

Solvency and Financial Condition Report

IDA INSURANCE LIMITED

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This Solvency and Financial Condition Report (SFCR) has been prepared to allow IDA Insurance Limited ('IDA' or 'the Company') to comply with the Pillar III reporting requirements under Directive 2009/138/EC and associated Regulations ('the Solvency II Directive').

IDA Insurance Limited maintains a robust system of governance which is commensurate to the nature, scale and complexity of the Company's activities and its risk profile. The system of governance revolves around the Board and its Committees – the Investment Committee and Risk and Compliance Committee; with key functions outsourced to external service providers in line with the Company's Outsourcing Policy. The mainstay of the system of governance is the risk management system: which is designed to ensure that all the material risks are identified; and that policies and procedures are in place to assess their potential impact and to adequately report them, so that they can be managed or mitigated.

The Company has changed its accounting period from 30th June to 31st December. Previously, the Company's financial year was from 1st July 2017 to 30th June 2018. This financial period is from 1st July 2018 to 31st December 2019. During the period under review, the Company registered a profit after tax amounting to € 494,667 (Loss after tax for the year ended 30th June 2018: €123,997). Direct premiums written by the Company during the 18-month period amounted to € 8,624,969 (12 months ended 30 June 2018 € 5,675,398). Claims performance deteriorated with claims incurred net of reinsurance for the 18-month period amounted to €1,575,220 compared to €1,169,165 for the 12 months ended 30th June 2018.

The Directors were actively involved in the implementation of the Solvency II legislation and these are deeply embedded in the Company's operations. Regular monitoring of the Solvency Capital Requirement (SCR) and Minimum Capital Requirements is carried out and a Capital Management Policy is in place to ensure on-going adherence to the requirements. This policy outlines the main drivers of the SCR.

The Company monitors its capital level on a regular basis. The Company complied with the capital requirements during the years ended 2018 and 2019. No changes were made in the Company's approach to capital management during the period ended 31st December 2019.

Going forward, the Company is expected to continue meeting the Solvency II regulatory capital requirements based on the latest audited SCR calculations as at 31st December 2019 and those resulting from the 2019 Own Risk and Solvency Assessment.

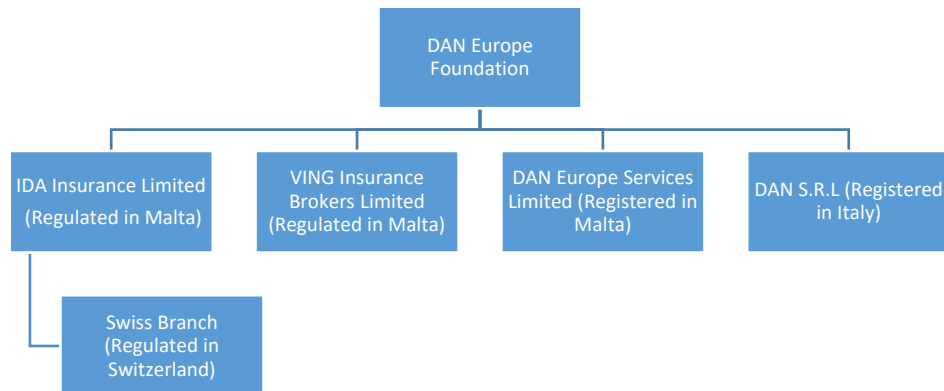
IDA's internal capital target is to hold 140% of its Pillar 1 Minimum Capital Requirement. On an annual basis, the Board considers whether a dividend should be paid to remit any surplus capital to its parent entity.

Section A - Business and Performance

A.1 Business

Legal Form

The Company was incorporated in Malta on 8th July 2005 and 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.



Registered Office and Registered Number

Registered Office: DAN Building, Sir Ugo Mifsud Street, Ta' Xbiex, Malta

Registration Number: C36602

Regulator

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. The Regulator can be contacted as follows:

Malta Financial Services Authority,
 Triq l-Imdina, Zone 1
 Central Business District, Birkirkara,
 CBD 1010, Malta
 Tel: +356 2144 1155
www.mfsa.com.mt
 Insurance and Pensions Supervision Unit

Auditors

The statutory accounts are audited by Deloitte Audit Limited who can be contacted as follows:

Deloitte Audit Limited
 Deloitte Place,
 Triq L-Intornjatur,
 Ctrl. Business Dist.
 Malta, CBD3050
 Partner: Mr Ian Coppini

Risk Profile

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 authorised to provide insurance under EU's Freedom to provide services in another Member State in Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom. IDA plans to cease underwriting UK business once the UK exits the European Union whilst continuing underwriting through a licenced insurance broker.

The Company is licenced to provide insurance in Switzerland through a branch, regulated by Swiss authorities, FINMA. 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 the group's online portals.

IDA distributes its insurance business directly, through VING Insurance Brokers Limited ("VING") a related company and licenced as an insurance broker 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 insures 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 world.

Significant events in the reporting period

- 1) IDA changed the financial year from 30 June 2019 to 31 December 2019.
- 2) IDA Insurance Ltd sold part of the VIS software to VING Insurance Brokers

A.2 Underwriting Performance

IDA Insurance Limited (the “Company”) is a limited liability company incorporated and domiciled in Malta with registration number C36602. The Company was incorporated on 8 July 2005. The registered office of the Company is DAN Building, Sir Ugo Mifsud Street, Malta. The Company’s principal activity is to underwrite scuba diving risks for the leisure diving industry. The Company offers accident, liability and legal defence policies to clients through its online portal.

The financial statements of the Company have been prepared and presented in accordance with the provisions of the Companies Act (Cap. 386), which requires adherence to International Financial Reporting Standards (IFRSs) as adopted by the EU and their interpretations adopted by the International Accounting Standards Board (IASB), and the provisions of the Insurance Business Act (Cap. 403).

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. The results are found on the next page.

Income Statement – Technical Account
**Statement of Profit or Loss and Other
Comprehensive Income – Technical Account
For the period from 1 July 2018 to 31 December 2019**

	<i>Notes</i>	Dec 2019	Jun 2018
		EUR	EUR
Earned premiums, net of reinsurance			
Gross premiums written		8,624,969	5,675,398
Outward reinsurance premiums		(4,398,704)	(2,985,793)
Inward reinsurance premium		459,382	268,527
		<hr/>	<hr/>
Net premiums written		4,685,647	2,958,132
		<hr/>	<hr/>
Change in gross provision for unearned premiums		(4,998)	(57,077)
Change in provision for unearned premiums, Reinsurer's share		(39,280)	21,191
		<hr/>	<hr/>
		(44,278)	(35,886)
		<hr/>	<hr/>
Earned premiums net of reinsurance		4,641,369	2,922,246
		<hr/>	<hr/>
Profit commission		261,330	176,654
Allocated investment return transferred from the non-technical account		126,520	68,646
		<hr/>	<hr/>
Total technical income		5,029,219	3,167,546
		<hr/>	<hr/>
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		3,658,099	2,122,936
- Reinsurer's share		(1,641,369)	(996,751)
		<hr/>	<hr/>
		2,016,730	1,126,185
		<hr/>	<hr/>
Change in the provision for claims			
- Gross amount		(794,851)	1,254
- Reinsurer's share		353,341	41,726
		<hr/>	<hr/>
		(441,510)	42,980
		<hr/>	<hr/>
Claims incurred, net of reinsurance		1,575,220	1,169,165
		<hr/>	<hr/>
Net operating expenses		2,363,820	1,669,751
		<hr/>	<hr/>
Total technical charges		3,939,040	2,838,916
		<hr/>	<hr/>
Balance on the technical account for general business		1,090,179	328,630
		<hr/> <hr/>	<hr/> <hr/>

A.3 Investment Performance**7. Investment income and charges**

	2019	2018
	EUR	EUR
Investment gains		
Interest income on bank deposits	-	7,929
Interest income on financial assets	255,919	145,142
Realised (loss)/gain on sale of investments	(48,749)	66,844
Exchange gain/(loss)	40,404	(62,880)
Impairment losses on financial assets (see note 14)	-	(37,500)
	<u>247,574</u>	<u>119,535</u>
Analysed between:		
Allocated investment return transferred to the general business technical account	126,520	68,646
Investment return included in the non-technical account	121,054	50,889
	<u>247,574</u>	<u>119,535</u>

A.4 Performance of other activities**Statement of Profit or Loss and Other Comprehensive Income – Non-Technical Account**

For the period from 1 July 2018 to 31 December 2019

<i>Notes</i>	Dec 2019	Jun 2018
	EUR	EUR
Balance on technical account for general business	1,090,179	328,630
Investment income	296,323	219,915
Investment expenses and charges	(48,749)	(100,380)
Allocated investment return transferred to the general business technical account	(126,520)	(68,646)
Other income	16,965	-
Net operating expenses	(490,097)	(327,078)
Profit before tax	738,101	52,441
Income tax expense	(243,434)	(176,438)
Profit/(loss) for the year	494,667	(123,997)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain/(loss) on available-for-sale financial assets, net of deferred tax	21,789	(123,906)
Total comprehensive income/(loss) for the year attributable to ordinary shareholders	516,456	(247,903)

A.5 Events after the reporting period

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to the diving community.

COVID-19 pandemic is envisioned to result in a reduction in premiums written by IDA insurance Limited which would be limited to the months in which all diving activities are suspended. Management is envisioning that clients will be renewing as soon as moderate diving activities can be carried out, As for Claims, the company has received very few new claims (medical expenses) concerning COVID-19. Since the policies written by the company do not exclude Pandemic Diseases,

these claims are being covered subject that the insured travelled abroad before the Governments issued travel warnings, such cases have been noted as minimal, apart from this impact management notes that the claims incurred for the impacted period will be reduced drastically due to the restriction in diving activities.

The Directors therefore consider that whilst the Company's profitability will likely be impacted during 2020, when combined with the Company's overall liquidity and solvency position, the Company continues to be a going concern.

A.6 Any other information

There are no other information to report on.

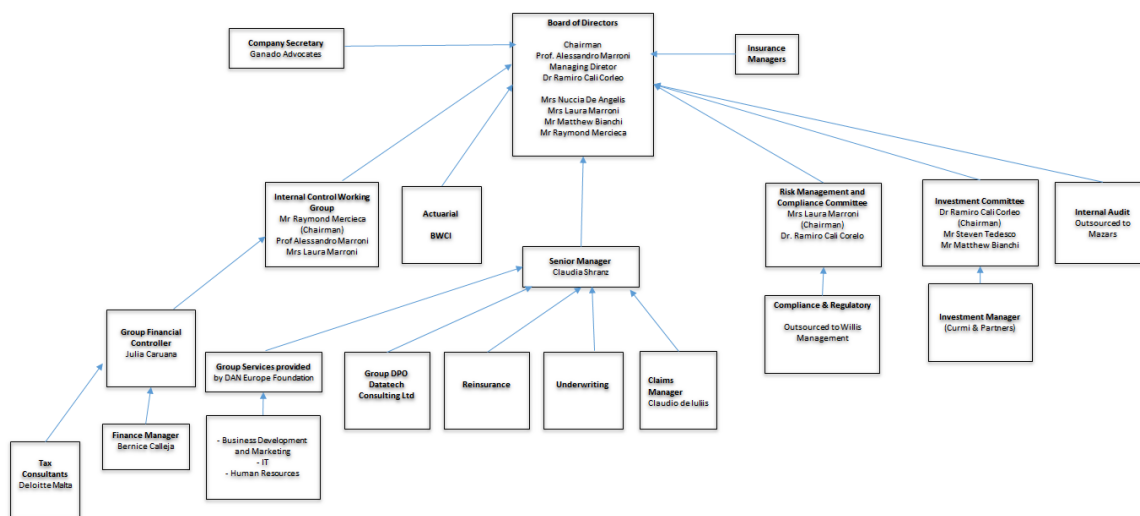
Section B - System of Governance

B.1 General information on the 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 and the Senior Manager, assisted by the Insurance Manager oversee all activities undertaken and escalates material matters to the Board.

IDA simplified organisation and governance chart is illustrated below.



B1.1 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 31st December 2019:

- Prof 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 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 is 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 IDA Insurance 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 Risk Management & Compliance Committee.
- Oversee the process of outsourcing, and monitor the discharge of the Compliance, Risk Management, Internal Audit and Risk Management functions.

Meetings of the Board

1. Meetings of the Board of Directors (BoD) are held no less than four times annually but are also held as frequently as considered appropriate.
 2. All meetings of the BoD and any general meeting of the members of the Company are 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 is provided to all directors of a Board meeting. However, the Company recognises that from time to time Board meetings may need to be
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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 meet for the dispatch of business, adjourn or otherwise regulate their meetings, as they think fit. Questions arising at any meeting are 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.

Information on Remuneration Policies and Practices

The governance framework includes a Remuneration policy for defining the remuneration practices of the Company designed to support the Company's risk appetite, strategy, objectives and values. The Board of Directors is responsible for the Remuneration Policy and the regular review of the Policy.

The Remuneration Policy applies to all levels of the organisation and categories of employees including Directors. It contains specific arrangements that take into consideration the roles of the members of the Board, persons responsible for key functions, senior management, and personal undertakings that involve significant risk taking and other employees. It further extends to the arrangements with any outsourced parties involved in the distribution of the Company's products.

The remuneration Policy reflects the Company's objectives for good corporate governance as well as sustained and long-term value creation of the shareholders. The Remuneration Policy does not excessively reward short term profits and discourages incentives to take on risks that are not in line with the Company's risk profile. This can undermine the sound and effective risk management framework, exacerbate excessive risk-taking behaviour and the protection of the policy holders. Hence the performance criteria, including non-financial performance factors such as goals and criteria relating to effective risk management practices are considered.

The salary is made up of a fixed component namely salary and benefits. The fixed component represents a significant and sufficiently proportion of the total remuneration and thus avoids that the employees are any way dependent on the variable component.

Variable components are discretionary and fully flexible as opposed to a contractual entitlement. It is based on performance and are capped at a maximum limit set by the Company. The Company has the right to withhold bonuses where its financial objectives have not been met.

Performance based remuneration is aligned to an assessment of the strategic priorities of the Company which promotes sound risk management, the strengthening of long-term customer relations and the value of the business. Non-financial factors are taken into consideration. Persons responsible for a key function are not eligible for performance-based remuneration.

Currently the Company has no arrangements applicable to supplementary persons or early retirement scheme for members of the Board

B1.2 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 quorum for the meeting is two members present in person.

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.

B1.3 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 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. It is sufficiently robust to evolve in compliance with Solvency II requirements when there are required to be implemented.

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. Agrees, monitors and ratifies 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 the Internal Control Working Group and ensure the policies are implemented effectively, reviewed, updated and approved;
 3. Acts as the Company co-ordinating body on all risk-related policies and procedures in conjunction with other specialist committees or departments;
 4. Assists 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. Oversees, identifies and implements the Risk Management & Compliance action plan and risk registers;
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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 reviews the Company’s internal control framework and monitors 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. Reviews 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 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 attends all meetings and prepares minutes.

B1.4 Internal Control Working Group

Given the size, the Company is exempt from having an Audit Committee however it has set up an Internal Control Working Group with the following objectives:

1. Monitoring 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. Reporting 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.
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- (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 minimis 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 objectives 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 has 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 has the 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.

The Company is a subsidiary of the Dan Europe Foundation (the "parent") which holds 99% of the ordinary shares of the Company. The registered address of the Foundation is 26, Fidiel Zarb Street, Gharghur, Malta.

During the course of the year, the Company entered into transactions with related parties as set out below.

On 1 July 2019, the Company disposed computer software to a related party for a consideration of €100,000. The gain on disposal amounting to €7,287 is recognised in 'Other income' in the Statement of Comprehensive Income.

All the Company's insurance business is transacted through a licensed broker, which is also a related party, by virtue of common ownership. The transactions with the broker are included with "other related parties", defined below.

The related party transactions in question were:

	2019			2018		
	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Other operating income						
<i>Related party transactions with:</i>						
- Other related parties	346,431	346,431	100	130,050	130,050	100
Acquisition costs						
<i>Related party transactions with:</i>						
- Other related parties	1,142,911	1,144,481	99	737,336	829,348	89
Administrative expenses:						
<i>Related party transactions with:</i>						
- Parent company and other related parties	761,885	2,221,486	34	567,702	1,667,377	34

"Other related parties" consist of related parties other than the parent, entities that are controlled or jointly controlled by, directly or indirectly, key management personnel of the Company.

The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received. The amounts were unsecured and interest-free. The amounts due from the parent is expected to be extinguished through structured cash settlements over a period of seven years.

Key Functions

The Company complies with the requirements under Solvency II and the Fitness & Probity Standards to ensure that Key Functions are held by persons with the appropriate knowledge, experience and competence. The following Key Functions are outsourced by the Company:

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 Board is assisted by Willis Towers Watson Management (Malta) Limited being the outsourced service provider of this Function in executing the risk management strategy laid down by the Board, 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. The Risk Management and Compliance Committee chaired by Mrs Laura Marroni act as oversight.

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. It also seeks to identify and assess emerging risks and advise 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.

As the Company operates in a dynamic business environment it is alert to changes in the Company and in the environment in which it operates and modifies the Risk Management system as necessary.

Compliance Function

The Compliance Function is outsourced to Willis Towers Watson Management (Malta) Limited, with Ms Marie Louise Cassar being the Compliance Officer and the Risk Management & Compliance Committee chaired by Mrs Laura Marroni acting as Board oversight. The Function is responsible for:

- Providing 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;
- Providing the Company with the services of an eligible associate to act as the Company's Compliance Officer, subject to the approval of the Board and the Regulator;
- Facilitating reasonable access by the Company, its auditors and Regulator to information held by the Compliance Function in connection with the provision of the Services;
- Liaising with the Regulator in relation to changes in existing regulations and guidelines;
- Making all necessary returns to Regulators and observe all reporting requirements imposed upon the Company by Regulators;
- Arranging for remittance, at the Company's expense (subject always to sufficient funds being available from the Company in advance) of applicable regulatory fees to the Malta Financial Services Authority;
- Providing to new Directors and officers of the Company, who are to undertake controlled functions requiring regulatory approval, appropriate documentation for submission to the Regulator, assisting with completion, submission and response to follow-up enquiries in relation to the authorisation process, and submitting the appropriate filing upon the termination of a director or officers' appointment.

Actuarial Function

The Company's Actuarial Function is currently outsourced to BWCI Limited with Profs Alessandro Marroni acting as oversight.

The Actuarial Function is carried out by persons who have an appropriate knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the Company, and who can demonstrate their relevant experience with applicable professional and other standards in line with the Company's Fitness and Probity Policy and the Malta Financial Services Authority's rules and regulations.

Internal Audit Function

The Internal Audit Function is an outsourced service, provided by a third-party audit firm (Mazars Consulting Limited) with Mr Ray Mercieca acting as oversight. The Internal Audit Function's 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.

The activities of the Internal Audit function are designed to provide advice to management in improving the internal control environment, monitoring the implementation of strategic control initiatives and managements remediation activity. The Internal Audit Function provides a formal report to the Board at least annually. The findings of Internal Audit reviews conducted are discussed with and challenged by the Board and an action plan is agreed upon to remediate any issues identified, along with a timeline for completion.

B.2 Fit and Proper Requirements

The Company ensures that its Directors and Officers are fit and proper to ensure the sound and prudent management of the undertaking. The Company considers the following as Relevant Persons for the purposes of its Fit and Proper Policy:

- i. The Board of Directors of IDA;
- ii. the Members of the Investment Committee, the Risk & Compliance Committee and the Internal Control Working Group of IDA;
- iii. any advisor of the Board of Directors of IDA;
- iv. the persons who effectively run IDA;
- v. any person performing a key function of IDA including persons performing the function under an outsourcing arrangement; and
- vi. any other personnel of IDA for the time being or from time to time prescribed by regulation or identified by the Board as being subject to fitness and propriety requirements.

The Company considers the key functions to be the following:

- i. Risk Management;
- ii. Compliance;
- iii. Internal Audit;
- iv. Actuarial;
- v. any other key function identified by the Board as important or critical in IDA's system of governance considering the nature, scale and complexity of its business and organisational structure.

The Company's Fit and Proper Policy aims to ensure that no person is appointed to or confirmed in a Relevant Person role unless they have been appropriately assessed by IDA to be fit and proper for the

role in accordance with regulatory requirements referenced in the Company's policy. The principles for achieving that objective are:

Fitness:

- i. Every Relevant Person must be fit for their role and responsibilities and hold the qualifications, knowledge and experience relevant and necessary to ensure that the role is managed in a professional manner with the necessary degree of management and technical competence.
- ii. The members of the Board of IDA collectively must possess at least qualification, experience and knowledge:
 - a. of insurance and financial markets relevant to the operations of the Company;
 - b. of the business strategy and business model of IDA;
 - c. of IDA's system of governance;
 - d. to perform required financial and actuarial analysis in respect of IDA;
 - e. of the regulatory framework and requirements applicable to the Company; and
 - f. generally to be able to provide for the sound and prudent management of IDA.
- iii. The appointment and continuing engagement of any Relevant Person must comply with the fitness elements as set out within the applicable MFSA rules and guidelines.

Propriety:

- i. The honesty, financial soundness and reputation of every Relevant Person must be assessed by the Company to determine that they are of good repute and integrity, based on relevant evidence regarding their character, personal behaviour and business conduct including any criminal, financial and supervisory aspects, regardless of location but taking account of any applicable period of limitation in respect of any committed offence.
- ii. The appointment and continuing engagement of any Relevant Person must comply with the probity elements of the aforementioned MFSA rules and guidelines.

Each Relevant Person shall complete a Fit & Proper Questionnaire and submit to the Compliance officer.

Board – The Board is responsible for:

- i. The approval and periodic review of this policy;
- ii. overseeing the implementation of this policy;
- iii. establishing the minimum criteria for each Relevant Person, including any minimum qualifications, experience and competencies deemed necessary to fulfil their respective functions.

- iv. establishing who are IDA's Relevant Persons, considering the nature, scale and complexity of the risks inherent in the business, the nature of the relevant function and its organisational structure.
- v. assessing (pre-appointment and at least annually thereafter) the fitness and propriety and approving any new or ongoing appointment of each Relevant Person.
- vi. suggesting the removal of any Relevant Person from their key function role if a material issue arises.
- vii. designating a Relevant Person to have overall responsibility for overseeing any outsourced key function's Relevant Persons and to challenge and monitor the performance and results on a regular basis.

Compliance Officer – The Compliance Officer is responsible for:

- i. Maintaining a Register of IDA's Relevant Persons including evidence of:
 - a. Name;
 - b. key Function;
 - c. date of appointment;
 - d. date of Board approval of appointment;
 - e. date of National Regulator approval of appointment (where required) or date of notification of appointment to National Regulator;
 - f. board approved minimum criteria for the function and the basis on which the Relevant Person satisfies these;
 - g. date and result of last Board fitness and propriety assessment;
 - h. due date of next Board fitness and propriety assessment;
 - i. date of removal from function;
 - j. date of Board approval for removal from function;
 - k. date of notification to National Regulator of removal from function; and
any other details considered necessary from time to time to evidence IDA's compliance with this policy and the regulatory requirements;
 - ii. ensuring that all notifications required to be made by IDA to the National Regulator in respect of the appointment or removal of a Relevant Person are submitted in the prescribed manner and within the prescribed time limit;
 - iii. assisting the Board in the performance and documenting of its pre-appointment and ongoing fitness and propriety assessment of Relevant Persons;
 - iv. monitoring and reporting to the Board on the execution and implementation and any identified breaches of this policy;
-

- v. Ensuring the proper implementation of policies and procedures, so that the management person responsible for IDA’s insurance distribution activities (the “relevant person”) as well as any employee of the Company directly involved in the carrying out of insurance distribution activities (the “relevant employee”) perform their duties adequately in accordance with the requirements of Chapter 7 of the Insurance Distribution Rules;
- vi. Ensuring that the Board of Directors assesses the relevant person’s and the relevant employee’s knowledge and ability against the requirements set out in Chapter 6 of the Insurance Distribution Rules.

To assist the Board in overseeing the execution and implementation of this policy, the Compliance Officer shall keep the report to the Board on the Fitness and Propriety questionnaires completed on an annual basis.

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
Claire Le Poidevin / Jonathan Kemp	Designated Actuary – BWC Limited
Mazars Consulting Limited	Internal Audit
Willis Towers Watson – Insurance Managers	Risk Management

B.3 Risk Management System including ORSA

The Company’s Risk Management Function is outsourced to Willis Towers Watson Management (Malta) Limited, subject to the conditions outlined in the Company’s Outsourcing Policy.

The Board reviews the composition of its Risk Management Function at least annually.

The acceptance of risk is fundamental to the Company and a core element of the overall strategic objectives as an insurance company.

IDA therefore recognizes the importance of having an effective risk management system embedded throughout all areas of the Company.

The Company’s Risk Management System is comprised of the following elements;

- Risk Register
- Risk Appetite Statement (RAS)
- Formal Policy Documents for all key risks
- Own Risk and Solvency Assessment (ORSA)

- Formalised Risk Reporting

Each of the elements of the Risk Management System detailed above contribute to the identification, measurement, monitoring, management and reporting of risks and is intended to work as an integrated system, and therefore each should be considered in both in terms of the specific function of the respective element, and in terms of its function within the overall system.

Each element of the system shall be embedded effectively within the Company and managed by the Risk Management Function with appropriate oversight from the Board.

B3.1 Risk Management Approach

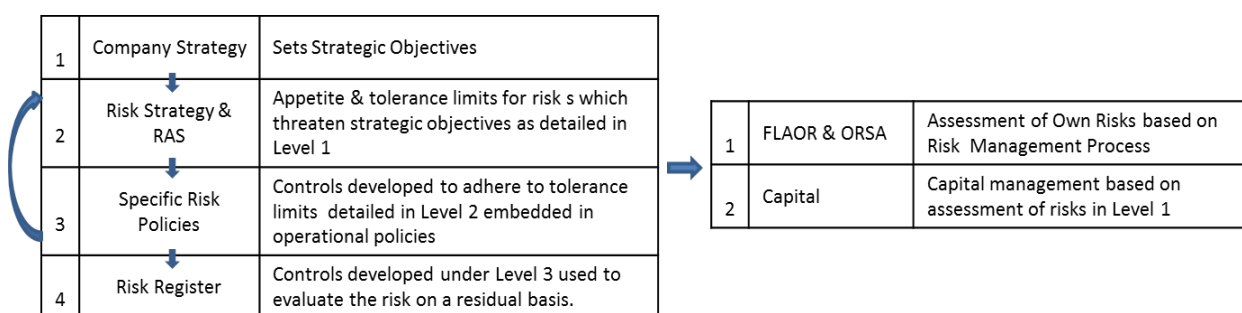
Risk management is the continuous approach and dynamic process that aims to guide the Company to understand, evaluate and assess all of its risk with a view to increasing the successful achievement of its strategic objectives and reducing the likelihood of the unwanted risk.

Risk management is integral to the Company's corporate governance, business strategy and ORSA. The framework consists of an effective program led by senior management, which clearly identifies risk appetite; risk policies, standards, roles and responsibilities for managers and other employees involved in the management of risk.

Thus, the Company's risk management approach is centred on ensuring the inherent risk which the Company faces in the course of its business is appropriately managed to ensure the strategic objectives are achieved.

A direct linkage from strategic to operational levels is established through a cascading of the principles of the hierarchy down to the immediate sub level. This approach also ensures that risk management is appropriately included in the Company's decision-making processes.

The following level hierarchy summarises this approach;



B3.2 Risk Profile

The risk profile of IDA is included in the latest ORSA report. The Company's risk profile is formally reviewed at least annually as part of the Company's ORSA exercise. The Risk Management Function monitors the Company's risk profile and the corresponding risk management arrangements in place on an annual basis and report to the Board on any observed material changes.

B3.3 Risk Function

The Risk Function of the Company is responsible for the operational coordination and application of all Risk Management activities throughout the Company on an ongoing basis.

The Risk Function reports directly to the Board on an annual basis or upon occurrence of an event which could materially impact the Company's risk profile.

The Function is responsible for coordination of all risk management activities throughout the Company. The Function is also responsible for providing the Board with assistance and support in development and implementation of the various risk management arrangements within the Company.

B3.4 Risk Categories & Key Risks

Key risks are considered to be the six risk categories detailed in the Solvency II Directive text together with any other risks evaluated as being key risk through the operation and activity of the Risk Management Function and approved by the Board.

All risks, aside from those which fall within the risk categories prescribed in the Solvency II text, shall be considered to be a key risk if, on a residual basis, a material level of capital is deemed to be required in order to accept the risk, or if particular controls or risk mitigation techniques specific for the risk in question must be employed.

Each of the key risks is included in the Risk Appetite Statement and is subject to a specific policy document which addresses how the risk is to be managed in line with the hierarchy outlined previously.

The risk categories and key risks to which the Company is exposed is reviewed periodically by the Risk Management Function and at least;

- annually
- on occurrence of an event which could materially affect the Company's risk profile
- on the introduction of material new business
- at the discretion or order of the Board

B3.5 Risk Appetite Statement

The Company has in place a Risk Appetite Statement ("RAS"). The RAS sets out the risk appetite and tolerance levels for all key risks over the planning period of the Company.

The Company considers the RAS to be the primary element of the Risk Management System, directly linking to the overall Company Strategy and determining the levels retained for each key risk, and also influencing the nature of the controls and mitigation techniques employed to ensure that the risk remains within the tolerable range.

The Board is responsible for setting the Company's RAS. The Board shall periodically review the appropriateness and effectiveness of the RAS and will perform a formal review of the RAS at least annually or upon a material change in the Company's risk profile.

The RAS includes both qualitative and quantitative aspects for each key risk and is aligned to the planning period of the Company.

The RAS is included in the decision-making processes of the Company. The Board, before finalizing any material decision which could impact the risk profile of the Company, refer to the RAS for guidance as to the likely effect of the decision on the tolerance levels of the Company.

The RAS is also used to track actual performance against the metrics detailed in the RAS to ensure that no breach in the agreed tolerance levels has occurred.

Monitoring of the actual performance against the metrics identified in the RAS is performed periodically by the Risk Management Function and reported to the Board in line with the reporting trigger system included in the RAS.

B3.6 Risk Policies

The Company holds a formal policy for each key risk included in the RAS. The policies for each specific risk are consistent with the details contained in the RAS relating to the risk in question. The controls, reporting triggers and any other relevant aspects of the management of the risk are appropriately reflected in the policy for the risk.

B3.7 Risk Register

The Company has in place a comprehensive Risk Register to evaluate and assess the risks to which the Company is exposed.

The Risk Register initially assesses the risk universe of the Company on an inherent basis. The controls and risk mitigating techniques employed by the Company and as detailed in the individual risk policies which act on the risk allow for an evaluation of the risk on a residual basis.

If the risk on a residual basis is deemed to potentially require a material level of capital to accommodate the risk, this risk is considered a key risk and is considered for inclusion in the RAS by the Board and a policy developed.

The Risk Management Function is responsible for the ongoing maintenance of the Risk Register. The Risk Register is updated on at least an annual basis and upon the occurrence of an event which may materially impact the Company's risk profile.

A summary of the results of the Risk Register is distributed to the Board upon completion of each review as soon as is practicable and form part of the Risk Management Function's periodic Risk Reporting.

As part of each update, the Risk Register is reviewed by the Risk Management Function to ensure that the Risks included represent all the material risks to which the Company is exposed and that all applicable emerging risks have been appropriately included.

Where an emerging risk has been identified as one which should potentially be included in the Risk Register, the Risk Function will advise the Board of the nature and context of the risk. The Board then shall determine whether the risk in question should be considered as a Key Risk.

B3.8 ORSA

The Company aims to ensure that the Company is appropriately and prudently capitalized in order to accept the risk to which the Company is exposed. In order to ensure this, the Company performs an ORSA at least annually and upon the occurrence of an event which may materially impact the Company's risk profile. The Company maintains separate policies on ORSA and Capital Management.

B3.9 Risk Reporting

The Risk Management Function formally reports to the Board on at least an annual basis. The report contains details of the outcome of the Risk Register review, the results of the comparison of the RAS to actual results and an update on emerging risks.

The Risk Management Function is responsible for the development of the Risk Reports. The Risk Management Function provides a report to the Board based on the occurrence of an event which materially alters the risk profile of the Company or if the tolerance level triggers are detonated.

The Risk Management Function comments on the quality of the data used in the Risk Management System and advise the Board where data quality issues may distort or mislead results.

ORSA Approach

The Board believes the ORSA process to be an important component of the Company's overall Risk Management System.

The IDA's ORSA approach is based on recognized Enterprise Risk Management principles and considers the Company's risk, controls and capital in a coordinated and holistic manner, building upon the strength of the risk management arrangements in place within the Company.

The Board is satisfied that the Company's ORSA approach is commensurate with the nature, scale and complexity of the Company's operations.

The risk profile of IDA can be found in the Company Strategy section of the latest ORSA report and is updated at least on an annual basis.

The Board is satisfied that they have a strong understanding of the risks to which the Company is exposed and that the controls and risk mitigation techniques in place provide appropriate protection to the Company's strategic objectives.

Based on this, the Board is satisfied that they can assess the range within which risk is expected to materialize with an adequate level of confidence. This assessment can be made for each material risk to which the Company is exposed allowing the Company to assess the range within which the risk is likely to fall with an appropriate level of confidence on a risk-by-risk basis. This risk range can then be used as a basis for profiling each material risk that the Company is exposed to over the planning period. This will provide an 'expected' risk assessment under normal business conditions.

The assessment made for a given risk should be corroborated by the observed actual results of how IDA has managed this risk over the preceding periods. The findings of the Risk Management Function as documented in the reports produced by the function should also serve to corroborate the basis for risk assessments made.

An appropriate level of stress test should be applied to the overall risk assessment process. The stress test should adversely affect the outcome of the risk profiled on an expected basis. An overall 'risk capital' amount can then be determined for each material risk individually and for the Company's overall business over the planning period. The Board believes that this approach focuses on the risks assumed by the Company, the effectiveness of the controls and risk mitigation techniques employed and the resultant level of capital held by the Company for each of these risks on an individual and aggregated level, and therefore directly links the risk profile, tolerance limits and overall capital and solvency needs of the Company in line with ORSA requirements.

B.4 Internal Control System

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 as the Risk Management and Compliance function holders comprise the second line of defence. The managers provide independent oversight of the activities performed within the first line. The Investment Committee is the second line of defence for investments.
- Third line: The third line of defence comprises the Internal Audit function. Senior managers are attendees of risk governance committees.

The Company is fully committed to compliance with the requirements of the MFSA and all applicable legislation and regulations (collectively known as the Company's "Compliance Obligations"). The Board of Directors is fully committed to ensuring that the Company's activities remain within the boundaries of these "Compliance Obligations".

In order to demonstrate the Company's ongoing commitment to compliance, a submission is made by the appointed Compliance Officer to the Board of Directors at each Board meeting. This reporting activity addresses how the Company is achieving full compliance, if there are any breaches and how such breaches are being rectified.

In terms of the Compliance Policy

- The Company has appropriate policies and procedures as are required to ensure that it can meet its Compliance Obligations;
- the Company prepares on an annual basis an appropriate Compliance Plan, in order to set the compliance objectives and detailing the actions to be taken by the Compliance Function;
- a program of monitoring is implemented to assess the Company's fulfilment of its Compliance Obligations;
- the Company maintains/retains documentary evidence to support the conclusions reached regarding the status of its Compliance.

In assessing the requirements

- All the legal, regulatory and statutory code requirements underlying the Compliance Obligations and under which the Company is authorised and licensed to operate are identified on an annual basis as being the Compliance Universe for the Company and included into the annual Compliance Plan of the undertaking;
- the Compliance Universe of the Company is updated according to any new legislation, regulations, standards or guidelines enacted or introduced during the year;
- the detailed requirements of the Company's Compliance Obligations are monitored and documented into the Compliance Audit Statement in order to identify the current state/method of compliance and any deficiencies; and
- any identified deficiencies or breaches are brought to the attention of the Board of Directors and a relevant action plan is prepared, thus identifying the specific actions to be taken, the relevant owner and a reasonable timeframe for completion.

Policies and procedures in support of the Company's Compliance Obligations are documented and the Company ensures that these policies and procedures are "fit for purpose" and are appropriate and proportioned to the nature, scale and complexity of the business of the undertaking; and once adopted, are reviewed annually.

Prior to being adopted, all policies and procedures are approved by the Board and all relevant Personnel are made familiar with the Company's policies and procedures to ensure the effective performance of their roles in accordance with the Company's Compliance Obligations. The Company ensures that Risk Based ongoing monitoring and oversight procedures are implemented to enable it to clearly demonstrate the fulfilment of its Compliance obligations.

Individuals whose role requires them to have compliance competencies are made aware of and receive appropriate training in respect of the requirements of the Company's Compliance Obligations.

B.5 Internal audit Function

Internal audit primarily provides an independent and objective opinion to the Board and Management of the Company, and to its supervisory authority as necessary, on the functioning, adequacy and effectiveness of the company's system of governance, internal controls and risk management framework, and on compliance with the Company's established policies and procedures, internal strategies and reporting requirements. The Internal Audit findings are also of benefit to line management in the audited areas.

Internal Audit is independent of the organisational and operational activities which it audits to ensure that the judgements essential to its proper conduct and impartial advice to management are objective and unbiased. The Company commits itself to ensuring that the Internal Audit Function is not subject to influence from the Board of Directors that can impair its operational independence and impartiality. Given the size of the Company, the Internal Audit Function reports on a regular basis directly to the Board of Directors. It is free to express its opinions and to disclose its findings and appraisals to the whole Board.

Under the authority conferred on it by the Board of Directors, Internal Audit has UNRESTRICTED ACCESS to all records, including management information and Board and Board committees minutes, assets, third party service providers (TPSP) and their premises and has the authority to obtain such

information and explanations as it considers necessary to fulfil its responsibilities, by direct communication with all members of staff of TPSPs.

By order of the Board of Directors all business units are obliged to inform the internal audit function when control deficiencies are recognised, losses are sustained or there is a definite suspicion concerning irregularities.

Internal Audit is required to operate to the standards of the International Institute of Internal Auditors or similar standards. It fulfils its role by systematic review and evaluation of risk management, control and governance which comprises the policies, procedures and operations that management have put in place to:

- establish, and monitor the achievement of, the company's objectives;
- identify, assess and manage the risks to achieving the organisation's objectives;
- ensure the economical, effective and efficient use of resources;
- ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

In order to support this role the Internal Audit Function is required to maintain an audit strategy in line with the best practice guidance issued by the International Institute of Internal Auditors or any guidance issued by EIOPA or local regulators that is more specific to the internal auditing of insurers.

Reporting

Following an audit, once reports have been agreed and finalised with line managers of the audited unit, a copy of the final report is copied to the following:

- TPSPs responsible for the area in question;
- Members of the Board of Directors.

These written reports are issued regardless of whether material shortcomings have been found. The Board, supported by the Management, determines what actions are to be taken with respect to each of the internal audit finds and recommendations and ensures that these actions are carried out.

The Internal Auditor is required to submit an annual report to the Board, providing the Internal Audit's (IA) overall opinion on corporate governance, risk management and control within the Company, (including any branches, agencies and TPSPs) and any major shortcomings with regard to the compliance with internal policies, procedures and processes. This report includes recommendations on how to remedy inadequacies, including the envisaged period of time to remedy such shortcomings, and also addresses how past points of criticism and past recommendations have been followed up.

The internal audit function prepares an audit plan setting out the audit work to be undertaken in the upcoming business year(s). The audit plan is based on a methodical risk analysis, taking into account all activities and the complete system of governance, as well as expected developments of activities and innovations. On the basis of the result of this risk analysis, a detailed plan for the upcoming year, with an outline plan for the following 3 years, is established.

The plan allows for the review, within a reasonable period of time based on the audit cycle principle, of all significant activities, taking into consideration how often important areas of the company require scrutiny.

During the course of the year the detailed plan is varied as necessary to take account of altered circumstances and new or emerging risks, with the approval of the Board.

The IA can be outsourced to a specialised TPSP or to the Internal Audit function of the Group. The Board will need to ensure that the TPSP or Group have the resources necessary for the delivery of the IA service for the year(s) ahead.

The Board of Directors is entitled to instruct the Internal Audit Function to perform any other special tasks as deemed appropriate.

B.6 Actuarial function

IDA outsources the Actuarial Function to take advantage of external expertise. This critical operational service is outsourced to BWCI Limited. BWCI 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:

- 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 Board 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;
 - Perform the calculation of SCR and MCR
 - Carry out investigations in relation to the claims experience and the expenses of the company
- k. Attend Board of Directors meetings as required by the Company
- l. Liaise with the Company's auditors as necessary
- m. Prepare the pillar 3 reports relating to the Actuarial function

B6.1 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, BWCI 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.

B6.2 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.

B6.3 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.

B6.4 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.

B6.5 Contributing to the effective implementation of the risk-management system

BWCI 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.

B.7 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 objectives and high-level principles of the outsourcing policy are;

- that the risks associated with outsourcing are appropriately managed and that the Company has adequate measures in place to identify, measure, monitor, manage and report these risks in a timely manner as part of the Company’s overall risk management system;
- that outsourced service providers have the appropriate expertise and experience and resources to undertake the outsourced activities to the standards required by the Company;
- that there is no reduction in the Board of Directors’ (“the Board”), and where applicable a relevant sub committee’s responsibility for, or influence over, key functions of the Company as a result of outsourcing;
- that there is no material impairment of the quality of the Company’s System of Governance as a result of outsourcing a key activity or function;
- that the Company’s approved policies and procedures are adhered to by the outsourced service provider;
- that there is no material impairment of the Company’s ability to fulfil its obligations to stakeholders, nor impede effective supervision by regulators as a result of outsourcing a key activity or function;
- that no material conflicts of interest result from outsourcing a key function or activity;
- that all outsourcing arrangements are supported by appropriately detailed written agreements

The Board is responsible for the approval, application and review of the Outsourcing Policy.

The Board is ultimately responsible for the approval of and termination of all outsourcing arrangements of critical or important functions and activities.

The Board may delegate the on-going monitoring and supervision of outsourcing arrangements to a subcommittee of the Board.

All functions and activities of the Company are eligible to be outsourced provided that each of the objectives detailed above are achieved in each instance.

A service provider may be either an entity from within the Group (Internal Outsourcing) or an entity that is not part of the same (External Outsourcing), provided that the objectives detailed above are achieved in each instance.

Sub-outsourcing is allowable on the condition that the sub-outsourced service provider satisfies the Service Level Agreements requirements and is subject to approval from the Board.

All outsourcing relationships must be governed by written contracts in accordance with specific Service Level Agreement requirements.

Critical or important functions or activities include key functions of the Company's System of Governance and all functions and activities within the Company that are fundamental to carry out its core business.

The Board decides whether arrangements with third parties are deemed to fall within the scope of this Outsourcing Policy. The provision of services which do not form part of the Company's core activities need not be included within the scope of the policy.

Upon agreement by the Board to outsource a critical or important function, formal 'requests for proposal' ('RFP') should be sent to at least three potential providers where possible. The RFP shall specify the information required to allow the Board to evaluate the service provider based on the evaluation rationale detailed below.

The appointment of a service provider is subject to the following:

- An evaluation process must be undertaken prior to any decision on appointments.
- The evaluation process must include an assessment of the service provider's control framework, covering performance standards, policies, procedures, compliance, reporting, monitoring processes and BCP.
- The evaluation should also address other issues, such as business strategy, reputation, experience with the proposed outsourced activities and potential conflict of interest where the service provider is related to the Company or has arrangements with competitors.
- The Board may delegate the execution of the evaluation process to a subcommittee, function or Company representative provided no material conflict of interest arises from such delegation.
- The risks associated with the outsourcing of the activity or function, shall be considered and included in the evaluation process.
- The evaluation process should be appropriately documented with results presented to the Board for consideration.
- All decisions in relation to approval of outsourcing rest with the Board of Directors only.
- The Board shall ensure prior to appointment of a service provider that the service provider has checked the fitness and propriety of the key persons working on the function or performing the activity.
- The Board shall ensure that the outsourced service provider adheres to the Company's policies and that the effectiveness of the Company's system of governance is not lessened or compromised by the outsourcing arrangements.

This adherence to the Companies policies shall contribute to the evaluation process of the service provider as outlined in the following section.

- The Board shall review the performance of service providers acting in an outsource capacity on a periodic basis and at least annually.

- The Company shall ask each Critical Outsourced Function to complete a questionnaire to assess the continued appropriateness of its outsourcing arrangements.
 - The Board may delegate the responsibility for the performance evaluation to a subcommittee, function, Company representative or Group subject to conflict of interest considerations. The Board retains ultimate responsibility for all decisions in relation to outsourcing arrangements.
 - The performance of the service provider will be based on a comparison of the actual performance of the service provider in comparison with the required performance as per the agreed Service Level Agreement ('SLA').
 - The review shall also consider the requirement for the function or activity to be outsourced for the short, medium and long term.
 - The review process shall be adequately documented with results communicated to the Board for consideration.
- All decisions and actions points arising from the Board's considerations of the Company's outsourcing arrangements shall be appropriately actioned and documented.

Outsourcing risk shall be monitored by the Risk Management Function periodically in line with the Company's overall risk management arrangements and procedures, and be present in the Company's Risk Appetite and Risk Register as required.

The results of the assessment of the risks associated with outsourcing shall be documented and reported to the Board at least annually.

The following risks and related mitigations available should at least be considered as part of this process:

- The financial, reputational, and operational impact on the Company of the failure of a service provider to adequately perform the activity;
- The financial, reputational, and operational impact on the Company of service provider failure;
- The risk associated with increased considerations in Business Continuity Planning (BCP);

Consideration should be given as to whether all the risks associated with the outsourcing of an activity or functions are included in the Company's Risk Management System.

All outsourcing arrangements deemed within scope of the Company's Outsourcing policy must be undertaken using a written, legally binding Service Level Agreements ("SLA"). The SLA must document all components of the outsourcing arrangement between the parties.

The agreement shall have a termination clause.

The SLA shall specify the content, frequency and format of the service being provided.

The SLA shall specifically cover any subcontracting by the service provider, including any specific rules or limitations to such arrangements. The same terms that apply to the service provider, as outlined in the SLA, should apply to sub-contractors or outsourcing arrangements by the primary service provider.

The SLA shall include clauses enabling the Company to access documentation related to the outsourcing arrangement, and to conduct on-site visits to the service provider. This should include arrangements for the Company to meet directly with the service provider, and for the service provider to cooperate with the Company's requests for information and assistance. The regulatory and supervisory authority and the external auditor of the Company shall also have effective access to all information relating to the outsourced functions and activities, including carrying out on-site inspections at the business premises of the service provider. The regulatory and supervisory authority may also address questions directly to the service provider, to which the service provider shall reply.

The SLA shall require the service provider to disclose any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements.

With respect to default arrangements, the SLA shall clearly specify what constitutes a default event, identify how these are to be rectified and specify any indemnity provisions.

The circumstances that would lead to a termination of the outsourcing arrangement should be clearly specified in the SLA. It should set out possible reasons for terminating the arrangement and procedures to be followed in the event of termination, including notice periods, the rights and responsibilities of the respective parties and transition arrangements. The latter would address access to, and ownership of, documents, records, software and hardware. Termination clauses should also specify the time period over which the business activity continues to be undertaken by the service provider and its role in transitional arrangements. The service provider can only terminate the SLA with a period sufficiently long to enable the Company to find alternate solutions or service providers and without detriment to the continuity and quality of its provision of service to the policyholders.

The designated subcommittee/function/representative shall report on the performance of the various outsourced service providers against the agreed SLA as appropriate, and the finding will be documented appropriately.

The Risk Management Function shall report at least annually to the Board on the assessment of the risks associated with the outsourcing of the various functions as part of the overall risk monitoring and reporting arrangements of the Company.

B.8 Any other information

There are no other information to report on.

Section C – 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 & Compliance 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.

C.1 Underwriting 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 manages its 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.

C.2 Market Risk

C2.1 Interest Rate Risk

The Company is exposed to cash flow interest rate risk on debts instruments carrying a floating interest rate and to fair value interest rate risk on debt instruments carrying a fixed interest rate. Investments in equity instruments are not exposed to interest rate risk. Approximately 97% (2018: 96%) of the Company's debt instruments and cash and cash equivalents bear fixed interest rates.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing structure and by maintaining an appropriate mix between fixed and floating rate borrowings.

Should market prices at the end of the reporting period increase/decrease by 10%, with all other variables held constant, the impact on the Company's other comprehensive income would be +/- *EUR435,343* in 2019 (2018: +/- *EUR333,363*).

C2.2 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.

C.3 Credit Risk

The company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the company is exposed to credit risk are:

- Cash and cash equivalents
- Reinsurer's share of technical provisions
- Insurance and Other Receivables
- Loans and receivables
- Available-for-sale investments

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes. The Company manages its credit risk arising through its reinsurance arrangements by using "A" rated reinsurers or reinsurers that are part of an "A" rated group. When selecting a reinsurer the Company considers their relative security. The security of the reinsurer is assessed from public rating information and from internal investigations.

The Company is exposed to contract holders and insurance intermediaries for insurance premium due. Insurance receivables are presented net of any allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience,

is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to insurance receivables is limited as insurance receivables are due from related parties.

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.

Loans and receivables are term deposits held with quality financial institutions.

Available-for-sale investments comprise locally and foreign quoted bonds, locally and foreign quoted equities as well as an exchange traded fund. Quoted investments are acquired after assessing the quality of the relevant investments.

C.4 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 has to meet daily calls on its cash resources, notably from claims arising on its insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due. The Company manages this risk by adhering to its investment policy ensuring that an adequate amount of funds are invested in highly liquid investments.

Furthermore, 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.

C.5 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.

C.6 Other material risks**C6.1 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 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.

C6.2 Political Risk

The UK have voted in favour of exiting the European Union, and this has brought a period of increased market volatility. As a result, IDA plans to cease underwriting UK business once the UK exits the European Union whilst continuing underwriting through a licenced insurance broker.

Although, this change will give a rise to a loss of premium, it is expected it will be offset by fees for the provision of underwriting and claims handling to the eventual frontier/cover holder. On this basis, it is considered that the impact of the departure of the UK from the European Union will have minimal effect on the net contribution of this area of portfolio.

Investment of Assets in accordance with the Prudent Person Principle

The Company invests its assets in a manner to ensure the quality of security, performance and its convertibility into cash for its life and non-life portfolio of investments.

The Investment Committee takes investment decisions based on Prudent Person Principle in the interest of policyholders and shareholders. The Committee manages the investments through an investment policy approved by the Board. The strategy allows instruments, within the tolerance levels, that can be identifiable, measured and monitored. The Committee ensures that the assets of the Company are held with a Custodian of good repute.

In particular, the Company invests in a prudent manner, in securities

- In countries with a stable outlook
- Which are sufficiently liquid
- Of high and good quality
- Not subordinate; and
- Not in government securities in countries included in the 'blacklist' of the Financial Action Task Force (FATF)

C.7 Any other information

There are no other information to report on.

Section D - Valuation for Solvency Purposes

D.1 Valuation of Assets

The valuation and measurement bases of assets under the International Financial Reporting Standards (“IFRS”) and Solvency II Directive with the valuation and recognition for material classes is as follows:

D.1.1 Investments (other than assets held for index-linked and unit-linked contracts)

IFRS

The Company’s investments are classified into the following categories – loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the Company may not recover substantially all of its initial investment other than because of credit deterioration. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the Company or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at their fair value.

Solvency II

All investments must be measured at fair value on the Solvency II balance sheet, regardless of the accounting portfolio under which they are classified. As the assets are reported on a fair value basis for IFRS and Solvency II, the only difference is the inclusion of the accrued interest received in the investments in bonds as required for Solvency II purposes.

D.1.2 Intangible asset

IFRS

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite.

Solvency II

For Solvency II balance sheet, intangible asset has been set to zero since these assets cannot be sold separately hence they have a zero-market value.

D.1.3. Plant and equipment**IFRS**

The Company's plant and equipment relates to the computer equipment acquired during the year. Plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company's plant and equipment relates to the computer equipment acquired during the year.

Solvency II

For Solvency II balance sheet, plant and equipment should be revalued at fair value. Since the amount of the plant and equipment is not material, the carrying value of the computer equipment as at balance sheet date was deemed to approximate its fair value.

D.1.4 Deferred acquisition costs**IFRS**

Acquisition costs comprise all direct and indirect costs arising from entering into general insurance contracts. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent those acquisition costs incurred in respect of unearned premiums existing at the end of each reporting period.

Solvency II

There is no concept of Deferred acquisition costs in Solvency II hence the account has nil value per Solvency II balance sheet.

D.1.5 Deferred tax asset**IFRS**

Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences 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. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Solvency II

Assets and liabilities are measured on an economic basis under Solvency II. This creates a difference in valuation as compared with IFRS. As a consequence a further profit/ loss can arise as compared with the accounting basis, with an associated deferred tax liability/ deferred tax asset.

D.1.6 Cash and cash equivalents**IFRS**

Cash and cash equivalents comprise of cash balances and term deposits with an originating maturity of three months or less.

Solvency II

There are no differences between the recognition and valuation for cash and cash equivalent for Solvency II and IFRS balance sheet.

D.1.7 Reinsurance recoverables**IFRS**

Reinsurance assets consist of receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting period. Such assets are deemed as being impaired if objective evidence exists, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer

Solvency II

On a Solvency II valuation, these reinsurance recoverables are valued on a best estimate basis.

D.1.8 Receivables**IFRS**

Receivables are stated at their nominal value unless the effect of discounting is material, in which case receivables are measured at amortised cost using the effective interest method.

Solvency II

There are no differences between the recognition and valuation for receivables for Solvency II and IFRS balance sheet except for the accrued interest receivable which are reported as part of the investments for Solvency II purposes.

D.1.9 Inventories

None held at year end.

D.1.10 Leases

None held at year end.

D.1.11 Related undertakings

These are covered under investments

Summary of Differences between IFRS and Solvency II valuation

	Solvency II value	Statutory accounts value	Reclassification adjustments
	C0010	C0020	EC0021
Assets			
R0010 Goodwill			
R0020 Deferred acquisition costs		373,910.00	
R0030 Intangible assets	0.00	472,834.00	
R0040 Deferred tax assets	314,689.29	22,480.00	
R0050 Pension benefit surplus	0.00		
R0060 Property, plant & equipment held for own use	659.33	659.33	
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	6,518,195.72	6,471,763.78	0.00
R0080 <i>Property (other than for own use)</i>	0.00		
R0090 <i>Holdings in related undertakings, including participations</i>	0.00		
R0100 <i>Equities</i>	449,116.92	449,116.92	0.00
R0110 <i>Equities - listed</i>	449,116.92	449,116.92	
R0120 <i>Equities - unlisted</i>	0.00		
R0130 <i>Bonds</i>	4,399,856.92	4,353,424.98	0.00
R0140 <i>Government Bonds</i>	505,151.22	501,218.04	
R0150 <i>Corporate Bonds</i>	3,894,705.70	3,852,206.94	
R0160 <i>Structured notes</i>	0.00	0.00	
R0170 <i>Collateralised securities</i>	0.00	0.00	
R0180 <i>Collective Investments Undertakings</i>	279,291.98	279,291.98	
R0190 <i>Derivatives</i>		0.00	
R0200 <i>Deposits other than cash equivalents</i>	1,389,929.90	1,389,929.90	
R0210 <i>Other investments</i>	0.00	0.00	
R0220 <i>Assets held for index-linked and unit-linked contracts</i>			
R0230 <i>Loans and mortgages</i>	0.00	0.00	0.00
R0240 <i>Loans on policies</i>	0.00		
R0250 <i>Loans and mortgages to individuals</i>			
R0260 <i>Other loans and mortgages</i>			
R0270 <i>Reinsurance recoverables from:</i>	2,317,508.68	2,873,366.90	
R0280 <i>Non-life and health similar to non-life</i>	2,317,508.68	2,873,366.90	
R0290 <i>Non-life excluding health</i>	1,358,802.30	1,315,928.00	
R0300 <i>Health similar to non-life</i>	958,706.37	1,557,438.90	
R0310 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	0.00	0.00	
R0320 <i>Health similar to life</i>			
R0330 <i>Life excluding health and index-linked and unit-linked</i>			
R0340 <i>Life index-linked and unit-linked</i>			
R0350 <i>Deposits to cedants</i>	0.00		
R0360 <i>Insurance and intermediaries receivables</i>	1,563,611.02	1,551,024.16	
R0370 <i>Reinsurance receivables</i>	932,260.84	932,260.84	
R0380 <i>Receivables (trade, not insurance)</i>	90,963.59	149,979.00	
R0390 <i>Own shares (held directly)</i>	0.00		
R0400 <i>Amounts due in respect of own fund items or initial fund called up but not yet paid in</i>	0.00		
R0410 <i>Cash and cash equivalents</i>	1,150,835.73	1,150,836.00	
R0420 <i>Any other assets, not elsewhere shown</i>			
R0500 Total assets	12,888,724.20	13,999,114.01	0.00

Differences exist for Reinsurance Recoverables, Deferred Acquisition Cost, Investments and Intangible assets as described in detail below:

- Reinsurance recoverables**
 Reinsurance Recoverables represent the amounts expected to be received from reinsurers in respect of outstanding, incurred but not reported and future claims in respect of existing policies. They are calculated as the difference between Gross and Net provisions. On a solvency II valuation these are valued on a best estimate basis.
- Deferred Acquisition Cost (DAC)**
 There is no concept of Deferred Acquisition Costs in Solvency II. The premium provision only allows for future expense cash flows. For those policies already in-force. Initial expenses such

as up-front commission occurred in the past and so not been allowed in the premium provision.

- **Investments**

Within IFRS the accrued interest is not taken into consideration as part of the value of investments. Whereas within Solvency II figures it is being taken into consideration as part of bonds.

- **Intangible Assets**

The value of intangible assets in the SII balance sheet has been set to zero since these assets cannot be sold separately and hence they have a zero-market value.

D.2 Valuation of Technical Provisions

This section includes discussion of the technical provision valuations using Solvency II criterion including qualitative explanations for the main differences arising from their valuations using Solvency II and IFRS accounting.

Technical provisions are considered to be current in nature. The technical provisions are based on case by case estimates supplemented with additional provisions for incurred but not reported reserves ("IBNR") incurred but not enough reported ("IBNER") in those instances where the ultimate cost determined by the estimation techniques is higher. In addition, allowance is made for unexpired risks. The process used to calculate the 'ultimate cost' is by a continuous review and updating of its estimates arising from reported and unreported losses and establishes resulting provisions and adequate amounts recoverable under reinsurance. Adjustments from this review are reflected in the statement of comprehensive income. The process relies on the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for developing expectations of future events that are deemed to be reasonable in the circumstances.

The presence of claims which have been incurred but not reported is inherently uncertain, as is the outcome of claims notified and outstanding. Accordingly the directors have made estimates of the company's ultimate liabilities based on their knowledge and understanding of the business. The ultimate liability will vary as a result of subsequent events and may result in significant adjustments to the amounts recognised. A key variable in the estimation methodology applied is the initial loss ratio estimate.

The table below shows the IFRS results compared to Solvency II.

	Solvency II value	Statutory accounts value	Reclassification adjustments
	C0010	C0020	EC0021
Liabilities			
R0510 Technical provisions - non-life	6,071,705.21	6,639,424.88	
R0520 <i>Technical provisions - non-life (excluding health)</i>	3,232,740.31	3,369,592.53	
R0530 <i>TP calculated as a whole</i>	0.00		
R0540 <i>Best Estimate</i>	3,075,259.53		
R0550 <i>Risk margin</i>	157,480.78		
R0560 <i>Technical provisions - health (similar to non-life)</i>	2,838,964.89	3,269,832.35	
R0570 <i>TP calculated as a whole</i>	0.00		
R0580 <i>Best Estimate</i>	2,812,164.00		
R0590 <i>Risk margin</i>	26,800.89		
R0600 Technical provisions - life (excluding index-linked and unit-linked)	0.00	0.00	
R0610 <i>Technical provisions - health (similar to life)</i>	0.00		
R0620 <i>TP calculated as a whole</i>			
R0630 <i>Best Estimate</i>			
R0640 <i>Risk margin</i>			
R0650 <i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0.00		
R0660 <i>TP calculated as a whole</i>			
R0670 <i>Best Estimate</i>			
R0680 <i>Risk margin</i>			
R0690 Technical provisions - index-linked and unit-linked	0.00		
R0700 <i>TP calculated as a whole</i>			
R0710 <i>Best Estimate</i>			
R0720 <i>Risk margin</i>			

D.2.1 Methodology and Assumptions used in the Valuation of Technical Provision for Solvency II Purposes

The calculation of Technical Provision under Solvency II includes changes to the calculation of provisions for claims outstanding and premium provisions. It also introduced the calculation of a risk margin that is not considered under IFRS.

D.2.1.1 Premium Provision

The calculation of the best estimate of the premium provision relates to all future claim payments expected to arise from future events (post the valuation date) that are insured under the insurer's existing policies that have not yet expired and to all expenses associated with these policies.

Premium provision is determined on a prospective basis taking into account the expected cash-in and cash-out flows and time value of money. The expected cash flows for claims were determined by applying an appropriate prospective claims ratio to the Unearned Premium Reserve ("UPR"). An overall expense provision has been calculated separately and apportioned between the premium provision and claims provision

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

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

For the purpose of this valuation we have assumed that "Expenses", under the Premium Provision, include all expense items, except acquisition costs which are allocated to each line of business by the company.

The difference between the Premium Provision and the current UPR represents an expected source of profits (losses if negative) that are expected to emerge during the remaining duration of unexpired policies. (The cost of commission is not taken into account).

D.2.1.2 Claims Provision

The provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Thus, the components of the Claims Provision are the Case by Case Estimates (OSLR), the IBNR, the IBNER and the reserve for associated expenses. Under Solvency II, the reserves are discounted to allow for the time value of money.

D.2.1.2a Incurred but not enough Reported (IBNER)

This reserve captures the expected inadequacy of case estimates of outstanding claims. The methods used to calculate this reserve are the average cost per claim and the Bornhuetter-Ferguson method on incurred claims. The Bornhuetter-Ferguson method estimates ultimate losses from which incurred claims are subtracted to estimate the sum of IBNR and IBNER. The IBNER was determined by subtracting the IBNR calculation from the total reserve.

D.2.1.2b Incurred But Not Reported Claims (IBNR)

The Delay Method (average Cost per Claim) was applied. Nil claims have been excluded for the purpose of the calculation of the IBNR.

D.2.1.2c Large Losses

Large losses usually exhibit a development pattern different to that of attritional claims. Thus, including them in the valuation exercise would distort the results. The threshold for large claims in the valuation of 31.12.2019 was €200k and it was determined following thorough review of the data and identification of claims which follow an irregular pattern with respect to the pattern of the aggregate claims pool. The €200k represents the mid point of the retention of the company on liability claims hence any development above this amount will be ceded to reinsurer.

Any outstanding Large Claims, above the large threshold, were subsequently added to the calculated reserve at their book value. The small number of these claims makes it difficult to apply any statistical modelling for the purpose of their valuation. If large losses are reviewed and adjusted frequently and appropriately, the reported large loss case estimates can be considered as robust and as a valid reserving basis.

D.2.1.3 Risk Margin

The Risk Margin is designed to ensure that the value of technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the Company's insurance obligations. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company's reinsurance obligations over the lifetime thereof. This rate, called the Cost-of-Capital, is prescribed by EIOPA and currently stands at 6%.

The method used is method 2 as specified in Guideline 61 of the EIOPA guidelines on the valuation of technical provisions. More specifically, for each solvency II line of business a proportional method (based on the development of the best estimate) was used to estimate the future SCR.

For Legal Expenses and General Liability, the risk margin is allocated to the individual lines of business using the simplification outlined in Guideline 63 of the EIOPA guidelines on the valuation of technical provisions. Specifically the risk margin has been allocated to these individual line in proportion to their best estimate liabilities. This simplification is not required for Medical Expenses as the SCR and Risk Margin are calculated separately for this line of business.

D.2.1.4 Gross-to-Net Adjustment

Reinsurance Recoverables represent the amounts expected to be received from reinsurers in respect of outstanding, incurred but not reported and future claims in respect of existing policies. They are calculated as the difference between Gross and Net provisions. The Company has proportional reinsurance arrangements for the Medical Expense line of business.

For the General Liability line of business the Company has non-proportional reinsurance. The reinsurance recoverable was determined as the reinsurers' share of current outstanding large losses which have exceeded the reinsurance deductible.

There is no reinsurance in place for the Legal Expenses line of business.

D.2.1.5 Discounting

The reserve payment pattern for each line of business has been derived using the historical payment pattern as derived by the paid claims triangles. The euro risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA, has been used for discounting. As expected, the impact of discounting was very small due to the short-term nature of the business and the low interest rates.

D.2.2 Level of Uncertainty Associated with the Value of Technical Provisions

Management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are continually evaluated and reviewed and are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. As a result, actual results may differ from estimates.

Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future, and other key sources of estimation uncertainty, at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

Ultimate claims, when fully settled, will turn out to be different from the best estimates. This uncertainty results from a number of sources and is normal for any actuarial investigation. Some of the sources contributing to uncertainty include:

- The inherent uncertainty in the process of statistical estimation
- The extent to which past development patterns are an indication of likely future development patterns
- Uncertainty in the level of future claims inflation
- Uncertainty with regard to claim propensity and severity

The variability of reserve estimates was quantified using statistical techniques, based on the historical development claims.

In addition to the above, a number of methods have been used to calculate the reserve (i.e. the Bornhuetter Ferguson method and the Average Cost per Claim). With the methods, consideration has been given to events not in data (ENIDs).

D.2.3 Additional Disclosures

There were changes in the methodology used with respect to reserving for expenses to ensure that all appropriate administrative, investment management, claims management, and acquisition expenses were captured. In addition, consideration was given to events not in data (ENIDs) and an explicit allowance was made in respect of General Liability business. No other material changes in the methodology were made when compared to prior year.

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

The euro risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA, has been used for discounting.

D.2.4 Summary of Differences between Solvency II Valuation and IFRS Valuation

The main valuation principles of Solvency II leading to differences from reserves shown in the IFRS financial statements are:

- Removal of any implicit or explicit margin for prudence
- Allowance for time value of money through the discounting of future cash flows
- Allowance is possible for negative IBNER where it is expected that there will be a favourable development of case-by-case reserves
- In the calculation of the Premium Provision under Solvency II, an insurer may take credit for profits embedded in unexpired policies. Under IFRS valuation basis this is disallowed and any profits embedded in the UPR may not be recognised until the expiry of these contracts. An Additional Unexpired Risk Reserve (AURR) is mandatory only where it is positive but not when it is negative.
- The UPR/URR only allows for policies in force at the valuation date. The Premium Provision needs to include all policies that the insurer is obligated to, at the valuation date, including policies that have not yet incepted.
- There is no concept of risk margin under the current IFRS valuation

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

D.3 Valuation of Other Liabilities

The valuation of other liabilities of the Company other than technical provision for Solvency II and IFRS balance sheets are described as follows:

D.3.1 Bank overdrafts**IFRS**

Bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

Solvency II

There are no differences between the recognition and valuation for bank overdrafts for Solvency II and IFRS balance sheet.

D.3.2 Payables**IFRS**

Trade payables are classified with current liabilities and are stated at their nominal value. Current liabilities approximated their fair values due to the short term maturities of liabilities. Payables comprise (a) Insurance and intermediaries payable, and (b) Payables (trade, not insurance).

Solvency II

There are no differences between the recognition and valuation for payables for Solvency II and IFRS balance sheet.

Summary of Differences between IFRS and Solvency II valuation

Debts owed to credit institutions	150,000.00	150,000.00	0.00
<i>Debts owed to credit institutions resident domestically</i>	150,000.00		
<i>Debts owed to credit institutions resident in the euro area other than domestic</i>			
<i>Debts owed to credit institutions resident in rest of the world</i>			
Financial liabilities other than debts owed to credit institutions	0.00		0.00
<i>Debts owed to non-credit institutions</i>	0.00		0.00
<i>Debts owed to non-credit institutions resident domestically</i>			
<i>Debts owed to non-credit institutions resident in the euro area other than domestic</i>			
<i>Debts owed to non-credit institutions resident in rest of the world</i>			
<i>Other financial liabilities (debt securities issued)</i>			
Insurance & intermediaries payables	356,812.57	356,812	
Reinsurance payables	0.00	-	
Payables (trade, not insurance)	537,786.31	524,847	
Subordinated liabilities	0.00	0.00	0.00
<i>Subordinated liabilities not in BOF</i>			
<i>Subordinated liabilities in BOF</i>	0.00		
Any other liabilities, not elsewhere shown			
Total liabilities	7,116,304.09	7,671,083.88	0.00

There are no valuation differences for other liabilities other technical provision between the accounting criteria and the solvency II criteria.

D.4 Alternative Methods of Valuation

The Company does not make use of an internal model, of undertaking specific parameters to calculate the SCR. No matching adjustment is applied to the relevant risk free interest term structure.

D.5 Any Other Material Information

There is no other material information that has not already been disclosed in the sections above.

Section E – Capital Management

E.1 Own Funds

IDA has three components of own funds, two of which are tier 1 basic own funds; ordinary share capital, and retained earnings. One of which is tier 3 own funds; Deferred tax asset.

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

E.1.1 Analysis of Significant Changes of each Tier over the Reporting Period

Basic own funds movement:

Own Funds	Share Capital (Tier 1)	Surplus Fund (Tier 1)	Deferred Tax asset (Tier 3)	Total
	€'000	€'000	€'000	
Basic own funds at 30 June 2018	5,500	-38	34	5,496
Increase in share capital	350			350
Movement in surplus fund		38		38
Movement in Deferred tax asset			280	280
Basic own funds at 31 December 2019	5,850	0	314	6,164

The movement of the reconciliation reserve during the year is as follows:

Reconciliation reserve	€'000
Balance as at 30 June 2018	-1,074
Movement during the year	682
Balance as at 31 December 2019	-392

E.1.2 Material Differences between Equity as shown in the IFRS financial statements and the Excess of Assets over Liabilities under Solvency Purposes

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

Reconciliation between IFRS and Solvency II Valuations	€'000
Excess assets over liabilities as per Solvency II	5,772
Adjustments arising from Solvency II	
- Difference in valuation of assets	1,110
- Difference in valuation of technical provisions	-568
- Difference in valuation of liabilities	14
Equity as per IFRS	6,328

The movement in the valuation of assets and liabilities, as explained in Section D, arises from the differences between the IFRS and Solvency II principles as explained below:

- DAC and Intangible Assets is only included under IFRS
- Net Technical provision including risk margin making allowance of the time value of money
- Reinsurance payables is only included under IFRS

E.1.3 Eligible Amount of Own Funds to Cover the SCR and MCR

The MCR and SCR were calculated using the standard formula, and the eligible own fund are shown in the table below:

Eligible Own Funds €'000	Total	Tier 1		Tier 2	Tier 3
		Unrestricted	Restricted		
Total eligible own funds to meet the SCR	5,726	5,458	-	-	268
Total eligible own funds to meet the MCR	5,458	5,458	-	-	-
SCR	1,791	-	-	-	-
MCR	3,700	-	-	-	-
Ratio of eligible own funds to the SCR	320%				
Ratio of eligible own funds to the MCR	148%				

E.2 Capital Objectives and Policies

The Company's objectives when managing capital are:

- To comply with the obligations to maintain positive solvency position based on the regulatory requirements of the insurance market where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

The Company's Directors manage the Company's capital structure and make adjustments to it, in the light of changes in economic conditions. The capital requirement of the Company is maintained in accordance with regulatory solvency and capital requirements of the insurance market in which it operates.

The Company is financed by shareholders' total equity. The capital structure is reviewed on an ongoing basis. Based on recommendations of the Directors, the Company balances its overall capital structure through the payments of dividends, new share issues as well as the issue of new debt.

As of 1 January 2016, the Solvency II Directive (2009/138/EC) came into force, introducing new risk-based, regulatory requirements that ascertain the level of the required regulatory capital to be held on the basis of the risks that the Company is or can be exposed to. Solvency II also sets out the approach to be undertaken in order to establish the amount of Solvency II own funds, namely by converting the

Statement of Financial Position from an IFRS perspective to one where assets and liabilities are measured in line with their underlying economic value.

The Company'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.

The Directors were actively involved in the implementation of the Solvency II regulations, which are also highly embedded in the Company's operations. Regular monitoring of the Solvency Capital Requirement ('SCR') and the Minimum Capital Requirement ('MCR') is considered crucial. To this effect, a Capital Management Policy, outlining the main drivers of the SCR, was put in place to address the procedures and controls in this regard. In the case of any identified breaches with the SCR and MCR, the Directors have put in place a capital plan aimed at ensuring that the Company will restore its level of own funds to one which covers both the SCR and MCR.

E.3 SCR and MCR

E.3.1 Solvency Capital Requirements Split by Risk Modules

The table below sets out the risk modules making up the solvency capital requirement of the Company.

S.25.01.01
Solvency Capital Requirement - for undertakings on Standard Formula

Z0010

Article 112 Regular reporting

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	USP	Simplifications
	C0030	C0040	C0050	C0090	C0120
R0010 Market risk	1,088,628.45	1,088,628.45	0.00		
R0020 Counterparty default risk	398,859.32	398,859.32	0.00		
R0030 Life underwriting risk			0.00		
R0040 Health underwriting risk	206,972.22	206,972.22	0.00		
R0050 Non-life underwriting risk	562,443.15	562,443.15	0.00		
R0060 Diversification	-642,932.55	-642,932.55			
R0070 Intangible asset risk		0.00			
R0100 Basic Solvency Capital Requirement	1,613,970.59	1,613,970.59			
Calculation of Solvency Capital Requirement					
R0120 Adjustment due to RFF/MAP nSCR aggregation					
R0130 Operational risk		176,622.71			
R0140 Loss-absorbing capacity of technical provisions		0.00			
R0150 Loss-absorbing capacity of deferred taxes		0.00			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC					
R0200 Solvency Capital Requirement excluding capital add-on		1,790,593.30			
R0210 Capital add-ons already set					
R0220 Solvency capital requirement		1,790,593.30			
Other information on SCR					
R0400 Capital requirement for duration-based equity risk sub-module					
R0410 Total amount of Notional Solvency Capital Requirements for remaining part					
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds					
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios					
R0440 Diversification effects due to RFF nSCR aggregation for article 304					
R0450 Method used to calculate the adjustment due to RFF/MAP nSCR aggregation			No adjustment		
R0460 Net future discretionary benefits			0.00		

E.3.2 Input used for MCR calculation and material changes to MCR and SCR

The MCR was calculated based in the standard formula.

In addition to the above, the table below shows a comparison between the SCR as at 31st December 2019 and 30th of June 2018

Solvency capital requirement	2018 €'000	2019 €'000
Market risk	1,209	1,089
Counterparty risk	745	399
Life underwriting risk	-	-
Health underwriting risk	405	207
Non Life underwriting risk	738	562
Diversification effects	- 960	- 643
Basic SCR	2,137	1,614
Operational risk	197	176
Adjustments	-	-
SCR	2,334	1,790
MCR	3,700	3,700
Basic own funds (Assets-Liabilities)	4,388	5,772
Own Funds in excess of Solvency Capital requirement	2,246	3,857
Solvency Ratio	188%	320%

The MCR did not change over the period and remained at the level of the absolute MCR (AMCR) of EUR 3,700,000.

The most material movements are listed below:

-The material reduction in the Counterparty Default Risk (i.e. from €745k in 2018Q2 to €399k in 2019Q4) is mainly attributed to the reduction of the Insurance & intermediaries' receivables that have been outstanding for more than 3 months

-The decrease in the Health underwriting risk and Non-Life underwriting risk in 2019Q4 is mainly attributed to the reduction in the respective premium and reserve risk sub-modules, which in turn are due to lower premium and reserve volume measures for the majority of lines of business.

-The material increases in the Own Funds in 2019Q4 compared to 2018Q2 is mainly attributed to an increase in authorised and issued share capital, the sale of intangible assets and a reduction in the level of technical provisions.

E.4 Use of the duration-based equity risk sub-module in the calculation of the SCR

Duration-based equity risk sub-module is not used in the Company's SCR calculation.

E.5 Differences between the standard formula and any internal model used

As at 31st December 2019, the Company used solely the standard formula for its SCR calculation.

E.6 Non Compliance with MCR and SCR during the period

The Company was compliant at all times with the MCR and SCR requirements during the reporting period.

E.7 Any Other Material Information

There is no other material information that has not already been disclosed in the sections above.

IDA Insurance Limited

Solvency and Financial Condition Report

Disclosures

31 December
2019

(Monetary amounts in EUR thousands)

General information

Undertaking name	IDA Insurance Limited
Undertaking identification code	213800ACYSLJ63BM7N69
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	MT
Language of reporting	en
Reporting reference date	31 December 2019
Currency used for reporting	EUR
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02
Balance sheet

Solvency II value	
C0010	
	0
	315
	0
	1
	6,518
	0
	0
	449
	449
	0
	4,400
	505
	3,895
	0
	0
	279
	1,390
	0
	0
	0
	0
	0
	2,318
	2,318
	1,359
	959
	0
	0
	1,564
	932
	91
	0
	0
	1,151
	12,889

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

AC

S.02.01.02
Balance sheet

		Solvency II value
		C0010
Liabilities		
R0510	Technical provisions - non-life	6,072
R0520	<i>Technical provisions - non-life (excluding health)</i>	3,233
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	3,075
R0550	<i>Risk margin</i>	157
R0560	<i>Technical provisions - health (similar to non-life)</i>	2,839
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	2,812
R0590	<i>Risk margin</i>	27
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	150
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	357
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	538
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	
R0900	Total liabilities	7,116
R1000	Excess of assets over liabilities	5,772

AC

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance				Total Non-Life obligation		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance		Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	Technical provisions calculated as a whole																	
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM Best estimate																	
	Premium provisions																	
R0060	Gross	2,003							247		27							2,277
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	589							33		0							622
R0150	Net Best Estimate of Premium Provisions	1,414							214		27							1,655
	Claims provisions																	
R0160	Gross	809							2,773		29							3,611
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	370							1,326		0							1,696
R0250	Net Best Estimate of Claims Provisions	440							1,447		29							1,915
R0260	Total best estimate - gross	2,812							3,020		56							5,887
R0270	Total best estimate - net	1,853							1,661		56							3,570
R0280	Risk margin	27							152		5							184
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	Technical provisions - total Recoverable from reinsurance contract/SPV and	2,839							3,172		61							6,072
R0330	Finite Re after the adjustment for expected losses due to counterparty default - total	959							1,359		0							2,318
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	1,880							1,813		61							3,754

AC

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020

Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	Development year						C0110	C0170	C0180	
	0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)	
R0100	Prior											2	2	2
R0160	2010	0	0	0	0	0	4	1	0	0		0	5	
R0170	2011	0	0	0	0	0	55	3	0			0	59	
R0180	2012	0	0	0	0	22	1,482	7	23			23	1,534	
R0190	2013	0	0	11	25	192	43	35				35	306	
R0200	2014	0	308	303	76	26	46					46	759	
R0210	2015	1,454	1,644	234	88	158						158	3,579	
R0220	2016	969	1,216	785	35							35	3,004	
R0230	2017	423	1,453	429								429	2,305	
R0240	2018	984	1,438									1,438	2,422	
R0250	2019	1,493										1,493	1,493	
R0260												Total	3,658	15,467

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	Development year						C0300	C0360	
	0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)	
R0100	Prior											2	2
R0160	2010	0	0	0	0	0	47	39	26	21		22	
R0170	2011	0	0	0	0	0	25	17	3	0		0	
R0180	2012	0	0	0	0	109	22	24	39			39	
R0190	2013	0	0	0	284	429	385	124				125	
R0200	2014	0	0	1,740	255	2,284	32					32	
R0210	2015	0	202	1,114	237	1,742						1,756	
R0220	2016	786	456	114	63							64	
R0230	2017	699	61	172								173	
R0240	2018	4	496									499	
R0250	2019	894										899	
R0260												Total	3,611

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 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0230 Deductions for participations in financial and credit institutions

R0290 Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580	SCR
R0600	MCR
R0620	Ratio of Eligible own funds to SCR
R0640	Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
5,850	5,850		0	
0	0		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
-392	-392			
0		0	0	0
315				315
0	0	0	0	0
0				
0				
5,772	5,458	0	0	315
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
5,772	5,458	0	0	315
5,458	5,458	0	0	
5,726	5,458	0	0	269
5,458	5,458	0	0	
1,791				
3,700				
319.80%				
147.51%				
C0060				
5,772				
0				
6,165				
0				
-392				
0				

AC

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	1,089		
R0020 Counterparty default risk	399		
R0030 Life underwriting risk	0		
R0040 Health underwriting risk	207		
R0050 Non-life underwriting risk	562		
R0060 Diversification	-643		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	1,614		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	177		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes	0		
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	1,791		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	1,791		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate			
R0590 Approach based on average tax rate	0		
Calculation of loss absorbing capacity of deferred taxes			
LAC DT			
C0130			
R0640 LAC DT	0		
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

For health underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 2 - Standard deviation for NSLT health premium risk
- 3 - Standard deviation for NSLT health gross premium risk
- 4 - Adjustment factor for non-proportional reinsurance
- 5 - Standard deviation for NSLT health reserve risk
- 9 - None

For non-life underwriting risk:

- 4 - Adjustment factor for non-proportional reinsurance
- 6 - Standard deviation for non-life premium risk
- 7 - Standard deviation for non-life gross premium risk
- 8 - Standard deviation for non-life reserve risk
- 9 - None

AC

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

R0010 MCR_{NL} Result

C0010

473

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
C0020	C0030
1,853	2,311
0	0
0	0
0	0
0	0
0	0
0	0
1,661	604
0	0
56	320
0	0
0	0
0	0
0	0
0	0

- R0020 Medical expense insurance and proportional reinsurance
- R0030 Income protection insurance and proportional reinsurance
- R0040 Workers' compensation insurance and proportional reinsurance
- R0050 Motor vehicle liability insurance and proportional reinsurance
- R0060 Other motor insurance and proportional reinsurance
- R0070 Marine, aviation and transport insurance and proportional reinsurance
- R0080 Fire and other damage to property insurance and proportional reinsurance
- R0090 General liability insurance and proportional reinsurance
- R0100 Credit and suretyship insurance and proportional reinsurance
- R0110 Legal expenses insurance and proportional reinsurance
- R0120 Assistance and proportional reinsurance
- R0130 Miscellaneous financial loss insurance and proportional reinsurance
- R0140 Non-proportional health reinsurance
- R0150 Non-proportional casualty reinsurance
- R0160 Non-proportional marine, aviation and transport reinsurance
- R0170 Non-proportional property reinsurance

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

0

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
C0050	C0060

- R0210 Obligations with profit participation - guaranteed benefits
- R0220 Obligations with profit participation - future discretionary benefits
- R0230 Index-linked and unit-linked insurance obligations
- R0240 Other life (re)insurance and health (re)insurance obligations
- R0250 Total capital at risk for all life (re)insurance obligations

Overall MCR calculation

- R0300 Linear MCR
- R0310 SCR
- R0320 MCR cap
- R0330 MCR floor
- R0340 Combined MCR
- R0350 Absolute floor of the MCR
- R0400 **Minimum Capital Requirement**

C0070

473
1,791
806
448
473
3,700
3,700

AC

Independent auditor's report

to the directors of
IDA Insurance Limited

Opinion

We have audited the following relevant elements of the Solvency and Financial Condition Report ("SFCR") prepared by IDA Insurance Limited (the Company) as at 31 December 2019:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2019, ('the Narrative Disclosures subject to audit'); and
- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21, S.28.01.01 ('the Templates subject to audit')

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

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

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR; and
- Company templates S.05.01.02, S.05.02.01, S.19.01.21.

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2019 is prepared, in all material respects, in accordance with the Insurance Business Act (Cap. 403), regulations and Insurance Rules issued thereunder, the Commission Delegated Regulation and the European Commission Implementing Regulation (EU) 2015/2452 (hereafter referred to as "the relevant legislation").

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

Other Information

The Directors are responsible for the Other Information.

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

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Independent auditor's report (continued)

to the directors of
IDA Insurance Limited

Other Information (continued)

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

We have nothing to report in relation to these matters.

Responsibilities of the Directors for the Solvency and Financial Condition Report

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the relevant elements of the SFCR, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report (continued)

to the directors of

IDA Insurance Limited

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the relevant elements of the SFCR or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the relevant elements of the SFCR, including the disclosures, and whether the relevant elements of the SFCR represent the underlying transactions and events in a manner that achieves fair presentation.

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

Use of our Report

This report is made solely to the Directors of the Company in accordance with our engagement letter dated 11 September 2019. We acknowledge that our report will be provided to the MFSA for the use of the MFSA solely for the purposes set down by Chapter 8 of the Insurance Rules issued under the Insurance Business Act (Cap. 403). Our audit work has been undertaken so that we might state to the Company's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the MFSA, for our audit work, for this report or for the opinions we have formed.



Ian Coppini as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta.

18 May 2020

Addendum of “Solvency and Financial Condition Report 2019” IDA Insurance Limited

Report on the financial condition of International Diving Insurance Ltd., Valletta (Malta), Baar Branch

Management Summary

FINMA has defined its expectations for the disclosure of information on Swiss business in paragraphs 18-24 (Business activity), 25-34 (Performance) and 102 (Quantitative templates "Performance") of FINMA Circular 2016/2 "Disclosure – insurers".

International Diving Insurance Ltd., Valletta (Malta), Baar branch (IDA Baar) publishes following information in the “Solvency and Financial Condition Report” of headquarter (IDA).

The reporting period corresponds to the calendar year 2019, i.e., it starts on 1 January 2019, and lasts until the reporting date, 31 December 2019. Unless mentioned otherwise all monetary figures are gross of reinsurance and stated in EUR, IDA's functional currency. At the reporting date it traded at 1.0852 CHF for balance sheet amounts and at 1.1125 CHF for premium and claim amounts.

There are no major changes during the calendar year in comparison with previous year. The only point worth mentioning is that IDA Baar has used a new reserving policy that has minimal impact on the technical reserves. In addition, the company has decided to allow negative IBNR in the statutory balance sheet.

There is one main exceptional event during the calendar year in comparison with previous year. Indeed, IDA decided not to renew the reinsurance contracts for the second half of the reporting year. That has a substantial impact on the net technical reserves.

1. Business activity

IDA is licensed by the Malta Financial Services Authority (MFSA). It is a niche non-life on-line insurer specialized in providing worldwide assistance, medical emergency, accident benefits, liability covers and legal indemnities and services to scuba divers and the scuba diving supporting industry. IDA Baar was established and licensed by FINMA in October 2012, and since January 2013 it underwrites

- Accident (Acc)
- Legal Expenses (LEx)
- General Liability (TPL)

coverages in Switzerland. IDA Baar operates online in the same fashion as the rest of IDA's worldwide business, and it accounts for ca. 6% of its volume.

IDA Baar has outsourced most of its activities in Switzerland and does not employ any individuals within the country. Therefore, the branch has an annual average of 0 full-time positions. There are no activities in research and development and there have been no extraordinary events which would impact IDA Baar.

No significant changes are expected in the market conditions or claims patterns for the modest size existing portfolio. The strategy and the aims of IDA Baar are aligned with those of the headquarter, and therefore we refer to its "Solvency and Financial Condition Report".

Deloitte (Deloitte AG, General-Guisan Quai 38, 8002 Zürich) is since the licensing the external auditor of IDA Baar and Emel Can Harrison is the responsible auditor.

2. Performance

2.1. Underwriting performance

During the reporting period IDA Baar wrote overall ca. 405'000 EUR (ca. 402'000 EUR in 2018) in gross premium, where more than 75% was generated by the Acc line of business, as depicted in the figures below:

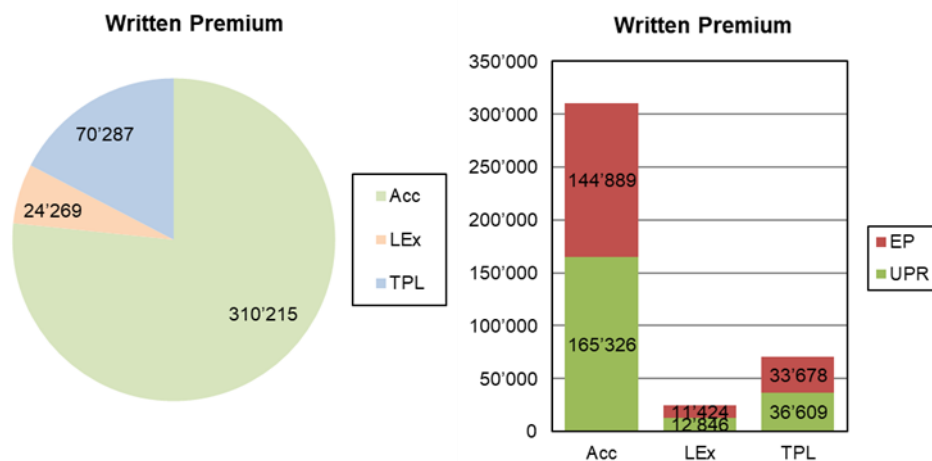


Figure 1: All monetary figures are stated in EUR and are gross of reinsurance.

At the reporting date IDA Baar was exposed to ca. 5'600 risk-attaching policies (ca. 5'500 in 2018), most of which covering the three underwritten lines of business. 56 open claims all stemmed from the Acc line of business (52 in 2018), except only two small TPL claims. Moreover, only 20 claims stemmed from policies written in previous years (7 in 2018).

The gross paid losses and outstanding case reserves amounted to ca. 56'000 EUR (ca. 57'000

EUR in 2018) and 62'000 EUR (ca. 33'000 EUR in 2018) respectively, as depicted in the figure below. One claim reserved with ca. 15'000 EUR dominates the increase of the outstanding case reserves.

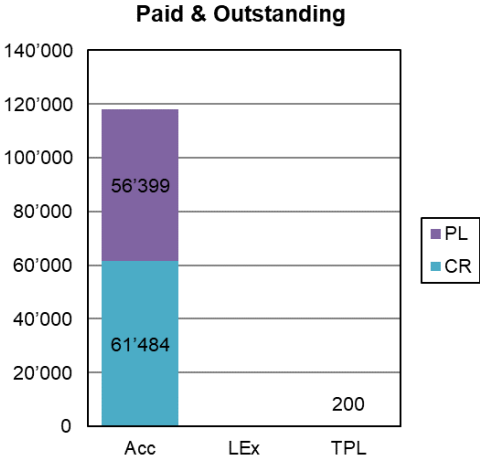


Figure 2: All monetary figures are stated in EUR and are gross of reinsurance.

At the reporting date IDA Baar’s gross costs from insurance business amounted to ca. 210'000 EUR (ca. 200'000 EUR in 2018). IDA Baar did not report any anomalous development during the reporting period. Its underwritten risks are identical, and its business volume has now saturated with a slight organic increase. On the claims side, the comparison with the previous period shows that the amount of claims paid has remained stable, while the outstanding case reserves have almost doubled.

The development of the principle items is depicted in the figure below:

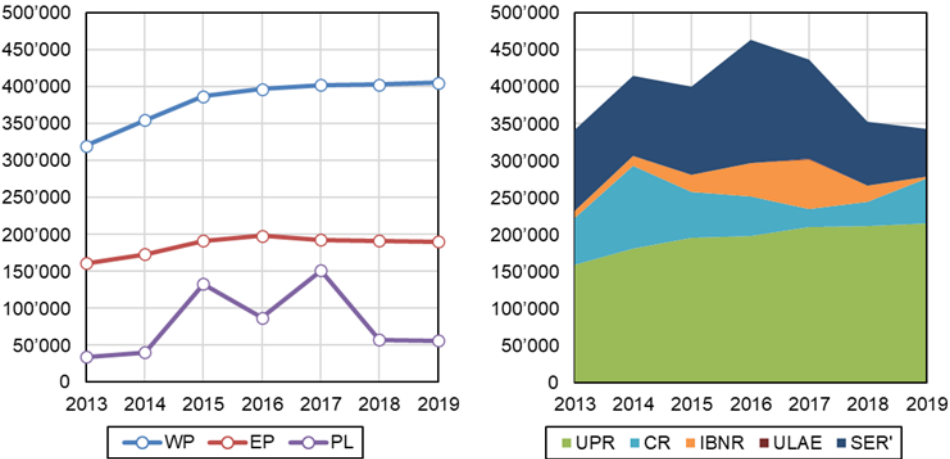


Figure 3: All monetary figures are stated in EUR and are gross of reinsurance.

Overall and in comparison with the previous year, there has been a deterioration with respect to the net claims incurred caused mainly by the increase of the outstanding case reserves and the decision not to renew reinsurance contracts for the second part of the reporting year. This increase is partially compensated by the negative IBNR.

A comparison of the information relating to the underwriting result with that of the previous year is provided in the following table:

INCOME STATEMENT for the year ended December 31	2019		2018
Gross written premiums	404'771	1%	402'394
Reinsurers' share of written premiums	-70'228	-64%	-196'577
Net written premiums	334'543	63%	205'817
Gross change in unearned premium reserves	-3'789	209%	-1'224
Reinsurers' share of change in unearned premium reserves	-79'499	65062%	-122
Net earned premiums	251'255	23%	204'471
Total income from insurance business	251'255	23%	204'471
Gross claims paid	-56'399	-2%	-57'384
Reinsurers' share of claims paid	28'163	-3%	29'076
Gross change in claims reserves	-8'966	-125%	36'580
Gross change in equalisation reserves	22'241	-51%	45'520
Reinsurers' share of change in claims reserves	12'926	-163%	-20'530
Net claims incurred	-2'035	-106%	33'262
Acquisition cost and administrative expenses	-211'380	7%	-197'116
Reinsurers' share of acquisition cost and administrative expenses	12'641	-65%	36'232
Net acquisition cost and administrative expenses	-198'739	24%	-160'884
Other expenses from insurance business	-6'119	4%	-5'868
Total expenses from insurance business	-206'894	55%	-133'490
Other financial income	8'106	0%	0
Other financial expenses	0	-100%	-6'242
Operating result	52'466	-19%	64'739
Extraordinary income	0	0%	0
Extraordinary expenses	0	0%	0
Result before taxes	52'466	-19%	64'739
Direct taxes	-173	1%	-171
Result after taxes	52'293	-19%	64'568

Table 4: All monetary figures are stated in EUR.

The underwriting result of IDA Baar at the reporting date is in line with the previous year.

2.2. Financial performance

IDA Baar invests its assets merely in current accounts with Crédit Suisse and ZKB. For this reason, there is no particular qualitative or quantitative information that has to be reported, because both the financial income and the financial expenses from these investments are zero, as in the past. The total assets amount at the reporting date to ca. 367'000 EUR (ca. 500'000 EUR in 2018), as depicted in the following table.

Bank	Amount
CS CHF Account 627197-61	1'215
CS EUR Account 627197-62	114'584
CS CHF Account 627197-61-1	21'694
ZKB EUR Account	229'761
Total	367'254

Table 5: All monetary figures are stated in EUR.

Nevertheless, in comparison with the previous period, IDA Baar discloses a financial income of ca. 8'000 EUR (a financial expense of ca. 6'000 EUR, due to a currency loss, in 2018), due to a currency profit.

A comparison of the information relating to the financial result with that of the previous year is provided in the Figure 1.

3. Quantitative templates

IDA Baar uses for the financial condition reports FINMA's quantitative template. The amounts are stated in CHF but not in millions, because of their small size.

	Total		Accident		Direct Swiss business			
	Previous year	Reporting year	Previous year	Reporting year	General third-party liability			Other branches
					Previous year	Reporting year	Previous year	
1	464'725	450'308	356'128	345'114	80'052	78'194	28'545	27'000
2	-227'027	-78'129	-178'064	-78'129	-48'963	0	0	0
3	237'698	372'179	178'064	266'985	31'089	78'194	28'545	27'000
4	-1'414	-4'215	-1'208	-3'581	603	-693	-809	60
5	-141	-88'443	1'560	-64'562	-1'701	-23'882	0	0
6	236'143	279'520	178'416	198'842	29'991	53'619	27'736	27'059
7	0	0	0	0	0	0	0	0
8	236'143	279'520	178'416	198'842	29'991	53'619	27'736	27'059
9	-66'273	-62'744	-66'273	-62'744	0	0	0	0
10	33'579	31'331	33'579	31'331	0	0	0	0
11	94'816	14'769	89'290	2'407	3'744	10'787	1'782	1'575
12	-23'710	14'380	-23'710	14'380	0	0	0	0
13								
14								
15	38'412	-2'265	32'886	-14'626	3'744	10'787	1'782	1'575
16	-227'650	-235'161	-174'452	-180'226	-39'214	-40'835	-13'983	-14'100
17	41'844	14'063	32'052	14'063	9'793	0	0	0
18	-185'805	-221'098	-142'401	-166'163	-29'422	-40'835	-13'983	-14'100
19	-6'777	-6'808	0	0	-4'996	-5'061	-1'781	-1'747
20	-154'170	-230'170	-109'515	-180'789	-30'673	-35'109	-13'982	-14'272
21	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0	0	0
23	0	0	0	0	0	0	0	0
24	0	9'017	0	0	0	0	0	0
25	-7'209	0	0	0	0	0	0	0
26	74'764	58'368	0	0	0	0	0	0
27	0	0	0	0	0	0	0	0
28	0	0	0	0	0	0	0	0
29	0	0	0	0	0	0	0	0
30	0	0	0	0	0	0	0	0
31	74'764	58'368	0	0	0	0	0	0
32	-198	-193	0	0	0	0	0	0
33	74'567	58'175	0	0	0	0	0	0

Currency: CHF or annual report currency

Financial situation report: quantitative template

4. Annex

The summary report of the auditors to the general representative and the audited annual accounts are attached to the report.

**INTERNATIONAL DIVING
ASSURANCE LIMITED
Valletta (Malta),
Zweigniederlassung Baar**

*Financial Statements
for the year ended 31 December 2019
and Independent Auditor's Report*

To the General Manager of
INTERNATIONAL DIVING ASSURANCE LIMITED
Valletta (Malta), Zweigniederlassung Baar

INDEPENDENT AUDITOR'S REPORT

As a federally-supervised audit firm, we have audited the accompanying financial statements of INTERNATIONAL DIVING ASSURANCE LIMITED, Valletta (Malta), Zweigniederlassung Baar, which comprise the balance sheet as at 31 December 2019, and the income statement and notes for the year then ended, in line with Article 28 para. 2 of the Insurance Supervision Act (ISA) and with reference to the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)".

The financial statements have been prepared by the General Manager on the basis of the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law.

General Manager's Responsibility for the Financial Statements

The General Manager is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of the Swiss Code of Obligations and the requirements of the supervisory law – in particular the Financial Market Supervision Act (FINMASA), the Insurance Supervision Act (ISA), the Insurance Supervision Ordinance (ISO) and the FINMA Insurance Supervision Ordinance (ISO-FINMA) as well as with the FINMA guidelines "Preparation and audit of the financial statements of branch offices of foreign insurance companies (WNL)" –, and for such internal controls as the General Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulatory requirements set out in Article 28 para. 2 ISA, the WNL and Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Deloitte.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the branch office's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the branch office's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of INTERNATIONAL DIVING ASSURANCE LIMITED, Valletta (Malta), Zweigniederlassung Baar as of and for the year ended 31 December 2019 are prepared, in all material respects, in accordance with the financial reporting provisions of the Swiss Code of Obligations, the requirements of supervision law (in particular FINMASA, ISA, ISO and ISO-FINMA) and with the WNL.

Basis of Accounting

Without modifying our opinion, we note that the financial statements of INTERNATIONAL DIVING ASSURANCE LIMITED, Valletta (Malta), Zweigniederlassung Baar are prepared on the basis of the accounting principles specified above. The financial statements are prepared to comply with the requirements of Article 25 para. 4 ISA. As a result, the financial statements may not be suitable for another purpose.

Deloitte AG



Emel Can Harrison
Licensed audit expert
Auditor in charge



Sabina-Ioana Nitescu

Zurich, 30 April 2020

Enclosures

- Financial statements (balance sheet, income statement and notes)

2/2

Int. Diving Assurance Ltd., Valletta, Baar Branch

BALANCE SHEET AS AT DECEMBER 31	Notes	2019 CHF	2018 CHF
ASSETS			
Cash and cash equivalents		398'545	564'581
Reinsurers' share in technical reserves	1.1	54'825	133'805
Accrued income and prepaid expenses		24'233	0
Total assets		<u>477'603</u>	<u>698'386</u>
Liabilities			
Gross technical reserves	1.1	372'652	397'825
Non-technical reserves		22'827	10'000
Other liabilities		2'808	2'777
Other liabilities to head office		59'415	311'908
Accrued expense and deferred income		15'848	30'000
Total liabilities		<u>473'550</u>	<u>752'510</u>
Capital / Organisational fund		270'000	270'000
Result carried forward		-324'123	-398'694
Result for the current period		58'176	74'570
Total Liaison account to head office	1.2	<u>4'053</u>	<u>-54'124</u>
Total liabilities and liaison account to head office		<u>477'603</u>	<u>698'386</u>

Int. Diving Assurance Ltd., Valletta, Baar Branch

INCOME STATEMENT for the years ended December 31	Notes	2019 CHF	2018 CHF
Gross written premiums		450'308	464'725
Reinsurers' share of written premiums		-78'129	-227'027
Net written premiums	2.1	372'179	237'698
Gross change in unearned premium reserves		-4'215	-1'414
Reinsurers' share of change in unearned premium reserves		-88'443	-141
Net earned premiums		279'521	236'143
Total income from insurance business		279'521	236'143
Gross claims paid		-62'744	-66'273
Reinsurers' share of claims paid		31'331	33'580
Gross change in claims reserves		-8'966	42'246
Gross change in equalisation reserves		23'734	52'571
Reinsurers' share of change in claims reserves		14'380	-23'711
Net claims incurred		-2'264	38'414
Acquisition cost and administrative expenses	2.2	-235'161	-227'650
Reinsurers' share of acquisition cost and administrative expenses		14'063	41'844
Net acquisition cost and administrative expenses		-221'098	-185'805
Other expenses from insurance business		-6'808	-6'777
Total expenses from insurance business		-230'170	-154'168
Other financial income		9'017	0
Other financial expenses		0	-7'209
Operating result		58'369	74'767
Result before taxes		58'369	74'767
Direct taxes		-193	-198
Result after taxes		58'176	74'570

Int. Diving Assurance Ltd., Valletta, Baar Branch

Notes to the financial statements

General information

General information:	International Diving Assurance Ltd., Valletta (Malta), Baar branch ("the Branch"), is the Swiss branch of International Diving Assurance Ltd., incorporated in Valletta (Malta).
Legal form, registered office and capital:	The Branch was established as a branch of the head office in Malta, domiciled in Baar. At foundation, an organisational fund of CHF 270'000.- was established for the Branch.
Information on full-time positions on annual average:	The Branch has an annual average of 0 employees.

Key accounting and valuation principles

Principles of financial reporting: The annual accounts for the Branch have been prepared in accordance with Swiss law. The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described as follows.

Foreign currency items and translation for presentation purposes: The Branch's functional and reporting currency is CHF. For transactions in foreign currencies the Branch uses the average exchange rate of the year. Balance sheet positions held in foreign currencies are translated into CHF at the closing exchange rate.

	Reporting year	Previous year
Assets and liabilities (closing rate)	1.0852	1.1266
Premium and claims (average rate) (1 EUR = x CHF)	1.1125	1.1549

Audit fee:	Reporting year	Previous year
	CHF	CHF
Accrual of the audit fee:	34'340	38'610

Cash and cash equivalents: The cash and cash equivalents includes cash holdings. These are recorded at their nominal value.

Technical reserves: In conformity with FINMA's Circular 08/42 "Technical Provisions - non-life insurance", the technical provisions must be at least equal to their market value. Therefore, the statutory reserves are calculated as the maximum between the technical reserves and the market consistent reserves.

The technical reserves are the sum of the best estimate reserves and the equalisation reserves, according to the Branch's reserving guideline.

The best estimate reserves are given by the sum of the unearned premium reserves, the case reserves and the actuarial IBNR reserves:

- The unearned premium reserves are computed *pro rata temporis*;
 - The case reserves are determined by the Branch's loss adjusters;
 - In the absence of claims statistics for TPL and LEx the Branch sets up actuarial IBNR reserves based on the Head Office worldwide loss ratios. For Acc we use Swiss claims statistics.
- The best estimate reserves are merely the expectation value of a random variable whose realisation is subject to random fluctuations.

According to the Branch's reserving guideline, they should therefore be complemented with equalisation reserves, which serve as a buffer to absorb the volatility of the claims.

These are taken as a capped fixed percentage of the technical results. The equalisation reserves are built up after profitable years, and they are released after unprofitable years or in the event, large losses or adverse developments significantly upset the balance sheet. They can neither become negative nor exceed a given ceiling.

The market consistent reserves are built out of the sum of the discounted best estimate reserves and the market value margin.

Both amounts are calculated with the help of a *pro forma* SST.

Premiums: Premiums are recorded at inception of a contract and earned in accordance with the "pro rata temporis" method over the contract period.

1.1 Technical reserves

	Reporting year CHF	Previous year CHF
Gross unearned premium reserves	233'080	237'397
Reinsurers' share of unearned premium reserves	-22'477	-113'151
Net unearned premium reserves	210'603	122'446
Gross claims reserves	69'010	62'335
Reinsurers' share of claims reserves	-32'349	-18'654
Net claims reserves	36'661	43'681
Equalization reserves	70'562	97'894
Total gross technical reserves	372'652	397'825
Total reinsurers' share of technical reserves	-54'826	-133'805
Total net technical reserves	317'826	264'020

1.2 Liaison account to the head office

	Reporting year CHF	Previous year CHF	Change (%)
Initial state	-54'124	-128'694	-58%
Result for the current period	58'176	74'370	-22%
Final state	4'052	-54'124	-107%

2.1 Premium

	Reporting year CHF	Previous year CHF
Premium accident	343'114	356'128
Reinsurers' share of Premium accident	-78'129	-178'064
Premium third party liability	78'194	80'052
Reinsurers' share of Premium third party liability	-	-48'963
Premium legal expenses	26'999	28'343
Total Premium	450'308	464'725
Total Reinsurers' share of Premium	-78'129	-227'027
Net Premium	372'179	237'698

2.2 Acquisition cost and administrative expenses

	Reporting year CHF	Previous year CHF
Acquisition cost	56'288	58'091
Administrative expenses	178'873	169'359
	235'161	227'650

Subsequent events:

With reference to the events resulting from the development and spread of Coronavirus (COVID 19) after 31 December 2019, the branch believes that they represent a non-adjusting subsequent event and therefore have no impact on the Branch's Financial Statements as of 31 December 2019. The Branch expects that the reduction in the premiums written will be limited to the months in which all diving activities are suspended. The Branch also expects that underwriting activities will resume as soon as moderate diving activities can be carried out, this is based on the fact that IDA has been informed by several of its clients that they are expecting to renew their policies within the coming two months. Furthermore, through the suspension of the diving activities also the claims are expected to decrease. As a conclusion management notes that there will be a small decrease in the premiums written within the financial year 2020. This is expected to reduce the result of the Branch, nonetheless, through the decrease in claims, the negative impact on the 2020 year-end result will be partly offset. Furthermore, management will continue to monitor the overall evolution of COVID 19 in order to assess the potential impacts on the Branch and will continue to implement any necessary risk mitigation measures.

Amount of tied assets:

	Reporting year CHF	Previous year CHF
Required value	472'652	497'825
Cover values	420'949	385'384
Under- / Overfunding	-51'703	87'759

The Branch has an underfunding of 11% of the required value as of 31 December 2019.