



SOLVENCY AND FINANCIAL CONDITION REPORT 2019

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Solvency and Financial Condition Report

Executive Summary

The Solvency and Financial Condition Report (“SFCR”) hereby presented aims to provide the user with an overview of the business and performance, system of governance, risk profile, the valuation for solvency purposes and the capital management of Probus Insurance Company Europe DAC (“the Company” or “Probus”) for the year ended 31 December 2019.

Under business and performance there have been no major changes to the way the Company operates. The Company has made a €531k profit on the technical account in 2019.

With respect to 2020 year-end forecasting and for the reasons explained in the paragraph on Covid-19 on page 7, the Company expects a deviation of 60% drop in premium written compared to 2019 performance.

With respect to Probus system of governance, the overall structure has remained unchanged, while there have been few changes in the Board and Audit Committee composition with respect to membership. While there have been no changes to the Terms of Reference (“ToR”) of the Board and the Risk Committee, the ToR of the Audit Committee have been updated to reflect the current composition.

The outsourced arrangement regarding the role of Chief Risk Officer (“CRO”) became effective in April 2019, with Tom Donlon of Willis Towers Watson (“WTW”) being approved by the Central Bank of Ireland (“CBI”) as Probus CRO (PCF-14).

The Actuarial Function remained outsourced to WTW, while the Internal Audit Function remained outsourced to Hertz Internal Audit Department (“HIAD”), with certain specific internal audit work sub-outsourced to and executed by KPMG Ireland.

The risk profile of the Company also remained unchanged: robust structures are in place to mitigate the existing risks. Stress testing of the risks relevant to Probus is completed at least annually as part of the Own Risk and Solvency Assessment (“ORSA”) process.

In terms of valuation for solvency purposes, the only difference between the financial statements’ values and the valuation for solvency purposes for the Company’s assets and liabilities is in the technical reserves and premium receivables and reinsurance payables. The Company has used the standard formula for the purposes of calculating its Solvency Capital Requirement (“SCR”) and no alternative valuation techniques have been employed.

Under capital management there have been no changes to the composition of the Company’s own funds held during 2019. The Company has decreased the SCR cover from 223% in December 2018 to 187% as at 31st December 2019.

The Letter of Credit held by Probus - issued by Natixis and treated as collateral – following careful examination, relevant stress testing and required notification to the CBI - was reduced by €20m in April 2019, currently has a value of €62.7m.

Following the UK’s decision to withdraw from the EU and subject to any transitional arrangement that may be agreed, Probus, as an EU insurer, will no longer be able to conduct business into the UK on a “freedom of services” basis. Hence, the Company has been monitoring and assessing the impact

and the consequences that Brexit might have on its business, to ensure the implementation of an effective contingency plan and to guarantee the continuance of services to its policyholder.

Furthermore, to assist with managing the uncertainty on timing of Brexit, a specific endorsement to the existing motor policy with Hertz UK was issued to extend the period of cover to 31st December 2020.

Section A Business and Performance

A.1 Business

Probus Insurance Company Europe DAC ("Probus" or "the Company"), LEI code 635400Q3OJTNLWUODN38, is a designated activity company limited by shares. The Company is incorporated in the Republic of Ireland registered under the company number 252557. The Company's registered office is located at Hertz Europe Service Centre, Swords Business Park, Swords, Co. Dublin.

The Company is part of the Hertz Rent-a-Car organisation. The Company's immediate parent is Hertz International RE Limited ("Hire Dublin") which is incorporated in Ireland with a registered office at Hertz Europe Service Centre, Swords Business Park, Swords, Co. Dublin, Republic of Ireland. Hire Dublin owns 100% of the issued shares of the Company. The ultimate holding company is Hertz Global Holdings, Inc. ("Hertz Holdings") which is incorporated in the United States with a registered office at 8501 Williams Road, Estero, FL 33928, United States. See **Appendix 1** for an abbreviated group structure chart.

Probus is authorised by the CBI to carry out the business of non-life insurance and has been designated as medium-low impact undertaking by the CBI under its risk-based framework for the supervision of regulated undertakings subject to Solvency II. Probus is reporting as an individual undertaking for Solvency II purposes.

Therefore, the Company is subject to financial supervision and regulation by the CBI's Insurance Supervision Division located at New Wapping Street, North Wall Quay, Dublin 1 (relevant supervisor within the CBI is Mr Grant Silliss).

The Company is subject to annual external audits. Audit services are performed by Ernst & Young ("EY") located at Ernst & Young Building, Harcourt Centre, Harcourt Street, Dublin 2.

The Company had two lines of business as at 31st December 2019, Third Party Motor Vehicle Liability Insurance ("Motor Vehicle Liability") and Personal Accident Insurance ("Assistance"). The business is sourced from Hertz European corporate entities on a freedom of services basis. Motor Vehicle Liability is by far the more material comprising approximately 92% of the premium written (gross of reinsurance). UK, France, Germany, Italy and the Netherlands are the five largest countries where premium was written for 2019.

	Total €	UK €	France €	Germany €	Italy €	Netherlands €
Gross Written Premium	22,873,643	8,717,321	6,661,524	5,362,100	1,261,277	871,421
Made up of:						
Motor Vehicle Liability	21,267,922	8,660,832	6,468,879	5,284,305		853,906

Assistance	1,605,721	56,489	192,645	77,795	1,261,277	17,515
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On June 30th 2017, Probus ceased to underwrite Class 10 Motor Vehicle Liability insurance in Italy; and the Company also took the decision of placing the Class 10 Motor Vehicle Liability programme in Luxembourg into run-off, with effect from 30th September 2019.

For 2019 the additional reinsurance contract put in place with Chubb Reinsurance Limited was maintained between US\$5m and US\$10m to reduce the exposure to large claims going forward.

A.2 Underwriting Performance

Underwriting performance	31 December 2019 €	31 December 2018 €	Movement year over year €
<i>Net premium earned</i>			
Motor Vehicle Liability	2,178,735	2,656,584	(477,849)
Assistance	1,921,925	1,785,961	135,964
	4,100,660	4,442,545	(341,885)
<i>Net claims incurred</i>			
Motor Vehicle Liability	(2,016,701)	1,071,555	(3,088,256)
Assistance	(279,657)	(432,249)	152,592
	(2,296,359)	639,306	(2,935,664)
<i>Commission received (motor)</i>	943,496	1,146,494	(202,998)
Underwriting profit/(loss)	2,747,797	6,228,345	(3,480,547)

On an overall level underwriting profit has decreased 56% year over year. During 2019, the Company made an underwriting profit of €2,747,797.

Please see **Appendix 6** for the full QRTs as submitted. The technical profit and loss account taken from the 2019 financial statements is also given here.

As mentioned above, Motor Vehicle Liability continues to be the larger of the two lines of business written contributing 95% of the premium written in 2019. From an underwriting profit perspective Assistance contributed a profit of €1.4m in 2019 while Motor Vehicle Liability was a profit of €1.1m. The higher profitability margin on Assistance is due to much lower claims volumes on the Assistance business.

The top five countries (in terms of gross written premium) for Motor Vehicle Liability in 2019 were the UK, France, Germany, Netherlands and Belgium. The top five countries (in terms of gross written premium) for Assistance in 2019 were Italy, Spain, France, Germany and the UK.

A.3 Investment Performance

Investments	Solvency II balance sheet heading	31 December 2019 €	31 December 2018 €	Movement year over year €
HHN loan	Other loans and mortgages	20,000,000	20,000,000	-
Investments (cash on deposit)	Deposits other than cash equivalents	16,406,010	16,532,466	(126,406)
Cash at bank	Cash and cash equivalents	14,185,496	14,440,443	(254,947)
Total investments		50,591,506	50,972,909	(381,403)

The Company holds one intercompany loan with Hertz Holdings Netherlands B.V. (“HHN”). This loan is on an arms-length basis with interest paid on a quarterly basis. Interest is calculated on a EURIBOR floating rate base plus a spread. Interest earned for 2019 was €558,346 compared to €542,809 in 2018.

Additionally, the Company holds excess cash on deposit for periods not exceeding three months. Remaining cash remains in current accounts to meet payments as they fall due. Interest earned on all of these accounts amounted to €21,579 in 2019, compared to €23,063 in 2018. In addition, charges (including negative interest charged for certain deposits) came to €134,235 for 2019, compared to €126,948 for 2018.

A.4 Performance of Other Activities

Other material expenses of the Company are split between insurance and administration costs. Under insurance costs the material expenses relate to VAT, claims handling and data processing and MIB payments. Under administration costs the material expenses relate to salaries and related staff costs, legal fees, actuarial fees, audit and tax fees. The Company had no leasing arrangements in place during 2019 or 2018. See below table for comparison with prior period.

Insurance costs	31 December 2019	31 December 2018	Difference year over year	% Difference year over year
	€	€	€	
VAT	54,467	23,654	30,813	130%
Claims handling	247,616	422,882	-175,266	-41%
Data processing	23,479	23,552	-73	0%
MIB payments	348,711	186,324	162,387	87%
<i>Total</i>	<i>674,273</i>	<i>556,412</i>	<i>117,861</i>	<i>21%</i>
Administration costs	31 December 2019	31 December 2018	Difference year over year	% Difference year over year
	€	€	€	
Salaries and related staff costs	925,634	901,644	23,990	3%
Actuarial fees	231,003	190,038	40,965	22%
Audit and tax fees	220,071	225,027	-4,956	-2%
Claims audit fees	-	155,430	-155,430	-100%
<i>Total</i>	<i>1,376,708</i>	<i>1,472,139</i>	<i>-95,431</i>	<i>-6%</i>

Forecast

With respect to 2020 year-end forecasting and for reasons explained below in the following paragraph on Covid-19, the Company expects a deviation of 60% drop in premium written compared to 2019 performance:

Gross premiums Written	€10,411,834
Outward reinsurance premiums paid	(€7,836,855)
Net premiums earned	€2,574,979

The calculations do not consider the political uncertainty with respect to the UK, which in future years could weigh on the Company's overall business and performance (e.g. further reduced levels of premium written from UK policyholders).

Covid-19

The travel restrictions imposed due to Covid-19 will lead to a reduction to the underlying exposure base and resultant written premium. Since the situation regarding Covid-19 has evolved, Probus Senior Management has been monitoring the relevant capital and solvency position (together with

an assessment of the attached key risks) on a weekly basis. Output of such activity is reported to the Board of Directors on weekly and/or ad hoc basis.

Two scenarios related to the reduction in gross written premium were run as a result of policyholders' declining business. The scenarios assume a 30% and 60% drop in business for 2020 but returning to normal in 2021 and 2022. The 30% and 60% scenarios were chosen following confirmation by the policyholders of the impact COVID-19 is likely to have on their business. The results of the scenario testing are shown in tables below.

The Company is continuously reviewing the conditions that would require a non-scheduled ORSA to be performed.

Scenario 1: - 30% drop in premium year 1

	All Risks - Year 0	All Risks - Year 1
Cover	179%	182%
MCR	6,226,486	5,717,246
SCR	24,905,946	22,868,984
Operational	3,547,033	2,906,038
Adjustment	0	0
BSCR	21,358,913	19,962,946
Market	14,786,719	14,753,615
Default	8,271,305	7,045,459
Health	0	0
Non-Life	5,180,521	4,244,826
Available Capital	44,622,568	41,514,625

Scenario 2: - 60% drop in premium year 1

	All Risks - Year 0	All Risks - Year 1
Cover	179%	189%
MCR	6,226,486	5,616,950
SCR	24,905,946	22,467,800
Operational	3,547,033	2,666,147
Adjustment	0	0
BSCR	21,358,913	19,801,653
Market	14,786,719	14,771,531
Default	8,271,305	7,039,098
Health	0	0
Non-Life	5,180,521	3,940,528
Available Capital	44,622,568	42,489,271

* Please note that Year 0 is 2020 and Year 1 is 2021.

The Company is also regularly monitoring the impact of COVID-19 on its panel of reinsurers supporting Probus liability program and it is confirmed that currently they are unaffected from a ratings perspective.

A.5 Any Other Information

There is no other material information beyond what has been discussed above to note.

Section B System of Governance

B.1 General Information on System of Governance

Probus has established and maintains an effective system of governance with clear delegated authorities, responsibilities and reporting lines as presented in the organisation chart which can be found at **Appendix 5** of this report.

The Company and its Board have assessed its system of governance and have concluded that it effectively provides for the sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the its operations.

Both the General Manager and the Finance Manager sit on the Board as Executive Directors (PCF 1). The Board also consists of two Non-Executive Directors (“NEDs”) from the wider Hertz Group and, as required, two Independent Non-Executive Directors (“INEDs”). The Board is supported by a Risk and an Audit Committee. Each Committee is made up of three Board members (the two INEDs plus a third member) and both are chaired by an INED. The Terms of Reference of the Board and the Committees are reviewed and updated on an annual basis.

There have been no material changes in the system of governance during 2019.

The remuneration for staff is determined on industry averages and Hertz Group internal policies. Probus Senior Management evaluate employees annually against set objectives and the results feed into the Hertz bonus calculation. Potential staff annual bonus is also dependant on the performance of Hertz in Europe and Hertz in the US with a 50/50 split. There are currently no supplementary pension/early retirement schemes in place for any staff member.

There have been no material transactions during 2019 with the shareholder, any Board member or any other influential party.

The Compliance Function is overseen by the Company’s Head of Compliance and all relevant views, advice and findings are reported to the Risk Committee, the Audit Committee and the Board on a quarterly basis. It is ensured that the Head of Compliance is provided with the necessary operational independence and appropriate resources as required.

The Risk Management Function is overseen by the Company’s Chief Risk Officer (“CRO”) and all relevant views, advice and findings are reported to the Risk Committee and the Board on a quarterly basis. It is ensured that the CRO is provided with the necessary operational independence and appropriate resources as required. Following the resignation of the Company’s CRO effective 26th June 2018, due to the small size, simple scale and low complexity of the Probus business model, plus the existence of an already well-established risk management framework, it was resolved to outsource the CRO role to an external service provider, Willis Towers Watson (“WTW”). Following relevant notification to the CBI, Mr Tom Donlon of WTW was approved to hold the CRO role (PCF-14) with effect from 11th April 2019. This outsourcing arrangement is overseen by Probus General Manager.

The Finance Department is managed by the Finance Manager with responsibility for monthly, quarterly and annual reporting. External Audit is overseen by the Finance Manager. Sufficient staff levels are maintained within the Finance Department to ensure segregation of duties and appropriate levels of review. All relevant finance and audit views, advice and findings are reported to the Risk Committee, the Audit Committee and the Board on a quarterly basis.

The Internal Audit Function is outsourced to HIAD who performs annual reviews. An arms-length service level agreement (“SLA”) is in place for this relationship which is also in accordance with the

Company's Outsourcing Policy. The relationship is managed by the Company's Head of Compliance and in order to ensure the independence of the Internal Audit Function, as per Article 46-2 of the Solvency II Directive, all relevant views and findings resulting from the annual review are reported directly to the Audit Committee and the Board. See section B6 for further details on the Internal Audit Function.

The Actuarial Function is outsourced to Willis Towers Watson and the relationship is overseen by Probus Finance Manager. A specific contract governs the work performed in accordance with the Company's Outsourcing Policy. The representatives from Willis Towers Watson present their actuarial reports to the Risk Committee and the Board as required. The Head of Actuarial Function ("HoAF") Mr Tom Donlon has been approved by the CBI as a qualified individual (PCF-48) to hold this role. The Company ensures that the HoAF has the necessary access to information and resources, including the appropriate authority and reporting lines, as required for the purpose of providing the opinions and performing the tasks specified under the applicable regulations. See section B7 for further details on the Actuarial Function.

B.2 Fit and Proper Requirements

The Company has established and implemented its own Fitness and Probity Policy, which sets out the process for assessing the fitness and propriety of the relevant persons, and fully aligns with the current Fitness and Probity Standards ("the Standards") as circulated by the CBI and as amended in Irish law under Statutory Instrument ("SI") 585 of 2015.

The Company's policy for the recruitment of key function holders takes into consideration first and foremost the business need for the appointment of an individual. The individual selected must be competent and capable, honest, ethical and act with integrity and be financially sound. Once the most suitable candidate - possessing the relevant skills - has been identified, the required due diligence is completed and documented and then the submission of the Individual Questionnaire ("IQ") is made to the CBI for pre-approval.

Training is provided/arranged for Directors in relation to key topics. All individuals with relevant qualifications are expected to comply with the continuing professional development ("CPD") requirements of their relevant institutes. Quarterly compliance training is also provided to the Company's staff by the Head of Compliance.

The Company carries out an annual audit of persons performing a controlled function or pre-approval controlled function by asking them whether there have been any material changes regarding their compliance with the Standards. The Company also re-sends the Standards to the relevant individuals and ensures they sign their agreements to abide to them on an annual basis. If the Company becomes aware of any concerns with respect to the fitness and probity of these individuals, this will be investigated thoroughly and appropriate actions taken. The CBI will also be notified.

The Company's Board of Directors as at 31st December 2019 was comprised as follows:

Name	Position	Fitness & Probity Reference	Effective Appointment Date
Richard McEvily	Group Director and Chairman (Hertz Senior Vice President and Deputy General Counsel)	PCF-3 Chairman of the Board PCF-2 Non-Executive Director	14 th December 2018 27 th September 2018
Clark Dubin	Group Director (Hertz VP Global Risk Management)	PCF-2 Non-Executive Director	14 th March 2019
Stephen Hodgins	Independent Non-Executive Director (Chair of the Probus Risk Committee)	PCF-2 Non-Executive Director PCF-5 Chairman of the Risk Committee	1 st December 2016
John Perham	Independent Non-Executive Director (Chair of the Probus Audit Committee)	PCF-2 Non-Executive Director PCF-4 Chairman of the Audit Committee	1 st September 2016

Martin Scullion	Executive Director (Probus General Manager)	PCF-1 Executive Director PCF-8 Chief Executive PCF-17 Head of Underwriting	27 th July 2006
Charlotte Torr	Executive Director (Probus Finance Manager)	PCF-1 Executive Director PCF-11 Head of Finance	9 th January 2008
Tom Santorelli	Group Director	PCF-2 Non-Executive Director	Resigned 14/03/2019

The Board is responsible for the effective, prudent and ethical oversight of the Company and meets on a quarterly basis or more frequently as required.

The role and responsibilities of the Board are clearly documented in its Terms of Reference (inclusive of the relevant Schedule of Reserved Matters) which are reviewed on an annual basis by the Board of Directors.

More specifically the Board is responsible for setting and overseeing:

- Business strategy;
- Capital management;
- Risk management;
- Organisational structure, communication and reporting channels;
- Remuneration framework;
- The internal control framework, including risk management, compliance and internal audit functions as well as financial reporting and accounting; and
- IT strategy.

The Company's Senior Management as at 31st December 2019 was comprised as follows:

Name	Position	Fitness & Probity Reference
Martin Scullion	General Manager	PCF-1 Executive Director PCF-8 Chief Executive PCF-17 Head of Underwriting
Charlotte Torr	Finance Manager	PCF-1 Executive Director PCF-11 Head of Finance
Martin Mullooly*	Head of Claims	PCF- 43 Head of Claims
Gustavo Pregoni	Director of Risk and Compliance	PCF-12 Head of Compliance
Stephen Codd	Manager of Risk and Analytics	N/A

With support from:		
Tom Donlon (WTW)	Head of Actuarial Function Chief Risk Officer	PCF-48 Head of Actuarial Function (outsourced role) PCF-14 Chief Risk Officer (outsourced role)
Randy Walford **	Head of Internal Audit	PCF-13 Head of Internal Audit (Hertz Group outsourced role)
George Kaknis (AON)	Probus Swiss Branch Manager	Manager of a branch in the Switzerland (not an EEA country) (outsourced role)

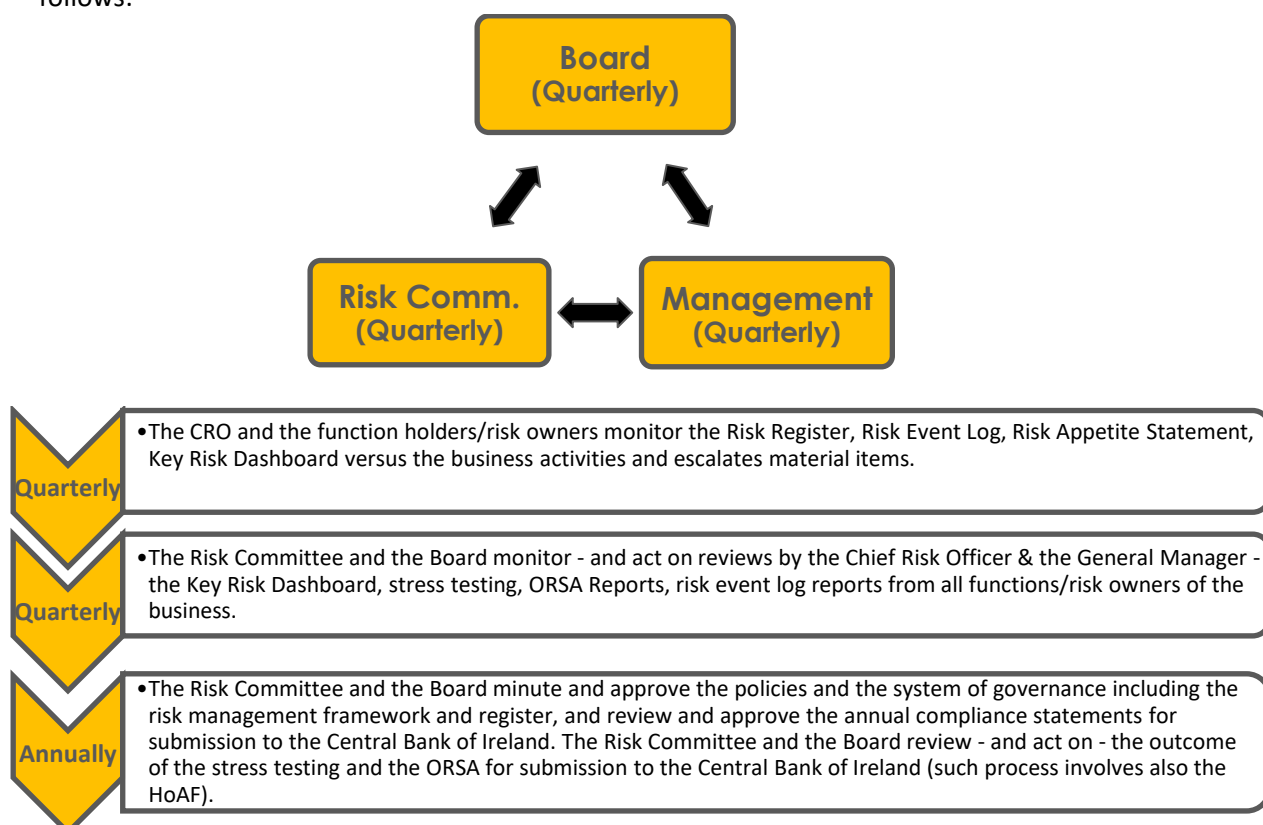
* Martin Mullooly resigned with effect from 1st May 2020.

** Randall Walford resigned with effect from 3rd January 2020.

B.3 Risk Management System and ORSA Process

The Company's Risk Management System is governed by the Risk Management Policy. This states that the Board is ultimately responsible for ensuring the effectiveness of the Risk Management System, setting the Company's risk appetite and overall risk tolerance limits as well as approving the main risk management strategies and policies. The strategy of the Risk Management System is to identify, assess, manage key risks and to monitor the impact of internal and external events on Board chosen appetite and tolerance metrics. The key annual process being the ORSA scenario testing and observing events that could materially impede the entity's ability to achieve its strategic objectives.

Within its adopted system of governance, the Company has a systematic way of managing risks as follows:



The Function Holders/risk owners monitor the Company's Risk Register which lists all of the risks the Company is currently required to manage from local or EU requirements through a stated risk appetite and tolerance. Supporting the Risk Register, there is a Risk Appetite Statement ("RAS") documenting the in-depth justification and assumptions used to plot Management's current outlook on the risk. Each risk has an appetite and tolerance limits with an internal escalation trigger for the Risk Committee/Board consideration plus in extreme circumstances an external escalation to the CBI.

Additionally, the Company maintains a running Risk Event Log (adopted from international best practice) capturing on an *ad-hoc* basis all current and upcoming events that could affect a risk mapped on the Company's Risk Register together with the related planned actions and remediation. The key material risks for the Company are summarised in a report called the Key Risk Dashboard. This has metrics versus risks appetite and tolerance and allows for analysis of trends. This enables management to make informed decisions on business activity through the prism of risk.

As discussed above the Company's Risk Committee meets on a quarterly basis. The Committee's Terms of Reference are set in accordance with the domestic and EU requirements. The Risk Committee reviews the General Manager's Risk Summary report, the Key Risk Dashboard, stress testing and the ORSA reports and the reports from all key functions within the Company. The Risk Committee decides upon actions to take where appropriate and/or recommends to the Board for approval.

The ORSA process is governed by the Risk Management Policy and the ORSA Policy which state that an ORSA must be performed at least annually and for any material business need.

The objective of the ORSA is to lay out the results of the assessment of the Company's own risks in order to guide the Board in setting Probus risk appetite and capital needs into the future. It aligns its outcome with the key strategies used to govern the Company's business.

The ORSA is completed in four stages:

- **Stage 1 Planning** – The capital projection and stress testing plan is put together by the Company's Risk and Compliance functions. The gathering of data and collation is executed by the Company's Finance Department as the majority of the information originates for the previous years audited financial statements, underwriting and technical provisions data. This is formalised into an assumptions report by the CRO then reviewed by the Company's Management and Risk Committee/Board. The definition of assumption inputs is distributed to the Board and the Directors are then requested to revert with comments for inclusion in the scenario/projection process.
- **Stage 2 Modelling** – The calculation of base case projections on 1, 2 and 3 years forward basis is executed by the Company's Finance Department using the SII Standard Formula model. The Company's Finance Department gathers together data inputs sources and performs calculations which are then reviewed by the Finance Manager. The results are then reviewed by the Company's Management and Risk Committee/Board. Scenario and stress identification is performed by the Company's Risk and Compliance functions and testing is performed by the Company's Finance Department.
- **Stage 3 Interpret** – The analysis of the impact on capital requirements is done collectively by the Company's Management. At this stage the Head of Actuarial Function ("HoAF") opinion is sought on the exercise. The results are reported to the Risk Committee and the Board and once approved will be formatted and submitted the CBI, as required.

- **Stage 4 Response** - Resulting actions are proposed by the Company's Management in conjunction with the HoAF opinion and report on the process is then reviewed by the Risk Committee and the Board. Follow-up actions are executed by Management who will report on progress to the Risk Committee and the Board.

The CBI required outcome of the ORSA process is to produce the following documents:

- 1) Risk Management/ORSA Policy (which form integral part of the undertaking's Corporate Governance Framework);
- 2) ORSA Record of Exercise (which is kept internally for audit trail);
- 3) ORSA Internal Report; and
- 4) ORSA Supervisory Report (which is submitted to the CBI).

The approval of the Risk Management/ORSA Policy as part of the annual review of the system of governance enables compliance with the first requirement. The record of production and review of the ORSA report satisfies requirements 2 and 3. The Board approval of the Internal Report allows the Company to fulfil its obligation to submit the ORSA Supervisory Report 14 days after Board approval.

B.4 Internal Control System



In accordance with Article 46(2) of Directive 2009/138/EC, the Company's Board has established an effective internal control system. The Company employs a full time Director of Risk and Compliance to oversee the **Compliance Function**. The compliance activities are set out in an annual compliance plan and the Compliance Function quarterly reports directly to the Risk/Audit Committees and the Board advising on compliance risks and assisting with ensuring on-going compliance with applicable legislation and requirements. This reporting also identifies and assesses the impact of any past or foreseen changes to the legal and regulatory environment affecting Probus business.

The Company has established an internal control framework comprised of Board policies on compliance and internal controls. The entire suite of governance framework documents is listed in **Appendix 4** of this report. In addition, these are directly linked to key procedures that support material activities. Key activities have their own specific policy where deemed necessary by regulation or business activity risks. The Board reviews and approves these policies annually.

To assist the Board, the policy framework is reviewed on an annual basis versus current developments in requirements and business activity. Policies are updated accordingly by the Company's Management and reported to the Board with an executive summary of the relevant changes. The summary of changes is presented to the Directors in advance of the Q4 Board meeting each and every year for review, feedback and approval.

- **1st Line of Defence** – Each operational management (e.g. Finance, Underwriting, Claims) has ownership, responsibility and accountability for directly assessing on a day to day basis, controlling and mitigating the risks relevant to the respective areas of operations, in order to ensure adequate preventative and detection controls.
- **2nd Line of Defence** – Probus Compliance, Risk Management and Actuarial functions provide independent oversight of the risk management and other relevant activities of the first line of defence. Such functions also report independently to the Company's Committees and the Board.
- **3rd Line of Defence** – It is comprised of Internal and External Auditors and the Sarbanes-Oxley ("SOX") team, who report independently to the Audit Committee charged with the role of representing the enterprise's stakeholders relative to compliance, risk and governance issues.

B.5 Internal Audit Function

The Company has established an Internal Audit Policy and, as discussed above, an arm's length SLA for the governance of the outsourced Internal Audit Function is in place with Hertz Internal Audit Department ("HIAD").

HIAD are accountable to the Audit Committee and Board. To provide for the independence of the Internal Audit Function, as per Article 46-2 of the Solvency II Directive, its personnel report to HIAD Management, HIAD then report directly to the Audit Committee (not to Probus Management). All internal audit activities shall remain free of influence by any element of the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective approach necessary in rendering reports.

HIAD provide:

- a) An annual assessment of the adequacy and effectiveness of the Company's processes for controlling activities;
- b) A report of significant issues related to the Company's processes, including required improvements to those processes, and information concerning resolution of the issues and;
- c) Information on the status and the results of annual audit plans and the sufficiency of audit resources.

B.6 Actuarial Function

The Head of Actuarial Function ("HoAF") role is outsourced to Willis Towers Watson representative Tom Donlon. The Company has an SLA governing this relationship that meets all current Solvency II and relevant guideline requirements. The Board have also established a policy on underwriting that encompasses all aspects of underwriting, reinsurance and actuarial areas to assist in the effective implementation of the Risk Management System.

The Company ensures that the HoAF provides an actuarial opinion to the CBI on an annual basis, which addresses the technical provisions of the Company as reported in any quantitative reporting templates ("QRTs") to the CBI. This is referred to as the Actuarial Opinion on Technical Provisions ("AOTP"). In addition to, and connected with the AOTP, the Company ensures that the HoAF also provides an Actuarial Report on Technical Provisions ("ARTP") to the Board on an annual basis, which supports the AOTP. This report shall also be provided to the CBI upon request.

The Company ensures that the HoAF provides an actuarial opinion to the Board in respect of each ORSA process of the Company. The opinion is provided to the Board at the same time as the results of the ORSA process to which it relates. The opinion addresses - at a minimum and having regard to the Company's individual risk situation - the following:

- a) The range of risks and the adequacy of stress scenarios considered as part of the ORSA process;
- b) The appropriateness of the financial projections included within the ORSA process; and
- c) Whether the Company is continuously complying with the requirements regarding the calculation of technical provisions and highlighting potential risks arising from the uncertainties connected to this calculation.

Additionally, the HoAF is required to produce an opinion on the overall Underwriting Policy, on Probus reinsurance arrangements and to provide an overall Actuarial Function report. The HoAF is also responsible for the co-ordination of the technical provisions, monitoring experience, internal and external actuarial reporting and contributing to the risk management system.

The Company ensures that the HoAF has the necessary access to information and resources, including appropriate authority and reporting lines, as required for the purpose of providing the opinions and performing the tasks allocated, in particular those specified under the Solvency II Regulations and the CBI domestic actuarial regime requirements. Where the HoAF has a material concern regarding any issue covered, he is expected to highlight such items for Board's consideration. The HoAF is expected to indicate any material limitations and the extent and basis of any material reliance on work performed by others in meeting the responsibilities addressed by relevant regulations and guidance.

B.7 Outsourcing

Each control functions' Manager and ultimately the Board are responsible for oversight procedures in the application of the Company's Outsourcing Policy. Management of third party claims administration contracts follow the Company's Underwriting Policy, Outsourcing Policy, Claims Policy and Fitness and Probity Policy. Intra-group outsourced functions are managed with the same vigour at arms-length as per relevant requirements.

The Company outsources and enters into outsourcing arrangements only where there is a sound commercial basis and/or to take advantage of external expertise. The Company's Management undertake due diligence of the chosen service providers to make sure all pre-stated requirements are met. The Company also considers the impact of the proposed outsourcing arrangement on the operations. The Board escalation and oversight of any issues in regard to an outsourced function follows the main framework of 24 hours for any material issue in breach of appetite and 5 days notification to the CBI in breach of any applied tolerance limits. Regular monitoring of arrangements will take place via quarterly reporting to the Risk/Audit Committees and the Board.

The Company's Management routinely evaluate the performance of the outsourced service providers ("OSPs") to ensure service and key performance indicator ("KPIs") are as expected and meet the current business needs versus the current in-force SLA. Ongoing oversight activity is specified for the major outsourced functions:

- **Actuarial** - The Underwriting Policy refers to required interaction and oversight of outsourced actuarial activities of the HoAF as per Solvency II requirements and sets the expectations for scope of work, performance, reporting and oversight. These considerations have been incorporated into the current governing SLA. HoAF duties are fulfilled by Tom Donlon (PCF-48) of WTW (Ireland) as mentioned previously. The in-house individual responsible for oversight is Head of Finance (PCF-11).

- **Internal Audit** - The Internal Audit Policy refers to the required interaction and oversight of outsourced internal audit activities as per Solvency II requirements and sets the expectations for scope of work, performance, reporting and oversight. These considerations are incorporated into the current governing SLA between HIAD and Probus. Internal Audit is managed by HIAD (located in USA and Ireland) under the direction of Head of Internal Audit (PCF-13), with current sub-outsourced arrangement to KPMG Dublin. The in-house individual responsible for oversight is the Company's Head of Compliance (PCF-12).
- **Chief Risk Officer** - Following the resignation of the Company's CRO effective 26th June 2018 and having considered the small size, simple scale and low complexity of the Probus business model, plus the existence of an already well-established risk management framework, the Board resolved to outsource the CRO role to an external service provider, Willis Towers Watson ('WTW') in Ireland. Following relevant notification to the CBI, Mr Tom Donlon of WTW was approved to hold the CRO role (PCF 14) with effect from 11th April 2019. The in-house individual responsible for oversight is the Company's General Manager (PCF-8).
- **Claims** - Third party claims administration ("TPA") outsourced function is overseen through constant contact, annual country specific audits and involvement in thematic group project initiatives. The Company's Claims Policy and related procedures set the requirements, expectations for scope of work, performance, reporting and oversight. These considerations are incorporated into the current governing SLA with each relevant TPA. Hertz Claims Management ("HCM") offices in the relevant corporate countries are responsible for the administration of claims across Europe. HCM is managed by the Hertz International Claims Director (CF-7). The in-house individual responsible for oversight is the Company's Head of Claims (PCF-43).
- **Information Technology** – The Company contracts Hertz IT (Ireland based) in an arms-length agreement to provide its IT infrastructure. The Probus IT Policy & IT Framework, together with the related procedures, set the requirements, expectations for scope of work, performance, reporting and oversight. Individual contracts exist with third party vendors of critical systems. The in-house individual responsible for relevant oversight is the Company's Manager of Risk Analytics.

Annual SLA/contracts' evaluation is undertaken as part of a specific compliance procedure within the Company's Contract Management System.

B.8 Adequacy of System of Governance

The Company's Board believes it has established an adequate system of governance based on the nature scale and complexity of the risks within the business, whilst adopting all applicable requirements of an Irish authorised insurance undertaking of the Company's size. See **Appendix 4** for the overview of the governance framework. This is supported by key outsourced functions maintained through routine oversight and control monitoring process via KPIs in contracts as per above.

As outlined in section **B.4 "Internal Control System"** above, the 3 lines of defence model, together with the related processes and reporting structure, allows the Board to maintain a strong oversight over the Company's business and operations and subsequently to execute their responsibilities, in accordance with the relevant Terms of Reference.

B.9 Any other information

There is no further material information to note.

Section C Risk Profile

C.1 Risk Profile

The Company has identified the following information relating to risks. Risk impact and probability are examined by the Company in terms of events which may impact the risk positively or negatively with an impact which may be expressed qualitatively or quantitatively.

1. Underwriting Risk

Underwriting Risk can be sub-categorised into two material areas: Premium Risk and Reserve Risk. The capital charge in the SII SCR Standard Formula has remained very roughly consistent over 2019 as there have been no changes in the type of business written or the reserving process.

	2019 SCR charge €	2018 SCR charge €
Premium and Reserve Risk	4,927,057	4,277,692

Premium

Premium Risk is the risk that premium for the year will be insufficient to cover that year's claims and costs. Additionally, there is the risk that the Company's premium rating is insufficient. It has a medium monetary value due to the reinsurance structure that is currently in place and current deductible arrangements and exclusion of natural catastrophe losses.

Reserve

Reserve Risk is the risk that technical provisions established for past losses will be insufficient to cover these claims and the Company's reserve calculations prove to be insufficient to meet actual claim costs. It has a medium monetary value.

Lapse & Catastrophe

Both Lapse and Catastrophe Risks are other sub components of the Underwriting Risk which incur charges under the SII SCR Standard Formula. Lapse Risk is nil for the current period. Catastrophe is an inherent risk borne by the nature of providing Motor Vehicle Liability insurance in EU countries where there is potentially unlimited liability.

	2019 SCR charge €	2018 SCR charge €
Lapse Risk	-	-
Catastrophe Risk	671,081	656,110

The Catastrophe Risk charge has been maintained at low level from 2018 through 2019.

Mitigation of Underwriting Risk

Both prevention and detection controls are in place for Premium and Reserve Risks.

Under prevention controls, the Company is subject to an annual pricing review and an actuarial review by WTW for the production of their Solvency II reports plus bi-annual reviews of the technical provisions and quarterly/annual review of the SCR calculation. Further prevention controls include Board policies covering premium and reserves (Underwriting Policy and Reinsurance Policy) and the monitoring of reinsurers ratings.

Under detection controls, there are:

- i. monthly reviews of financial reporting by the Company's Finance Manager and the wider Hertz Finance team;
- ii. daily reviews by Hertz Treasury of institutions' ratings and values of bank balances held;
- iii. quarterly review of the Solvency II QRTs by the Finance Manager and the SII SCR Standard Formula calculation by Willis Towers Watson;
- iv. quarterly SOX reporting to Hertz Group for review;
- v. quarterly Risk Committee/Board reporting documents;
- vi. bi-annual Willis Towers Watson review of claims reserves; and
- vii. ongoing in-depth analytical work by data analyst to isolate and encourage the insured to alter its rental business decisions plus accelerating dispensation and claims handling times

2. Market Risk

Market Risk can be sub-categorised into four areas:

- a. Interest Rate Risk;
- b. Currency Risk;
- c. Spread Risk; and
- d. Concentration Risk.

	2019 SCR charge €	2018 SCR charge €
Interest Rate Risk	9,541	87,240
Currency Risk	3,632,089	3,123,125
Spread Risk	780,466	781,857
Concentration risk	14,252,795	14,253,760

a. Interest Rate Risk

Interest Rate Risk is the variability in value borne by an interest-bearing asset or liability. For the Company this is the risk that cash and investments held as interest bearing deposits are subject to variability of market rates and from the discounting of liabilities. Excluding receivables, all of the Company's assets are held in cash deposits with banks, subject to interest rate movement, for a maximum of three months. In prior years the Company had been required to hold Swiss bonds to cover the technical reserves held for the Swiss branch. Interest Rate Risk has a low monetary value.

b. Currency Risk

Currency Risk is assessed based on the change in the net asset value of the Solvency II balance sheet and on the difference between net asset values and liabilities in each currency following a shift of the exchange rates up or down of all foreign currencies against the reporting currency. The Company is a Euro regulated company that operates in Ireland with operations in territories with Euro, Swiss Franc and Sterling as their functional currency. The increase in the SII SCR Standard Formula charge is a result of increased Sterling assets and liabilities. Currency Risk has a low monetary value.

c. Spread Risk

Spread Risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. The Company's capital charge for Spread Risk in the SII SCR Standard Formula is driven largely by the unrated intercompany loan with HHN. The Spread Risk has a low monetary value.

d. Concentration Risk

Concentration Risk is the risk that assets are held with too few institutions. For the Company this is the risk that cash deposits are held with too few banks and one or more becomes unable to repay. Concentration Risk arises from the accumulation of exposures with the same counterparty. This is only calculated for assets considered in the equity, property and Spread Risk sub-modules –(not for assets covered under the Counterparty Default Risk module).

The SII SCR Standard Formula charge for Concentration Risk is the largest charge as at 31 December 2019 and is driven by the intercompany loan held with HHN which is unrated. As the loan value and credit rating for HHN have not changed year over year the charge has remained relatively stable. Concentration Risk has high monetary value.

Mitigation of Market Risk

Probus currently has Board established policies to materially manage Market Risk and its sub-risks, namely the Asset Liability Management Policy, the Capital Management and Dividend Policy and the Investment and Liquidity Risk Policy. Within the Company's corporate governance framework and the Board Terms of Reference there is a list of material Board reserved decisions. The HHN loan is also held under an arms-length agreement which is reviewed annually.

Under detection controls, there are:

- i. monthly reviews of financial reporting by the Company's Finance Manager and the wider Hertz Finance team;
- ii. daily reviews by Hertz Treasury of institution ratings and values of bank balances held;
- iii. quarterly review of the Solvency II QRTs by the Finance Manager and the SII SCR Standard Formula calculation by Willis Towers Watson;
- iv. quarterly SOX reporting to Hertz Group for review; and
- v. quarterly Risk Committee/Board reporting and monitoring.

3. Credit Risk

Credit Risk can also be described as Counterparty Default Risk which is the risk that a technical counterparty cannot meet its contractual obligations or has a volatile credit rating. For the Company this is the risk that its technical counterparties (i.e. reinsurers, credit institutions) either collapse or become less secure.

	2019 SCR charge €	2018 SCR charge €
Counterparty Default Risk	7,788,681	4,318,658

Key areas where the Company is exposed to Credit Risk are:

- i. reinsurers' share of technical reserves;
- ii. amounts due from reinsurers in respect of claims already paid;
- iii. amounts due from insurance contract holders; and
- iv. deposit amounts due from bank counterparties.

The calculation for loss given default is complex and can increase significantly if the standard deviation of the loss distribution exceeds 7% of the loss given default. This is explained in greater detail in **Section E.2** of this report. The Gross Credit Risk has a medium monetary value.

The Letter of Credit held by Probus - issued by Natixis and treated as collateral – following careful examination, relevant stress testing and required notification to the CBI, was reduced by €20m in April 2019 (currently has a value of €62.7m).

Mitigation of Credit Risk

Both prevention and detection controls are in place for Credit Risk.

Under prevention controls, the Company currently has a Board established Underwriting Policy and a Capital Management and Dividend Policy to materially manage Credit Risk/ Counterparty Default Risk.

Under detection controls, there are:

- i. at least quarterly reviews of the reinsurance recoveries;
- ii. monthly reviews of financial reporting by the Company's Finance Manager and the wider Hertz Finance team;
- iii. daily reviews by Hertz Treasury of institution ratings and values of bank balances held;
- iv. regular Management meetings;
- v. quarterly review of the Solvency II QRTs by the Finance Manager and the SII SCR Standard Formula calculation by Willis Towers Watson;
- vi. quarterly Risk Committee/Board reporting and monitoring; and
- vii. quarterly SOX reporting to Hertz group for review.

4. Liquidity Risk

Liquidity Risk can also be described as Illiquidity Risk, which is the risk that a given asset cannot be traded quickly enough to prevent a loss. Liquidity risk may stem from:

- i. a loss or reduction in the value of existing funding;
- ii. off-balance sheet commitments being called;
- iii. investments or acquisitions that require new funding;
- iv. timing mismatches between asset maturities/realisation and liability cash flows; and
- v. problems arising from holding difficult-to-sell assets to meet current liabilities.

Mitigation of Liquidity Risk

Both prevention and detection controls are in place for Liquidity Risk.

Under prevention controls, the Company uses the Board approved Investment Policy. Within the Company's adopted corporate governance framework and the Board TOR, there is a list of material Board reserved decisions.

Under detection controls, there are:

- i. monthly reviews of financial reporting by the Company's Finance Manager and the wider Hertz Finance team;
- ii. daily reviews by Hertz Treasury of institution ratings and values of bank balances held,
- iii. regular management meetings;

- iv. quarterly review of the Solvency II QRTs by the Finance Manager and the SII SCR Standard Formula calculation by Willis Towers Watson;
- vi. quarterly SOX reporting to Hertz Group for review;
- vii. quarterly Risk Committee/Board reporting and monitoring.

5. Operational Risk

Operational Risk is the risk of a loss arising from inadequate or failed internal processes, personnel or systems, or from external events (whether deliberate, accidental or triggered by natural occurrence).

	2019 SCR charge €	2018 SCR charge €
Operational Risk	3,458,666	3,476,723

For the Company this is the risk that it incurs losses from IT failures, legal and regulatory non-compliance, internal control breakdowns, loss of key personnel, outsourced arrangements, etc. The Company's business processes are reliant on systems, personnel, procedures and must comply with laws and regulations from the relevant competent authorities. The Operational Risk has a medium monetary value.

Mitigation of Operational Risk

Both prevention and detection controls are in place for operational risk.

Under prevention controls applied, the Company has the following:

- i. the Company's Board powers of reserved decisions and the annual review of the Company's Corporate Governance Framework and Policies;
- ii. establishment of an effective internal control system;
- iii. annual review of documented prescribed procedures highlighting sign-off and segregation of duties;
- iv. annual SOX /Internal Audit testing of procedures;
- v. annual Compliance Plan and related monitoring carried out by the Head of Compliance, reporting to the Risk Committee and the Board;
- vi. annual EY External Audit (group and local) testing of controls,
- vii. business resumption protocols for the Company's operations;
- viii. business resumption plan for IT/building damage or failure including IT back-ups;
- ix. annual claims oversight audits per country carried out by Head of Claims, reporting to the Risk Committee and the Board;
- x. monitoring of service level agreements for key outsourced activities;
- xi. regular Management meetings.

Under detection controls, there are:

- i. monthly reviews of financial reporting by the Company's Finance Manager and the wider Hertz Finance team;
- ii. daily reviews by Hertz Treasury of institution ratings and values of bank balances held;
- iii. quarterly review of the Solvency II QRTs by the Finance Manager and SII SCR Standard formula calculation by Willis Towers Watson;
- iv. quarterly SOX reporting to Hertz Group for review; and
- v. quarterly Risk Committee/Board reporting from the key control functions.

6. Other Material Risks

Other Material Risks affecting Probus can be sub-categorised into the following three categories: Capital Risk, Strategic Risk and Brexit Risk.

a. Capital Risk

Capital Risk is the risk that capital is required to act as a cushion to absorb losses arising from business operations and allows the Company to remain solvent under challenging conditions. Capital Risk arises mainly as a result of the quality or quantity of capital available, the sensitivity of a firm's exposures to external shocks and/or the level of capital planning and management process. Capital Risk has a high monetary value.

Mitigation of Capital Risk

Both prevention and detection controls are in place for capital risk.

Under prevention controls, the Company:

- i. as part of the quarterly Board meeting process, monitors adverse trends that would impact the SCR charge and takes pro-active mitigating action before events would cause material harm;
- ii. complies with Hertz policies and procedures, maintains a Corporate Governance Framework and Policies along with annual actuarial reviews by Willis Towers Watson.

Under detection controls, there are:

- i. monthly reviews of financial reporting by the Company's Finance Manager and the wider Hertz Finance team;
- ii. daily reviews by Hertz Treasury of institution ratings and values of bank balances held;
- iii. quarterly review of the Solvency II QRTs by the Finance Manager and SII SCR Standard Formula calculation by Willis Towers Watson;
- iv. quarterly SOX reporting to Hertz Group for review;
- v. quarterly Risk Committee/Board reporting documents;
- vi. bi-annual Willis Towers Watson review of claims reserves.

b. Strategic Risk

Strategic Risk is the risk of incompatibility between the strategic goals and resources deployed or the economic situation. For the Company this is the risk that its goals and resources are not aligned.

Mitigation of Strategic Risk

Both prevention and detection controls are in place for Strategic Risk.

Under prevention controls, the Company holds quarterly Board meetings and regular Management meetings.

Under detection controls, there are:

- i. monthly reviews of financial reporting by the Company's Finance Manager and the wider Hertz Finance team;
- ii. daily reviews by Hertz Treasury of institution ratings and values of bank balances held;
- iii. quarterly Risk Committee/Board reporting documents; and
- iv. Annual strategy setting process.

c. Brexit Risk

Following the Brexit referendum on the 23rd June 2016, the UK has notified the European Council of its intention to withdraw from the European Union (“EU”). The withdrawal will take place on the date of entry into force of a relevant withdrawal agreement.

Probus currently provides insurance products on a ‘Freedom of Services’ basis into the UK and during the reporting period approximately 36% of gross written premium relates to the UK business. Hence, the risk implications of a No Deal Brexit (“hard Brexit”), whereby Probus is no longer permitted to conduct business into the UK, either new or legacy, have been monitored, assessed and set out in the quarterly Brexit Report, which was been presented at each and every Board meeting in 2019.

Relevant legal advice was sought and following consideration and discussion between Probus Management, the Board and the Hertz Corporation main stakeholders regarding available options to assist with managing the uncertainty on timing of Brexit and ensure the continuance of services to the policyholder, a specific endorsement to the existing motor policy with Hertz UK was issued to extend the period of cover to 31st December 2020.

Mitigation of Brexit Risk

In preparing for Brexit and in order to mitigate the impact of the risks arising from Brexit and the UK becoming a third country, Probus identified the following main actions:

- i. Ensure that there is continuity of insurance cover for Hertz UK, both motor and personal accident, so that rental car operations and customer services are not impacted (a specific endorsement to the existing motor policy was agreed with Hertz UK to extend the period of cover to 31st December 2020).
- ii. Ensure that Probus is able to service its contracts (e.g. settle UK motor claims) from insurance business already written in an effective and compliant manner;
- iii. As with any emerging risk, ensure that Probus has determined and understands the impact on technical provisions, own funds and capital requirements, especially the solvency capital ratio percentage; and
- iv. Ensure that possible changes to contractual arrangements currently with UK based counterparties are understood, especially technical services such as reinsurance and claims handling.

Both prevention and detection controls are in place for the mitigation of such risk. Under prevention controls, the Company holds quarterly Board meetings and regular Management meetings and also participates to the specific Hertz Brexit Committee.

Under detection controls, there are:

- i. Regular review of the Company’s Brexit Status by Probus Senior Management;
- ii. Quarterly reporting to the Risk Committee and the Board;
- iii. Regular participation to Brexit Committee together with the shareholder;
- iv. Monitoring the EU and UK negotiations in terms of withdrawal;
- v. Considering joining the UK Temporary Permission Regime (“TPR”) or operating within the UK Financial Services Contract Continuation Regime (“FSCR”); Regularly discuss and assess solvency related risks with the Company HoAF in the occurrence of a “hard Brexit”.

C.2 Off Balance Sheet Positions

As for the previous years, Probus holds the following two Letters of Credit ("LOC"):

1. LOC- provided by Citibank - is with UPS in the amount CHF200,000.
2. LOC - provided by Natixis - is with Hire Bermuda Limited in the amount €62.7m: following careful examination, relevant stress testing and required notification to the CBI, it was reduced by €20m (total value of the LOC is 2018 was €82.7m). This letter of credit has been provided in order to guarantee the technical provisions held with Hire Bermuda Limited for Solvency II reporting purposes.

C.3 Risk Concentration

The Company is subject to risk concentration from its reinsurance arrangements within the Hertz Group specifically with Hire Bermuda Limited (85% of business is ceded). This is partly mitigated by the related LOC. The clean irrevocable LOC held by Hire Bermuda Limited with Natixis for €62.7million is treated as collateral within the SII SCR Standard Formula.

Additionally, the Company's loan to HHN of €20million represents the largest part of the concentration charge in the SII SCR Standard Formula. The concentration charge results from the Concentration Risk module which applies a monetary amount to the largest single named exposure counterparties. In the case of the Company these are deposits with HSBC, BCEE and the HHN intercompany loan. The loan is held on an arms-length loan agreement and the Company's Management and Board are comfortable that this loan is secure. There are currently no plans to enter into any further loans or arrangements which would create future risk concentrations.

C.4 Mitigating Risks

See individual sections by risk in C1 above.

C.5 Future Premiums

Currently this is not applicable as all profits are captured within a one-year contractual boundary – see **QRT S.23.01.01.01**.

C.6 Stress Testing

The ORSA was approved for submission by the Company's Board 12th December 2019. Stress testing is completed as part of the annual ORSA process. The Company's Board along with Management are involved in deciding upon areas and scenarios to stress test. The calculations are completed by the Finance Department and are reviewed by the Senior Management (including the CRO) before presentation to the Risk Committee and the Board for review.

The Company measures the SCR or Capital Risk on two axes: impact and likelihood.

The impact (or consequence) is that the outcome of an event impacts an objective either positively or negatively. The impact may be certain or uncertain and may be expressed qualitatively or quantitatively. Each SCR% risk impact is assessed as belonging to one of the following ranges:

- **No Impact** – If the SCR % was to remain above 140% level, it would result in no escalation necessary.
- **Low Impact** – If the SCR % was to remain between 130% - 140% level, it would result in a prompt notification by the risk owner to the CRO and the GM.

- **Medium Impact** – If the SCR % was to approach a less than 130% level it would result in escalation to Risk Committee or Probus Board of the issue. If it was below the 100% it would involve escalation to Board for restoration within 3 months.
- **High Impact** - If the SCR % was to drop below the 100% level, it would result in a required escalation of the issue to the CBI (within 5 days). Impact would be of high monetary value and potentially would cause the Company's failure to meet its minimum solvency requirements, thus having a negative material effect on the financial statements. There is a potential breach of laws and regulations, with possible sanctions and imposed action plans on Probus. Most likely, one of these remedial actions would be a required injection of capital in order to reach the CBI stated level of SCR%. For both Hertz and Probus there would be potential reputational impact in the future with respect to public disclosure requirements.

The probability or likelihood is the chance of something happening - determined objectively or subjectively - described using general terms or mathematically. Each risk probability is assessed as belonging one of the following ranges:

- **Low Probability** – Risk event to happen in the range of 1/10 years to 1/200 years.
- **Medium Probability** - Risk event to happen in the range of 1 every year to 1/10 years.
- **High Probability** - Risk event to happen within the range of 0 to 12 months.

For the 2019 ORSA the Company ran twenty-two scenarios starting with the 30th June results as a base scenario. The full list of stress tests performed are ranked by impact in the 2019 ORSA.

C.7 Any Other Information

There is no other material information to note.

Section D Valuation for Solvency Purposes

D.1 Assets

As the Company has a limited number of assets difference between the financial statements' statement of financial position value and the Solvency II balance sheet value relates to debtors arising from reinsurance which are incorporated into the technical provisions for Solvency II and assets in the financial statements.

Comparison of balance sheet amounts 31 December 2019	Financial Statements Statement of financial position €	Solvency II Balance Sheet €	Difference €
Other financial investments/deposits other than cash equivalents	16,406,010	16,406,010	-
Other debtors affiliated/other mortgages and loans	20,000,000	20,000,000	-
Debtors arising out of direct reinsurance/insurance intermediaries receivable	20,854,083	15,688,172	5,165,911
Cash at bank/cash and cash equivalents	14,185,496	14,185,496	-
Other debtors non-affiliated/any other assets not elsewhere shown	2,139,202	2,139,202	-
Total assets	73,584,791	68,418,880	5,165,911

Comparison of balance sheet amounts 31 December 2018	Financial Statements Statement of financial position €	Solvency II Balance Sheet €	Difference €
Other financial investments/deposits other than cash equivalents	16,532,466	16,532,466	-
Other debtors affiliated/other mortgages and loans	20,000,000	20,000,000	-
Debtors arising out of direct reinsurance/insurance intermediaries receivable	16,823,643	16,823,643	-
Cash at bank/cash and cash equivalents	14,440,443	14,440,443	-

Other debtors non-affiliated/any other assets not elsewhere shown	1,374,402	1,374,402	-
Total assets	69,170,954	69,170,954	-

Other assets held by the Company fall under the following Solvency II categories:

1. Investments (other than assets held for index-linked and unit-linked contracts) made up of the sub-category deposits other than cash equivalents – for the Company this consists of deposits held for not more than three months.
2. Loans and mortgages made up of the sub-category other loans and mortgages – for the Company this consists of the intercompany loan held with HHN;
3. Insurance and intermediaries receivables – for the Company this is made up of receivables from entities within the Hertz Group due to the provision of insurance;
4. Cash and cash equivalents – for the Company this consists of cash at bank in current accounts; and
5. Any other assets – for the Company this consists of non-affiliated debtors, sundry debtors, accrued interest, prepayments and corporation tax assets.

The Company holds no investment products and as such there are no specific valuation techniques employed in valuing the assets in the statement of financial position. Deposits are initially recognised at the transaction price and are subsequently recognised on an undiscounted basis. In previous years the bonds held were recognised initially at transaction price with subsequent recognition in the statement of financial position at the current fair value (fair value was established by the bonds value on the open market). Movements in fair value were recognised in the profit and loss account. Prepayments are included on a 12 months straight-line basis. Accrued interest is based on rates supplied by the wider Hertz Group, which are based on EURIBOR plus a spread with the maximum accrual amount being 3 months.

Risk in the asset mix is low, as intercompany amounts owed are always paid one month in arrears via the Hertz Netting Department and deposits are held with banks with a strong rating. Banks' ratings and limits on deposits are monitored by Hertz Treasury Department.

D.2 Technical Provisions

Solvency II Gross Technical Provisions	31 December 2019 €	31 December 2018 €	Difference year over year €
Motor Vehicle Liability Best Estimate	115,161,692	115,767,199	(605,507)
Motor Vehicle Liability Risk Margin	1,646,012	1,165,013	480,999
Assistance Best Estimate	127,178	123,552	3,626
Assistance Risk Margin	115,971	125,743	(9,772)
Total Solvency II Gross Technical Provisions	117,050,853	117,181,507	(130,655)

Comparison of Balance Sheet Amounts	Financial Statements Statement of Financial Position 31 December 2019 €	Solvency II Balance Sheet 31 December 2019 €	Difference €
Motor Vehicle Liability	120,088,377	116,807,704	3,280,673
Assistance	594,996	243,149	351,847
Total Solvency II Gross Technical Provisions	120,683,374	117,050,852	3,632,522

Comparison of balance sheet amounts	Financial Statements Statement of Financial Position 31 December 2018 €	Solvency II Balance Sheet 31 December 2018 €	Difference €
Motor Vehicle Liability	126,409,440	116,932,212	9,477,228
Assistance	602,441	249,295	353,146
Total Solvency II Gross Technical Provisions	127,011,881	117,181,507	9,830,374

Technical provisions have been calculated in accordance with Solvency II regulations and article 77b of the Solvency II Directive. Gross technical provisions - comprising discounted best estimate and risk margin - were €116.8m as at December 2019 (2018: €117m), made up of €115.2m best estimate and €1.6m risk margin (2018: €115.8m best estimate and €1.2m risk margin) for Motor Vehicle Liability and €0.1m best estimate and €0.1m risk margin for Assistance (2018: €0.1m best estimate and €0.1m risk margin).

Solvency II Reinsured Technical Provisions	31 December 2019 €	31 December 2018 €	Difference year over year €
Motor Vehicle Liability Best Estimate	98,178,678	99,676,657	(1,497,979)
Motor Vehicle Liability Default Adjustment	(2,283,911)	(670,799)	(1,613,112)
Total Solvency II Reinsured Technical Provisions	95,894,767	99,005,857	(3,111,090)

Comparison of balance sheet amounts	Financial Statements Statement of Financial Position 31 December 2019 €	Solvency II Balance Sheet 31 December 2019 €	Difference €
Motor Vehicle Liability	103,049,856	95,894,767	7,155,089
Total Solvency II Reinsured Technical Provisions	103,049,856	95,894,767	7,155,089

Comparison of balance sheet amounts	Financial Statements Statement of Financial Position 31 December 2018 €	Solvency II Balance Sheet 31 December 2018 €	Difference €
Motor Vehicle Liability	108,745,802	99,005,857	9,737,945
Total Solvency II Reinsured Technical Provisions	108,745,802	99,005,857	9,737,945

Reinsured technical provisions which are comprised of the discounted reinsurance share of best estimate provisions with an allowance for counterparty default were €95.9m as at December 2019 (2018: €99m). All of the reinsured technical reserves for 2019 related to Motor Vehicle Liability were made up of €98.2m best estimate and (€2.3m) default. In 2018 the reinsured reserves related to Motor Vehicle Liability were €124.4million (€127.1m best estimate and (€2.7m) default). The default adjustment is calculated following the prescribed approach as specified in the Solvency II technical specifications (please refer to **QRT S.17.01.01.01** for further details).

Additional reinsurance protection was purchased in 2019 for terrorism by the Hertz Corporation. The net retained loss for this peril has reduced from US\$5M to US\$50,000. Also, the UK motor insurance bureau has agreed that terror events in the UK will be shared across the membership thereby further reducing exposure to Probus and Hertz.

Reinsurance consists of an 85% quota share arrangement with Hire Bermuda which began in 2007. Prior to this the quota share arrangement - which had now been transferred to Hire Bermuda - had been with Hire Dublin. The quota share arrangement covers claims up to US\$5million for 2019 (2018: US\$5million). Maintained since 2017 is the reinsurance structure with Chubb European Group Limited between US\$5million and US\$10million to reduce the exposure to large claims. This policy covers US\$5million any of one loss and in the annual aggregate in excess of the US\$5million retention. Above US\$10million reinsurance is held with other third-party reinsurers including AIG, Chubb and Swiss Re.

Discounted best estimate is calculated by using pay-out patterns calculated by WTW and by applying a discount factor. The discount factor applied is the European Insurance and Occupational Pensions

Authority (“EIOPA”) basic risk-free interest rate term structure with no volatility or matching adjustments for each appropriate currency. There are no material differences (other than allowances for premiums receivables, Solvency II expenses and counterparty default risk) between the technical provisions under Solvency II and the financial statements of Probus.

Risk margin is calculated in accordance with Solvency II technical specifications. For the Company this is a simplified risk margin allocation based on the calculation of the standalone SCR for the different lines of business.

For the technical provisions in the financial statements, insurance contracts’ estimates have to be made both for the unexpected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (“IBNR”). The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. These actuarial projections are performed by WTW as the Company’s outsourced Actuarial Function. Technical Provisions and related reserve adjustments are reviewed by Management before any changes are made to the Company’s books.

Technical Provisions are subject to uncertainty from various factors including:

1. The claims development process due to one-off large claims and the accumulation of medium sized losses;
2. Reserve estimation due to differences in parameters and assumptions;
3. External environmental factors including inflation in claims settlements, legal changes and changes in attitude to litigation, fluctuations in exchange rates and changes in underwriting approach or other factors; and
4. Failures to make recoveries from reinsurance companies.

WTW considers the first three to be the most material when determining the technical provisions best estimates. However, it is observed that the risk is mitigated by the quota share reinsurance held with Hire Bermuda and the excess of loss treaty above US\$5million.

D.3 Other Liabilities

Comparison of balance sheet amounts 31 December 2019	Financial Statements Statement of financial position €	Solvency II Balance Sheet €	Difference €
Creditors arising out of direct insurance operations/insurance and intermediaries payable	4,140,953	(250,072)	4,391,025
Other creditors including tax and social security/payables (trade not insurance)	1,172,169	1,172,169	-
Accruals and deferred income/any other liabilities not elsewhere shown	647,277	647,277	-
Total liabilities	5,960,399	1,569,374	4,391,025

Comparison of balance sheet amounts 31 December 2018	Financial Statements Statement of financial position €	Solvency II Balance Sheet €	Difference €
Creditors arising out of direct insurance operations/insurance and intermediaries payable	278,613	278,613	-
Other creditors including tax and social security/payables (trade not insurance)	1,344,231	1,344,231	-
Accruals and deferred income/any other liabilities not elsewhere shown	662,462	662,462	-
Total liabilities	2,285,306	2,285,306	-

As with other assets, the Company has a limited number of other liabilities. There are only differences between the financial statements value and the Solvency II balance sheet value on the reinsurance payables due to the treatment of these liabilities as technical provisions under Solvency II.

Liabilities held by the Company fall into the following Solvency II categories:

1. Insurance and intermediaries payables: for the Company this consists of intercompany amounts owed to Hire Bermuda Limited for the 85% quota share arrangement;
2. Payables (trade, not insurance): for the Company this consists of Insurance Premium Tax ("IPT") charges accrued; and

3. Any other liabilities: for the Company this consists of accrued expenses.

As there are no complex liabilities in the statement of financial position, there are no specific valuation bases employed. Liabilities are initially recognised at the transaction price and are subsequently recognised on an undiscounted basis. Accrued expenses are included based on prior year's experiences and are included on a straight-line basis (i.e. over twelve months). See for further details on liabilities **QRT SE.02.01.16.01**.

D.4 Alternative Methods for Valuation

This is not applicable to the Company.

D.5 Any Other Information

There is no other material information to note beyond what was outlined above.

Section E Capital Management

E.1 Own Funds

Solvency II Own Funds	31-Dec-19	31-Dec-18	Difference year over year
	€	€	€
Ordinary share capital	6,866,246	6,866,246	-
Deferred tax assets	-	-	-
Reconciliation reserve	38,827,175	41,843,752	(3,016,577)

Own funds for the Company are made up of ordinary share capital, deferred tax assets and reconciliation reserve. Both the share capital and the reconciliation reserve are unrestricted tier 1 funds and are 100% eligible to cover the SCR and the MCR of the Company. Deferred tax assets are classified as tier 3 basic funds and are excluded from the MCR calculation.

Financial Statements vs Solvency II	31 December 2019 €	31 December 2018 €
Financial Statements: Profit and loss account and translation reserve	43,124,629	41,753,323
Solvency II: Reconciliation reserve	38,827,175	41,843,752
Difference	4,297,454	(90,431)

The difference between the financial statements equity and the Solvency II balance sheet equity is driven by the differences in the technical provisions valuations as detailed above. Movement in the statement of financial position equity year on year (“YoY”) is a result of the profit made for 2019. SII reconciliation reserve consists of the excess of assets over liabilities and, as such, movement YoY relates to movements in the excess of assets over liabilities (see **QRT S23.01.01.01** and **S.23.02.01.03**).

The Board have agreed to maintain an SCR cover of at least 140%. Probus strategy in relation to own funds is laid out in the Company’s Capital Management and Dividend Policy which is annually reviewed and approved by the Board.

E.2 Solvency Capital Requirement (“SCR”) and Minimum Capital Requirement (“MCR”)

Eligible capital as at 31st December 2019 is €45.7m and covers 187% of the SCR and 747% of the MCR. Eligible capital as at 31st December 2018 was €48.7m and covered 223% of the SCR and 892% of the MCR. Linear MCR is calculated as a percentage of the net technical provisions plus net premium written of both the motor vehicle liability and assistance lines of business. The MCR used is then the higher of this and the floor of the MCR calculation which is 25% of the SCR. The MCR presented throughout 2019 for the Company is 25% of the SCR calculated. See **Appendix 3** for the current calculation of the SCR and MCR and for a tracker of the SCR and MCR over 2019 along with the movements in the sub modules. Additionally, see **QRT S.25.01.01.01** and **S.25.01.01.02** for further details of the SCR and **QRT S.28.01.01.01** and **S.28.01.01.05** for further details on the MCR.

Default risk is based on counterparty default risk. This is calculated by applying 15% to assets which are less than 3 months overdue and 90% to assets which are more than 3 months overdue. Additionally, a further calculation giving the loss given default risk on the reinsurance recoverables, cash at bank and risk mitigation contracts is also applied.

The calculation for loss given default is complex and can increase significantly if the standard deviation of the loss distribution exceeds 7% of the loss given default. Driving this change in the standard deviation has been a decrease in the LOC which mitigates the reinsurance recoverable risk.

SII Charge	31-Dec-19 €	31-Dec-18 €	Difference €
Counterparty	7,788,681	4,318,658	3,470,023
Currency/FX	3,632,089	3,123,125	508,964
Premium & Reserves	4,927,057	4,277,692	649,365

There was no material change in the SCR/MCR calculation during 2019.

The Company uses the EIOPA SII SCR Standard Formula and does not use company specific parameters or simplified calculations in its computations.

As already explained in section A.4 above, the travel restrictions imposed due to Covid-19 will lead to a reduction to the underlying exposure base and resultant written premium. Since the situation regarding Covid-19 has evolved, Probus Senior Management has been monitoring the relevant capital and solvency position on a weekly basis. Output of such activity is reported to the Board of Directors on weekly and/or ad hoc basis.

Two scenarios related to the reduction in gross written premium were run as a result of policyholders' declining business. The scenarios assume a 30% and 60% drop in business for 2020 but returning to normal in 2021 and 2022. The 30% and 60% scenarios were chosen following confirmation by the policyholders of the impact COVID-19 is likely to have on their business. The results of the scenario testing are shown in tables on page 8 of this report.

The Company is continuously reviewing the conditions that would require a non-scheduled ORSA to be performed.

E.3 Use of the Duration Based Equity Risk Sub-module in the Calculation of the SCR

This is not applicable for the Company.

E.4 Differences between the Standard Formula and any Internal Model used

This is not applicable for the Company.

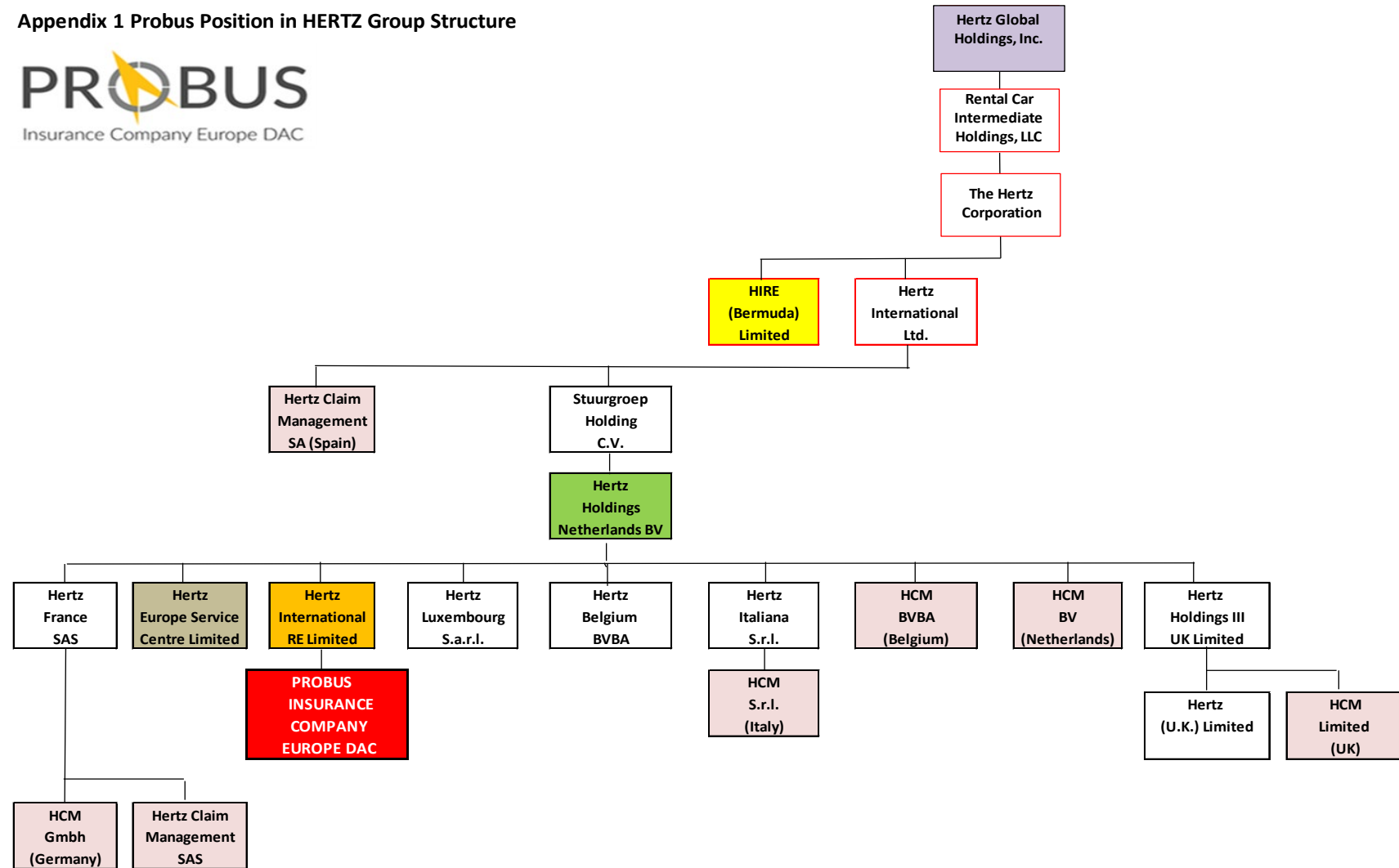
E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The SCR and MCR are monitored on a quarterly basis and quarterly return calculations are reviewed by WTW (as Company's Actuarial Function) for reasonableness.

E.6 Any Other Information

There is no other material information to note beyond what was outlined above.

Appendix 1 Probus Position in HERTZ Group Structure



Relationship:

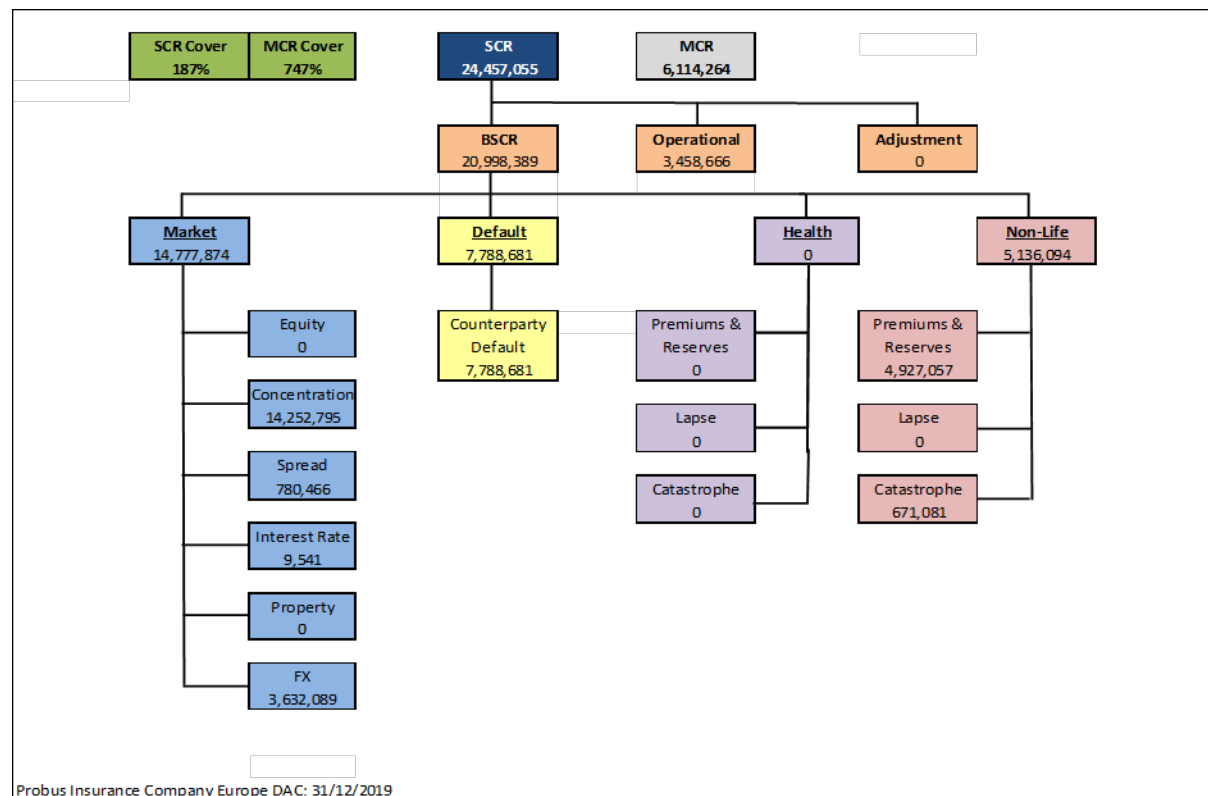
- Direct Parent
- Ultimate Parent
- Intercompany Loan
- 85% Quota Share Reinsurance
- Outsourced Provider for IT, Payroll, HR & others
- Outsourced Claims Management Entity (HCM)

Appendix 2 - PROBUS INSURANCE COMPANY EUROPE DAC
TECHNICAL PROFIT AND LOSS ACCOUNT –
FOR FINANCIAL YEAR-END 31 DECEMBER 2019

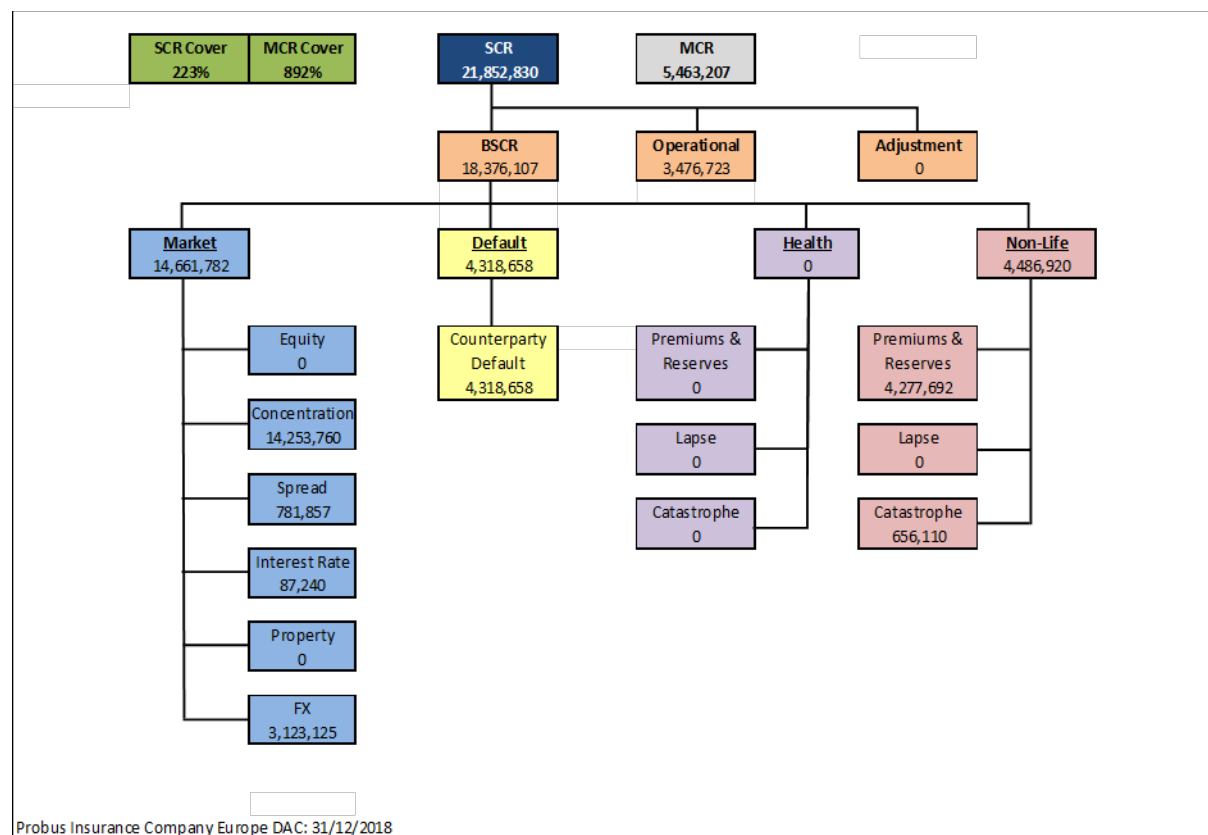
	Note	2019 €	2019 €	2018 €	2018 €
Earned premiums, net of reinsurance					
Gross premiums written	2	24,124,290		28,007,144	
Outward reinsurance premium	2	<u>(20,023,630)</u>		<u>(23,564,599)</u>	
Net premiums written		<u>4,100,660</u>		<u>4,442,545</u>	
Earned premiums, net of reinsurance			4,100,660		4,442,545
Allocated investment return transferred from the non-technical account			314,573		347,411
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount	14	(22,339,506)		(19,759,281)	
Reinsurers' share	14	<u>18,706,407</u>		<u>15,502,742</u>	
		(3,633,099)		(4,256,539)	
Change in the provision for claims:					
Gross amount	14	7,326,398		26,464,382	
Reinsurers' share	14	<u>(5,989,658)</u>		<u>(21,568,536)</u>	
		1,336,740		4,895,846	
Claims incurred, net of reinsurance			(2,296,359)		639,307
Net operating expenses	4		<u>(1,588,311)</u>		<u>(1,339,721)</u>
Balance on the technical account for non-life insurance business			<u>530,563</u>		<u>4,089,542</u>

Appendix 3 SCR/MCR calculations

December 2019 calculation



December 2018 calculation



Appendix 4 - Internal Control System - Governance Framework Overview

Section	Description	Delegated Function Owner	Goals Pursued of Document
1	Corporate Governance Framework	Martin Scullion PCF-8 GM/CEO Gustavo Pregoni PCF-12 Head of Compliance	Corporate governance includes procedures, processes and attitudes according to which an organisation is directed and controlled and lays down the rules and procedures for decision-making.
1.1	Organisational Structure	Martin Scullion PCF-8 GM/CEO	Structure of Probus Board and Committees.
1.2	Organisational Chart	Martin Scullion PCF-8 GM/CEO	Chart of Probus Organisation and Reporting Lines.
1.3	Board Terms of Reference	Martin Scullion PCF-8 GM/CEO	This document sets out the Terms of Reference (“ToR”) for the board covering roles and responsibilities of the board, its members, matters reserved for the board, composition and meeting rules.
1.4	Audit Committee Terms of Reference	John Perham PCF-4 Chairman of the Audit Committee	The Audit Committee responsibilities and key tasks.
1.5	Risk Committee Terms of Reference	Stephen Hodgins PCF-5 Chairman of the Risk Committee	The Risk Committee responsibilities and key tasks.

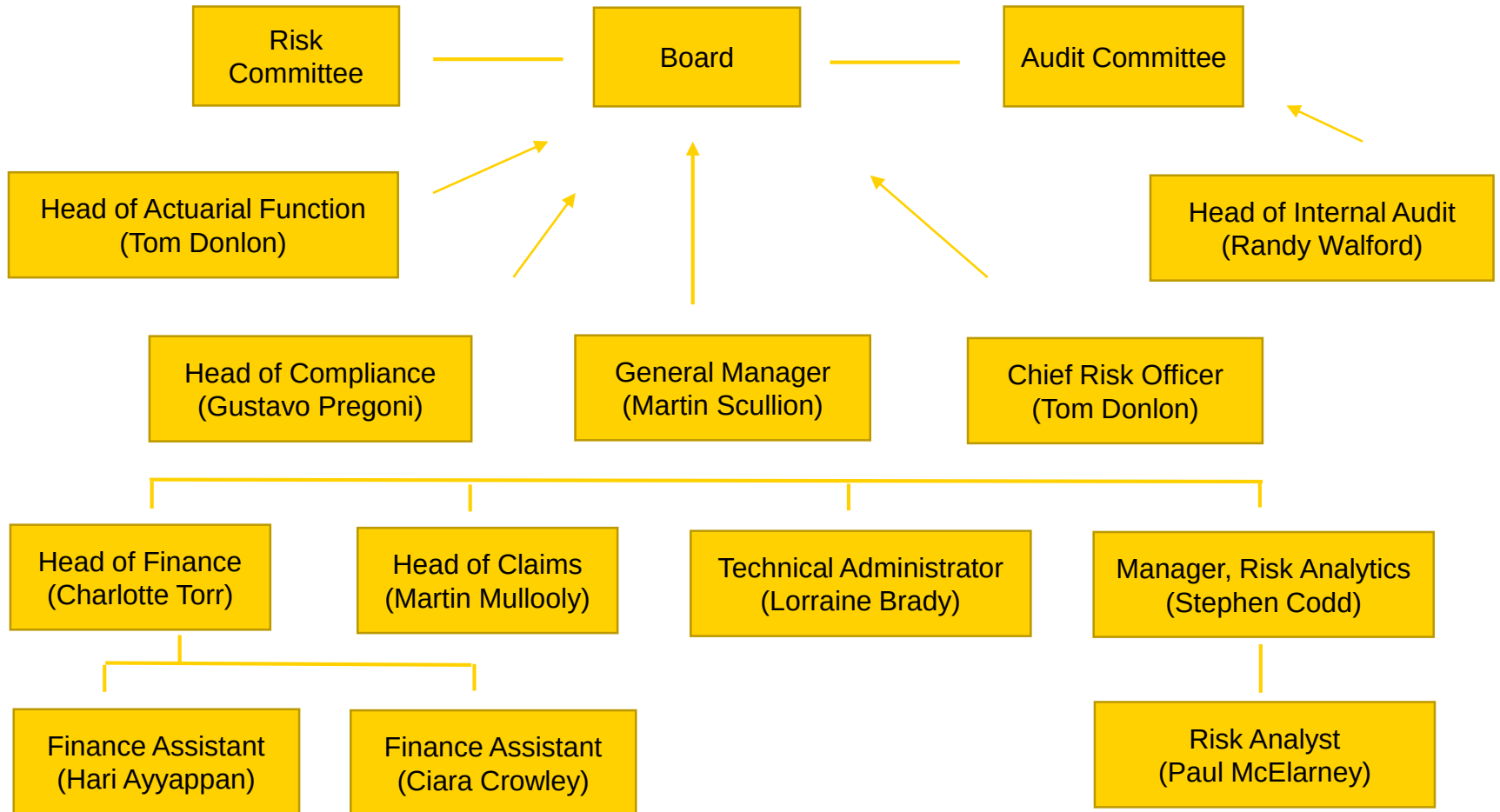
1.6	Succession Plan	Martin Scullion PCF-8 GM	Defines the contingency plan for the succession in the event of turnover for main control function holders.
1.7	Risk Appetite Framework/ Risk Appetite Metrics/ Risk Register	Martin Scullion PCF-8 GM Tom Donlon (WTW) PCF-14 CRO	Defines the Risk rating of impact and probability, Risk Appetite, Tolerance Levels and metrics for all 20 of the Probus managed risks.
1.8	List of Board Policies	Martin Scullion PCF-8 GM Gustavo Pregoni PCF-12 Head of Compliance	List of Board-approved Policies (subject to annual and/or <i>ad-hoc</i> review).
Section	Description	Delegated Function Owner	Goals Pursued of Document
2	Compliance Policy	Gustavo Pregoni PCF-12 Head of Compliance	Ensure compliance with all insurance acts and regulations, guidelines issued by the insurance supervisory authorities, company laws and all other applicable legislation.
3	Underwriting Policy	Martin Scullion PCF-17 Head of Underwriting	Aligns with the Company's Strategy and Initiatives Plan and Risk Appetite as approved by the Board, and considers the adequacy of premium to cover the risks, the reinsurance strategy, the reserving policy and the risk management system of the Company.
4	Asset/Liability Management Policy	Charlotte Torr PCF-11 Head of Finance	The goal is meet all liabilities as they fall due by ensuring that there are adequate assets.
5	Capital Management and Dividend Policy	Charlotte Torr PCF-11 Head of Finance	Ensure that there is always sufficient capital available to meet operational and regulatory requirements. For clarity capital refers to capital and reserves as disclosed in the balance sheet.

6	Investment and Liquidity Risk Policy	Charlotte Torr PCF-11 Head of Finance	The goal of the company is to ensure that its portfolio of assets is held with secure and regulated financial institutions and are sufficiently liquid to meet liabilities.
7	Outsourcing Policy	Gustavo Pregoni PCF-12 Head of Compliance	Probus will make sure outsourcing arrangements involving material business activities are subject to appropriate due diligence, approval and ongoing monitoring.
8	Internal Control Policy	Gustavo Pregoni PCF-12 Head of Compliance	Probus seeks to comply with all relevant internal control procedures it is required to follow.
9	Risk Management Policy	Martin Scullion PCF-8 GM	Board of directors of the undertaking is ultimately responsible for ensuring the effectiveness of the risk management system, setting the undertaking's risk appetite and overall risk tolerance limits as well as approving the main risk management strategies and policies.
10	Reporting and Disclosure Policy	Gustavo Pregoni PCF-12 Head of Compliance	Probus seeks to comply with all relevant reporting and disclosure rules set out in EIOPA guidelines for Solvency II in which the Central Bank of Ireland is wholly adopting in addition to key annual financial and compliance reporting. This is linked to the Probus Internal Control Policy.
11	ORSA Policy	Martin Scullion PCF-8 GM	Board of directors of the undertaking is ultimately responsible for ensuring the effectiveness of the risk management system, setting the undertaking's risk appetite and overall risk tolerance limits as well as approving the main risk management strategies and policies.
12	Remuneration Policy	Martin Scullion PCF-8 GM	All employees' annual bonuses will be calculated on the evaluation of personal financial/non-financial goals and the Hertz Group performance. The goals are linked to shareholder interests and discourage excessive risk taking.
13	Fitness & Probity Policy	Gustavo Pregoni PCF-12 Head of Compliance	Probus will make sure that its application of Central Bank of Ireland (CBI) "Fitness and Probity Standards" (F&P) are well documented, communicated, adhered to, and monitored to ensure that a person prior to appointment or currently performing an in-scope role as a Pre-Approval Controlled Function (PCF) or Controlled Function (CF).

14	Conflict of Interest Policy	Gustavo Pregoni PCF-12 Head of Compliance	Defines how potential conflicts of interest are to be identified, avoided and disclosed where necessary.
15	Internal Audit Policy	Gustavo Pregoni PCF-12 Head of Compliance	Implement the audit plan, as approved, including any review of third party activities, special studies, tasks, or projects assigned by management and/or the Audit Committee.
16	Diversity Policy	Gustavo Pregoni PCF-12 Head of Compliance	Probus seeks to comply with all relevant EU directives on diversity. A coherent diversity policy generates an inclusive environment and allow all employees to feel well-integrated, respected and valued. This means managing human resources recognizing and giving value to individual skills rather than on sub-optimal criteria.
17	IT Policy & IT Risk Framework	Stephen Codd Manager Risk Analytics	The purpose of this policy is to set out Probus' approach to information technology ('IT') and cyber security. In particular the document covers: - How the IT strategy of the company is aligned with the overall business strategy; The roles and responsibilities of those individuals and functions responsible for the execution of IT governance; - The IT Risk Management Framework explaining how IT risks are assessed and controlled; - How Disaster Recovery and Business Continuity is handled; - How cyber risk is managed; - How staff training is conducted and monitored.
18	Data Protection Policy	Gustavo Pregoni PCF-12 Head of Compliance	Ensure protection of the rights and privacy of individuals in accordance with the Data Protection legislation (e.g. GDPR).
19	Claims Policy	Martin Mullooly PCF-43 Head of Claims	Probus Insurance Company Europe Limited ("Probus") will manage its claims to ensure best practice in their handling, in compliance with all local legislation, insurance acts, regulations and guidelines issued by the relevant country legislative or supervisory authorities, thereby ensuring no adverse financial impact or exposure to the Company.

20	Claims Reserving Policy	Martin Mullooly PCF-43 Head of Claims /	<p>The purpose of this document is to set out the Company's approach to managing claims reserves by stating the philosophy to be applied to the reserving process and describing specific guidelines to be followed on classes of insurance.</p> <p>The reserving policy shall:</p> <ul style="list-style-type: none"> • be agreed by the board; • be communicated internally and to any externally appointed claims administrators; • be contained within the service level agreement of any outsourced claims administrator; • provide clear guidance for assessing and determining claim reserves.
21	Complaints Policy	Gustavo Pregoni PCF-12 Head of Compliance	Ensure that all complaints will be handled appropriately pursuant to the relevant domestic and European guidelines on complaints-handling by insurance undertakings.

Appendix 5: Probus Insurance Organisation Chart



S.02.01.02**Balance sheet****Assets**

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Equities - unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life
Life excluding health and index-linked and unit-linked
Life index-linked and unit-linked
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Own shares (held directly)
Amounts due in respect of own fund items or initial fund called up but not yet paid in
Cash and cash equivalents
Any other assets, not elsewhere shown
Total assets

	Solvency II value
	C0010
R0030	-
R0040	-
R0050	-
R0060	-
R0070	16,406,010
R0080	-
R0090	-
R0100	-
R0110	-
R0120	-
R0130	-
R0140	-
R0150	-
R0160	-
R0170	-
R0180	-
R0190	-
R0200	16,406,010
R0210	-
R0220	-
R0230	20,044,296
R0240	-
R0250	-
R0260	20,044,296
R0270	95,894,767
R0280	95,894,767
R0290	95,894,767
R0300	-
R0310	-
R0320	-
R0330	-
R0340	-
R0350	-
R0360	4,667,137
R0370	11,021,035
R0380	-
R0390	-
R0400	-
R0410	14,185,496
R0420	2,094,906
R0500	164,313,647

Annex I**S.02.01.02****Balance sheet****Liabilities**

Technical provisions – non-life

Technical provisions – non-life (excluding health)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - health (similar to non-life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions - life (excluding index-linked and unit-linked)

Technical provisions - health (similar to life)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – life (excluding health and index-linked and unit-linked)

TP calculated as a whole

Best Estimate

Risk margin

Technical provisions – index-linked and unit-linked

TP calculated as a whole

Best Estimate

Risk margin

Contingent liabilities

Provisions other than technical provisions

Pension benefit obligations

Deposits from reinsurers

Deferred tax liabilities

Derivatives

Debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions

Insurance & intermediaries payables

Reinsurance payables

Payables (trade, not insurance)

Subordinated liabilities

Subordinated liabilities not in BOF

Subordinated liabilities in BOF

Any other liabilities, not elsewhere shown

Total liabilities**Excess of assets over liabilities**

	Solvency II value C0010
R0510	117,527,291
R0520	117,527,291
R0530	-
R0540	115,759,203
R0550	1,768,088
R0560	-
R0570	-
R0580	-
R0590	-
R0600	-
R0610	-
R0620	-
R0630	-
R0640	-
R0650	-
R0660	-
R0670	-
R0680	-
R0690	-
R0700	-
R0710	-
R0720	-
R0740	-
R0750	-
R0760	-
R0770	-
R0780	-
R0790	-
R0800	-
R0810	-
R0820	-
R0830	4,140,953
R0840	1,172,169
R0850	-
R0860	-
R0870	-
R0880	647,277
R0900	119,346,737
R1000	44,966,910

S.05.01.01

[illegible]

S.05.01.01
Premiums, claims and expenses by line of business

[illegible]

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010	X	UK	Italy	France	Germany	Netherlands	X
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		8,717,321	1,261,277	6,661,524	5,362,100	871,421	22,873,643
Gross - Proportional reinsurance accepted	R0120		-	-				-
Gross - Non-proportional reinsurance accepted	R0130		-	-				-
Reinsurers' share	R0140		7,809,657	-	5,834,694	4,766,252	770,193	19,180,796
Net	R0200		907,664	1,261,277	826,830	595,848	101,228	3,692,847
Premiums earned								
Gross - Direct Business	R0210		8,717,321	1,261,277	6,661,524	5,362,100	871,421	22,873,643
Gross - Proportional reinsurance accepted	R0220							-
Gross - Non-proportional reinsurance accepted	R0230							-
Reinsurers' share	R0240		7,809,657	-	5,834,694	4,766,252	770,193	19,180,796
Net	R0300		907,664	1,261,277	826,830	595,848	101,228	3,692,847
Claims incurred								
Gross - Direct Business	R0310		4,305,251	908,751	2,116,990	3,913,421	154,409	11,398,822
Gross - Proportional reinsurance accepted	R0320							-
Gross - Non-proportional reinsurance accepted	R0330							-
Reinsurers' share	R0340		3,665,112	526,734	1,643,021	3,395,242	- 63,822	9,166,287
Net	R0400		640,139	382,017	473,969	518,179	218,231	2,232,535
Changes in other technical provisions								
Gross - Direct Business	R0410							-
Gross - Proportional reinsurance accepted	R0420							-
Gross - Non- proportional reinsurance accepted	R0430							-
Reinsurers'share	R0440							-
Net	R0500							-
Expenses incurred	R0550	358,588	- 95,849	200,392	- 231,212	- 149,086	12,354	95,187
Other expenses	R1200	X	X	X	X	X	X	X
Total expenses	R1300	X	X	X	X	X	X	X

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0010								
R0050								
R0060								
R0140								
R0150								
R0160			115,161,692					
R0240			95,894,767					
R0250			19,266,925					
R0260			115,161,692					
R0270			19,266,925					
R0280			1,646,012					
R0290								
R0300								
R0310								

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions - total
Technical provisions - total
Recoverable from reinsurance contract/SPV and Finite Re
after the adjustment for expected losses due to counterparty
default - total
Technical provisions minus recoverables from
reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance								
Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
R0320			116,807,704					
R0330			95,894,767					
R0340			20,912,937					

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

	Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total Non-Life obligation
	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	
	C0110	C0120	C0130	C0140	C0150	C0160	
R0010							
R0050							
R0060							
R0140							
R0150							
R0160		127,178					115,288,870
R0240		-					95,894,767
R0250		127,178					19,394,103
R0260		127,178					115,288,870
R0270		127,178					19,394,103
R0280		115,970					1,761,982
R0290							-
R0300							-
R0310							-

Annex I
S.17.01.02
Non-life Technical Provisions

Technical provisions - total
Technical provisions - total
Recoverable from reinsurance contract/SPV and Finite Re
after the adjustment for expected losses due to counterparty
default - total
Technical provisions minus recoverables from
reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
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	
C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0320	243,148						117,050,852
R0330							95,894,767
R0340	243,148						21,156,085

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year
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Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year											In Current year	Sum of years (cumulative)		
Year		0	1	2	3	4	5	6	7	8	9	10 & +				
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180	
Prior	R0100											162,368,046		R0100	1,625,586	1,625,586
N-9	R0160	5,410,553	5,664,496	3,977,734	2,247,091	2,116,179	1,175,157	965,059	956,337	709,681	300,724			R0160	300,724	23,523,011
N-8	R0170	4,777,301	4,845,541	4,737,379	2,379,962	1,930,225	1,806,501	752,244	329,343	2,313,321				R0170	2,313,321	23,871,817
N-7	R0180	3,945,675	4,342,221	2,404,949	2,824,595	2,614,954	1,957,201	866,313	35					R0180	35	18,955,943
N-6	R0190	1,228,280	4,050,905	3,780,541	6,414,202	3,596,968	789,160	3,611,753						R0190	3,611,753	23,471,809
N-5	R0200	1,898,160	4,334,476	5,342,305	3,209,523	2,932,426	1,619,242							R0200	1,619,242	19,336,132
N-4	R0210	3,639,882	6,702,176	6,384,833	3,168,659	3,918,532								R0210	3,918,532	23,814,082
N-3	R0220	4,523,861	1,750,361	1,325,598	1,392,113									R0220	1,392,113	8,991,933
N-2	R0230	3,974,324	2,743,247	3,074,630										R0230	3,074,630	9,792,201
N-1	R0240	3,161,241	1,286,537											R0240	1,286,537	4,447,778
N	R0250	3,197,033												R0250	3,197,033	3,197,033
Total													R0260	22,339,506	161,027,325	

Annex I
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										Year end (discounted data)		
Year		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											18,260,264	R0100	18,300,826
N-9	R0160	-	-	-	-	-	-	6,747,908	6,051,765	4,848,876	4,807,255		R0160	4,794,835
N-8	R0170	-	-	-	-	-	6,072,740	4,991,868	4,942,750	2,646,532			R0170	2,650,192
N-7	R0180	-	-	-	-	9,169,431	7,213,434	4,123,261	4,012,909				R0180	3,995,146
N-6	R0190	-	-	-	18,162,937	14,074,897	12,858,404	8,891,416					R0190	8,856,757
N-5	R0200	-	-	24,284,377	24,912,065	16,244,325	16,747,468						R0200	16,632,583
N-4	R0210	-	28,629,011	21,793,215	14,984,865	11,697,097							R0210	11,690,049
N-3	R0220	36,726,190	26,502,200	13,053,389	11,034,054								R0220	10,973,059
N-2	R0230	25,494,030	17,383,594	12,985,584									R0230	12,878,061
N-1	R0240	14,127,561	10,104,737										R0240	9,984,767
N	R0250	14,672,011											R0250	14,532,595
Total												R0260	115,288,870	

Annex I
S.23.01.01
Own funds

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

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

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

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

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

Total ancillary own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	6,866,246	6,866,246			
R0030					
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	38,827,175	38,827,175			
R0140					
R0160	-				-
R0180					
R0220					
R0230					
R0290	45,693,421	45,693,421	-	-	-
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					

Annex I
S.23.01.01
Own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

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

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
R0500	45,693,421	45,693,421	-	-	-
R0510	45,693,421	45,693,421	-	-	-
R0540	45,693,421	45,693,421	-	-	-
R0550	45,693,421	45,693,421	-	-	-
R0580	24,457,055				
R0600	6,114,264				
R0620	187%				
R0640	747%				

	C0060
R0700	45,693,421
R0710	-
R0720	-
R0730	6,866,246
R0740	
R0760	38,827,175
R0770	
R0780	
R0790	

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Market risk

Counterparty default risk

Life underwriting risk

Health underwriting risk

Non-life underwriting risk

Diversification

Intangible asset risk

Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk

Loss-absorbing capacity of technical provisions

Loss-absorbing capacity of deferred taxes

Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module

Total amount of Notional Solvency Capital Requirement for remaining part

Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	14,777,874		
R0020	7,788,681		
R0030	-	-	-
R0040	-	-	-
R0050	5,136,094		
R0060	- 6,704,260		
R0070	-		
R0100	20,998,389		
	C0100		
R0130	3,458,666		
R0140	-		
R0150	-		
R0160	-		
R0200	24,457,055		
R0210	-		
R0220	24,457,055		
R0400			
R0410			
R0420			
R0430			
R0440			

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

Linear formula component for non-life insurance and reinsurance obligations

MCR _{NL} Result		C0010		
	R0010	2,029,508		
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
			C0020	C0030
Medical expense insurance and proportional reinsurance	R0020			
Income protection insurance and proportional reinsurance	R0030			
Workers' compensation insurance and proportional reinsurance	R0040			
Motor vehicle liability insurance and proportional reinsurance	R0050	19,266,925	2,178,735	
Other motor insurance and proportional reinsurance	R0060			
Marine, aviation and transport insurance and proportional reinsurance	R0070			
Fire and other damage to property insurance and proportional reinsurance	R0080			
General liability insurance and proportional reinsurance	R0090			
Credit and suretyship insurance and proportional reinsurance	R0100			
Legal expenses insurance and proportional reinsurance	R0110			
Assistance and proportional reinsurance	R0120	127,178	1,921,925	
Miscellaneous financial loss insurance and proportional reinsurance	R0130			
Non-proportional health reinsurance	R0140			
Non-proportional casualty reinsurance	R0150			
Non-proportional marine, aviation and transport reinsurance	R0160			
Non-proportional property reinsurance	R0170			

Linear formula component for life insurance and reinsurance obligations

MCR _L Result		C0040		
	R0200			
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
			C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210			
Obligations with profit participation - future discretionary benefits	R0220			
Index-linked and unit-linked insurance obligations	R0230			
Other life (re)insurance and health (re)insurance obligations	R0240			
Total capital at risk for all life (re)insurance obligations	R0250			

Overall MCR calculation

		C0070
Linear MCR	R0300	2,029,508
SCR	R0310	24,457,055
MCR cap	R0320	11,005,675
MCR floor	R0330	6,114,264
Combined MCR	R0340	6,114,264
Absolute floor of the MCR	R0350	2,500,000
		C0070
Minimum Capital Requirement	R0400	6,114,264