Solvency and Financial Condition Report

INTERNATIONAL DIVING ASSURANCE LIMITED

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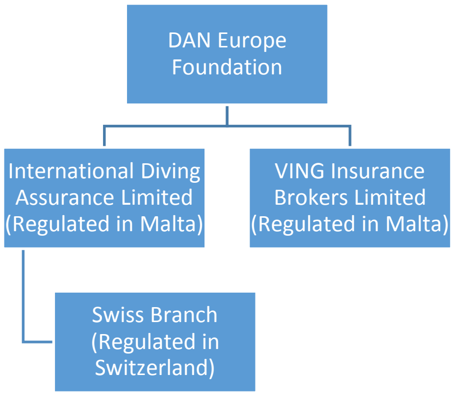
Section 1 - Business and Performance

This Solvency and Financial Condition Report (SFCR) has been prepared in order to assist insurance clients to understand the capital position (under pillar 1 of Solvency II) of International Diving Assurance Limited (IDA) following the implementation of Solvency II on 1 January 2016.

IDA's internal capital target is to hold the higher of 140% of its pillar 1 requirement and the Own Risk and Solvency Assessment capital requirement plus a Board-approved buffer (pillar 2). On an annual basis, the Board considers whether a dividend should be paid to remit any surplus capital to its parent entity.

International Diving Assurance Limited ("the Company", or 'IDA"), is a 100% subsidiary of DAN Europe Foundation, a non-profit Emergency Medical Organisation, which strives not just to provide standard insurance services but an insurance company that cares for divers.



IDA is authorised to carry on business of insurance in in terms of the Insurance Business Act 1998, regulated by the Malta Financial Services Authority with company registration number C36602. IDA is authorised to offer classes of insurance business namely, accident, sickness, fire and natural forces, other damage to property, general liability, legal expenses and assistance. Furthermore, it is passported in Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom. It is also licenced to provide insurance in Switzerland regulated by the Swiss authorities. The main line of insurance classes that is currently provided is namely, accident, general liability, legal expenses and assistance. The principal activity is to underwrite scuba diving risk for the leisure and commercial diving industry. The company offers its policies through its online portals.

IDA distributes its insurance business directly, through VING Insurance Brokers Limited ("VING") a related company and licenced as a tied insurance intermediary in Malta, and also through its licenced branch in Switzerland.

The company writes insurance for students, recreational and professional divers. This business is accepted within safe practice guidelines issued by the international recognised diving bodies. The company insurers members of DAN Europe Foundation the majority of who are EU residents. The policies issued are in the EU but provide insurance benefits when diving anywhere in the work.

The Company's main products and the ways in which it manages the associated risks are as follows:

Emergency medical, personal accident, repatriation and travel assistance

These policies offer insurance cover for emergency medical, personal accident, repatriation and travel assistance anywhere in the world. As such the claim costs of the insured accident vary depending on the severity of the accident, its location and the quality extent and tariffs of the medical facilities in the accident location.

Civil and professional liability

These policies are occurrence based wordings. Therefore, the Company is liable to all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract terms. These liability claims also take longer to develop than claims submitted under the Company's Accident programme and as a result, the estimation of claims incurred but not reported and claims incurred but not enough reported is generally subject to a greater degree of uncertainty.

Legal defence

These policies offer legal defence benefits when diving anywhere in the world. As a result, the claim costs of the insured accident vary.

The Company manages these risks by implementing its underwriting and claims management strategy after having obtained and considered expert advice approved by the board. The skills available to the Company to manage the insurance claims issues arising from the insured accidents have been built over many years.

Performance Review

The Company's level of business remains in line with the previous year with gross written premiums increasing marginally.

Regulator
The Regulator can be contacted as follows:

Malta Financial Services Authority
Notabile Road
BKR3000
Attard
MALTA

Auditors
The statutory accounts are audited by Deloitte and Touche who can be contacted as follows:

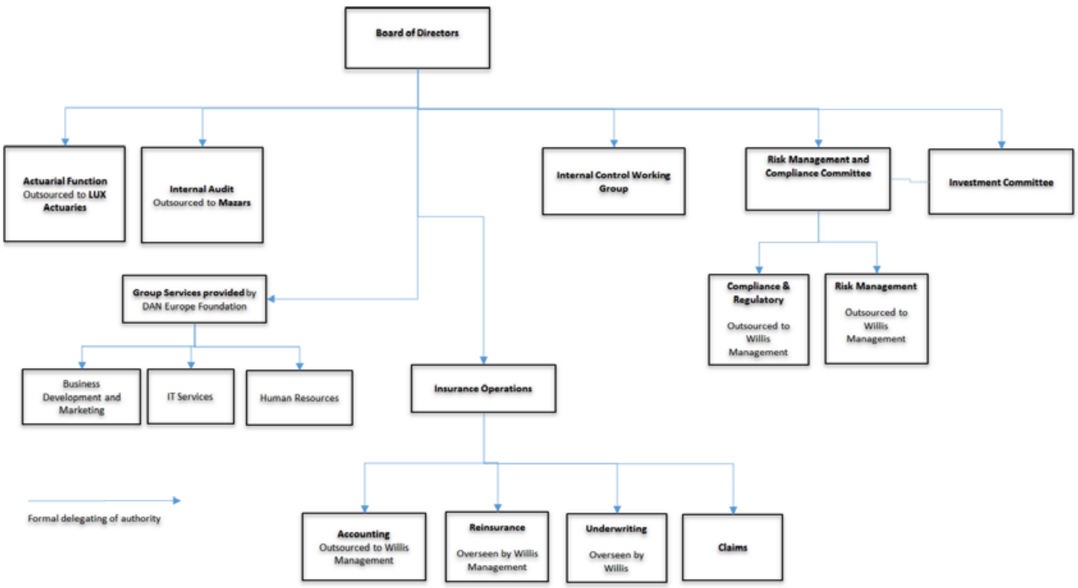
Deloitte Malta
Deloitte Place
Mriehel Bypass
Mriehel
Malta, BKR3000

Section 2 - System of Governance

The Board of Directors has adopted a supervisory structure to suit the requirements of IDA's operational needs. This structure grants the required flexibility that leads to an efficient decentralisation of selective decision making while ensuring that responsibility for overall governance rests within the Board. The Board and Committees are comprised of a mix of Non-executive Directors and Executive Directors who meet on a regular basis typically on a quarterly basis.

The Managing Director, assisted by the General Manager and the Insurance Manager oversee all activities undertaken and escalates material matters to the Board.

IDA simplified organisation and governance chart is illustrated below.



Board of Directors

The Board of the Company is of sufficient size and expertise to oversee adequately the operations of the Company. The composition of the Board has been designed to ensure:

- that it can adequately discharge its responsibilities and duties
- that it has a proper understanding of, and competencies to deal with, the current and emerging issues of the business
- that it can effectively review and assess the performance of outsourced arrangements

The following were members of the Board at 30th September 2016:

- Dr Alessandro Marroni (Chairman)
- Dr Iro Cali Corleo (Managing Director)
- Dr Filomena de Angelis (Executive Director)
- Ms Laura Marroni (Executive Director)
- Dr Matthew Bianchi (Independent Non-Executive Director)
- Ray Mercieca (Independent Non-Executive Director)

The Board of Directors will appoint a Chairman of the Board and determine the period for which he will hold office.

The Board of Directors is made up of mix of individuals who have the necessary skills and expertise in the following areas:

- Market knowledge - the awareness and understanding of the wider business, economic and market environment in which the undertaking operates and the knowledge and needs of policyholders;
- Business strategy and Business model - an appropriately detailed understanding of the undertaking's business strategy and model;
- System of governance - this includes risk management and control, which means the awareness and understanding of the risks the undertaking, is facing and the capability of managing them. Furthermore the ability to assess the effectiveness of the undertaking's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas;
- Financial and actuarial analysis - the ability to interpret the undertaking's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information;
- Regulatory framework and requirements - awareness and understanding of the regulatory framework in which the undertaking operates, and the regulatory requirements and expectations relevant to it and the capacity to adapt to changes which stem from the regulatory framework without delay.

The Board of Directors will be made up of a mix of Executive Directors, Non-Executive Directors and Independent Non-Executive Directors.

The Roles and Responsibilities of the Board are the following:

- Provide entrepreneurial leadership of International Diving Assurance Limited ("IDA"/"the Company") within a framework of prudent and effective controls which enable risk to be assessed and managed.
- Set IDA's strategic aims, ensure that the necessary financial resources are in place for the Company to meet its objectives, and review the insurance manager's performance.
- Set IDA's values and standards and ensure that its obligations to its shareholders and others are understood and met.
- Comply with the Memorandum and Articles of Association of the Company.
- Comply with requirements set out in the Maltese Companies Act and Maltese Insurance Business Act (Cap 403) and comply with the General Good Requirements for all classes of business in each country within which IDA is operating.
- Assume responsibility for the day to day conduct of IDA's business. Clearly and appropriately apportion significant responsibilities to the Insurance Manager and other third party providers.
- Oversee the establishment and maintenance of robust and clearly documented systems and controls in accordance with applicable regulations.

- Review and approve business submitted by the Audit Committee and Risk Management & Compliance Committee.
- Oversee the process of outsourcing, and monitor the discharge of the Compliance, Risk Management, Internal Audit and Risk Management functions.

Meeetings of the Board

1. Meetings of the Board of Directors (BoD) will be no less than four times annually but will be held as frequently as considered appropriate.
2. All meetings of the BoD and any general meeting of the members of the Company shall be held in Malta unless otherwise resolved by the Directors of the Company.
3. A person is entitled to participate at a meeting of the BoD or at any GM by means of a telephone link provided the other members or directors agree to such participation by telephone. The Chairman of the meeting, in such cases, shall sign on behalf of the person participating by telephone and shall record the fact that all persons present at the meeting have agreed to such telephone participation.
4. The Chairman or any member of the Board may call meetings of the Board.
5. A minimum of seven days' notice in writing shall be provided to all directors of a Board meeting. However, the Company recognises that from time to time Board meetings may need to be called at short notice. If a Board meeting is called at short notice all directors must be contacted in writing or by telephone advising them of the meeting and the proposed agenda. Prior approval for the meeting to take place must be obtained from all directors notwithstanding that a director may not be able to attend a meeting called at short notice. Such approval must be documented in the meeting minutes

Quorum

The quorum for decisions of the Board is three.

Attendance

1. The Chairman presides on each board meeting held.
2. A member of the Board is entitled to appoint an alternate in his stead.
3. The chairman, at his/her discretion, may invite other executives to attend and be heard at meetings of the Board.

Decisions/noting

1. The directors may meet together for the dispatch of business, adjourn or otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a 4/5th majority of votes.
2. No advisers are entitled to vote at meetings of the Board.
3. In the case of round robin approvals, a resolution in writing, including through the medium of electronic facsimile, approved by all members, is as valid and effectual as if it had been passed at a Board meeting duly called and constituted.
4. Such a round robin approval is tabled at the next meeting for noting.

Minutes

1. Detailed minutes of all Board meetings are prepared with all decisions, discussions and points for further actions being documented. Abstentions or negative votes are documented in terms acceptable to the abstaining or dissenting person or negative voter. The minutes of meetings provide sufficient detail to evidence appropriate Board attention, the substance of discussions and their outcome and are agreed at the subsequent Board meeting. Minutes also document the attendance or non-attendance of members of the Board.
2. Minutes of all Board meetings are taken by the Company Secretary and are circulated to all directors for review in a reasonable timeframe after each meeting.
3. The final draft of the Board minutes of a meeting are presented to the Board for approval at the next Board meeting. If approved the minutes are signed by the Chairman of the Meeting and kept at the Company's registered address.

Investment Committee

The Company's investments are managed through an investment committee which operates within investment parameters set and approved by the Board of Directors. The procedures consider a recommended portfolio structure, asset and counterparty limits as well as currency restrictions.

IDA Investment Committee (IC) has been established as a committee of the Board and is comprised of the Managing Director, an independent non-executive director and an independent investment advisor. A third party Investment Manager, duly appointed by the Board of Directors also attends every meeting.

The objectives of the Committee are to:

(a) Prepare and submit for approval by the Board, and thereafter communicate to the Investment Manager, the basic investment strategy and policy for the Company, after considering the relative recommendations submitted to it by the Investment Manager.

Such recommendations shall be based on, inter-alia:-

- consideration of the Company's cash flow projections, and forecast assets and liabilities, which the Insurance Manager shall determine in conjunction with the Manager;
- compliance with relevant statutory and regulatory solvency requirements-, as agreed with the Insurance Manager;
- the Company's latest investment strategy and policies, and anticipated market evaluations;
- the Company's credit, market and liquidity risk policies, and the performance benchmark as recommended by investment manager and approved by the investment committee;
- a considered view of future investment prospects.

(b) To review the Investments Manager's report of its activity in the preceding period, and to ensure that the actual tactical changes carried out during such period were consistent with approved policy and restrictions and reasonable in the light of short to medium term investment prospects prevailing at the time.

(c) Monitor the investment activity and performance of the Investment Manager and their ongoing ability and suitability to provide the appropriate services, and to recommend appropriate action to the Board where necessary.

(d) Review and determine any limits, authorities and procedures that are relevant to the effective execution of investment policy, and advise the Board accordingly,

The Board shall support the Investment Committee in attaining its objectives, and shall procure that the responsibilities of the Investment Manager will similarly include providing such support to the Investment Committee in any form that it may be reasonably required.

The Investment Committee meets at least every quarter. The Investment Committee meetings may be held via teleconference link and any resolutions or recommendations or decisions of the Committee in writing signed by all the members of the Investment Committee shall be equivalent to a meeting of the Committee.

Any decision in respect of recommendations submitted to the Company by the Investment advisors require the consent of all the members of the Investment Committee. A written record of such decisions is maintained in relation to each recommendation and maintained in relation to each recommendation and are submitted to the Company, and such records are made available to all members of the Investment Committee.

Risk Management & Compliance Committee

The Risk Management & Compliance Committee (RMC) has been established as a committee of the Board and is comprised of an Executive Director who also acts as Chairman, the General Manager and the Managing Director. The Insurance Managers, duly appointed by the Board of Directors also attends every meeting.

The purpose of the Risk Management & Compliance Committee is to have overall responsibility for establishing a strategic approach to Risk Management & Compliance across the organisation, ensuring that the approach is pro-active. The Committee is also responsible for the overall co-ordination of Risk Management & Compliance activity. It ensures that the necessary processes are in place to achieve compliance with statutory requirements and to protect the Company's policyholders, staff and assets. Risk Management & Compliance is an integral part of the Company's strategic and operational objectives.

The Risk Management & Compliance Committee is established in accordance with guidance set out by the regulator and the obligations under the present corporate governance standards.

The Committee is one the Committees of the Board authorised to make executive decisions regarding the management of risk and compliance with regulations. The Chairman of the Committee reports to the Board at every board meeting and provides an update of the salient matters discussed during the Risk Management & Compliance meetings which are held on a quarterly basis in the same month prior to the Board meeting.

The Committee

1. Agree, monitor and ratify the Company's Risk Management & Compliance strategy and policies.
2. The Committee is made aware of all policies approved under the Insurance Financial Risk, Non-Insurance Financial Risk, Non-Financial Risk, Internal Control, Compliance and Outsourcing policies and of any material decisions taken by the Investment Committee or Audit Committee and ensure the policies are implemented effectively, reviewed, updated and approved;
3. Act as the Company co-ordinating body on all risk-related policies and procedures in conjunction with other specialist committees or departments;
4. Assist the Board in defining acceptable risk within the organisation and propose the Company's risk appetite statement;
5. Ensures that adequate organisational systems are in place for implementing, monitoring and reviewing assurances on controls;
6. Makes recommendations to the Board on priority risk areas and on the appropriate action required to avoid or mitigate these risks;
7. Oversee, identify and implement the Risk Management & Compliance action plan and risk registers;
8. Receives information from any director or officer highlighting any "high" risk areas of concern outside the rolling programme of risk register reviews.
9. Reviews and approves the risk registers;
10. Monitors and review the Company's internal control framework and monitor the assurances detailed within the document;
11. Designs, manages and implements the company's insurance and claims Risk Management & Compliance strategy to assess and anticipate trends and developments and makes recommendations on appropriate actions or improvement;
12. Review the Risk Management & Compliance Strategy on an annual basis.

The Risk Management & Compliance Committee receives reports from the Risk Management Function and Compliance Function at each Committee meeting.

Appointed members are required to attend the Risk Management & Compliance Committee on a regular basis. No more than two meetings should be missed in any one year unless due to extenuating circumstances. Should a Committee member not be able to attend the meeting, the meeting should if possible be postponed to another day provided it is still possible to make it in time to report to the subsequent board meeting.

The effectiveness of the Risk Management & Compliance Committee is monitored through the following:

1. Committee minutes to be monitored by the Board
2. Internal audit
3. Maintenance of a Corporate risk register and corporate accepted risk register
4. Associated action plans related to the internal controls framework

The secretary of the Committee is a representative from the Insurance Manager who shall attend all meetings and prepare minutes.

Internal Control Working Group

Late in the year, the Company has set up an Internal Control Working Group with the objective

1. To monitor the integrity of the financial statements of the Company, independent auditors qualifications and independence, performance of the Company's independent auditors, appropriateness of the Company's internal data, systems and controls, compliance by the Company with legal and regulatory requirements relating to audit and financial reporting functions and Company's internal audit and risk management functions.
2. To report to the Board on the foregoing and to assist the Board in considering and adopting accounting policies.

The Working Group is composed of such Directors as may be recommended to the Board who after considering its Corporate Governance and the requirements and guidelines and obligations under Solvency II has nominated the Chairman of the Company, an independent non-executive director and an executive director:

A representative from the Insurance Manager acts as secretary for the purposes of the Working Group meeting who attends all meetings and prepare minutes.

The quorum for the meeting is one plus the Chairman of the Working Group.

The Working Group Responsibilities are:

a) To make recommendations to the Board to appoint, dismiss, agree compensation of and oversee the work of the independent auditor in connection with conduct of the audit, issuing an audit report and related work (including liaising between management and the auditor regarding financial reporting), including:

- Reviewing the experience and qualifications of the independent audit firm and the senior members of the independent auditor team;
- Obtaining and reviewing a report from the independent auditor at least annually regarding the auditors internal quality-control procedures,
- Evaluating the performance of the independent auditor;
- Presenting its conclusions on the preceding point to the Board, taking any actions deemed necessary or desirable by the working group to satisfy itself as to the qualifications, performance and independence of the independent auditor, and making any recommendations to the Board concerning such matters as the working group deems advisable;
- Meeting with the independent auditor prior to the audit to discuss the planning and staffing of the audit;
- Receiving direct reports from the independent auditor in connection with conduct of the audit, issuing an audit report and related work;
- Reviewing and agreeing the independent auditors annual engagement letter (including terms of remuneration); and
- Assessing the effectiveness of the audit process.

(b) To receive, and take any appropriate action in relation to, all reports and other communications which the independent auditor is required to make to the working group, including timely reports concerning:

- All critical accounting policies and practices to be used;
- All alternative treatments of financial information within generally accepted accounting
- principles that have been discussed with management of the Company
- ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
- Other material written communications between the independent auditor and the management of the Company, such as any management letter or schedule of unadjusted differences.

(c) To review and discuss with management and the independent auditor the annual audited financial statements (and where practicable any other material public or regulatory financial statements), including disclosures made in management's discussion and analysis and the audit representation letters, and recommend to the Board whether the audited financial statements should be approved.

(d) To discuss with management and the independent auditor significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements.

(e) To discuss with management and the independent auditor the effect of regulatory and accounting initiatives.

(f) To meet with management, the internal accountants / auditors and the independent auditor separately, quarterly or at such other interval as the working group deems reasonable.

(g) To monitor the independence of the independent auditor, including:

- Evaluating the independence of the independent auditor, including whether the provision of non-audit services is compatible with maintaining the auditors independence;
- Approving or disapproving any engagement by the Company or its subsidiaries of the independent auditor to perform any non-audit services, subject to a de minimus threshold of €2,500; and

(h) To monitor the integrity of the Company's financial and other internal controls.

(i) To oversee and monitor the documentation the reports and documents produced by the risks management committee.

(j) To receive from management reports on the effectiveness of the internal control and risk management systems, and the conclusions of any testing carried out by internal and external auditors.

(k) To review and approve the statements included in the annual report in relation to internal control and the management of risk.

(l) To monitor and review the effectiveness of the internal audit function, and to approve the appointment or termination of the internal auditor.

(m) To review and discuss with management the reserving methodology and process of establishing the Company's reserves, together with internal or external reports or studies.

(o) To receive reports from the Company's Head of Compliance on compliance related matters including any material compliance breaches.

(p) To recommend to the Board for adoption a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting, auditing or other matters.

(q) To meet at least quarterly.

(r) To make regular reports to the Board.

(s) To review and reassess the adequacy of these terms of reference and its own performance annually and recommend any proposed changes to the Board for approval.

(t) To provide a statement about its activities for the annual report.

Working Group Authority

(a) The Working Group has the authority reasonably required to enable it to discharge the Working Group Responsibilities.

(b) The Working Group shall have the authority to engage at the company's expense independent counsel and other advisors as it determines to be reasonable to carry out the Working Group's Responsibilities.

(c) The Working Group shall have authority to require any officer or employee of the Company, of the Company's outside counsel or independent auditor to attend a meeting of the Working Group or to meet with any members of, or consultants to, the Working Group.

(d) The Working Group may form subcommittees and delegate authority to such subcommittees or an individual member of the Working Group when appropriate.

(e) The Responsibilities and Authority of the Working Group do not include the obligation to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor, as applicable. It is also not the responsibility of the Internal Controls Working Group to set or determine the adequacy of the Company's reserves.

Managing Director

The Managing Director is empowered to exercise the authority of the Board between board meetings and has delegated authority in all issues, except matters reserved for the Board.

Representatives of all the key functions and businesses that either provides services to, or use, IDA are members of the executive group which provides a forum for ensuring:

- issues are raised, debated and resolved (being escalated to the Board where necessary)
- proposals are discussed and shared across the stakeholder network

- matters to be raised for decision at the Board are communicated and support gained

Related Party Transactions

During the year the Company entered into various transactions which are subject to common control. All transactions are conducted within the normal course of business.

Outsourcing

IDA outsources various activities where the Board believes outsourcing can provide access to superior processes and technical skills than it would achieve on a standalone basis. As a result of these arrangements, IDA has transferred its functional risk exposure but accepts counterparty risk exposure.

The Board retains responsibility for discharging all outsourced activities and the Board's oversight is exercised through the following mandated activities:

- Approval of scope and content of outsourcing
- Approval of Company policies
- Review of internal delegations of authority
- Review of Group policies and procedures
- Supervision of functions

Key Functions

A Fit and Proper Person framework is followed to ensure functions are led by appropriately skilled people. IDA ensures that the fit and proper procedures are applied in assessing persons employed by and also in respect where a service provider to perform an outsourced key function. A designated person is nominated within IDA with the overall responsibility for the key outsourced function who is fit and proper and also possess sufficient knowledge and experience regard the outsourced function and is able to challenge the performance and results of the respective service provider. The following key functions are outsourced namely

- Internal audit
- Actuarial services
- Risk and Compliance
- Accounting

Internal audit

The Internal audit team is an outsourced service provided by a third party mid-tier audit firm with an independent non-executive director acting as oversight. The Internal audit mission is to independently examine and evaluate the functioning effectiveness and efficiency of the Company's internal control system and all other elements of governance. Internal Audit's activities are designed to provide advice to management in improving internal control environment, monitor the implementation of strategic control initiatives and managements remediation activity.

Actuarial function

IDA outsources the Actuarial Function to take advantage of external expertise. This critical operational service is outsourced to Lux Actuaries. Lux will carries out the duties of the Actuarial Function as required by the Solvency II Directive. These services are outlined below as per the Solvency II Directive and are explained in more detail further below:

(a) coordinate the calculation of technical provisions;

(b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions;

(c) assess the sufficiency and quality of the data used in the calculation of technical provisions;

(d) compare best estimates against experience;

(e) inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;

(f) oversee the calculation of technical provisions;

(g) express an opinion on the overall underwriting policy;

(h) express an opinion on the adequacy of reinsurance arrangements;

(i) contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements, and to the Own Risk and Solvency Assessment.

(j) Carry out the risk modelling underlying the calculation of the capital requirements, the financial and solvency projections in the context of the Own Risk and Solvency Assessment;

(k) Perform the calculation of SCR and MCR

(l) Carry out investigations in relation to the claims experience and the expenses of the company

(m) Attend Board of Directors meetings as required by the Company

(n) Liaise with the Company's auditors as necessary

(o) Prepare the pillar 3 reports relating to the Actuarial function

Calculation of Technical Provisions

The frequency of the valuation is quarterly for all reserves and all classes of business.

The scope of Engagement also includes active participation and mediation with the Malta Financial Services Authority for any regulatory matters of the company.

The following duties fall within the scope of the Function:

a) Identification of any sources of deviation from statutory requirements and implementation of any relevant changes in order to ensure that the calculation performed is consistent with those requirements. In particular, Lux use methodologies that allow a complete analysis regarding those requirements;
b) Validation of the methodologies used to assess the sufficiency of the technical provisions, including back testing against past experience, giving due considerations to changes over time;

c) Development of an understanding of the different drivers of risk that affect the level of technical provisions and its structure of dependencies. Furthermore, we will perform any relevant analysis of the internal data and consult relevant market information in order to improve this understanding;

d) Coordination of the assessment and validation of internal data to determine the level of compliance according to the standards for data quality and, if necessary, recommend the implementation of improvements in the internal procedures that are considered relevant;

e) Comparison and validation of technical provisions based on experience and identification of solutions on how to deal with any material differences detected, which may imply revisions of assumptions and/or methodologies;

f) High level analysis of movement between successive valuations.

Calculation of SCR and MCR

The actuarial function is responsible for the calculation of the SCR and the MCR. The frequency of the calculation will be quarterly.

A management report on the process and results is prepared at least quarterly, covering:

a) The revised balance sheet of the company pinpointing the valuation adjustments to assets and liabilities due to the differences in the valuation principles;
b) Summary of the indicative results of the stress test regarding the calculation of the MCR and the SCR;
c) Analysis of capital requirement, including capital requirements per type of risk and simulations to assess how capital requirements vary with different strategic options;
d) Interpretation of results, identifying any particular issues with the EIOPA methodology;
e) A comparison of results with the ones under the existing solvency capital methodology, highlighting key differences;
f) Identification of areas for improvement in the process and methodology and suggestions of methods to improve.
g) Prepare the required input into the ORSA if the risk profile and/or the business model of the Company changes during a year, requiring an additional SCR calculation and an exceptional ORSA to be carried out during the same year.

Issuing an opinion on the underwriting policy

The opinion on the overall underwriting policy covers the following:

a) whether the underwriting policy is consistent with product pricing;
b) an opinion on the principal risk factors influencing the profitability of business to be written during the next year, including the potential impact on future profitability of external factors such as inflation, legal risk and changes in the market environment;
c) an opinion on the likely financial impact of any material planned changes in products' terms and conditions;
d) the approximate degree of variability surrounding the estimate of expected profitability; and
e) the consistency of this approximate degree of variability with the risk appetite of the undertaking.

All information is communicated to the senior management of the Company. The opinions on the underwriting policy and reinsurance arrangements include, when necessary, recommendations regarding the most appropriate strategies to be followed by the company in this matter.

Issuing an opinion on the reinsurance arrangements

The opinion of the adequacy of the undertaking's reinsurance arrangements includes the following components:

a) the consistency of the company's reinsurance arrangements with its risk appetite;
b) the treatment and effect of reinsurance on the estimation of net technical provisions; and
c) the effect of reinsurance arrangements on the volatility of the company's financial strength.

The opinion on the adequacy of reinsurance arrangements will include an assessment of how the reinsurance coverage could respond under a number of stress scenarios. These scenarios may include situations such as the following:

- exposure of the undertaking's portfolio of business to catastrophic claims experience,
- aggregations of risks,
- concentrations of reinsurance security and potential reinsurance exhaustion.

Contributing to the effective implementation of the risk-management system

Lux provides guidance and expertise for the implementation of an effective ERM framework. This service encompasses all critical steps of the framework.

The Actuarial Function works closely with the Risk Management Function (RMF), and makes available to it our expertise and experience. The Actuarial Function supports the RMF in meeting the various requirements of its role and be familiar with what is required of it.

The Actuarial Function contributes to the risk modelling underlying the calculation of both the solvency capital requirement and minimum capital requirement. Depending on the complexity of the risk management system, actuarial methods are applied that call for a detailed understanding of statistical methods and the probabilities of insurance risks, such as claims frequencies and severities, understanding and assessing the use of risk mitigation techniques and understanding volatility and adverse deviation.

The Actuarial Function guides the Company on how to reflect business realities in actuarial models and risk management processes, to ensure that the ORSA output is relevant for the business. The Actuarial Function provides the necessary expertise in order to:

- Understand the detailed requirements regarding the ORSA and identify gaps relative to current risk management processes

- Begin to plan how current risk management, financial reporting and modelling Systems will need to change to create an effective ORSA

As part of the ORSA, the Actuarial Function contributes to the assessment of the compliance with the requirements regarding the technical provisions and the analysis of deviations of the company's risk profile from the assumptions underlying the calculation of the solvency capital requirement with the standard formula.

The Actuarial Function is also expresses an opinion on the following parts of the ORSA process:

- Determine the risks to be included in the ORSA and how these will be quantified
- Set up processes in order to notify the Company whenever the risk profile deviates from the assumptions underlying the SCR
- Introduce a formalised and documented capital monitoring and management process.
- Describe the controls and processes needed to ensure that robust & formalised modelling, monitoring and roll forward tools are in place
- Assist the company in preparing and adequately document a risk based business strategy and a process to ensure that the business strategy is reviewed and updated regularly
- Identify and introduce projections of the business risks which are a key part of any undertaking's financial planning, such as projections of the business plan (capital impact), economic balance sheet and profit and loss account
- Provide the resources and the expertise necessary in order to set up the processes to facilitate a regular assessment of the company's solvency needs and compliance

Accounting and Capital Requirements

The Company has chosen also to outsource its accounting to Willis Towers Watson Management (Malta) Limited. The service provider is responsible for the following activities

- Initiate and maintain in accordance with generally accepted accounting principles applicable to the business of insurance, proper accounting records of income and out goings and such other books of account so as to present accurately on a monthly basis (as required) a fair and accurate statement of the financial state of the Client, including;
- Provide the monthly with management accounts as prepared in the reporting format required by the Directors.
- Provide annually to shareholder an analysis and breakdown of annual financial statements.
- Provide annual management accounts to the auditors for the purpose of audit and assist in the preparation of or prepare statutory financial statements.
- Provide such information to the Company’s tax advisers as may be reasonably requested in connection with the Client’s corporation tax returns.

Compliance Services

The Compliance Function is outsourced to Willis Towers Watson Management (Malta) Limited and is responsible to:

- Provide of a compliance function (the "Compliance Function"), which has established a Compliance Policy and set out its planned activities, reviews and monitoring in a Compliance Plan, which is submitted annually to the Board for review and approval.
- Provide the Company with the services of an eligible associate to act as the Client's Compliance Officer, subject to the approval of the Client Board and the Regulator. Willis will arrange the necessary regulatory application for the associate's appointment. The responsibilities, competencies and reporting duties of the Compliance Officer shall be defined in the compliance policy.
- Facilitate reasonable access by the Company, its auditors and Regulator to information held by the Compliance Function in connection with the provision of the Services.
- Liaise with the Regulator in relation to changes in existing regulations and guidelines.
- Make all necessary returns to Regulator and observe all reporting requirements imposed upon the Company by Regulator7.8 Arrange for remittance, at the Client's expense (subject always to sufficient funds being available from the Client in advance) of applicable regulatory fees to the Malta Financial Services Authority.
- Provide to new directors and officers of the Client who are to undertake controlled functions requiring regulatory approval, appropriate documentation for submission to the Regulator, assist with completion, submission and response to follow-up enquiries in relation to the authorisation process, and submit the appropriate filing upon the termination of a director or officers' appointment.

Risk Management Function

Risk management lies at the heart of the Company's business activities. The adopted risk appetite reflects the articulated risk profile set by the Board through its risk-return profiling of the identified key risks. The Risk Management and Compliance Committee, supports the Board through its assessment and profiling of key risks to which the Company is exposed. The Committee, through its RFM, reviews the delegated risk tolerance limits and reports any residual risk observed to the Board.

The Risk Management & Compliance Committee is responsible for the oversight of the internal controls monitoring and makes the necessary recommendations to the Board including both the core business activities within the Company and outsourced functions. It also assists the Board in assessing compliance with, recommending, reviewing and notifying any issues affecting the Company's reinsurance management strategy. This Risk Management & Compliance Committee is also responsible for the oversight of the Company's compliance with the relative legislation and regulations. Through the Compliance Function, this Committee provides and implements policies and guidance, business advice and training. It coordinates with the Internal Audit Function to ensure proper internal oversight of business and governance functions. Compliance monitoring provides assurance that the business is managing its regulatory risk exposure appropriately and that controls are effective. It is a key mechanism to independently confirm that the business is complying with agreed policies and meeting regulatory responsibilities.

The Risk Management & Compliance Committee and the Board is assisted by Willis Towers Watson Management (Malta) Limited being the outsourced service provider of this function in setting risk management strategy, in developing a risk management framework of the company's risk appetite, limits and tolerances, in establishing internal risk management structures, and in ensuring that the necessary resources are available and dedicated to achieving the risk management objectives.

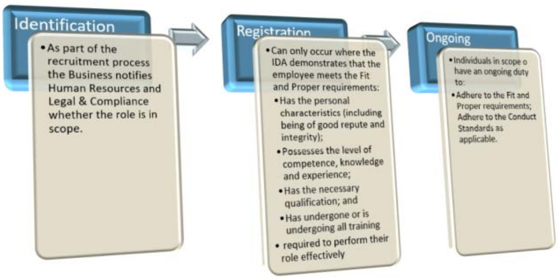
Furthermore, Willis Towers Watson Management (Malta) Limited also assists the Board and other functions in assessing and defining the risks existing in specific risk areas and from those assessments developing written risk management policies and procedures to manage those risks. It also assists the Board in assessing the company's capacity to absorb risk with due regard to the nature, probability, duration, correlation and potential severity of risks, including looking at risks from different perspectives, such as by territory or by line of business. It also seeks to identify and assess emerging risks and advising the Board thereon.

Acceptable risk limits for each risk type are determined to facilitate control mechanisms to ensure that limits and procedures are adhered to, and that the company is operating within the risk appetite parameters set by the board.

That, above all, the Company operates in a dynamic business environment and it is essential to be alert to changes in the Company and in the environment in which it operates and to modify the Risk Management system as necessary.

Fit and Proper Requirements

Fit and proper requirements The 'Fit and proper' requirement is the standard required when appointing controlled function holders and IDA applies the same requirements when appointing those who effectively run the undertaking or have other key functions. IDA is satisfied that compliance with the framework is sufficient to ensure that individuals fulfilling controlled functions meet all relevant regulatory requirements.



The Compliance function adopts appropriate systems and controls in the registration of its individuals across the Company ensuring that identified individuals meet the regulators' fit and proper criteria at the point of registration, including but not limited to external verification process and internal assessment. In addition, registered and notified individuals are required to complete an annual attestation confirming that the Fit and Proper Requirements have been maintained and that they continue to adhere to the Conduct Standards.

The IDA outsourcing model and functional organisation of the Company mean that individuals that head Group functions also have individual accountability for the performance of their functions in respect of services provided to IDA. Accordingly, in addition to Board members, the following individuals had been approved by the MFSA regulatory bodies:

Approved person	Function
Marie Louise Cassar	Designated Compliance Officer – Willis Towers Watson Management (Malta) Limited
Dimitris Dimitrou	Designated Actuary – Lux Actuaries
Mazaars Malta	Internal Audit
Willis Towers Watson – Insurance Managers	Risk Management

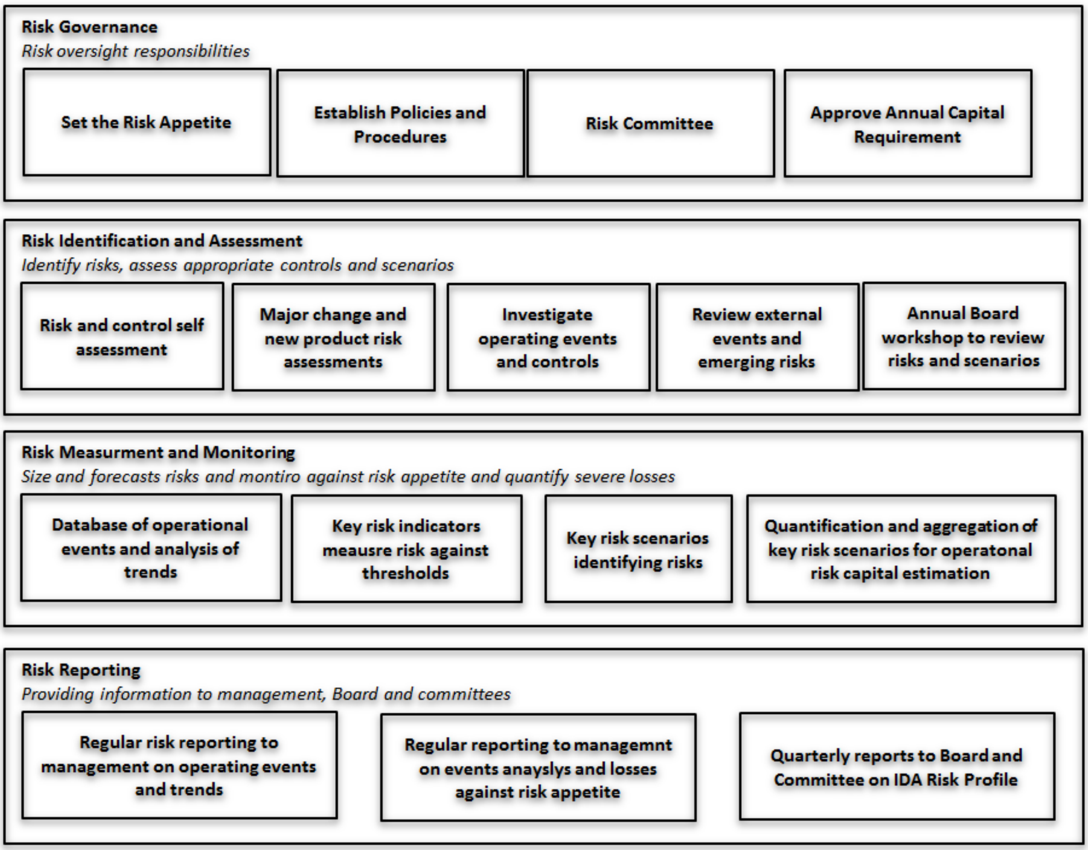
Functional representatives are accountable to the Board for the performance of their function. This accountability is enforced through the annual review of the functional control framework.

Internal Control and Risk Management

IDA utilises the internal control system that comprises three lines of defence, comprising primary risk owners (first line), independent risk management and control functions (second line) and an independent internal audit (third line). This structure is consistent with IDA's risk management structure and the IDA Board considers it appropriate to the management of the IDA risks.

- First line: The majority of IDA's employees comprise the first line of defence.
- Second line: The insurance managers comprise the second line of defence. These managers provide independent oversight of the activities performed within the first line.
- Third line: The third line of defence comprises the Internal Audit function. Senior managers are attendees of risk governance committees.

The Operational Risk Management Framework (ORMF) comprises four foundational elements as shown below. This framework enables the first line of defence to identify, assess and manage operational risks within their lines of business, establishes an appropriate level of oversight and challenge by the second and third lines, and enables appropriate measurement and reporting of operational risks and the IDA overall risk profile to the IDA Board. It includes specific elements that enable the quantification of risks for the determination of operational risk capital.



IDA and Risk

The primary source of risk in the business is insurance risk arising primarily under the liability line of business. Liability risk is managed by a strong reinsurance programme and adequate assets to cover its liabilities. This ensures that IDA is able to meets meet its exposures arising mainly from technical provisions. The Company recognises that insurance risk is embedded in all of its products and activities so the proactive identification, continuous assessment and management of insurance risk is critical to serving its clients, managing corporate risk and maintaining its reputation in the marketplace.

Accordingly, the risk framework is commensurate with the size, scale and complexity of IDA and is supported by a robust governance structure that includes the Board. The Board promotes a risk focused culture and provides appropriate challenge to ensure that Group is effectively managing known and emerging risks.

IDA may have some exposure to counterparty credit risk in relation to some of its ceded reinsurance business and capital is held in respect of this potential risk.

IDA Risk Appetite and Tolerance

The Company faces a broad range of risks reflecting its responsibilities as a leading insurance company in the diving community. These risks include those resulting from its responsibilities in the areas of insurance as well as its day-to-day operational activities.

In terms of insurance risk, the Company has a low appetite for risk. The Company makes resources available to control these to acceptable levels. IDA recognises that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. Acceptance of some risk is often necessary to foster innovation and efficiencies within business practices.

The Company maintains its conservative risk profile by reducing exposure to the most likely areas of stress:

- the Company regularly assesses higher areas of insurance risk and adjusts its risk appetite and exposures accordingly;
- In respect of investment it manages its exposure by ensure that the overall quality of the portfolio remains strong;
- All the Company's activities involve, to varying degrees, the analysis, evaluation, acceptance and management of risks or combinations of risks, thus IDA mitigates risks, for example reputational and operational, when they were forecast to exceed its risk appetite

The assessment of insurance risk is facilitated by Risk & Quantitative Analysis (RQA) through the Internal Capital Adequacy Assessment Process (ICAAP). Using the ICAAP, assesses risk capital based through the creation of risk scenarios and an assessment of potential tail risk losses. These potential tail risk losses are aggregated and form the basis of the assessment of the risk capital requirement.

This is followed by a separate review undertaken by a number of key functions, including RQA, Compliance and Finance to determine the appropriateness of risk scenarios to IDA, including the assessment of additional potential scenarios. The results of this review are provided to the IDA Board, which reviews and agrees the potential risk losses and capital requirement for IDA.

Own Risk and Solvency Assessment (ORSA)

The ORSA is the process by which the IDA Board considers the strategy of the company, the risks faced in pursuing that strategy and the appropriate mitigation of those risks (one possible outcome of which may be to hold capital) to ensure the residual risk remains within the Board's risk appetite. Consideration of any dividends to be paid by IDA will have regard to the actual level of capital compared to the target, which is set by reference to the requirement identified through the ORSA process.

The Board owns the ORSA process and has provided direction to a working group to ensure that it meets the requirements of the Board.

Prudent Person Principle and Investment of Assets

The assets on IDA's balance sheet are held mainly to achieve capital appreciation with a low risk investment decisions are undertaken by IDA's clients. The investment manager supervised by the Investment Committee invests to achieve returns primarily via income generation and secondly via capital and currency appreciation, interest and dividends. However, the objective is to primarily to preserve capital and then to earn a target investment return.

On-going compliance with the rules is continuously monitored and breaches are escalated to Board for resolution to ensure investments at all times lie within the parameters.

External Credit Assessment at IDA

The main counterparty risk is attributable to reinsurance which are placed with A+ and above rated reinsurance companies, their credit rating is monitored on a regular basis utilising the rating of external agencies.

Compliance

Regulatory Compliance function forms part of the second line of defence, and is an independent outsourced function to ensure best practice and to achieve IDA's appetite for regulatory risk which is 'very low'. The business is responsible for implementing first line controls to manage and mitigate regulatory risk whilst the role of Compliance is to:

- train and advise the business so there is a good understanding of the regulatory requirements and the regulatory environment in which it operates
- Responsible for tracking, assessing the impact of and communicating new regulatory developments. Also ensuring there is a central point of contact with a clear understanding of the regulator's approach and the standards to which the Company is held to account.
- evaluate regulatory risk and assist in the identification of regulatory risk and advise on ways to manage and mitigate risk to protect the firm and its clients
- track, assess and communicate the impact of new regulation in a way that is tailored to the business
- advise the business on the design and implementation of controls
- monitor and challenge the behaviours and controls in the business to promote the compliance culture
- ensure best compliance practice in all countries of operation

Compliance seeks to be a trusted advisor to the business, driving and supporting innovation whilst partnering with the business and regulators to ensure regulatory obligations are met.

Adequacy of the System of Governance

Reviews of the corporate governance and effectiveness of the Board and Committees are carried out on a regular basis, taking into account the requirements of Solvency II and applicable statutory requirements and recommendations from the Insurance Managers.

Section 3 – Risk Profile

The Company operates a low-risk business model that is supported by a robust risk management framework that ensures risks are well understood and controlled. This is facilitated by daily systematic quantification of all risks and a culture that promotes the importance of risk management. Integral to this is a thorough understanding and articulation of the Company's risk exposures. Determining the prevailing risk landscape within the Company allows Management, the Risk Committee and the Board to assess the appetite for each emerging risk and to ensure that all are quantifiable and managed consistently with our appetite to risk.

An overview of the principal risks associated with the business including an outline of how they are each managed is provided below.

Interest Rate Risk

The Company invests in fixed income securities in order to back its technical provisions. Interest rate exposure arises due to movements in future expectations of interest rates.

The portfolio is constructed by analysing the sensitivity of all investment assets and insurance liabilities to movements in each of the underlying market instruments. Solvency II balance sheet is still exposed to interest rate movements however, due to the low rate of current market interest the exposure is very low and the company is not sensitive to movements in this area of risk.

Credit Default Risk

The investment strategy pursued seeks to minimise credit default risk and lock in an illiquidity premium, which is achieved in a number of ways such as Investing in low risk asset classes such as government guaranteed bonds. Monitoring and re-hedging of the Company's credit exposure occurs on a daily basis.

Counterparty Default Risk

The Group utilises reinsurance to manage efficiently insurance risk. The Group is therefore exposed to the failure of these counterparties. The exposure is reduced as the counterparties are diversified and also their credit riskiness is managed by ensuring A+ or above credit rating.

Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random, unknown and unpredictable

As its primary insurance activity the company assumes risks relating to underwater diving activity. The company is therefore exposed to the uncertainty surrounding the timing and severity of claims under the insurance contract. The terms and conditions of the insurance contracts it issues set out the basis for the determination of the company's liability should the insured event occur. Through its insurance and investment activity the company also has exposure to market and financial risk.

The company also faces risks that the actual claims are significantly different to the amounts included within the technical provisions. This could occur because the frequency of severity of claims is greater or lower than estimated. The insurance risks are further mitigated through strict underwriting criteria, the utilising of actuarial review and the use of reinsurance.

The company managers it insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

Since its establishment, the company has developed its own underwriting criteria and strategy which have evolved in line with the technical underwriting discipline of its international treaty reinsurers.

The Company reinsures part of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the Company's net exposure.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions, if any, for known insolvencies and uncollectible items. The Company monitors the financial condition of reinsurers' on an ongoing basis and reviews its reinsurance arrangements annually. The company utilises a reinsurance agreement with non-affiliated reinsurers to control its exposure to losses resulting from one occurrence and for the accumulation of net losses arising out of one occurrence.

Liquidity Risk

A lack of liquidity within the business may both prevent the Company from being able to pay its obligations as amounts fall due. Such outcomes will clearly limit the ability of IDA to continue as a going concern and write new business.

The Company's Liquidity Policy requires sufficiently liquid assets to be held in order to meet outflows in extreme market. The liquidity buffer exists; ongoing monitoring also allows mitigating actions to be taken at an early stage if required.

Operational Risk

The Company is exposed to operational risk, which is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In particular, this includes the failure of key outsourcing arrangements, business disruption, fraud and loss of key management.

This definition also includes legal risk and reputational risk, as the Company considers reputational risk critical and therefore has adopted this broad definition of operational risk.

The process through which the Company's operational risk universe is determined and subsequent estimates of frequency and severity are assessed is captured in the Operational Risk Policy document. This process safeguards the ongoing improvement of the control environment and ensures that operational risk is identifiable and mitigated.

The Company is reliant on the use of external parties to provide some services, and thus is therefore exposed to the potential failure of these outsourcing partners. All high value functions are managed in-house in order to mitigate this risk and to ensure direct oversight so that should an outsourced partner fail, the service can be shifted with applicable continuity.

Regulatory Risk

A change in the regulatory, legal or political environment may have consequences on the Company's Business Model, operations and financials. The Company is subject to financial regulation in the Malta and is required to comply with capital adequacy requirements.

Although the Solvency II regime has now been implemented, it remains subject to future amendments to improve its operation and to better align approaches across Europe. The Company maintains ongoing dialogue with the Regulator in order to ensure ongoing compliance and the ability to react quickly to any unanticipated changes.

Political Risk

In the event that the UK were to vote in favour of exiting the European Union, it is likely that there would be a period of increased market volatility. The negotiations surrounding any exit are likely to take a significant amount of time and it is then unclear what scope or appetite the UK government would have to amend the UK regulatory framework that applies to insurance companies.

Section 4 - Capital Management

Own Funds

IDA has two components of own funds, all of which are tier 1 basic own funds; ordinary share capital, and retained earnings.

IDA's ordinary shares have full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

The differences between IDA's equity as shown in its audited financial statements and the excess of assets over liabilities as calculated for solvency purposes:

- the difference between the technical provisions calculated in accordance with the Solvency II requirements
- deferred tax adjustment in relation to the above differences

No deductions are applied to own funds and there are no significant restrictions affecting their availability and transferability. The MCR and SCR were calculated using the standard formula.

Capital Policy

IDA's internal capital target is to hold the higher of 1.4 times the pillar 1 requirement or the requirement identified during the ORSA process plus a board approved buffer. On an annual basis, and having regard to the results of stress tests applied to projections over the three year planning period, the Board will consider whether a dividend should be paid to remit any surplus capital above this target to the Foundation.

Capital Position

The table below sets out IDA's pillar 1 capital position as at 30 June:

Article 112	**Z0010**	2 – Regular reporting	
		Net solvency capital requirement	**Gross solvency capital requirement**
		C0030	**C0040**
Market risk	**R0010**	692,040	692,040
Counterparty default risk	**R0020**	1,080,010	1,080,010
Life underwriting risk	**R0030**	0	0
Health underwriting risk	**R0040**	315,517	315,517
Non-life underwriting risk	**R0050**	851,793	851,793
Diversification	**R0060**	-856,481	-856,481
Intangible asset risk	**R0070**		
Basic Solvency Capital Requirement	**R0100**	2,082,879	2,082,879

Calculation of Solvency Capital Requirement		**C0100**
Adjustment due to RFF/MAP nSCR aggregation	**R0120**	
Operational risk	**R0130**	208,065
Solvency capital requirement	**R0220**	2,290,943

Section 5 - Valuation for Solvency Purposes

The IFRS balance sheet and Solvency II balance sheet is shown below:

Assets

		Solvency II value	Statutory accounts value
		C0010	**C0020**
Assets			
Goodwill	**R0010**		
Deferred acquisition costs	**R0020**		335586
Deferred tax assets	**R0040**	120124.23	120124.23
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	4657004	4657004
Equities	**R0100**	410329	410329
Equities - listed	**R0110**	410329	410329
Bonds	**R0130**	3846675	3846675
Government Bonds	**R0140**	830683	830683
Corporate Bonds	**R0150**	3015992	3015992
Deposits other than cash equivalents	**R0200**	400000	400000
Reinsurance recoverables from:	**R0270**	3165979.61	3833177
Non-life and health similar to non-life	**R0280**	3165979.61	3833177
Non-life excluding health	**R0290**	1815532.21	3833177
Health similar to non-life	**R0300**	1350447.41	
Insurance and intermediaries receivables	**R0360**	1239339.03	1239339
Receivables (trade, not insurance)	**R0380**	1906838	1906838
Cash and cash equivalents	**R0410**	2898856.58	2898856.58
Any other assets, not elsewhere shown	**R0420**	326642.68	326642.68
Total assets	**R0500**	14,314,784	15,317,567

Valuation of Assets and Liabilities

The recognition and valuation basis are in accordance with the provisions of the Solvency II Directive with the valuation and recognition for material classes as follows:

Intangible Assets

Intangible assets are recognised under International Financial Reporting Standards (IFRS) on the basis if the expected future economic benefits are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. The Company holds no intangible asset and thus no recognition and valuation methodology was applied in respect of this category.

Deferred Tax Asset

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates, that have been enacted or substantively enacted by the end of the reporting period. Under Solvency II which recognises unrealised gains and respective tax deferred tax is recognised and no adjustments were considered applicable to the valuation.

Liabilities

		Solvency II value	Statutory accounts value
		C0010	C0020
Liabilities			
Technical provisions – non-life	R0510	7,148,201	7,916,557
Technical provisions – non-life (excluding health)	R0520	4399205.72	7916557
Technical provisions calculated as a whole	R0530		
Best Estimate	R0540	4249751.66	
Risk margin	R0550	149454.06	
Technical provisions - health (similar to non-life)	R0560	2,748,995	
Technical provisions calculated as a whole	R0570		
Best Estimate	R0580	2685744.8	
Risk margin	R0590	63250.57	
Debts owed to credit institutions	R0800	332585	332585
Debts owed to credit institutions resident domestically	ER0801	332585	
Insurance & intermediaries payables	R0820	579134	579134
Payables (trade, not insurance)	R0840	560,668	560,668
Total liabilities	R0900	8,620,588	9,388,944

Technical Provisions

Technical provisions are valued in accordance with Article 77 of the Solvency II Directive which states that the value of technical provisions shall be equal to the sum of a best estimate and a risk margin.

Valuation results

The valuation was carried out together for the three lines of business. The Loss Ratio method was believed to be the most appropriate given the limitations in the availability of data.

The final results (IBNR and IBNER) have been split by LoB based on the characteristics of each LoB. This does not affect the overall credibility of the results and it was done only for reporting purposes.

Results in the table below are the IFRS results. The difference between the IFRS and BE results is attributed to the effect of discounting.

GROSS €'000	CASE BY CASE	IBNR	IBNER	CHE
MEDICAL EXPENSES	1,189	44	278	13
GENERAL LIABILITY	2,905	104	655	27
LEGAL EXPENSES	58	-	-	0
Total	**4,152**	**148**	**932**	**40**

NET €'000	CASE BY CASE	IBNR	IBNER	CHE
MEDICAL EXPENSES	458	19	107	13
GENERAL LIABILITY	1,089	104	655	27
LEGAL EXPENSES	58	-	-	0
Total	**1,605**	**122**	**761**	**40**

Gross Loss Ratio Method

997	2,805	100.0%	35.6%	997	-
1,227	2,877	100.0%	42.7%	1,227	-
1,312	2,873	100.0%	45.7%	1,312	-
838	3,452	100.0%	24.3%	838	-
1,805	3,885	100.0%	46.5%	1,805	-
1,284	3,993	100.0%	32.1%	1,284	-
1,074	3,940	100.0%	31.5%	1,139	169
699	4,402	87.5%	32.0%	890	621
106	2,680	12.5%	32.0%	773	94
9,343	**30,907**			**10,264**	**884**

Net Loss Ratio Method

UDW YEAR	INCURRED (EX. LARGE) (A)	ULT. WRITTEN PREMIUM (B)	% EARNED PREMIUM (C)	SELECTED LOSS RATIO (D)	ULT INCURRED (E)=B*C*D	INBR / IBNER (F)=E-A
2008	997	2,805	100.0%	35.6%	997	-
2009	1,227	2,877	100.0%	42.7%	1,227	-
2010	1,312	2,873	100.0%	45.7%	1,312	-
2011	838	3,452	100.0%	24.3%	838	-
2012	1,805	3,885	100.0%	46.5%	1,805	-
2013	1,284	3,993	100.0%	32.1%	1,284	-
2014	1,074	3,940	100.0%	31.5%	1,139	169
2015	699	4,402	87.5%	32.0%	890	621
2016	106	2,680	12.5%	32.0%	773	94
TOTAL	**9,343**	**30,907**			**10,264**	**884**

In determining the assumptions basis used in the Gross and Net Loss ratio method we have taken into account the following considerations:
1. Based on historical experience it was assumed that the Ultimate Written premium of the 2016 underwriting year will be twice as large as the actual premium written as at 30/6/2016.

2. The Percentage of Premium earned was based on the 24th method. Specifically, we have assumed that the premiums are written uniformly in the underwriting year, on average in the middle of each month and have a duration of 1 year.

3. The loss ratio was based on the historical experience and taking into account the following changes in terms and conditions in 2014 which would suggest a lower Ultimate Loss ratio for the years 2015 and 2016:

- Exclusion of motorcycle accidents.
- Introduction of a 5-day excess period from the date of activation of the policy for Non-Diving claims. This excess was included to prevent members from claiming one day after purchasing the policy.
- Removal of the unlimited travelling days' clause under the Non-Diving for Gold Plan members. The unlimited travelling days' clause was changed to a limit of 120 days and an optional extension of 365 days is now given at an additional price. In 2016, the total amount of claims incurred was € 55,500 from Gold members, whereas in the previous years this amount ranged between € 500,000 and € 683,000.
- The Standard death benefit was reduced to a maximum of € 25,000 for Gold Plan and € 6,000 for the other plans. In 2016, the reserves amounted to € 84,000 and there were nil payments, whilst in the previous years the payments ranged between €102,000 and € 262,000 for death benefits.
- The Optional Death Benefit was reduced from € 50,000 and € 100,000 to € 25,000 and € 50,000 respectively
- An exclusion of Technical Diving from the Death Benefit was introduced.

The adequacy of the Gross results generated by the Loss ratio method was tested using the chain ladder method on incurred claims (excluding large). As shown in the table below, the historical experience suggests no positive development on or after the 1st development year which implies nil IBNR/IBNER requirements.

No significant delays have been observed in the reporting of large claims and given that they are capped by the RI XoL treaty we are not expecting any Net IBNER movement.

Incurred Claim Development

	INCURRED CLAIMS €'000				
ACC YEAR	0	1	2	3	4
2012	2,310	2,268	2,269	2,263	2,203
2013	2,642	2,780	2,510	2,501	
2014	2,739	2,535	2,552		
2015	2,773	2,784			
2016	1,914				

Incurred Claim Development Factors

ACC YEAR	0-1	1-2	2-3	3-4
2012	0.9821	1.0002	0.9972	0.9737
2013	1.0520	0.9029	0.9965	
2014	0.9257	1.0067		
2015	1.0039			

IBNR – Claims Reported Delay Table

ACC YEAR	0	1	2	3	4	5
2008	413	32	0	0	0	0
2009	845	58	3	2	3	2
2010	1041	47	2	3	0	0
2011	1453	48	2	0	0	1
2012	1867	63	2	0	1	
2013	2127	98	2	0		
2014	2175	54	5			
2015	1970	58				
2016	1448					

DF	0-1	1-2	2-3	3-4	4-5	5-6
SELECTED	1.045	1.002	1.001	1.000	1.000	1.000

Gross Average Claims

ACC YEAR	ACTUAL €	SELECTED
2008	1,537	1,800
2009	2,896	1,800
2010	2,175	1,800
2011	2,353	1,800
2012	1,203	1,800
2013	1,642	1,800
2014	1,252	1,800
2015	2,198	1,800
2016	1,601	1,800

Current Assets and Current Liabilities

The carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short term maturities of these assets and liabilities. Fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs are unobservable inputs for the asset or liability.

Related Party Balances

During the course of the year the company entered into transactions with related parties and the main balances are in relation to the distribution from its licenced broker VING by virtue of common ownership. The balances outstanding represent premiums due to IDA and are short term in nature. These balances reflect their fair values due to the short term maturities of these assets.

Changes to estimations and recognition

No changes where introduced to the recognition and valuation bases used or to estimations during the reporting period.

Uncertainty

On the basis of past experience and current evolution of objective information, it is noted that there are no major sources of uncertainty in estimations that required disclosure.

Other Information

IDA offers primarily insurance for the Dive market sector and here is no assumed management action impacting the valuation of assets, liabilities or SCR.

Assumptions are made within the calculation of the technical provisions on the withdrawal of policyholder assets and a material lapse stress is applied in the calculation of the SCR.

The capital requirement for expense risk it is assumed that there is no material increase due to other sources than inflation in the expenses incurred in servicing insurance obligations, and where the projected cash-flows follow a certain pattern.

The non-life premium and reserve risk sub-module only takes into account losses that occur at a regular frequency. Extreme events, which occur very rarely, have not been have not been taken into account.

DAN the parent company of IDA has been operating for more than thirty years in the dive market and has built up and developed skills in the highly specialised field of diving, and makes this knowledge available to IDA to assist the company in the management of insurance and claims issues arising from insured diving accidents.