Non-Life Insurance Risk	-€431,857	€6,169,389	7%
Health NSLT	-€57,891	€827,013	7%
Diversification (Market, Counterparty, Insurance)	€1,028,413		
Operational Risk	-€423,564	€1,512,730	28%
LACDT Cappings:			
35% x (BSCR+Op)	-€6,586,903		
35% x 3 Year Proj Profits Before Tax Net of Inv Income / 3 x 3 (3 yr)	-€7,393,751		
35% x 3 Year Proj Profits Before Tax Net of Inv Income - limited profitability: 50% yr 1, 75% yr 2, 100% yr 3	-€5,737,885		

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

2. Business and Performance

2.1 Corporate form, Regulatory Supervision and Beneficial Owners

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

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

External Auditors

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

Shareholders and qualifying ultimate beneficial owners holding more than 10% holding of the Atlas Group

The Group is immediately owned by:

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

Individuals holding shares amounting to more than 10% of the total issued shares as qualifying owners of Atlas Holdings Limited are:

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

2.2 Business

2.2.1 Review of the Business

Atlas Group reports its controlling interests in its subsidiaries and its associate companies a consolidated profit before tax for the financial year ended 31 December 2022 of €2,594,804 (2021: €7,792,168).

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

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

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

Profit before Taxation	2022	2021
	€	€
Atlas Holdings Limited	3,331,588	4,311,353
Atlas Insurance PCC Limited - Core	2,836,262	7,869,258
Atlas Healthcare Insurance Agency Limited	913,939	926,300
AISH Limited	168,332	91,711
Eagle Star (Malta) Limited	93,546	68,419
Share in Associate Companies' Results	(249,861)	49,837
Atlas Insurance PCC Limited - Aggregated Cells	3,014,545	195,290

The Group reports excellent growth in all classes of business for the Solo Undertaking, exceeding the PCC's expectations at the start of the year under review. This resulted in an increase of 15.85% over the previous year.

Premium written for the Core is reported at €46,042,339 (2021: €46,042,331), an increase of 16% over the previous.

Premium Written	Motor	Non-Motor	Total	Motor Share	Non-Motor Share
	Euro	Euro	Euro		
2022	15,120,750	38,220,975	53,341,725	28.35%	71.65%
2021	13,622,533	32,419,798	46,042,331	29.59%	70.41%
Percentage Growth for 2022	11.00%	17.89%	15.85%		

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

has been achieved with exchanges held with the PRA. The branch would be regulated by the UK's Financial Conduct Authority (FCA).

Aggregated investment income for value movement, realised investment income and net of investment expenses for the year amounted to a negative return of €3,971,977 (2021: income €2,212,052). 2022 saw Stock Markets drop materially in value. The main drivers have been the Russia invasion of Ukraine, combined with rampant inflation as global economies broke out of the pandemic. The PCC's investment portfolio registered fair value losses charged to the profit and loss account of €4,701,865. Realised investment income has been positive for the year under review, with results meeting budget targets.

As reported earlier the Agency increased growth and continued profitability contributes to the Group's overall result allowing for the payment of increased dividend income. The health premium written by the Agency is placed with the Solo Undertaking.

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

2.2.2 Atlas Group Income Statement

The below statement, an extract from the Group's audited accounts, summarises the results for the Group after taxation and reports a consolidated profit of €1,962,572 accruing to the Atlas Holdings Limited shareholders for the year ended 31 December 2022.

Group Consolidated Income Statement

	2022 €	2021 €
Balance on the general business of insurance technical account	7,418,511	9,143,384
Revenue from non-insurance operations	372,813	354,100
Direct expenses	(586,696)	(504,713)
Gross profit	7,204,628	8,992,771
Other income		-
Administrative expenses	(2,058,906)	(1,957,129)
Operating profit	5,145,722	7,035,642
Investment expense/(income)	(2,281,723)	722,791
Net interest expense	(19,334)	(16,102)
Share of results of associates	(249,861)	49,837
Profit before tax	2,594,804	7,792,168
Tax expense	(598,652)	(2,627,885)
Profit for the year	1,996,152	5,164,283
Attributable to:		
Owners of the Company	1,962,572	5,130,544
Non-controlling interests	33,580	33,739
	1,996,152	5,164,283

The Atlas Group underwrites insurance risk through its protected cell company, Atlas Insurance PCC Limited. As such the Group is also required to report on the Solo Undertaking and its incorporated Cells and, in the below extract from the PCC's financial statements the Group is reproducing the PCC's aggregated results for the year ended 31 December 2022. Furthermore, the Group is also required to report on the technical results of the PCC for its Core and Cells separately.

The PCC reports an aggregated profit before tax for the financial year ended 31 December 2022 of €5,850,807 (2021: €8,064,548).

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

The PCC's aggregate profit before taxation is summarised in the below table as follows:

Atlas Insurance PCC Limited
Profit and Loss Account - Non-Technical Account
Year ended 31 December 2022

	Core		Cells		Total	
	2022	2021	2022	2021	2022	2021
	Eur	Eur	Eur	Eur	Eur	Eur
Balance on the technical account for general business	4,468,463	6,387,224	3,111,583	271,622	7,580,045	6,658,846
Investment income	-2,754,273	3,538,799	-47,136	-9,359	-2,801,409	3,529,440
Investment expenses and charges	-344,132	-319,363	-21,237	-26,340	-365,369	-345,703
Allocated (investment return)/expenses and charges transferred to the general business technical account	1,690,254	-1,489,269	73,644	35,283	1,763,898	-1,453,986
Administrative expenses	-224,050	-248,133	-102,309	-75,916	-326,359	-324,049
Profit before tax	2,836,262	7,869,258	3,014,545	195,290	5,850,806	8,064,548
Income tax expense	-902,183	-2,669,393	-996,868	-645,403	-1,899,051	-3,314,796
Profit for the year	1,934,079	5,199,865	2,017,677	-450,113	3,951,755	4,749,752

The PCC's Core saw positive technical results across all classes of business. This has resulted in a combined loss ratio of 91% (2021: 86%) across the Core's full portfolio.

The aggregated profit before tax for all Cells is reported at €3,014,545 (2021: €195,290). The Amplifon Cell, a cell running off a reinsurance portfolio which is expected to be complete by May 2023, has also returned a profit before tax €213,048 (2021 Loss: €1,316,048) largely for the release of claims reserves.

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

	Atlas Insurance PCC Limited - PCC Aggregate in Euro '000					
	Premium Written			Net Premium Earned	Net Claims Incurred	Net Claims Loss Ratio before other costs
	Gross	Reinsurer	Net			
Medical Expense Insurance	15,172,780	11,621,951	3,550,829	3,379,118	2,204,783	0.00%
Income Protection Insurance	555,097	4,361	550,736	598,208	84,267	14.09%
Motor Vehicle Liability Insurance	7,076,838	739,057	6,337,781	5,950,870	4,219,155	70.90%
Other Motor Insurance	8,043,912	82,227	8,126,139	7,668,344	3,378,242	44.05%
Marine, Aviation and Transport Insurance	1,710,219	965,119	745,100	713,385	412,068	57.76%
Fire and Other Damage to property Insurance	48,012,751	33,707,009	14,305,742	15,658,385	6,612,165	42.23%
General Liability Insurance	10,209,113	5,768,640	4,440,473	4,076,263	145,427	-3.57%
Miscellaneous Financial Loss Insurance	1,429,119	1,481,494	52,375	123,332	3,384	-2.74%
Total	92,209,829	54,205,404	38,004,425	38,167,905	16,761,870	43.92%

Atlas Insurance PCC Limited - Core in Euro '000							Net Claims Loss Ratio
	Premium Written			Net Premium Earned	Net Claims Incurred	Net Claims before other costs	
	Gross	Reinsurer	Net				
Medical Expense Insurance	15,172,780	11,621,951	3,550,829	3,379,118	2,204,783	65.25%	
Income Protection Insurance	555,097	4,361	550,736	598,208	84,267	14.09%	
Motor Vehicle Liability Insurance	7,076,838	739,057	6,337,781	5,950,870	4,238,786	71.23%	
Other Motor Insurance	8,043,912	-	8,043,912	7,586,117	3,359,737	44.29%	
Marine, Aviation and Transport Insurance	1,710,219	965,119	745,100	713,385	412,068	57.76%	
Fire and Other Damage to property Insurance	15,479,282	11,955,820	3,523,462	3,423,956	1,660,225	48.49%	
General Liability Insurance	4,355,543	988,227	3,367,316	3,280,365	146,300	-4.46%	
Miscellaneous Financial Loss Insurance	948,054	1,024,483	- 76,429	74,013	3,669	4.96%	
Total	53,341,725	27,299,018	26,042,707	24,858,006	11,809,898	47.51%	

At year end 2022 the PCC's Core registered an overall net claims loss ratio before other expenses of 47.5%, whereas the PCC as a whole registered an aggregated net claims loss ratio before other expenses of 43.9%.

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

QRT Table 1 – Atlas Group in Euro ‘000

G.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	Total
		C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0120	C0200
Premiums written										
Gross - Direct Business	R0110	15,173	555	7,077	8,044	1,710	15,479	4,356	948	53,342
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	11,622	4	739		965	11,956	988	1,024	27,299
Net	R0200	3,551	551	6,338	8,044	745	3,523	3,367	-76	26,043
Premiums earned										
Gross - Direct Business	R0210	14,486	603	6,660	7,586	1,689	14,231	4,274	897	50,426
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	11,107	5	709		975	10,803	993	972	25,564
Net	R0300	3,379	598	5,951	7,586	713	3,428	3,280	-74	24,862
Claims incurred										
Gross - Direct Business	R0310	9,432	84	4,660	3,360	853	20,558	-269	-467	38,211
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	7,227		421		441	18,897	-122	-463	26,401
Net	R0400	2,205	84	4,239	3,360	412	1,660	-146	-4	11,810
Expenses incurred	R0550	1,961	72	915	1,040	221	2,000	563	123	6,893
Other expenses	R1200									-4,640
Total expenses	R1300									2,253

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

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)									
		Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	Total
		C0010	C0020	C0040	C0050	C0060	C0070	C0080	C0110	C0120	C0200
Premiums written											
Gross - Direct Business	R0110	15,215	555	7,077	8,044	1,710	43,516	10,273	23	1,454	87,867
Gross - Proportional reinsurance accepted	R0120						4,343				4,343
Gross - Non-proportional reinsurance accepted	R0130										
Reinsurers' share	R0140	11,657	4	739	-82	965	33,648	5,771	19	1,484	54,205
Net	R0200	3,558	551	6,338	8,126	745	14,212	4,501	4	-30	38,004
Premiums earned											
Gross - Direct Business	R0210	14,528	603	6,660	7,586	1,689	45,962	7,746	23	1,504	86,300
Gross - Proportional reinsurance accepted	R0220						4,184				4,184
Gross - Non-proportional reinsurance accepted	R0230										
Reinsurers' share	R0240	11,142	5	709	-82	975	34,553	3,610	19	1,383	52,313
Net	R0300	3,386	598	5,951	7,668	713	15,593	4,137	4	122	38,172
Claims incurred											
Gross - Direct Business	R0310	9,435	84	4,639	3,378	853	31,940	264	2	473	51,069
Gross - Proportional reinsurance accepted	R0320						782				782
Gross - Non-proportional reinsurance accepted	R0330										
Reinsurers' share	R0340	7,230		420	0	441	27,583	-128	2	-458	35,090
Net	R0400	2,205	84	4,219	3,378	412	5,140	392	0	931	16,761
Expenses incurred	R0550	1,972	72	915	1,040	221	6,626	563	6	46	11,461
Other expenses	R1200										548
Total expenses	R1300										12,008

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

Top 5 Countries other than Malta

S.05.02.01

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
R0010			IT	LU	DE	IE	FI	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	87,867	258	739	1,340	1,397	5	91,606
Gross - Proportional reinsurance accepted	R0120	4,343						4,343
Reinsurers' share	R0140	54,205	232	665	1,206	1,257		57,566
Net	R0200	38,004	26	74	134	140	5	38,383
Premiums earned								
Gross - Direct Business	R0210	86,300	164	194	612	710	5	87,986
Gross - Proportional reinsurance accepted	R0220	4,184						4,184
Reinsurers' share	R0240	52,313	148	175	551	639		53,825
Net	R0300	38,172	16	19	61	71	5	38,345
Claims incurred								
Gross - Direct Business	R0310	51,069						51,069
Gross - Proportional reinsurance accepted	R0320	782						782
Reinsurers' share	R0340	35,090						35,090
Net	R0400	16,761						16,761
Expenses incurred	R0550	2,583					2	2,585
Other expenses	R1200							682
Total expenses	R1300							3,268

2.3 Investment Performance

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

The Atlas Group registered negative return inclusive of investment expenses for the year ended 31 December 2022 of €3,971,977 (2021 – Income €2,212,052).

The PCC Core registered negative return inclusive of investment expenses for the year ended 31 December 2022 of €3,098,405 (2021 Net Income: €3,219,436).

Good results for security valuations had been reported at the year end 2021 causing an opening valuation as on 1st January 2022 for the aggregate PCC Investment Portfolio of €55,236,902. 2022 saw Stock Markets drop materially in value. The main drivers have been the Russia invasion of Ukraine, combined with rampant inflation as global economies broke out of the pandemic. The PCC's investment portfolio registered fair value losses charged to the profit and loss account of €4,701,865. Realised investment income has been positive for the year under review, with results meeting budget targets.

The Board of Directors continue to monitor the developments in the financial markets. As reported to the regulator for the Own Risk and Solvency Assessment (ORSA) the directors have reviewed shocks to the Company's assets which cause diminution in excess of those actually experienced during 2022 and as such are satisfied that the Company's balance sheet and Own Funds are robust enough to sustain such asset diminution. This is also demonstrated from the important excess of Own Funds over Solvency Capital Requirement (SCR) reported under Section 5 of this report.

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

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

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

Atlas Group	Group		PCC Core	
	2022	2021	2022	2021
Investment Performance in Euro				
Interest receivable from financial assets that are not held at fair value through profit or loss	2,195	2,673	11,944	22,180
Net gains from financial assets held at fair value through profit or loss				
- dividend income	159,154	183,974	468,322	465,793
- net fair value gains	(4,284,081)	1,830,570	(4,645,172)	1,579,144
Dividend from subsidiary undertaking			915,385	946,154
Fair value gains on investment property	-	0	0	0
Gain on disposal of investment property	-	0	0	0
Exchange differences	-	-	361	11,322
Rental income from investment property	494,887	514,206	494,887	514,206
Investment expenses	(344,132)	(319,363)	(344,132)	(319,363)
Total	(3,971,977)	2,212,060	(3,098,405)	3,219,436
<i>Percentage Return as on 31 December</i>	<i>-8.47%</i>	<i>4.54%</i>	<i>-6.51%</i>	<i>6.50%</i>

Atlas Group	Group		PCC Core	
	2022	2021	2022	2021
Investment Portfolio held in Euro				
- land and buildings	9,505,718	10,617,896	9,505,717	10,617,896
- investment in subsidiaries	-	-	748,058	748,058
- other financial investments	37,361,659	38,154,399	37,361,659	38,154,400
Total	46,867,377	48,772,295	47,615,434	49,520,354

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

2.4 Performance of other activities

The Group reports other income totalling €372,813 for the year ended 31 December 2022 (2021: €354,100). The additional revenue reported is distinct from its Solo Undertaking technical results and as such is reported from its various subsidiaries on consolidation. The below table defines the components making up such results.

Other Income in Euro	Atlas Group	
	2022	2021
Commissions	342,004	332,897
Survey and other Fees	30,809	21,203
Total	372,813	354,100

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

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

3. System of Governance

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

3.1 General information on system of governance

The Solo Undertaking board and relevant board committees as well as the Atlas Insurance key functions have effective overview of the Group. Key financial and non-financial performance indicators of group companies are regularly discussed within these fora.

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

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

Relations with Policyholders

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

Relations with Policyholders

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

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

Relations with Shareholders

The Atlas Group ensures an ongoing dialogue between the board and shareholders based on the mutual understanding of objectives. The level of disclosure with these important stakeholders continues to be in excess of statutory requirements under the Companies Act.

Further communication with shareholders is enabled through the functioning of the Atlas Holdings Limited board of directors. Atlas Holdings is the shareholder of the non-cellular shares ('core shareholder'), in Atlas Insurance PCC Limited and this board appoints the directors of the Company at the Annual General Meeting. Mr Lawrence Zammit chairs the Atlas Holdings Board and the two executive directors also sit on this board. This structure ensures communication between the boards.

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

Lawrence Zammit MA (Econ) – Chairperson

Jackie Attard Montalto BA

Catherine Calleja BA (Hons), ACII

Michael Gatt

Albert Formosa

John Formosa

Brian Valenzia

Matthew von Brockdorff FCII

Robert von Brockdorff

3.2 Responsibilities, reporting lines and allocation of functions

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

There is a clear division of responsibilities between the running of the PCC's board and the executive responsibility for the running of the business. The separation of the Chair and Chief Executive Officer roles increases the board's scrutiny from management and leads to better monitoring and oversight. The primary role of the Chairperson of the board is to focus the board on the ongoing development and determination of the Company's strategy and direction. The Chairperson creates and maintains the right conditions for constructive discussion and the participation of all directors to enable each director to play a full and constructive role in the affairs of the Company. The other non-executive directors appointed are of sufficient calibre and standing to balance the strength of character of the Chair and executive directors.

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

3.2.1 Responsibilities and reporting lines

The PCC's Board of Directors

Atlas' board of directors holds ultimate responsibility for the corporate governance and is responsible for the Group's sustainability. It is annually evaluated to ensure that members continue to be fit and proper and collectively have the required diversity of knowledge, judgement and experience to complete their tasks. Together, the board members are judged to have complementary skills and the necessary background in governance and corporate strategy, insurance, financial markets, ESG, risk management and compliance, financial and actuarial analysis, as well as information technology and talent management.

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

The current board members appointed by Atlas Holdings Limited are:

Lawrence Zammit M.A. (Econ.) – Chairperson

Malcolm Booker FCA, FIA, FIT, CPAA – Non Executive (appointed 12 May 2022)

Andre Camilleri LL.D, Dip. Econ. & Ind. Law (Milan) – Non Executive

Catherine Calleja B.A.(Hons.), A.C.I.I. – Executive and Company Secretary

Michael Gatt – Non Executive

Philip Micallef B.Sc.(Eng.), M.I.E.E., C.Eng., Eur. Ing., M.B.A. (Warwick) – Non Executive

Karen Pace – Non Executive, BA (Hons) Accty, AIA, CPA

Matthew von Brockdorff F.C.I.I. – Managing Director and Chief Executive Officer

Mr Lawrence Zammit will be retiring from the PCC's board and is not seeking re-election. The other current directors have expressed their willingness to remain in office. Mr Zammit remains in office as Chairperson of the Holdings Board.

The PCC's board maintains close links with senior management both through the active board committees but also through various joint meetings relating to strategy development and reporting as well as joint learning and development sessions on various topics. As such the board is fully involved in the strategic planning, budgetary and Own Risk and Solvency Assessment (ORSA) processes and regularly meets with key function holders including the Group's actuaries. Regular reporting of key results enables the board to be able to continuously assess the Group's performance, its current and future strengths and weaknesses as well as being able to have enough information to be able to constructively challenge and develop strategy as well as satisfy itself on the integrity of the financial information, internal controls and risk management systems in place.

In line with the System of Governance requirements under the Solvency II Directive and the Commission Delegated Regulations, the PCC's board has delegated specific responsibilities to board committees. This is also provided for in the memorandum and articles of the PCC. PCC Non-executive directors chair five board committees and through these committees, members develop strategy and monitor progress in the area of organisation under review, meet more members of the management team, recognise and support innovation within the management of the company, always striking a balance between enterprise and control at the Group.

The PCC's Chair ensures that the PCC board receives precise, timely and clear information. He encourages discussion and participation of all directors during meetings as well as constructive relations between executive and non-executive directors. Where possible, he directs discussion to the emergence of a consensual view and sums up discussions to ensure the accurate recording and follow up of the key decisions taken. Mr Lawrence Zammit, will be resigning his directorship on the board after eleven years, chairing the board since 2014. He will retain his position of chair of the Atlas Holdings board which will allow the group to retain some of his invaluable knowledge and experience. His departure will bring the number of directors back to the complement of seven, with a majority of five NEDs.

Dr Andre Camilleri is the Senior Independent director. He is a sounding board member for the Chairman and Managing Director on board matters, as well as a trusted intermediary, if required, for other non-executive directors. He is available to address the concerns of shareholders or members of staff, through the Group's Raising a Concern (Whistleblowing) Policy. He also annually administers the board evaluation process. This includes discussing the results of the board committee evaluation questionnaires, an important component of the board's annual review process. The board evaluation exercise leads to setting the board objectives, planning for use of board time during the next period as well as setting learning and development goals for the following year.

The Managing Director and CEO is responsible for the overall success of the Company and is answerable to the board for the realisation of the Company strategy. He is responsible for the appointment of the senior management team in coordination with the Remuneration and Nominations committee. The Managing Director and CEO also chairs the Executive and Protected Cells committees.

PCC Board and board committee meetings are scheduled prior to the start of each year and, during 2022, the board met 14 times, several meetings being dedicated to technical development or regulatory training. Agendas and information packs are uploaded well in advance of all board and

board committee on a secure web portal. Agendas are set keeping a balance between strategy and planning, reporting on key results and risks, and current operational issues. Minutes of all meetings faithfully record attendance, decisions taken and resolutions, and are issued on a timely basis and made available to all directors and committee members, as soon as practicable, after every meeting.

3.2.2 Group structure and allocation of responsibilities

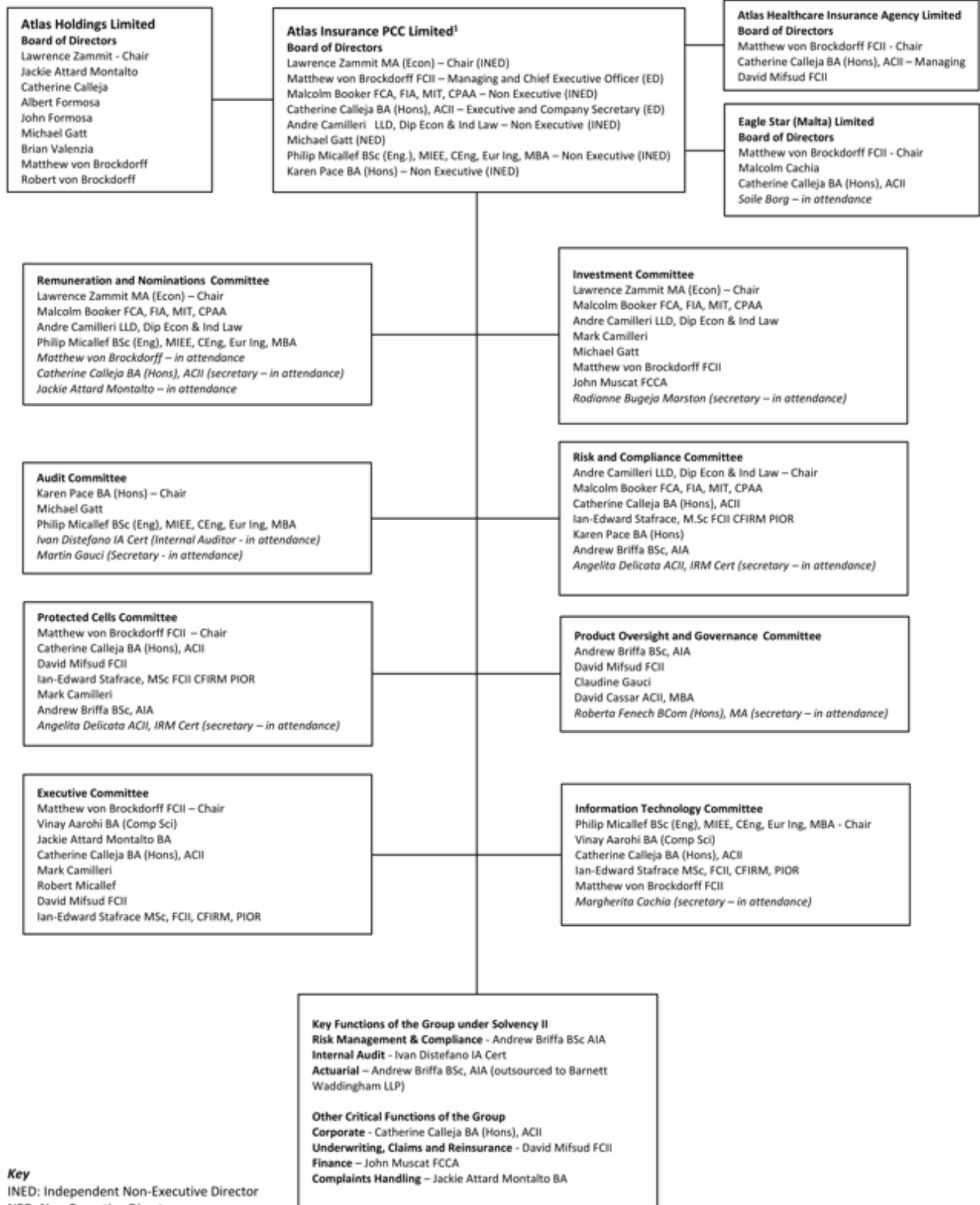
There are four key function areas of responsibilities as defined in Chapter 6 of the Insurance Rules issued under the Insurance Business Act . These are the:

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

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

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

Atlas Group Governance Structure



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

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

3.2.3 Board committees

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

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

Audit Committee

This committee met seven times during 2022. It is composed entirely of non-executive directors, two of whom are independent. Mr Franco Azzopardi handed over the chair of the committee to Ms Karen Pace after the PCC Annual General Meeting in May when he resigned his directorship. Ms Pace has been approved by the MFSA to have the required competence in financial literacy and expertise in internal controls and auditing to perform this function. The other members of the committee are Mr Philip Micallef, and Mr Michael Gatt.

The committee has oversight of the independent audit of the financial statements as well as the audit scope and approach. It is also responsible for the engagement and oversight of the Group's external auditors. It also reviews and assesses the qualitative aspects of financial reporting to the shareholders of the Group and discusses significant accounting and reporting issues, including the preparation for IFRS 17 implementation. It meets with external auditors, to review any problems or difficulties they encounter as well as to review audit plans prior to the commencement of audit cycles and finally to review financial statements prior to their presentation to the board. The committee also monitors the independence of the external auditors and pre-approves any permitted non-audit services to be performed by the auditors.

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

To ensure independence, the Internal Auditor reports directly to the Audit Committee which ensures that the internal auditor has the necessary resources and access to information to fulfil the mandate of the function. The committee benchmarks the function's activities against recognised standards such as, inter alia the Institute of Internal Auditors and the International Standards for Professional Practice of Internal Auditing as well as Regulatory requirements. The Internal Audit function, through the Audit Committee and its Chair, has direct access to the Board of Directors and meets regularly with the Company's Chief Risk and Compliance Officer to follow up recommendations and ensure that priorities are aligned with the Group's risk register and appetite.

During 2022, the Audit Committee Chair regularly held additional meetings with the Internal Auditor, Mr Ivan Distefano whose team was also strengthened during the period. These meetings give guidance, serve as an opportunity to receive feedback, and ensure the continued independence of the internal auditor as well as his continuing professional development. The oversight of related party transactions is also the responsibility of this committee.

Remuneration and Nominations Committee

This committee is also composed entirely of independent non-executive directors and met four times during 2022. It is chaired by Mr Lawrence Zammit, the board Chair who is considered by the board to have the required knowledge, experience and skills for this position. Dr Andre Camilleri, the Senior Independent Director, and Mr Philip Micallef as well as Mr Malcolm Booker (joined in May 2022) are the other non-executive Directors appointed to sit on the committee. The Executive Directors and the Chief HR Officer attend meetings by invitation as and when required.

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

In terms of Article 8(1) of the Insurance Business Act and, more specifically, as per Insurance Rulebook's Chapter 2: Fit and Proper Criteria, Notification and Assessment, the Group ensures that all persons who effectively run the undertaking or have other key functions are at all times 'fit and proper' persons. The committee also ensures that relevant persons and employees under the Insurance Distribution Rules continue to be of good repute. Questionnaires are completed and independent checks using various sources are also carried out on an annual basis.

The size and complexity of the Group does not necessitate a separate nominations committee and the remuneration committee also leads the process of succession planning for board and senior management appointments. The committee makes recommendations to the board and shareholders for such appointments.

Risk and Compliance Committee

Dr Andre Camilleri, as the designated director for oversight of the risk management system, chairs this committee. The committee met four times in 2022. Mr Franco Azzopardi (resigned May 2022), Ms Catherine Calleja, Mr Philip Micallef, Ms Karen Pace and Mr Ian-Edward Stafrace formed part of the committee during 2022. Mr Andrew Briffa, the Chief Risk and Compliance Officer (CRCO) and Mr Malcolm Booker also joined the committee in January and May 2022 respectively. Mr Philip Micallef resigned from the committee at the same time in May 2022.

With the support of the CRCO, the committee has oversight of the risk management function at Group level, including the development and detailed annual review of the Group's risk appetite statement,

its ongoing risk strategy and governing policies as well as the ORSA process. It also reviews quarterly status reports on the Company's risk appetite in the major risk categories, as well as regular reports relating to the various risk areas and associated controls assigned across the organisation and any significant incidents including any near misses, both in the core and in cell operations.

The committee also has oversight of the Compliance function ensuring that the Group continues to maintain its systems to ensure regulatory compliance and readiness for anticipated regulatory changes in various areas. During 2022, the board has entrusted the committee with further responsibility to oversee the Environmental Social Governance (ESG) strategy of the Group. Besides ensuring that ESG risks are incorporated into the risk management framework, the committee has several other roles in this area including ensuring that legislative requirements including ESG reporting, are adhered to, overseeing the Group's progress towards its decarbonisation strategy, stakeholder engagement in this area and the overseeing of the Group's Community Involvement efforts.

The committee, together with the board, continues to develop its role in evolving the methodology and assumptions underlying the models for determining the Group's economic and regulatory capital requirements as assessed under the ORSA (Own Risk and Solvency Assessment) process. Key members of the senior management team are invited where relevant to the discussion and regular attendance from external experts on various risk areas are a feature of the committee meetings. During the period under review, the committee continued to monitor closely the Group's adherence to the highest of standards in its distribution network, cell business and outsourced functions. The committee also reviews customer complaints and the related root cause analysis, as well as relevant training in various areas of compliance and risk management.

Investment Committee

This committee ensures adherence to the Group Investment Policy and Asset Liability Management Policy and acts in accordance with the Prudent Person Principle as stipulated in Article 132 of the Solvency II Directive.

The committee met five times in 2022 and Mr Lawrence Zammit continued to chair the committee during the year. Members include Dr Andre Camilleri, Mr Franco Azzopardi (resigned May 2022), Mr Michael Gatt and Mr Matthew von Brockdorff, as directors on the committee; while the Group Chief Financial Officer, Mr Mark Camilleri and Mr John Bonett (resigned August 2022) were additional members. Mr Malcolm Booker and Mr John Muscat the Chief Financial Officer joined the committee in May and August 2022 respectively.

The committee sets investment parameters, mandates with discretionary managers, and asset allocations in line with the Investment Policy, the Asset Liability Management Policy and relevant areas in the Board's Risk Appetite Statement. It annually reviews the above-mentioned policies and the relevant parts of the Risk Appetite Statement to ensure alignment between these policies and regulatory requirements.

The committee also engages investment services providers entrusted to manage the investment portfolio on a discretionary basis and reviews the performance of such managers. Managers regularly address and report to the committee and other board and Executive Committee members attend these presentations. The committee continues its journey to build sustainability and increased ESG direction into its investment strategy.

Information Technology Committee

This committee addresses strategic issues relating to Information Technology and digital transformation. This largely executive committee is chaired by Mr Philip Micallef and the members are Mr Matthew von Brockdorff, Ms Catherine Calleja, Mr Ian-Edward Stafrace and Mr Vinay Aarohi who is the Chief Information Officer. The committee met five times during 2022.

This committee's mandate is to ensure that IT priorities, particularly during the deployment of the new digital platform, are aligned with the Group's strategy and that the IT investment and expenditure deliver the expected results. The committee supports Atlas Management on IT policy, strategy, cyber security and governance matters and reviews the reports obtained by external consultants in this area. It will also supervise compliance with the Digital Operational Resilience Act (DORA).

Protected Cells Committee

This committee oversees the acceptance and monitoring of protected cells within the Company. It has oversight over the operational and financial progress of each cell, including its solvency and any potential impact on the solvency of the Atlas core and also ensures that regular cell inspections are carried out. Quarterly cell KPIs are submitted to the board of directors as part of the financial reporting process. During 2022 the committee met four times and further cell proposals were presented to the board and subsequently to the Malta Financial Services Authority for approval.

The Managing Director & CEO chairs the committee, composed of the two Executive Directors as well as the Chief Underwriting Officer, Mr David Mifsud; the Chief Strategy Officer Mr Ian-Edward Stafrace; the Group Chief Financial Officer, Mr Mark Camilleri; Mr John Bonett (until August 2022) and Mr Andrew Briffa, the Chief Risk and Compliance Officer (from January 2022). The committee is delegated with the responsibility to approve charters and membership of the cell committees which are composed of representatives of the core, cell owners, and cell managers. The proper functioning of these committees are central to the maintenance of the positive ongoing relationships with cell shareholders as well as to ensure a deep understanding of the cell performance and any potential risks to the core. These committees meet regularly to review underwriting, financial performance and risk management and compliance issues.

Executive Committee

This committee is chaired by the Managing Director & CEO and besides the two executive directors, the Chief Underwriting Officer, the Group Chief Financial Officer, the Chief Strategy Officer, the Chief Information Officer, the Chief Commercial Officer and the Chief HR Officer sit on the committee.

This committee met seventeen times in 2022 and also met on specific issues with the board on other occasions during the period. The Executive committee is responsible for implementing the strategy of the Company developed with the board. This involves development and deployment of business plans and detailed budgets on an annual basis to achieve the key results developed with the Board of Directors. It is also heavily involved in policy development and change in various areas of the Group including information systems, planning, human resources development and talent management, sales and marketing, and the consideration of new business opportunities.

Product Oversight and Governance (POG) Committee

The responsibility for the operational monitoring and ongoing implementation of the POG processes and procedures within the Group is delegated by the Board of Directors to the POG Committee. The POG Committee ensures that the procedures in relation to both the roles of manufacturer and

distributor of insurance products are in place and properly executed within the Group. Such procedures relate to the design and manufacture of insurance products, ongoing monitoring and regular product reviews, as well as the proper execution of the responsibilities associated with the distribution. The POG Committee met four times during 2022 and is composed of The Chief Risk and Compliance Officer, Mr Andrew Briffa who chairs the Committee, the Chief Underwriting Officer, Mr David Mifsud, The Manager of Health Underwriting and Sales, Ms Claudine Gauci, and the Business Development Manager, Mr David Cassar.

Product Oversight and Governance (POG) Committee

The responsibility for the operational monitoring and ongoing implementation of the POG processes and procedures within the Group is delegated by the Board of Directors to the POG Committee. The POG Committee ensures that the procedures in relation to both the roles of manufacturer and distributor of insurance products are in place and properly executed within the Group. Such procedures relate to the design and manufacture of insurance products, ongoing monitoring and regular product reviews, as well as the proper execution of the responsibilities associated with the distribution. The POG Committee met four times during 2022 and is composed of The Chief Risk and Compliance Officer, Mr Andrew Briffa who chairs the committee, the Chief Underwriting Officer, Mr David Mifsud, The Manager of Health Underwriting and Sales, Ms Claudine Gauci, and the Business Development Manager, Mr David Cassar.

Individual Cell Committees

Members of the Atlas management team form part of the cell committees of the individual cells with Cell owners and managers, where relevant. These committees meet regularly to review underwriting, financial performance and risk management and compliance issues.

The individual Cell Committees are part of the first line of defence in managing the risks of the respective cells. Cell Committees review key performance indicators, and review plans and budgets on a regular basis. They also review progress of outstanding items on past cell site inspections, audits or compliance visits and other risk and compliance matters.

3.3 Fit and proper requirements

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

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

The Policy applies to:

- a) Persons who effectively run the Atlas Group i.e. Directors (Executive and Non-Executive, including directors responsible for distribution activities), Controllers or Chief Executive Officers;
- b) Persons responsible for the key functions or overseeing key functions where the function is outsourced ('key function holders');
- c) Qualifying shareholders of the Atlas Group, including Cell Owners in the case of a cell company;
- d) Persons registered in the Agents or Managers register and carrying out insurance distribution activities;
- e) Managers and Individuals who are responsible for the effective management of Atlas Group's Branches;
- f) The appointed Money Laundering Reporting Officer for Atlas Healthcare;
- g) Atlas Group's Tied Insurance Intermediaries and Ancillary Insurance Intermediaries;
- h) Members of Atlas Group's various Board Committees;
- i) Persons within the management structure designed to be responsible for the distribution of insurance products ('relevant persons') in terms of Chapter 6 of the Insurance Distribution Rules;
- j) Investment advisors.

3.3.1 Requirement of fitness and properness and implementation

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

- Have the professional qualifications, and possess the adequate level of competence, knowledge and experience, (fit), required to enable such person to carry out his duties and perform his or her key function effectively and to enable sound and prudent management of the undertaking;

- Have the personal characteristics, including that of being of good repute, integrity and transparency (proper), as well as having financial soundness.

At appointment stage, Atlas Group satisfies the assessment and notification process required by the MFSA, including the completion and submission of a detailed fitness and propriety questionnaire in respect of the proposed individual. On an ongoing basis, controls are in place to regularly monitor individuals subject to fit and proper requirements to ensure these remain satisfied at all times, and various due diligence tests are carried out on such individuals including conflicts of interest, creditworthiness, sanctions and social media checks.

Similar procedures are in place for any outsourced key functions.

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

3.4.1 Governance framework

A Group wide Risk Management Policy is followed and this Section outlines key elements of the Risk Management Framework adopted by Atlas Group.

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

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

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

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

Governance & Strategy

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

General

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

Risk Specific

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

Protected Cells

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

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

Risk Strategy and Guiding Principles

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

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

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

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



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

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

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

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

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

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

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

Roles and Responsibilities

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



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

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

3.4.2 Risk register

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

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

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

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

3.4.3 Risk evaluation

The Group defines the following risk categories:

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

The categorisation follows best practice and current regulations.

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

3.4.4 Risk appetite

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

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

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

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

3.4.5 Reporting processes for the risk management system

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

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

- Risk appetite status updates
- Periodic status updates on risk and compliance objectives and initiatives
- Updates on the risk and control reporting given by the Risk Owners
- Escalation of risk notifications from staff and management
- Updates on other risk events and near misses logged on the Risk Events Register
- Matters related to risks listed in the Risk Register and potential new risks being identified
- Matters related to the ORSA process
- The Own Risk and Solvency Assessment (ORSA) which is prescribed under regulation forms an integral part of the Group's reporting procedures on Risk Management Systems. The process is detailed under section 3.5.6 of this report

3.4.6 Own Risk and Solvency Assessment

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

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

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

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

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

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

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

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

3.4.7 Risk management strategies, objectives and processes

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

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

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

3.5 Internal control system

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

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

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

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

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

Additional internal control activities and monitoring mechanism include:

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

Compliance Function

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

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

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

3.6 Internal audit function

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

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

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

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

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

3.7 Actuarial Function

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

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

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

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

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

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

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

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

3.8 Outsourcing

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

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

Due Diligence

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

The due diligence process should assess:

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

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

Approval and Monitoring

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

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

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

Control

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

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

3.9 Any other information

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

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

4. Risk profile

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

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

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

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

Principal risks and uncertainties

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

Operational risk tends to increase as a result of the effects of employees working remotely. The Board’s focus has been and continues to be, that of ensuring appropriate health and safety measures remain in place, pandemic update communications to the Group’s staff complement, training of staff with a focus on awareness of the pandemic still present and staff relocation for home remote working arrangements being deployed as and when these were and may be required.

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

4.1 Underwriting risk

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

4.1.1 Insurance contracts - general business

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

- (i) Premium earned is the premium written in the past or current year and consumed within the accounting period in question.
- (ii) Unearned premiums represent the proportion of premiums written in the past or current year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.
- (iii) Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned. These are capitalised and are shown as deferred acquisition costs ("DAC") in the balance sheet. DAC is amortised over the term of the policies as the premium is earned. All other costs are recognised as expenses when incurred.
- (iv) Claims incurred comprise claims and related expenses paid in the year and changes in the provision for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.
- (v) Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the PCC. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The PCC takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the PCC and statistical analyses for the claims incurred but not reported. The PCC does not discount its liabilities for unpaid claims.

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

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

4.1.2 Reinsurance contracts held

The Core places its reinsurance programme with overseas reinsurers who all meet the financial approval of the local regulator. It is generally the Atlas Group's Policy for reinsurance to be placed in Lloyd's market or with listed multinational reinsurance companies whose credit rating is not less than A-. The portfolio programme is a mix of proportional and non-proportional protection.

The Group's decision on the type of reinsurance obtained, the level of retention and the width of cover are recommended by the Core's own technical personnel in collaboration with overseas consultants and the board of directors approves the reinsurance programme on an annual basis.

The effectiveness of reinsurance protection in place for the Core has often worked towards reducing the impact of the Group's net retained losses for the year.

4.1.3 Receivables and payables

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

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

4.1.4 Management of insurance risk

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

Insurance risk - Core

The risk under any one insurance contract is the uncertainty of whether the insured will sustain the contingency insured against. If that happens, then further uncertainty lies in how many times this can happen and how much it will cost, i.e. the frequency and severity of resultant claims.

Insurance risk is by its nature random and unpredictable. Consequently the PCC writes portfolios of risk with the intention of taking refuge within the theory of probability (large numbers) and thus being able to correctly construct pricing of its insurance contracts.

The risk the PCC faces however remains that actual claims incurred exceed the amounts of such provisions since the frequency and severity incurred exceed the estimated ones.

Insurance events, due to their random nature, can vary in severity and frequency from year to year. However the larger the portfolio involved, the lower the deviation from estimates which is why the PCC endeavours to acquire growth in areas of insurance risk which it deems attractive.

Another method used to mitigate random deviations is that of diversification in portfolio characteristics. Atlas Insurance PCC Limited is not unduly dependant on one class or sector of business and in fact is deemed to be privileged with a balanced mix of various classes of Motor, Liability, Marine, Miscellaneous Accident, Property, Private Medical and Travel and Personal Accident. Furthermore, the PCC's portfolio is spread between personal lines and commercial lines business.

The PCC has a rather even geographical spread of property risks within the Maltese isles and is well spread among the various sectors of commerce e.g. tourism and hotel accommodation; manufacture; services and it is not unduly dependent on one sector alone.

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

Insurance risk - Cells

During the year the PCC licensed one new cell in November. The Autorama Cell writes finance gap and goods in transit risks in the UK. Blevins Franks Cell, Gemini Cell, L'Amie Cell, Griffin Cell, Ocado Cell, Amplifon Cell (in run-off) and TVIS Cell carried on business during the year in accordance with their licence conditions.

Griffin, L'Amie, Gemini and TVIS cells carried on writing their normal classes in their European and UK markets.

Atlas' underwriting strategy on cells is that of underwriting the proposed cell holistically including, but certainly not limited to, the underlying insurance risk. The consideration of capitalization, parental guarantees backed by parental strength, reinsurance protection, premium volume, historical performance, experience of the proposer (and of outsourced entities like claim handlers) and other such factors lead to a case by case assessment of the overall risk of the cell to the core from a financial, operational and reputational perspective. Atlas seeks typically cells with little or low exposure to large event or single losses, strong cell owners and short tail risks. It will however consider cells which write larger exposures when backed by strongly rated reinsurance protection.

Frequency and severity of claims

Further details on insurance risk exposures for the Core are described below.

Motor and liability

The danger is that competition restrains average premium growth while the frequency and severity of claims may be seriously affected by:

- (i) the long lifetime which motor and other liability claims tend to have and which can lead to negative effects of inflation on claim amounts;
- (ii) changes in traffic management and density and the increased presence of more vulnerable road users;
- (iii) increased court awards arising from increased sensitivity of courts to the plight of accident victims spurred also by EU directives and "pro-victim" court/legislative tendencies in other EU jurisdictions; and
- (iv) increased responsibilities of employers and business owners in the light of health and safety and consumer legislation; and
- (v) the latent effect of disease claims on the employers' liability and products liability portfolio
- (vi) the effect of inflation on motor repair costs
- (vii) the effect of natural hazards affecting comprehensive motor results.

The PCC's gross motor performance was undoubtedly affected by inflation and supply chain issues on motor repair costs while loss frequencies were far closer to pre-pandemic levels including those of bodily injury claims one of which was relatively severe but contained by reinsurance protection.

No natural phenomena affected the motor book of business in 2022.

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

Property (including Business Interruption)

The gross property result was affected by a large commercial property claim which was extensively protected by treaty and facultative reinsurance protection. This claim nullified the positive effect of any savings made on older claim settlements. Inflation, particularly on building costs, had a detrimental effect on property claims.

Miscellaneous accident

The nature of claims on Money, Glass, Goods in Transit and Fidelity relate very much to the prevalence of crime in Malta and 2022 showed no extraordinary experience in this respect.

Personal accident and travel

Travel class reached and vastly surpassed pre-pandemic levels. The tail end of the Omicron-linked cancellations affected the performance in the first part of the year but claims performance then stabilised although it was affected by inflation on anything from flight costs to the costs of luggage.

Marine

The marine portfolio in 2022 experienced a satisfactory result overall which was held back by negative performance on marine hull.

Health

The health account went back to pre-pandemic performance and the customary battle against the effects of medical inflation.

The PCC manages all the above via:

- (a) underwriting strategy,
- (b) adequate reinsurance arrangements, and
- (c) proactive claims handling

(a) Underwriting strategy

The PCC follows strict risk acceptance selection processes and only accepts risks that possess characteristics which the PCC feels will lead to low or average frequency and severity of losses. These criteria apply across all classes and for this purpose the PCC uses underwriting guidelines and sets limits on the overall retention of the risks it writes. The PCC inserts certain exclusions in its contracts to enforce underwriting criteria. For example, in the context of liability exposures, the PCC applies asbestos liabilities exclusions on all liability policies and in the past years, communicable disease exclusions were introduced on most classes.

The PCC closely scrutinises the business activities of its client base to determine any undue exposure to long-term industrial disease claims and to assist in this process and that of analysing other potential exposures, the PCC normally views several property, accident and liability risks first hand via its policy of risk surveying (in-house and external).

The PCC also has a regular renewal analysis and reserves the right to reassess each contract based on its claims experience and any other changes in material information E.g. The majority of the marine cargo account is based on open covers. Thorough controls on each marine open cover are carried out regularly ensuring that performance is acceptable.

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

The PCC, as a standard, applies limits on all motor and liability policies. The only area of unlimited liability is that of Motor EU/UK use (in line with legislation in certain EU countries and the UK).

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

The risks underwritten by the PCC may also be in the form of reinsurance contracts issued on a proportional basis whereby it assumes a portion of the risk which the ceding insurance undertakings undertake with their direct clients.

(b) Reinsurance

The PCC places its reinsurance programme with overseas reinsurers who all meet the financial approval of the local regulator. It is generally the PCC's policy for reinsurance to be placed in the Lloyd's market or with listed multinational reinsurance companies whose credit rating is not less than A-. The PCC's health portfolio is reinsured with AXA PPP healthcare Limited. The portfolio programme is a mix of proportional and non-proportional protection.

The PCC's decision on the type of reinsurance obtained, the level of retention and the width of cover are recommended by the PCC's own technical personnel in collaboration with overseas consultants and the board of directors approves the reinsurance programme on an annual basis.

The effectiveness of reinsurance protection in place for the PCC has worked towards reducing the impact of net retained losses for the year by the PCC.

(c) Claims techniques

Reported claims are handled and reserved on a claim-by-claim basis. The PCC employs in-house specialised claims personnel. In addition to having in place authority levels for its staff to negotiate claims, it also employs a panel of external loss adjusters and technical experts who are regularly utilised in the PCC's quest for sound and equitable claim handling. In the case of cells, the PCC outsources claims handling to specialised third party administrators who, where necessary, may be permitted to sub-outsource certain services e.g. mobile phone repairs.

The PCC has a policy of analysing claims progressions and thus determines if reserving policies adopted in the past have been successful. This procedure has pre-dated the setting up of the PCC as an underwriter.

The PCC actively pursues early settlement of all claims to reduce exposure to unpredictable developments and equally the PCC maintains a proactive system that ensures that timely action is taken on all claims and reviews are carried out when required. This is particularly important in the context of motor and liability claims and in the case of such claims arising from cells, this function is performed by the outsourced specialist administrators and supervised by the relevant cell committee. In the context of reserving, active use is made of a panel of legal advisors and full acquaintance is made with courtroom developments by our specialist claims team supervised by the Chief Underwriting Officer.

Sources of uncertainty in estimation of future claims payments

Owing to the fact that liability claims are normally payable on a *claims occurrence* basis, a claim is payable if the accident occurred in the year of insurance even if the damage is manifested long afterwards. This is accentuated in the context of employers' liability claims where cover is provided on a loss *caused* basis. Therefore not only can the extent of reported liability claims take longer to be fully known and for such claims to be settled owing also to possible lengthy court proceedings, but, additionally, claims can take long to be even reported. For this reason, claims outstanding provisions for known claims must be adequately increased by provisions for IBNR (incurred but not reported) claims.

Therefore when estimating the cost due to be paid in future the PCC looks at:

- (i) the monetary provision necessary for pending non-liability claims based on the latest available facts and estimates

- (ii) the monetary provision for the future payment of claims for bodily injuries to employees or third party victims of accidents. This is based on the accepted basis of:
 - (a) loss of future earnings as a result of disability percentages along with estimated rehabilitation expenses;
 - (b) an element of direct damages; and
 - (c) costs of settlement including legal and other fees and court expenses; and

to the above provisions for known reported claims, the PCC adds the IBNR provision. The PCC also makes a provision for the unexpired period of cover of policies running at the time of the balance sheet date.

Large claims are also assessed on a case-by-case basis, and Atlas takes a prudent approach to determining outstanding reserves based on legal precedent (of particular relevance to motor and liability class) and similar cases. The PCC also notes current trends.

The PCC takes care to ensure it is in possession of knowledge on all bodily injury claims notified and carries out active reviews of the larger/more serious bodily injury cases on motor and liability classes.

IBNR reserves are determined using the historical actual development of incurred claims and absolute IBNR levels are then expressed as a proportion of claims outstanding by individual class in order to have an ongoing level of IBNR reserves. Such percentages are reviewed and reassessed annually.

Uncertainty on the estimation of claim payments on property classes is considerably lower than that on motor and liability classes. The same can be said of personal accident, health, travel and miscellaneous accident.

Uncertainty in general is reduced by ensuring thorough knowledge of the circumstances and extent of losses reported; and through the use of medical and loss assessors and adjusters to ensure correct reserving.

A high degree of certainty on marine claims is achieved via collection of survey evidence and value documentation.

4.2 Financial risk

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

The Group's investment strategy reflects its profile of liabilities to ensure that sufficient assets of appropriate nature, term and liquidity enable it to meet the liabilities as they become due.

4.2.1 Market risk

The Group is largely exposed to market risk for the Solo Undertaking's Core investment portfolio and mitigates exposures by implementing controls for interest rate risk, equity risk, property risk, spread risk and currency risk.

Cash flow and fair value interest rate risk

In general, the Group is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. Financial instruments issued at variable rates expose the Group to cash flow interest rate risk. Financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group holds investments mostly in equity and debt securities. Debt securities are subject to interest rate risk.

Fair value interest rate risk is the risk that the relative value of a security will worsen due to an interest rate increase. Interest rate risk is mitigated through the distribution of fixed interest investments over a range of maturity dates. Moreover, the Group's asset allocation policy limits the amount of investment in any one asset or towards any one counterparty. Notes 10, 11, 14 and 24 incorporate interest rate and maturity information with respect to the Group's assets.

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

	Group 2022 €	2021 €
Assets at floating interest rates - bank balances	4,293,729	7,549,381
Assets at fixed interest rates		
- Listed debt securities	9,940,332	7,799,325
- Deposits with banks or financial institutions	-	-
- Amounts owed from related parties	-	387,325
	<u>14,234,061</u>	<u>15,736,031</u>

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

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

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

At 31 December 2022 the Group was mainly exposed to fair value interest rate risk on listed fixed interest rate debt securities. If interest rates at that date would have been 250 basis points (2021: 50 basis points) lower with all other variables held constant, pre-tax profit for the year would have been higher €1,056,681 (2021: €135,199 higher). An increase of 250 basis points (2020: 50 basis points), with all other variables held constant, would have resulted in pre-tax profits being €897,013 lower (2021: €171,305 lower). Up to the end of the reporting period the Group did not have any hedging policy with respect to interest rate risk on other financial instruments as exposure to such risks was not deemed to be significant by the directors.

Equity risk

The Group is exposed to market price risk on its equity investments. These investments are subject to stock market volatility and the value can decline significantly in response to adverse political, market or economic developments. The Group reduces this risk by diversifying its investments in different countries and in different sectors.

During 2022, the markets affected the portfolio negatively due to the Ukraine-Russia conflict, resulting in a fair value loss for the year of €4,656,311 (2021: €1,571,496).

The Group's investment portfolio is overseen by the Investment Committee that meets on a regular basis in order to review the position of its investments and to plan its investment strategy in accordance with established guidelines. Investment decisions are taken on the basis of an Asset Allocation Policy approved by the Board. The Asset Allocation Policy includes benchmarks and guidelines on various aspects of portfolio management, including currency, instrument, rating, localisation, concentration and maturity. It is periodically reviewed by the Investment Committee and, subject to Board approval, amended as necessary so as to reflect the Group's overall investment objective, which is principally the preservation of capital and liabilities.

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

	Group	
	2022	2021
	€	€
Assets subject to equity price risk		
Equity securities	4,612,190	4,645,140
Units in unit trusts	22,809,137	25,322,610
	27,421,327	29,967,750

The sensitivity for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual equity issuer, or factors affecting all similar equity traded in the market. The sensitivity for equity price risk is derived based on global equity returns, assuming that currency exposures are hedged. A 10% positive or negative movement in equity prices is considered to be an appropriate benchmark for sensitivity purposes. An increase or a decrease of 10% (2021: 10%) in equity prices, with all other variables held constant, would result in an impact on the pre-tax profit for the year of €2,742,133 (2021: €2,996,775).

Property Risk

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

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

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

Based on the valuation carried out in December 2022 the Directors do not consider that there has been a change since the last valuation position.

Currency risk

Currency risk relates to the risk of fluctuations in the value of financial instruments and assets and liabilities due to changes in exchange rates. The Group may experience losses arising from a decrease in values of its assets held in foreign currency or an increase in value of its technical reserves denominated in foreign currencies. The board of directors implements a policy of currency matching rules thus minimising the Group's exposure to such risk.

As the Group's technical reserves arising from its core operation are wholly denominated in euro due to the fact that all insurance policies are written in euro, funds covering such liabilities are largely invested in euro instruments.

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

At 31 December 2022, foreign currency exposure, principally comprising a mix of US Dollar and UK Pound, amounted to €3,636,578 (2021: 2,462,576). If the above currencies had weakened or strengthened by 15% against the euro with all other variables held constant, pre-tax profit for the year would have been lower by €641,749 (2021: €434,572) or higher by €474,336 (2021: €321,206).

4.2.2 Credit risk

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

- (i) reinsurers' share of insurance technical provisions;
- (ii) amounts due from reinsurers in respect of claims already paid;
- (iii) amounts due from insurance contract holders;
- (iv) amounts due from insurance intermediaries; and
- (v) debt securities – listed fixed interest rate and cash and cash equivalents.

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

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

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

While reinsurance is used to manage insurance risk, this does not discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered by the directors on an ongoing basis by reviewing their financial strength within the terms of their credit ratings as stated in Note 3.1.1 (b).

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

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

The following table illustrates the assets that expose the Group to credit risk as at the end of the reporting period and includes the Standard & Poor's (or equivalent) composite rating, when available. Financial assets that are not rated principally comprise locally traded bonds on the Malta Stock Exchange, debtors and certain deposits with local bank institutions for which no international rating is available.

Assets bearing credit risk at the end of the reporting period are analysed as follows:

Group

	As at 31 December 2022				
	AAA to AA- €	A+ to A- €	BBB to B €	Not rated €	Total €
Investments					
Debt securities					
- listed fixed interest rate	231,668	1,204,992	1,894,416	6,609,256	9,940,332
	231,668	1,204,992	1,894,416	6,609,256	9,940,332
Loans and receivables					
Trade and other receivables and prepayments and accrued income	-	-	-	8,691,531	8,691,531
Cash equivalents	-	-	3,789,419	2,849,358	6,638,777
	-	-	3,789,419	11,540,889	15,330,308
Reinsurance <u>share</u> of technical provisions	21,978,829	2,360,566	-	1,230	24,340,625
Total assets bearing credit <u>risk</u>	22,210,497	3,565,558	5,683,835	18,151,375	49,611,265

4.2.3 Liquidity risk

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

The directors do not consider this risk as significant given the nature of the Group's financial assets and liabilities. The Group's financial assets are considered to be readily realisable as they consist of local and foreign securities listed on recognised stock markets and deposits held with first-class-rated credit institutions. Moreover, the Group's insurance subsidiary ensures that a reasonable level of funds is available at any point in time for unexpected large claims and may also resort to an overdraft facility which provides a short-term means of finance.

The table below analyses the Group's financial liabilities, gross of reinsurers' share of claims outstanding (Note 12) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

Group

As at 31 December 2022

	Contracted undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Trade and other payables	2,202,095	-	-	-	2,202,095
Accruals and deferred income	7,318,414	-	-	-	7,318,414
Current taxation	76,896	-	-	-	76,896
	9,597,405	-	-	-	9,597,405

	Expected undiscounted cash outflows				
	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
Technical provisions - Claims outstanding	27,992,083	5,411,954	1,977,265	1,551,407	36,932,709

4.3 Operational risk

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

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

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

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

Strategy risk is split into the following risk groupings:

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

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

- (a) Internal Fraud;
 - Unauthorised Activity
 - Internal Theft and Fraud
- (b) External Fraud;
 - External Theft and Fraud
 - Cyber Security
- (c) Employment Practices and Workplace Safety
 - Employee Relations
 - Health and Safety
 - Diversity and Discrimination
- (d) Clients, Products & Business Practices
 - Improper Business or Market Practices

- (e) Damage to Physical Assets
- (f) Business Disruption and System Failures
- (g) Execution, Delivery & Process Management
 - Transaction Capture, Execution & Maintenance
 - Processing of Data and Data Inaccuracy
 - Customer/Client Account Management
 - Monitoring and Reporting
 - Expense Risk
 - Trade Counterparties & Service Providers
 - Cell Management Risk
- (h) Compliance – Legal and Regulatory Risk
 - Authorisation
 - Cell Management Risk
 - Complaints handling
 - Distribution
 - Marketing
 - Product Oversight and Governance
 - Data Protection
 - Employment
 - Supervisory Fees
 - Governance
 - Health and Safety
 - Outsourcing
 - Reporting
 - Tax

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

Cellular Solvency Capital Deficit Risk

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

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

4.5 Any other information

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

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

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

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

5. Valuation of assets and liabilities for solvency purposes

The financial statements of Atlas Holdings Limited are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the requirements of the Companies Act (Cap. 386). They also consider the requirements of the Insurance Business Act, (Cap. 403) in consolidating the results of Atlas Insurance PCC Limited where appropriate. As such they are prepared under the historical cost convention as modified by the fair valuation of Investment property, Land and buildings – property, plant and equipment, and financial assets are recognised at fair value through profit or loss.

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

The Group is required to report on such valuations for both the Atlas Group and the Solo Undertaking, Atlas Insurance PCC Limited.

The Russia invasion of Ukraine

The Russia invasion of Ukraine and resulting supply chain disruptions, as well as stimulus responses to the pandemic have largely contributed to the continued rise in inflation. The Group's investment asset portfolio is exposed to security market movements. Central banks across the world have responded by accelerating the tightening of monetary policy that, in turn, has triggered a material sell-off in equity and bond markets, as well as drawdowns in most asset classes. During 2022 the Group's investment portfolio was not immune to the negative developments of security values.

The Board continues to monitor the short term impact of this latest global crisis and reacts by interacting with the executive and investment managers to prudently protect the investment portfolio from further potential diminutions in the medium term. The important decision to accelerate the deployment of free cash into the investment portfolio has largely countered the negative impact the losses in fair value registered during 2022.

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

The Group continues to monitor underlying insurance operations by line of business, including the potential for reduced premium or increased claims exposure for certain lines of business at the same time. Inflation inevitably has and will continue to impact claims costs in the foreseeable future, most notably in the motor, property and health lines of business and this is likely to remain a prominent part of the business landscape in 2023.

5.1 Assets

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

Atlas Group in Euro '000		2022		2021
Assets	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Deferred acquisition costs	1,151	-1,151	0	0
Intangible assets	413	-413	0	0
Property, plant & equipment held for own use	10,300	0	10,300	8,449
Investments (other than assets held for index-linked and unit-linked)				
Property (other than for own use)	9,506	0	9,506	10,618
Holdings in related undertakings, including participations	3,153	0	3,153	3,051
Equities				
Equities - listed	4,612	8,627	13,239	13,532
Equities - unlisted	0	0	0	1,588
Bonds				
Government Bonds	102	3,655	3,757	3,866
Corporate Bonds	9,838	10,751	20,589	19,020
Collective Investments Undertakings	22,863	-22,863	0	0
Deposits other than cash equivalents	0	0	0	-1
Loans and mortgages				
Other loans and mortgages	0	0	0	387
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	34,721	-11,764	22,957	8,526
Health similar to non-life	1	3,657	3,658	3,403
Insurance and intermediaries receivables	5,657	-2,250	3,407	2,831
Reinsurance receivables	65	-65	0	0
Receivables (trade, not insurance)	3,269	-170	3,099	2,586
Cash and cash equivalents	6,977	0	6,977	7,851
Total assets	112,629	-11,987	100,642	85,707

You will note that adjustments are made to IFRS values in arriving at Solvency II Balance Sheet values. The following are the explanations for the movements arising therefrom which result in a reduction in total assets held for the Group of €11.99 million (€9.92 million for 2021).

Deferred Acquisition Costs

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

Intangible Assets

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

Atlas Group in Euro '000		2022		2021
Deferred acquisition costs and intangible assets	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Deferred acquisition costs	1,151	-1,151	0	0
Intangible assets	413	-413	0	0
	1,564	-1,564	0	0

Fixed Income Securities (Bonds)

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

The exposures to fixed income securities reported for the Atlas Group are equal to those reported for the Core and other Group subsidiaries.

Atlas Group in Euro '000		2022		2021
Fixed income securities	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Bonds				
Government Bonds	102	3,655	3,757	3,866
Corporate Bonds	9,838	10,751	20,589	19,020
Collective Investments Undertakings	22,863	-22,863	0	0
	32,803	-8,457	24,346	22,886

Equities

Equities are similarly reported in the IFRS balance sheet at fair value to profit and loss.

Atlas Group in Euro '000		2022		2021
Equities	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Equities				
Equities - listed	4,612	8,627	13,239	13,532
Equities - unlisted	0	0	0	1,588
	4,612	8,627	13,239	15,120

Collective Investment Undertakings

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

Reinsurance Recoverables

According to the PCC's Reinsurance Policy, all reinsurers require a minimum S&P credit rating of A- (or equivalent). This is consistent with the Risk Appetite which has an appetite of A and a floor of A-. Lower or unrated reinsurers may be used if agreed by both the Chief Underwriting Officer and Chief Executive Officer provided the board is notified at the next available board meeting.

All of the reinsurers treaties comply with the above requirement.

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

Atlas Group in Euro '000		2022		2021
Reinsurance recoverables	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	34,721	-11,764	22,957	8,526
Health similar to non-life	1	3,657	3,658	3,403
	34,722	-8,107	26,615	11,929

Insurance and Intermediaries Receivables

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

Atlas Group in Euro '000		2022		2021
Insurance receivables and other trade receivables	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Insurance and intermediaries receivables	5,657	-2,250	3,407	2,831
Receivables (trade, not insurance)	3,269	-170	3,099	2,586
	8,927	-2,420	6,506	5,417

Receivables (trade, not insurance)

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

As stated earlier, the Group will also report on the Solo Undertaking’s results and for this purpose below you will find tables showing the Core’s IFRS Balance Sheet movements to Solvency II Balance Sheet values. These are reproduced as an extract from the Solo Undertaking’s Solvency and Financial Condition Report.

PCC Core in Euro '000		2022		2021
Assets	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Deferred acquisition costs	2,292	-2,292	0	0
Intangible assets	291	-291	0	0
Property, plant & equipment held for own use	10,284	0	10,284	8,427
Investments (other than assets held for index-linked and unit-linked)				
Property (other than for own use)	9,506	0	9,506	10,618
Holdings in related undertakings, including participations	3,217	0	3,217	2,665
Equities				
Equities - listed	4,612	8,573	13,185	13,527
Equities - unlisted	0	0	0	1,574
Bonds				
Government Bonds	102	3,655	3,757	3,632
Corporate Bonds	9,838	10,751	20,589	19,173
Collective Investments Undertakings	22,809	-22,809	0	0
Loans and mortgages				
Other loans and mortgages	0	0	0	387
Reinsurance recoverables from:				
Non-life and health similar to non-life				
Non-life excluding health	34,721	-11,764	22,957	8,526
Health similar to non-life	1	3,657	3,658	3,403
Insurance and intermediaries receivables	5,657	-2,250	3,407	2,831
Re-Insurance receivables	65	-65	0	0
Receivables (trade, not insurance)	2,630	-170	2,460	1,962
Cash and cash equivalents	5,198	0	5,198	5,773
Total assets	111,224	-13,006	98,218	82,498

5.2 Total liabilities

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

Atlas Group in Euro '000		2022	2021
Liabilities	IFRS	Solvency II Adjustment	Solvency II value
Technical provisions – non-life			
Technical provisions – non-life (excluding health)	57,977	-57,977	0
Best Estimate	0	38,363	24,364
Risk margin	0	839	809
Technical provisions - health (similar to non-life)	174	-174	0
Best Estimate	0	5,596	5,687
Risk margin	0	77	85
Deferred tax liabilities	639	1,002	2,944
Debts owed to credit institutions	0	0	0
Insurance & intermediaries payables	1,540	-624	619
Reinsurance payables	2,342	-950	1,405
Payables (trade, not insurance)	6,244	0	7,176
Total liabilities	68,916	-13,848	43,088

You will note that adjustments are made to IFRS values in arriving at Solvency II Balance Sheet values. The following are the explanations for the movements arising therefrom which result in a reduction in total liabilities of the Group of €13.85 million (€10.75 million for 2021).

The following Liabilities Tables represents the total liabilities for the Core as an extract from the PCC's Solvency and Financial Condition Report.

PCC Core in Euro '000		2022	2021
Liabilities	IFRS	Solvency II Adjustment	Solvency II value
Technical provisions – non-life			
Technical provisions – non-life (excluding health)	57,977	-57,977	0
Best Estimate	0	38,363	24,364
Risk margin	0	831	800
Technical provisions - health (similar to non-life)	174	-174	0
Best Estimate	0	5,596	5,687
Risk margin	0	77	84
Deferred tax liabilities	836	648	2,503
Insurance & intermediaries payables	1,540	-625	619
Reinsurance payables	2,342	-950	1,405
Payables (trade, not insurance)	5,552	0	5,622
Total liabilities	68,421	-14,210	41,084

5.2.1 Technical provisions

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

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

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

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

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

Claims Provision adjustment

- a) Best estimate of claims reserves have been calculated using standard actuarial techniques including: Paid & incurred Chain Ladder or Link Ratio Method, Bornhuetter Ferguson Method and Bootstrap Method.
- b) Future allocated expenses are implicitly allowed for in the technical provisions. An explicit allowance has been made for unallocated loss adjustment expenses which include projected investment management expenses, administration expenses and other overhead expenses.
- c) An explicit allowance has been made for Events Not in Data (ENIDs).

Premium Provision

- a) Cash flows resulting from future claims events have been estimated by applying assumed loss ratios to year-end unearned premium reserves. The loss ratio assumption is based on historic loss ratio experience arising from the claims provision analysis. Any movements in the assumed loss ratios from previous assessments are reflective of additional information experienced throughout 2022, including that of increased claims costs as a result of rising inflation.
- b) An allowance for ENIDs is included in the claims cash flows.
- c) An allowance for the expenses associated with the servicing of in-force policies has been made.
- d) Future premium cash flows have been included.

Discounting

Both claims and premium provisions cash flows were modelled using payment patterns derived from historic experience. These were discounted by the year end 2022 yield curves as published by EIOPA.

Risk Margin

The risk margin was calculated by approximating the future SCRs to be projected in line with the projected cashflows of the best estimate technical provisions. This was then discounted using the year end 2022 yield curve and a 6% cost of capital was applied.

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

This was calculated based on the gross less net best estimate liabilities, where the net claims liabilities have been derived based on the reinsurance share of future expected claims recoverable and allowance for an additional reinsurance cash flows. An allowance for the reinsurers' default has been included.

Valuation principles

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

Segmentation

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

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

Contract boundaries

Under Solvency II, undertakings shall only recognise the obligations within the boundary of the contract.

A contract boundary is defined as where the insurance or reinsurance undertaking has at a future date:

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

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

The following Technical Provisions as extracted from the Core's total liabilities tables highlight the Group's Balance Sheet component movements explained above.

Atlas Group in Euro '000		2022	Solvency II value	2021
Technical provisions	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Technical provisions – non-life				
Technical provisions – non-life (excluding health)	57,977	-57,977	0	0
Best Estimate	0	38,363	38,363	24,364
Risk margin	0	839	839	809
Technical provisions - health (similar to non-life)	174	-174	0	0
Best Estimate	0	5,596	5,596	5,687
Risk margin	0	77	77	85
	58,151	-13,276	44,875	30,944

Below we are reproducing the Quantitative Reporting Templates (QRT) as required under regulation for the Group and the PCC's Aggregate.

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

S.17.01.02

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss
		C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0120	C0130
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	3,892	7	1,948	1,769	189	-2,075	1,343		72
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	2,502	-5	-145	-163	83	-3,461	555		60
Net Best Estimate of Premium Provisions	R0150	1,390	12	2,092	1,932	105	1,386	788		12
Claims provisions										
Gross	R0160	1,655	44	6,597	314	472	23,463	2,902	1	639
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,162	0	650	0	229	20,283	348	1	582
Net Best Estimate of Claims Provisions	R0250	493	44	5,947	314	243	3,179	2,554	0	57
Total Best estimate - gross	R0260	5,548	51	8,545	2,083	661	21,388	4,245	1	711
Total Best estimate - net	R0270	1,883	55	8,039	2,246	349	4,565	3,342	0	69
Risk margin	R0280	74	3	471	99	15	387	459	0	6
Technical provisions - total										
Technical provisions - total	R0320	5,621	54	9,016	2,183	675	21,774	4,704	1	717
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	3,664	-5	505	-163	312	16,822	904	1	642
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	1,957	58	8,511	2,346	363	4,952	3,801	0	75

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

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0020	Accident year [AY]
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Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year											In Current year	Sum of years (cumulative)	
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170
Prior	R0100													
2013	R0160	339	184	424	1,222	1,227	20,718	82	-6	0	0			
2014	R0170	901	619	205	940	30	22	3	0	0				
2015	R0180	1,561	786	214	67	42	1	9	0					
2016	R0190	1,930	1,241	326	429	194	125	41						
2017	R0200	2,724	1,083	216	209	198	55							
2018	R0210	2,846	1,265	366	148	164								
2019	R0220	6,743	1,333	14	21									
2020	R0230	8,577	1,770	42										
2021	R0240	10,075	2,291											
2022	R0250	34,924												
Total	R0260											37,538		108,943

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year											Year end (discounted data)
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	
Prior	R0100											16
2013	R0160	191	86	48	27	24,251	83	21	19	4	4	13
2014	R0170	525	92	14	186	52	17	0	0	6		3
2015	R0180	230	125	138	89	40	7	0	26			6
2016	R0190	384	1,547	288	196	1	0	20				23
2017	R0200	1,357	622	311	15	12	351					19
2018	R0210	2,162	1,240	62	46	143						320
2019	R0220	1,774	1,127	64	27							129
2020	R0230	265	63	32								13
2021	R0240	310	66									6
2022	R0250	358										44
Total	R0260											2,636
												3,212

5.2.2 Other liabilities

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

Atlas Group in Euro '000		2022		2021
Other liabilities	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Deferred tax liabilities	639	1,002	1,641	2,944
Insurance & intermediaries payables	1,540	-624	915	619
Reinsurance payables	2,342	-950	1,393	1,406
Payables (trade, not insurance)	6,244	0	6,245	7,177
Total liabilities	10,764	-573	10,194	12,145

Deferred tax liabilities

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

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

Insurance and intermediaries, and reinsurance payables

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

The following table reports on the Core's Other Liabilities.

PCC Core in Euro '000		2022		2021
Other liabilities	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Deferred tax liabilities	836	648	1,485	2,503
Insurance & intermediaries payables	1,540	-626	915	619
Reinsurance payables	2,342	-950	1,392	1,405
Payables (trade, not insurance)	5,552	0	5,552	5,622
	10,270	-926	9,343	10,148

5.3 Alternative methods for valuation

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

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

QRT Table 6 – Atlas Group in Euro '000

G.02.01.02

Balance sheet

Assets

Property, plant & equipment held for own use	
Investments (other than assets held for index-linked and unit-linked contracts)	
Property (other than for own use)	
Holdings in related undertakings, including participations	
Equities	
Equities - listed	
Bonds	
Government Bonds	
Corporate Bonds	
Reinsurance recoverables from:	
Non-life and health similar to non-life	
Non-life excluding health	
Health similar to non-life	
Insurance and intermediaries receivables	
Receivables (trade, not insurance)	
Cash and cash equivalents	
Total assets	

Liabilities

Technical provisions – non-life	
Technical provisions – non-life (excluding health)	
Best Estimate	
Risk margin	
Technical provisions - health (similar to non-life)	
Best Estimate	
Risk margin	
Deferred tax liabilities	
Insurance & intermediaries payables	
Reinsurance payables	
Payables (trade, not insurance)	
Total liabilities	
Excess of assets over liabilities	

	Solvency II value
	C0010
R0060	10,300
R0070	50,243
R0080	9,506
R0090	3,153
R0100	13,239
R0110	13,239
R0130	24,346
R0140	3,757
R0150	20,589
R0270	26,615
R0280	26,615
R0290	22,957
R0300	3,658
R0360	3,407
R0380	3,099
R0410	6,977
R0500	100,642
	Solvency II value
	C0010
R0510	44,875
R0520	39,201
R0540	38,363
R0550	839
R0560	5,674
R0580	5,596
R0590	77
R0780	1,641
R0820	915
R0830	1,392
R0840	6,244
R0900	55,067
R1000	45,575

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

S.02.01.02

Balance sheet

Assets

Deferred tax assets
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Bonds
Government Bonds
Corporate Bonds
Collective Investments Undertakings
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Cash and cash equivalents
Total assets

Solvency II value	
C0010	
R0040	56
R0060	10,284
R0070	52,508
R0080	9,506
R0090	3,217
R0100	13,185
R0110	13,185
R0130	24,346
R0140	3,757
R0150	20,589
R0180	2,253
R0270	22,682
R0280	22,682
R0290	19,023
R0300	3,660
R0350	125
R0360	10,535
R0370	377
R0380	2,548
R0410	24,632
R0500	123,748

Liabilities

Technical provisions – non-life
Technical provisions – non-life (excluding health)
Best Estimate
Risk margin
Technical provisions - health (similar to non-life)
Best Estimate
Risk margin
Deferred tax liabilities
Insurance & intermediaries payables
Reinsurance payables
Payables (trade, not insurance)
Total liabilities
Excess of assets over liabilities

Solvency II value	
C0010	
R0510	44,745
R0520	39,070
R0540	37,633
R0550	1,437
R0560	5,675
R0580	5,598
R0590	77
R0780	1,800
R0820	4,281
R0830	6,558
R0840	7,917
R0900	65,302
R1000	58,446

6. Capital management

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

In order to maintain or adjust the capital structure, the Group may issue new shares or capitalise contributions received from its shareholders.

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

Concern on the impact of inflation

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

With a cover of 298% resulting in surplus eligible own funds of €28.39 million over the SCR for the Atlas Group, and considers that it is sufficiently capitalised to withstand the risk of diminution of values for its investment portfolio, and still retain an adequate solvency cover, and on this basis does not consider the going-concern basis to be uncertain. Atlas Group is committed to monitor its capital adequacy positions on an ongoing basis. At the same time, the Directors acknowledge that the global and local economic environment remain uncertain.

6.1 Own Funds

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

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

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

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

The total own funds for the Atlas Group in matching the Solvency Capital Requirement as on 31 December 2022 is equal to €42.73 million (2021: €40.62 million). The Group does not consider any ancillary own funds in its existing capital structure.

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

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

Atlas Group in Euro '000		2022		2021
Own funds	IFRS	Solvency II Adjustment	Solvency II value	Solvency II value
Paid up ordinary shares	5,325	0	5,325	5,325
Revaluation reserves	6,686	-6,686	0	0
Other reserves	-614	614	0	0
Retained earnings	32,164	-32,164	0	0
Non-controlling interests in equity	152	-152	0	0
Adjustment for restricted own funds	0	0	0	0
Reconciliation reserve	0	37,401	37,401	35,294
	43,713	-987	42,727	40,620

During the year under review a net interim dividend of €1,000,000 was paid to the shareholders in accordance with a board resolution in January 2022 and a final dividend of €1,000,000 was paid in 2022 as declared at the annual general meeting held on the 21 June 2022

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

In view of this and the positive technical results achieved by the Group during 2022, in accordance with a board resolution of March 2023, an interim dividend of €1,100,000 was paid. The directors propose the payment of a final dividend to the shareholder of €1,250,000.

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

Application and review of own funds.

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

The Group Chief Financial Officer liaises with the Company Secretary, where applicable, to support backing calculations showing the effect of any proposed increase in paid/unpaid share capital for Atlas Holdings Limited, the Core or the Cells on the own funds for approval by the respective Boards of the Atlas Group.

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

Medium-Term Capital Management Plan

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

This plan considers the various disciplines and parameters which govern the underlying asset exposures to the Group Companies' balance sheets and incorporated cells within the PCC. Priority is given to the loss absorbency aspects of these assets. They are driven by:

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

- Market risk;
- Liquidity risk;
- Concentration risk

Below we are reproducing the Quantitative Reporting Templates (QRT) as required under regulation for the Group and the PCC's Aggregate.

QRT Table 8 – Atlas Group in Euro ‘000

G.23.01.22

Own funds

Basic own funds before deduction for participations in other financial sector

Ordinary share capital (gross of own shares)

Reconciliation reserve

Total basic own funds after deductions

Reconciliation reserve

Own funds when using the D&A, exclusively or in combination of method 1

Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total available own funds to meet the minimum consolidated group SCR

Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)

Total-eligible own funds to meet the minimum consolidated group SCR

Minimum consolidated Group SCR

Ratio of Eligible own funds to Minimum Consolidated Group SCR

Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)

Group SCR

Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A

Reconciliation reserve

Excess of assets over liabilities

Own shares (included as assets on the balance sheet)

Forseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve before deduction for participations in other financial sector

	Total	Tier 1 - unrestricted
	C0010	C0020
R0010	5,325	5,325
R0130	37,401	37,401
R0290	42,727	42,727
R0410		
R0520	42,727	42,727
R0530	42,727	42,727
R0560	42,727	42,727
R0570	42,727	42,727
R0610	4,000	
R0650	1068.17%	
R0660	42,727	42,727
R0680	14,340	
R0690	297.96%	
	C0060	
R0700	45,575	
R0710		
R0720	2,350	
R0730	5,325	
R0740	498	
R0760	37,401	

QRT Table 9 – PCC Aggregated Core and Cells in Euro '000

S.23.01.01

Own funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35

Ordinary share capital (gross of own shares)

Reconciliation reserve

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR

Total available own funds to meet the MCR

Total eligible own funds to meet the SCR

Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities

Foreseeable dividends, distributions and charges

Other basic own fund items

Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

	Total	Tier 1 - unrestricted	Tier 2
	C0010	C0020	C0040
R0010	25,861	25,861	
R0130	23,715	23,715	
R0290	49,576	49,576	
R0300	1,844		1,844
R0400	1,844		1,844
R0500	51,420	49,576	1,844
R0510	49,576	49,576	
R0540	50,206	49,576	631
R0550	49,576	49,576	
R0580	23,140		
R0600	5,785		
R0620	216.97%		
R0640	856.98%		

	C0060
R0700	58,446
R0720	2,200
R0730	25,861
R0740	6,670
R0760	23,715

6.2 SCR & LACDT Allowance, and MCR

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

Individual cells are not obliged to hold the absolute minimum capital requirement (AMCR of €4.0 million) as this is an obligation imposed on the PCC's Core, nor is an individual cell obliged under regulation to match its own nSCR with its own funds for as long as that Cell has financial recourse to the Core's own funds. Under the Companies Act (Cell Companies Carrying on Business of Insurance) Regulations, the PCC may impose non-recourse for cells authorised to carry on Captive insurance business and/or Reinsurance business. Under such circumstances these cells would have to match their own nSCR with its own funds. The PCC has the Amplifon Cell which is authorised to carry on the business of reinsurance where non-recourse is in place and on that basis matches its own funds to its nSCR with a solvency ratio of 279%.

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

2022

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

2021

Solvency Capital Requirement	Group	Core	Amplifon	Other Cells	Aggregated PCC
Market risk	13,984	13,891	74	1,175	15,944
Counterparty default risk	4,288	4,035	283	3,237	7,956
Health underwriting risk	811	811	-	0	854
Non-life underwriting risk	5,963	5,963	178	3,975	10,653
Diversification	(6,210)	(6,093)	(105)	(1,444)	(9,426)
Operational risk	1,334	1,334	17	949	2,300
LACDT	(4,931)	(4,869)	-	(852)	(5,721)
Total SCR	15,241	15,073	446	7,041	22,560

The group registered a marginal increase in its SCR for the year under review over the previous year. Increases in bSCR for both counter party default risk and for non-life underwriting risk have been largely offset by a reduction of bSCR for market risk.

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

The Minimum Consolidated Group Solvency Capital Requirement for the Atlas Group is the result of the Solo's Minimum Capital Requirement (MCR) calculation for its Core. The regulations apply the principle of an Absolute Minimum Capital Requirement (AMCR) which is currently set at €4.0 million. The Group would be required to hold sufficient own funds in excess of the Group's MCR or AMCR whichever is the highest. As such the Group's Minimum Consolidated Group Solvency Capital Requirement for 2022 is being reported at €4.0 million.

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

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

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

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

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

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

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

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

The amount of LACDT adjustment allowed for in the assessment of the regulatory SCR for the Group for the 2022 valuation year is detailed below:

2022

Loss Absorbing Capacity of Technical Provision and Deferred Tax	-€4,480,156		
Losses predicted by SCR Model which can be recovered from future profits	-€4,480,156	Risk Charge	Applicable tax rate
Market Risk	-€3,354,400	€11,980,000	28%
Counterparty Risk	-€1,240,857	€4,431,633	28%
Non-Life Insurance Risk	-€431,857	€6,169,389	7%
Health NSLT	-€57,891	€827,013	7%
Diversification (Market, Counterparty, Insurance)	€1,028,413		
Operational Risk	-€423,564	€1,512,730	28%
LACDT Cappings:			
35% x (BSCR+Op)	-€6,586,903		
35% x 3 Year Proj Profits Before Tax Net of Inv Income / 3 x 3 (3 yr)	-€7,393,751		
35% x 3 Year Proj Profits Before Tax Net of Inv Income - limited profitability: 50% yr 1, 75% yr 2, 100% yr 3	-€5,737,885		

The maximum allowable LACDT in relation to the calculated BSCR and operational risk charge amounts to €6.6m. When this is assessed against the projected future profitability over the 3-year business planning period, the amount is capped at €7.4m. This is further limited by considering the future profitability under a stressed position in the first and second projected years, resulting in an allowance of €5.7m. Finally, this is compared to the limitation on the tax charge as described above, resulting in the LACDT adjustment of €4.5m.

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

QRT Table 10 – Atlas Group in Euro '000

G.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

	Gross solvency capital requirement
	C0110
Market risk	R0010 11,980
Counterparty default risk	R0020 4,432
Health underwriting risk	R0040 827
Non-life underwriting risk	R0050 6,169
Diversification	R0060 -6,101
Basic Solvency Capital Requirement	R0100 17,307
	C0100
Calculation of Solvency Capital Requirement	
Operational risk	R0130 1,513
Loss-absorbing capacity of deferred taxes	R0150 -4,480
Solvency capital requirement excluding capital add-on	R0200 14,340
Solvency capital requirement	R0220 14,340
Other information on SCR	
Minimum consolidated group solvency capital requirement	R0470 4,000
Solvency capital requirement	R0570 14,340

QRT Table 11 – PCC Aggregated Core and Cells in Euro '000

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement
	C0110
Market risk	R0010 14,206
Counterparty default risk	R0020 9,411
Health underwriting risk	R0040 877
Non-life underwriting risk	R0050 11,761
Diversification	R0060 -9,781
Basic Solvency Capital Requirement	R0100 26,475
	C0100
Calculation of Solvency Capital Requirement	
Operational risk	R0130 2,589
Loss-absorbing capacity of deferred taxes	R0150 -5,924
Solvency capital requirement excluding capital add-on	R0200 23,140
Solvency capital requirement	R0220 23,140
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	R0400
Total amount of Notional Solvency Capital Requirement for remaining part	R0410 14,243
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420 8,897
	Yes/No
Approach to tax rate	C0109
Approach based on average tax rate	R0590 2 - No
	LAC DT
Calculation of loss absorbing capacity of deferred taxes	C0130
LAC DT	R0640 -5,924
LAC DT justified by reversion of deferred tax liabilities	R0650 -218
LAC DT justified by reference to probable future taxable economic profit	R0660 -361
LAC DT justified by carry back, future years	R0680 -5,345
Maximum LAC DT	R0690 -400

QRT Table 12 – PCC Aggregated Core and Cells in Euro '000

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR _{NL} Result	R0010	4,949

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	1,883	3,558
Income protection insurance and proportional reinsurance	R0030	55	551
Motor vehicle liability insurance and proportional reinsurance	R0050	8,039	6,338
Other motor insurance and proportional reinsurance	R0060	2,246	8,126
Marine, aviation and transport insurance and proportional reinsurance	R0070	349	745
Fire and other damage to property insurance and proportional reinsurance	R0080	4,565	14,212
General liability insurance and proportional reinsurance	R0090	3,342	4,501
Assistance and proportional reinsurance	R0120	0	4
Miscellaneous financial loss insurance and proportional reinsurance	R0130	69	

Overall MCR calculation

		C0070
Linear MCR	R0300	4,949
SCR	R0310	23,140
MCR cap	R0320	10,413
MCR floor	R0330	5,785
Combined MCR	R0340	5,785
Absolute floor of the MCR	R0350	4,000
		C0070
Minimum Capital Requirement	R0400	5,785

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

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

6.4 Differences between the Standard Model and any Internal Model used

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

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

As on 31 December 2022 the Group reports a Solvency Ratio of 298% for Solvency II Own Funds over the Solvency Capital Requirement. As such there is no non-compliance issue to report.

6.6 Any other information

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

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

QRT Table 13 – Atlas Group

G.32.01.22

Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	Criteria of influence							Inclusion in the scope of group supervision	Group solvency calculation
								% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO		
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0260	
MT	5299009OC7HGHKVM2254	LEI	Atlas Holdings Limited	5	Limited liability company	2	MFSA								1	1
MT	529900F52D5B51ONO136	LEI	Atlas Insurance PCC Limited	2	Limited liability company	2	MFSA	100.00%	1	100.00%	1	1	100.00%	1	1	1
MT	529900EFP4ZUO613S537	LEI	AISH Limited	99	Limited liability company	2	MFSA	75.00%	1	75.00%	0.75	1	75.00%	1	1	1
MT	529900N7YYVZLTVTZ734	LEI	Jesmond Mizzi Financial Advisors Limited	99	Limited liability company	2	MFSA	37.50%	0	37.50%	0.375	1	37.50%	1	1	1
MT	529900QZNMH0YY2B9Z44	LEI	Atlas Healthcare Insurance Agency Limited	99	Limited liability company	2	MFSA	100.00%	1	100.00%	1	1	100.00%	1	1	1
MT	C28074	SC	Assikura Insurance Brokers PCC Limited	99	Limited liability company	2	MFSA	40.00%	0	40.00%	0.4	1	40.00%	1	1	1
MT	C104	SC	Eagle Star (Malta) Limited	99	Limited liability company	2	MFSA	100.00%	1	100.00%	1	1	100.00%	1	1	1
MT	C94404	SC	IVALIFE Insurance Limited	99	Limited liability company	2	MFSA	25.00%	0	25.00%	0.25	1	25.00%	1	1	1