PROBUS

Insurance Company Europe DAC

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

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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 2020.

Under business and performance there have been no major changes to the way the Company operates. The Company has made a €656k loss on the technical account in 2020.

With respect to 2021 year-end forecasting and for the reasons explained in the paragraph on Covid-19 on page 7, the Company expects a 50% increase in premium written compared to 2020 performance. The 2020 performance however was a decrease in premium written from 2019 of 54% largely due to the Covid-19 pandemic.

The overall structure of the Company's system of governance has remained unchanged. There have been no changes in the composition of the Board and its Committees with respect to membership and no amendments in the relevant Terms of Reference ("ToR").

The outsourced arrangement regarding the provision of Internal Audit services to KPMG Ireland, became effective in June 2020, with relevant KPMG designated person being approved by the Central Bank of Ireland ("CBI") as Probus Head of Internal Audit (PCF-13).

With respect to risk profile, Probus has implemented effective processes for assessing and mitigating its material risk exposures. Stress testing of the relevant risks is completed at least annually as part of the Own Risk and Solvency Assessment ("ORSA") process.

With correspondence dated 5th June 2020, the Central Bank of Ireland communicated that Probus has been rated as a Low impact insurance undertaking.

During 2020 Probus made the following amendments to its reinsurance structure:

- Reduction of the excess of loss retention from US$10m to US$5m with effect from 26/10/2020;
- Commutation of the quota share reinsurance arrangement with Hire Bermuda for all loss periods prior to 01/01/2013; and
- Cessation of the quota share agreement with Hire Bermuda with effect from the 30/11/2020.

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 2020. The Company has increased the SCR cover from 187% in December 2019 to 222% as at 31st December 2020. There were no instances of non-compliance with the SCR and the Minimum Capital Requirement ("MCR") during the reporting period ended 31st December 2020.

On the 19th March 2021 the Company received a notice of non-renewal from Natixis for the Letter of Credit ("LOC"), hence it will no longer be in place with effect from the 25th June 2021.
The Company has then drawn down on the LOC and will receive €62.7m which will be invested across three financial institutions and split into different currencies. Please refer to **section E.6** of this report for the Company's assessment of this subsequent event and the related calculations and impact on Probus solvency capital requirements.

As a result of the withdrawal of the UK from the European Union 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 throughout the whole reporting year, to ensure the implementation of an effective contingency plan and to guarantee the continuance of services to its policyholder.

To this extent the following changes to the Company's business and operations were taken:

- A specific endorsement to the existing motor policy with Hertz UK was issued to extend the period of cover to 31st December 2020;
- The Hertz UK motor policy entered into run-off as at 31st December 2020; and
- The distribution of Personal Accident Insurance in UK was terminated with effect from 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 as at 31st December 2020.

Probus is authorised by the CBI to carry out the business of non-life insurance and has been designated as a 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 2020, 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 89% of the premium written (gross of reinsurance). France, Germany, UK, Italy and the Netherlands are the five largest countries where premium was written for 2020.

	Total €	France €	Germany €	UK €	Italy €	Netherlands €
Gross Written Premium	10,728,567	3,415,961	3,250,688	2,552,213	930,721	578,983
Made up of:						
Motor Vehicle Liability	9,641,450	3,300,240	3,229,886	2,539,668		571,656
Assistance	1,087,117	115,721	20,802	12,545	930,721	7,327

On June 30th2017, 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.

As a result of the withdrawal of the UK from the European Union, the Hertz UK motor policy entered into run-off as at 31st December 2020 and the distribution of Personal Accident Insurance in UK was terminated with effect from 31st December 2020.

Additionally, during 2020 Probus made a number of changes to the reinsurance strategy as detailed below:

- Reduced the excess of loss retention from US$10m to US$5m (effective 26/10/2020);
- Commuted the quota share reinsurance arrangement with Hire Bermuda for all loss periods prior to 01/01/2013; and
- Ceased the quota share agreement with Hire Bermuda (effective 30/11/2020).

A letter of credit is in place to mitigate against the risk of default in respect of the remaining Hire Bermuda exposure, as outlined in section C.3 below.

A.2 Underwriting Performance

Underwriting performance	31-Dec-20 €	31-Dec-19 €	Movement year over year €
Net premium earned			
Motor Vehicle Liability	1,874,016	2,178,735	(304,719)
Assistance	1,176,390	1,921,925	(745,535)
	3,050,406	**4,100,660**	**(1,050,254)**
Net claims incurred			
Motor Vehicle Liability	(1,951,353)	(2,016,701)	65,348
Assistance	(12,212)	(279,657)	267,445
	(1,963,566)	**(2,296,359)**	**332,792**
Commission received (motor)	386,989	943,496	(556,507)
Underwriting profit/(loss)	**1,473,830**	**2,747,797**	**(1,273,968)**

On an overall level underwriting profit has decreased 46% year over year. During 2020, the Company made an underwriting profit of €1,473,830.

Please see **Appendix 6** for the full QRTs as submitted. The technical profit and loss account taken from the 2020 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 89% of the gross written premium in 2020. From an underwriting profit perspective Assistance contributed a profit of €1.2m in 2020 while Motor Vehicle Liability was a profit of €301k. The higher profitability margin on Assistance is due to much lower claims volumes on the Assistance business.

In accordance with Article 293 (2) of the Commission Delegated Regulation (EU) 2015/35, the tables below show the detailed information on underwriting performance split by material geographical areas where Probus carries out its business.

Underwriting performance - 2020	Belgium €	France €	Germany €	Italy €	Netherlands €	Spain €	Switzerland €	UK €	Total €
Net premium earned									
Motor Vehicle Liability	90,589	601,929	631,995	-	107,900	-	-	441,605	1,874,018
Assistance	3,296	115,721	20,802	930,721	7,327	85,976	-	12,545	1,176,388
	93,885	**717,650**	**652,797**	**930,721**	**115,227**	**85,976**	-	**454,150**	**3,050,406**
Net claims incurred									
Motor Vehicle Liability	(104,294)	(729,495)	(1,672,337)	902,205	170,833	27,837	(662,087)	115,985	(1,951,353)
Assistance	(5,028)	(11,565)	6,924	77,918	72	(93,947)	-	13,414	(12,212)
	(109,322)	**(741,060)**	**(1,665,413)**	**980,123**	**170,905**	**(66,110)**	**(662,087)**	**129,399**	**(1,963,565)**
Commission received (motor)	18,705	124,300	130,509	-	22,282	-	-	91,193	386,989
Underwriting profit/(loss)	**3,268**	**100,890**	**(882,107)**	**1,910,844**	**308,414**	**19,866**	**(662,087)**	**674,742**	**1,473,830**

Underwriting performance - 2019	Belgium €	France €	Germany €	Italy €	Netherlands €	Spain €	Switzerland €	UK €	Total €
Net premium earned									
Motor Vehicle Liability	91,609	634,184	518,053	-	83,714	-	-	851,175	2,178,735
Assistance	7,773	192,645	77,795	1,261,277	17,515	308,431	-	56,489	1,921,925
	99,382	**826,829**	**595,848**	**1,261,277**	**101,229**	**308,431**	-	**907,664**	**4,100,660**
Net claims incurred									
Motor Vehicle Liability	(34,080)	(320,638)	(511,715)	(326,366)	(216,682)	4,042	23,230	(634,493)	(2,016,702)
Assistance	(632)	(153,331)	(6,464)	(55,651)	(1,549)	(56,384)	-	(5,646)	(279,657)
	(34,712)	**(473,969)**	**(518,179)**	**(382,017)**	**(218,231)**	**(52,342)**	**23,230**	**(640,139)**	**(2,296,359)**
Commission received (motor)	39,671	274,632	224,342	-	36,252	-	-	368,599	943,496
Underwriting profit/(loss)	**104,341**	**627,492**	**302,011**	**879,260**	**(80,750)**	**256,089**	**23,230**	**636,124**	**2,747,797**

The top five countries (in terms of gross written premium) for Motor Vehicle Liability in 2020 were the UK, France, Germany, Netherlands and Belgium. The top five countries (in terms of gross written premium) for Assistance in 2020 were Italy, Spain, France, Germany and the UK.

A.3 Investment Performance

Investments	Solvency II balance sheet heading	31 December 2020 €	31 December 2019 €	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	45,378,607	16,406,010	28,972,597
Cash at bank	Cash and cash equivalents	32,874,051	14,185,496	18,688,555
Total investments		**78,252,658**	**50,591,506**	**27,661,152**

The Company held one intercompany loan with Hertz Holdings Netherlands B.V. ("HHN"). This loan was 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 2020 was €201,608 compared to €558,346 in 2019. Intercompany loan in question was redeemed in Q2 2020.

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 €8,057 in 2020, compared to €21,579 in 2019. In addition, charges (including negative interest charged for certain deposits) came to €232,482 for 2020, compared to €134,235 for 2019.

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 2020 or 2019. See below table for comparison with prior period.

Insurance costs	**31 December 2020**	**31 December 2019**	**Difference year over year**	**% Difference year over year**
	€	€	€	
VAT	17,060	54,467	(37,407)	(68%)
Claims handling	159,698	247,616	(87,918)	(36%)
Data processing	16,203	23,479	(7,276)	(31%)
MIB payments	302,007	348,711	(46,704)	(13%)
Total	*494,968*	*674,273*	*(179,305)*	*(27%)*
Administration costs	**31 December 2020**	**31 December 2019**	**Difference year over year**	**% Difference year over year**
	€	€	€	
Salaries and related staff costs	796,867	925,634	(128,767)	(14%)
Actuarial fees	240,477	231,003	9,474	0.04%
Audit and tax fees	282,555	220,071	62,484	28%
Claims audit fees	6,050	-	6,050	100%
Total	*1,325,949*	*1,376,708*	*(50,759)*	*(0.03%)*

Forecast

With respect to 2021 year-end forecasting and for reasons explained below in the following paragraph on Covid-19, the Company expects a of 50% increase in premium written compared to 2020 performance driven by repricing the risk and the expected recovery post Covid-19 (those forecasts are based on Hertz forecasting which is believed to be on a prudent basis).

Gross premiums Written	€17,051,427
Outward reinsurance premiums paid	(€1,450,000)
Net premiums earned	**€15,601,427**

The calculations take into consideration the cessation of the UK risk with effect from 1st January 2021 and the cancellation of the quota share arrangement.

Covid-19

The travel restrictions imposed due to Covid-19 will lead to a reduction to the underlying exposure base. 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.

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

The Company is also regularly monitoring the impact of Covid-19 on its panel of reinsurers supporting Probus motor 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 2020.

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 2020 with 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 (PCF-14) to an external service provider, Willis Towers Watson ("WTW")[1]. 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.

1 The Central Bank of Ireland granted a derogation from Section 12.1 of the Requirements to permit Mr Tom Donlon of Willis Towers Watson to act concurrently as Company's Head of Actuarial Function and Chief Risk Officer.

The Internal Audit Function is outsourced to KPMG Ireland 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") 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 2020 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	14th December 2018 (re-appointed on 1st December 2020) 27th September 2018
Clark Dubin	Group Director (Hertz VP Global Risk Management)	PCF-2 Non-Executive Director	14th 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	1st 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	1st September 2016
Martin Scullion	Executive Director (Probus General Manager)	PCF-1 Executive Director PCF-8 Chief Executive PCF-17 Head of Underwriting	27th July 2006
Charlotte Torr	Executive Director (Probus Finance Manager)	PCF-1Executive Director PCF-11Head of Finance	9th January 2008

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 2020 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
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)
Ciaran Flynn (KPMG Ireland)	Head of Internal Audit	PCF-13 Head of Internal Audit (Hertz Group outsourced role)
Matthias Rittmeier (Marsh)	Probus Swiss Branch Manager	Manager of a branch in the Switzerland (not an EEA country) (outsourced role)

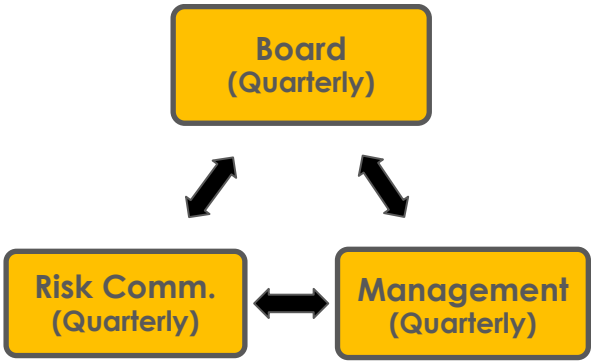
Mr Martin Mullooly resigned as Company's Head of Claims (PCF- 43) with effect from 1st May 2020[2].

[2] Since Mr Mullooly's resignations, role in question was fulfilled by the Company's General Manager in conjunction with Probus Manager of Risk and Analytics.

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:



Quarterly	•The key function holders/risk owners monitor the Risk Register, the Risk Event Log, the Key Risk Dashboard and the Strategic Outcomes versus KPIs Dashboard. The Chief Risk Officer monitors the Key Risk Dashboard.
Quarterly	•The Risk Committee and the Board monitor and act on reviews by the Chief Risk Officer, the General Manager, the Key Risk Dashboard, the Strategic Outcomes versus KPIs Dashboard, stress testing, ORSA Reports, risk event log reports from all functions/risk owners of the business.
Annually	•The Risk Committee and the Board minute and approve the policies and the system of governance including the risk management framework and register, and review and approve the annual compliance statements for submission to the Central Bank of Ireland. The Risk Committee and the Board review and act on the outcome of the stress testing and the ORSA for submission to the Central Bank of Ireland (such process involves also the HoAF).

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 materially 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.

On a quarterly basis, the Board review the Strategic Outcomes versus KPIs Dashboard as produced by Management in order to appropriately monitor status, progress and deviations of the Company's Board approved business strategy. Such activity has been fully embedded into the Company's reporting framework.

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 Company's Management and then reviewed by the 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 performed by Willis Towers Watson on behalf of Probus. We believe that the SCR is a suitable risk measure for the Company as it captures the key risks. The results are reviewed by Probus Management, the Risk Committee and the Board. Scenario & stress identification and relevant testing were performed by Probus Finance Department

- **Stage 3 Interpret** – The analysis of impact on capital requirements is done collectively by Probus Management. The results are reported to the Risk Committee and the Board and once approved are formatted and submitted to the CBI, as required.

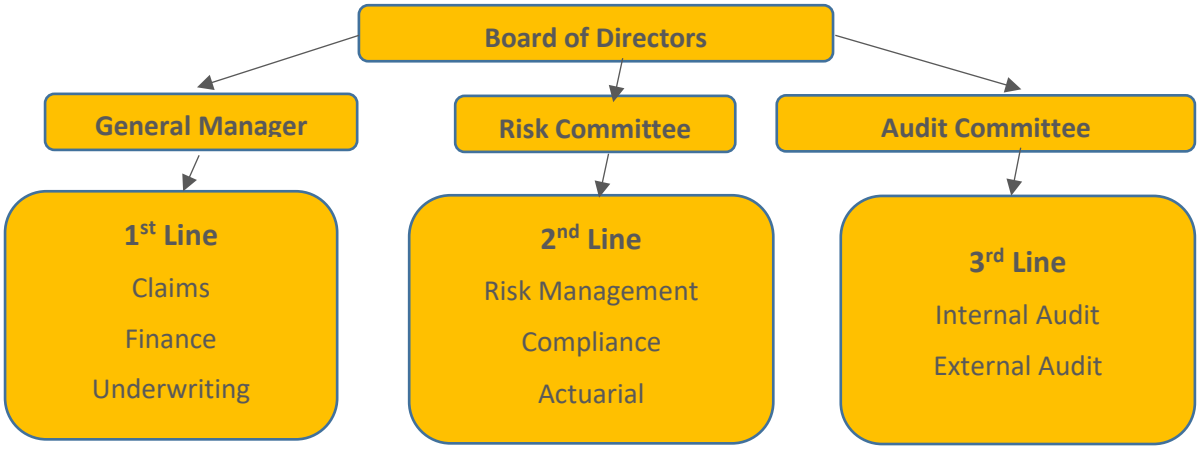
- **Stage 4 Response** - Relevant decision upon resulting actions are proposed by Probus Management and reviewed by the Risk Committee and the Board. Follow-up actions will be executed by Management who will report on progress to the Risk Committee and the Board accordingly.

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 KPMG Ireland ("KPMG").

To provide for the independence of the Internal Audit Function, as per Article 46-2 of the Solvency II Directive, KPMG are accountable to and 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. KPMG 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 by Probus designated Pre-Approval Control Functions (PCFs) 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. To such extent a formalised, structured and consistent annual review process was developed and implemented throughout year 2020.

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 KPMG and Probus. Internal Audit is managed by KPMG (located in Ireland) under the direction of Head of Internal Audit (PCF-13). 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[3]. 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 General Manager (PCF-8) / Head of Underwriting (PCF-17).

- **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.

[3] The CBI approved Probus request for a derogation from Section 12.1 of the Corporate Governance Requirements for Insurance Undertakings 2015, in order to permit Mr Tom Donlon of WTW to be concurrently appointed as HoAF (PCF-48) and CRO (PCF-14) for the Company. Such derogation was granted and extended by the regulator until 31st December 2021.

Section C Risk Profile

C.1 Risk Profile

The Company has identified the following information relating to risks. Risk impact and probability are examined 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 increased over 2020 as there have changes in the Company's reinsurance programme.

	2020 SCR charge €	2019 SCR charge €
Premium and Reserve Risk	10,196,402	4,927,057

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. The relevant monetary value is 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.

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 because all policies expired 31st December 2020. Catastrophe is an inherent risk borne by the nature of providing Motor Vehicle Liability insurance in EU countries where there is potentially unlimited liability.

	2020 SCR charge €	2019 SCR charge €
Lapse Risk	-	-
Catastrophe Risk	4,081,966	671,081

The Catastrophe Risk charge has been increased during 2020 due to the cancellation of the quota share arrangement with Hire Bermuda.

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. This system allows for the competitive nature of the market and allows prices to reflect the most recent claims experience. 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 monitoring 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.

	2020 SCR charge €	**2019 SCR charge €**
Interest Rate Risk	-	9,541
Currency Risk	3,209,498	3,632,089
Spread Risk	543,002	780,466
Concentration risk	4,493,816	14,252,795

a. Interest Rate Risk

Interest Rate Risk is the variability in value borne by an interest-sensitive asset or liability. For the Company this is the risk relating to investments which 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, 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 an increase in the mis-match of 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 was previously driven largely by the unrated intercompany loan with HHN.

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 2020; this has decreased from 2019 as a result of the redemption of the intercompany loan with Hertz Holding Netherlands ("HHN").

Probus had loaned €20m to HHN, which has an unrated status. In accordance with the terms of the agreement protecting Probus related to the on-demand cancellation of the intergroup loan, the loan with HHN was redeemed in Q2 2020. The total concentration risk prior to the cancellation of the loan was €14.3m, post the loan cancellation it was €3.3m, therefore the concentration risk relating to the loan attracted a charge of €11m (high monetary value).

Mitigation of Market Risk

Probus applies the prudent person principle when managing the Company's market risk exposure by adhering to the requirements of a set of Board approved policies, 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 before redemption was 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 monitoring 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/Counterparty Default 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.

	2020 SCR charge €	2019 SCR charge €
Counterparty Default Risk	3,391,150	7,788,681

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 of type 1 exposures exceeds 7% of the loss given default of all type 1 exposures. This is explained in greater detail in **Section E.2** of this report.

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 monitoring 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/realization 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, it is noted that all investments are held in cash and that 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 monitoring 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).

	2020 SCR charge €	**2019 SCR charge €**
Operational Risk	3,096,539	3,458,666

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.

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 Claims Dept., 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 monitoring 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 insufficient 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, annually performs the ORSA.

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 monitoring 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

The Strategic/Business Model risk covers the level of inherent risk in the Probus strategy of being an effective and solvent vehicle of self-insurance of auto liability risk for Hertz (other insurance products may be available to Hertz at better prices in the external market).

The key risk is that the current business model may not compete favourably with alternative strategies through the cycle in terms of cost, capital efficiency and long-term price stability and may not survive the Covid-19 pandemic impact.

Under a strategic point of view and in accordance with Guideline 2, Organisational and Operational Structure, Paragraph 1.26 of the EIOPA Guidelines on System of Governance, Probus developed a business strategy process that clearly outlines the specific steps, roles and responsibilities, and timelines involved in developing, revising and monitoring the Company's business strategy.

In June 2020 the Board discussed and approved the following Company's key strategic areas for the reporting year:

Areas	Strategy
Reserving	Review at end of May 2020.
Reinsurance	Source quotes for Excess of Loss Cover below $10M.
HIRE Bermuda	Cease and commute cession.
Deductibles	Create escrows.
Operations	Review resilience of Hertz support functions.
Pricing	New risk profile (post COVID and Brexit)

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 (such as Strategic Outcomes versus KPIs Dashboard); 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 took take place on the date of entry into force of the relevant withdrawal agreement (1st January 2021)

Probus provided insurance products on a 'Freedom of Services' basis into the UK and during the reporting period approximately 23% 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 to the Board through the reporting year.

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.

As a consequence of the UK's departure from the EU in 2021, Probus will not be writing any new business in UK and resolved to avail of the Financial Services Contracts Regime ('FSCR'). This will allow the Company to exit the UK market, service pre-existing contracts and handle run off claims within the period granted by the UK authorities.

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 throughout the reporting year:

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 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 operating within the UK Financial Services Contract Regime ("FSCR")
vi. Regularly discuss and assess solvency related risks with the Company HoAF in the occurrence of a "*hard Brexit*".

d. Emerging Risks

In undertaking the annual ORSA exercise, the Board have also considered the so called non quantifiable risks by the Solvency II standard formula. With respect to such risks and having regard to the longer term horizon of the Company's business, the emerging risk of autonomous (fully automated driverless) cars and the uncertainties that brings for (motor) insurers was discussed.

Although such risk currently can't be modelled nor measured in some way, it will signal a different approach to fleet insurance in the near future. In light of this, it will be essential for Probus and its Management to fully align with the strategic changes the overall Hertz Corporation will adopt and/or propose to front this new challenge brought by technology and subsequently assess whether the Company will have any appetite for it.

f. Climate Change

As recommended by EIOPA, it is essential to foster a forward-looking management (medium to long term) of climate change related risks by insurance undertakings.

More specific to Probus, climate change risk is linked to market transition to Electric Vehicles ("EV"). Whilst impacts are not imminent, under a risk assessment point of view, following factors that could potentially affect Probus are regularly taken into consideration:

- Claims inflation: presumably a move to EV will have some impact on repair costs;
- Claims frequency: whilst not a transition risk per se, a move to EV will coincide with increased on-board technology which may have a favourable impact on frequency, and possibly severity; and
- Growth and revenues: consumer preferences may result in less car ownership, possibly promoting renting; or on the other hand, consumer preferences may lead to less travel generally, possibly reducing revenues as a result.

Other factors typically associated with climate change risk are less important for Probus, including:

- Extreme weather: probably not a major factor for PLPD, with the possible exception of increased hailstorm frequency/severity;
- Change in mix: the mix between commercial and retail may change in favour of commercial (relevance of some commercial sectors may diminish and others may grow); and
- Investment market risks: these are currently not material for Probus, with the possible exception of currency risk; and
- Strategic risks / credit counterparty quality: not a major risk, though consideration might be given the risk of reduced access to reinsurance markets, following a number of extreme weather events.

C.2 Off Balance Sheet Positions
As for the previous years, Probus holds the following Letters of Credit ("LOC"):

1. 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 in 2019 (total value of the LOC previously 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 was subject to risk concentration from its reinsurance arrangements within the Hertz Group specifically with Hire Bermuda Limited (85% of business was ceded). This exposure was 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.

It further is noted that cession to Hire Bermuda ceased and existing claims reserves partially commuted. Such actions as a result will lead Probus retaining a larger proportion of underwriting exposure and reserving risk in the future. The Company's balance sheet impact will evolve gradually as ceded reserves are replaced by retained reserves. However, this effect will be balanced in the short term by reduced business volumes, reflecting reduced Rental Days.

Additionally, the Company's loan to HHN of €20million represented 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 (HHN intercompany loan was redeemed in Q2 2020). 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 10th December 2020. 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 below the 130%, 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 2020 ORSA the Company ran fourteen (14) scenarios starting with the 30th June results as a base scenario. The full list of stress tests performed are ranked by impact in the 2020 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 2020	Financial Statements Statement of financial position €	Solvency II Balance Sheet €	Difference €
Other financial investments/deposits other than cash equivalents	45,378,607	45,378,607	-
Other debtors affiliated/other mortgages and loans	105	105	-
Debtors arising out of direct reinsurance/insurance intermediaries receivable	18,216,147	16,844,485	1,371,662
Cash at bank/cash and cash equivalents	32,874,051	32,874,051	-
Other debtors non-affiliated/any other assets not elsewhere shown	1,521,782	1,521,782	-
Total assets	**97,990,692**	**96,619,030**	**1,371,662**

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	16,532,466	16,532,466	-
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	20,854,083	15,688,172	5,165,911

intermediaries receivable			
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**

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 consisted 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 2020 €	31 December 2019 €	Difference year over year €
Motor Vehicle Liability Best Estimate	103,019,964	115,161,692	(12,141,728)
Motor Vehicle Liability Risk Margin	3,243,959	1,646,012	1,597,947
Assistance Best Estimate	198,012	127,178	70,834
Assistance Risk Margin	85,021	115,971	(30,950)
Total Solvency II Gross Technical Provisions	**106,546,956**	**117,050,853**	**(10,503,897)**

Comparison of Balance Sheet Amounts	Financial Statements Statement of Financial Position 31 December 2020 €	Solvency II Balance Sheet 31 December 2020 €	Difference €
Motor Vehicle Liability	101,970,195	120,088,377	(18,118,182)
Assistance	278,315	594,996	(316,681)
Total Solvency II Gross Technical Provisions	**102,248,510**	**120,683,374**	**(18,434,864)**

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**

Technical provisions have been calculated in accordance with Solvency II regulations and article 77 of the Solvency II Directive. Gross technical provisions - comprising discounted best estimate and risk margin – were €106.5m as at December 2020 (2019: €117.1m), made up of €103m best estimate and €3.2m risk margin (2019: €115.2m best estimate and €1.6m risk margin) for Motor Vehicle Liability and €0.2m best estimate and €0.1m risk margin for Assistance (2019: €0.1m best estimate and €0.1m risk margin).

Solvency II Reinsured Technical Provisions	31 December 2020 €	31 December 2019 €	Difference year over year €
Motor Vehicle Liability Best Estimate	70,284,395	98,178,678	(27,894,283)
Motor Vehicle Liability Default Adjustment	(59,380)	(2,283,911)	2,224,531
Total Solvency II Reinsured Technical Provisions	**70,225,015**	**95,894,767**	**(25,669,752)**

Comparison of balance sheet amounts	Financial Statements Statement of Financial Position 31 December 2020 €	Solvency II Balance Sheet 31 December 2020 €	Difference €
Motor Vehicle Liability	70,618,879	70,225,015	393,864
Total Solvency II Reinsured Technical Provisions	**70,618,879**	**70,225015**	**393,864**

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**

Reinsured technical provisions which are comprised of the discounted reinsurance share of best estimate provisions with an allowance for counterparty default were €70.2m as at December 2020 (2019: €95.9m). All of the reinsured technical reserves for 2020 related to Motor Vehicle Liability were made up of €70.3m best estimate and (€0.1m) default. In 2019 the reinsured reserves related to Motor Vehicle Liability were €95.9million (€98.2m best estimate and (€2.3m) 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).

The current Probus PL PD business is protected by excess-of-loss reinsurance in excess of a retention of US$5 million. For business written from 1 January 2020 to 25 October 2020 Probus PL PD business is protected by excess-of-loss reinsurance in excess of a retention of US$10 million. Probus continually assess the suitability of the reinsurance retention point in the context of the wider risk management programme at Hertz. The US$5 million xs US$5 million excess-of-loss reinsurance protection is subject to a limit of indemnity of US$5 million in aggregate.

Following the application of the above excess-of-loss reinsurance programme, Probus is then subject to an 85% quota share reinsurance treaty with Hertz Hire Bermuda. As of 30th June 2020, the reinsurance with Hire Bermuda was commuted for the underwriting years 2013 and prior (as

mentioned above, an LOC is in place to mitigate against the risk of default in respect of the remaining Hire Bermuda exposure).

On 19th November 2020, the CBI approved a material change of business plan with the cessation of ceding new risks to the Hire Bermuda quota share and reinstatement of the US$5 million xs US$5 million excess-of-loss reinsurance protection.

Probus has ceased the 85% quota share reinsurance to Hire Bermuda from 30th November 2020. This is included in the financial projections and the relevant impact of the retention of this risk considered as part of the ORSA scenarios and stresses.

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.

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;
4. Failures to make recoveries from reinsurance companies;
5. Covid-19 impact.

WTW considers all of the above to be material when determining the technical provisions best estimates. However, it is observed that the risk is mitigated by the excess of loss treaty above US$5million.

D.3 Other Liabilities

Comparison of balance sheet amounts 31 December 2020	Financial Statements Statement of financial position €	Solvency II Balance Sheet €	Difference €
Creditors arising out of direct insurance operations/insurance and intermediaries payable	16,517,709	15,990,663	527,046
Other creditors including tax and social security/payables (trade not insurance)	369,251	369,251	-
Accruals and deferred income/any other liabilities not elsewhere shown	669,619	669,619	-
Total liabilities	**17,556,579**	**17,029,533**	**527,046**

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**

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 and funds held on behalf of affiliated companies to cover the deductible exposure;

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-20	31-Dec-19	Difference year over year
		€	€
Ordinary share capital	6,866,246	6,866,246	-
Deferred tax assets	-	-	-
Reconciliation reserve	36,401,310	38,827,175	(2,425,865)

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 2020 €	31 December 2019 €
Financial Statements: Profit and loss account and translation reserve	41,936,638	43,124,629
Solvency II: Reconciliation reserve	36,401,310	38,827,175
Difference	**5,535,328**	**4,297,454**

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 loss made for 2020. 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 2020 is €43.2m and covers 222% of the SCR and 889% of the MCR. Eligible capital as at 31st December 2019 was €45.7m and covered 187% of the SCR and 747% 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 2020 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 2020 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-20 €	31-Dec-19 €	Difference €
Counterparty	3,391,150	7,788,681	(4,397,631)
Currency/FX	3,209,498	3,632,089	(422,591)
Premium & Reserves	10,196,402	4,927,057	5,269,345

There was no material change to the methodology used to calculate the SCR/MCR during 2020. Within the model the impact of the cancellation of the quota share arrangement and the buy down of the excess reinsurance to US$5m have impacted the counterparty and premium and reserve charges.

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

There are a number of simplifications within the Standard Formula that can be adopted by companies, as specified in the Delegated Acts. Probus has adopted some approximations and simplifications in the calculation of the SCR and the Risk Margin, and considers these to be reasonable, justified and immaterial, given the nature, scale and complexity of the Company.

The simplified calculations being used by Probus include:

- The adoption of Method 1, as outlined in EIOPA's Final Report on the Guidelines on valuation of technical provisions (EIOPA-BoS-14/166), to estimate the SCR at future time periods for the purposes of estimating the Risk Margin;
- The assumption of zero Loss Adjusting Capacity for Deferred Tax ('LACDT'); and
- The allocation of the risk mitigating effect in proportion to reinsurers share of expected Recoveries.

Probus has adopted no simplifications in relation to the calculation of the MCR.

There has been no compromising of the risk appetite 140% threshold nor risk tolerance 100% SCR level in 2020 prompting any Board action. Therefore, the undertaking has held sufficient eligible own funds to meet the minimum capital requirement ('MCR') and solvency capital requirement ('SCR') at all times.

As already explained in **section A.4** above, 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.

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 calculated by WTW (as Company's Actuarial Function) for reasonableness.

E.6 Any Other Information

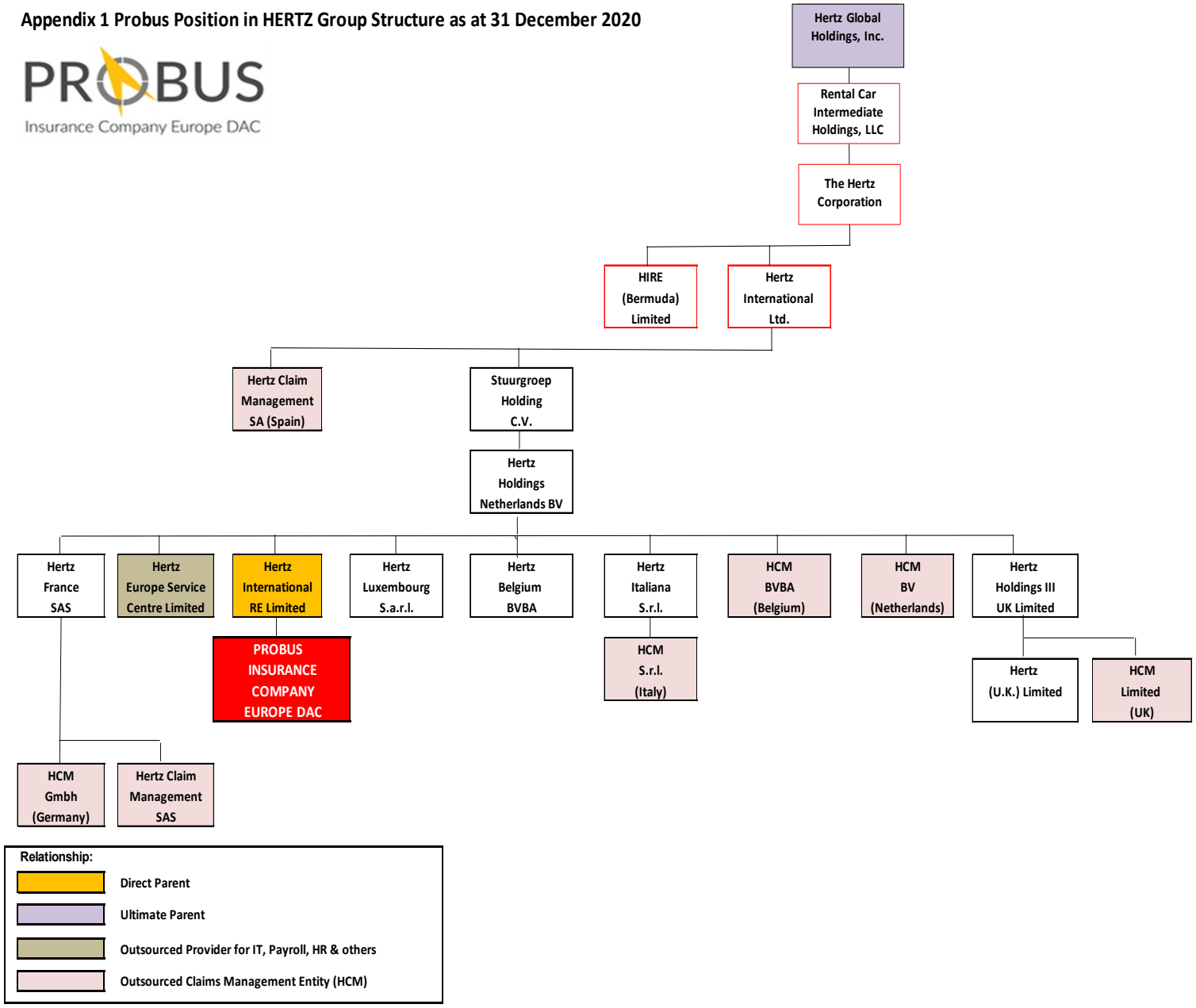
Subsequent Events:

On the 19th March 2021 the Company received a notice of non-renewal from Natixis for the letter of credit with a value of €62.7m. This letter of credit will therefore no longer be in place with effect from the 25th June 2021. The Company has drawn down on the letter of credit and will receive €62.7m which will be invested across three financial institutions and split into different currencies.

The Company has assessed this event and calculated that this would have had the following impact on the solvency capital requirement of 222% as at 31 December 2020. If the notice had been received prior to 31 December 2020 and the letter of credit not been called the Solvency Capital Ratio would have dropped to 143% . If notice had been received and the cash called and received prior to 31 December 2020 the solvency Capital Ratio would have increased to 354%.

Appendix 1 Probus Position in HERTZ Group Structure as at 31 December 2020

PROBUS
Insurance Company Europe DAC



Appendix 2 - PROBUS INSURANCE COMPANY EUROPE DAC
TECHNICAL PROFIT AND LOSS ACCOUNT –
FOR FINANCIAL YEAR-END 31 DECEMBER 2020

	2020 €	2020 €	2019 €	2019 €
Earned premiums, net of reinsurance				
Gross premiums written	11,303,530		24,124,290	
Outward reinsurance premium	(8,958,921)		(20,023,630)	
Gross premiums written	2,344,609		4,100,660	
Unearned Premium Reserve	-		-	
Unearned Reinsurance Premium	705,796		-	
	705,796		-	
Earned premiums, net of reinsurance		3,050,405		4,100,660
Allocated investment return transferred from the non-technical account		86,790		314,573
Claims incurred, net of reinsurance				
Claims paid:				
Gross amount	(19,459,965)		(22,339,506)	
Reinsurers' share	12,128,523		18,706,407	
	(7,331,442)		(3,633,099)	
Change in the provision for claims:				
Gross amount	16,338,292		7,326,398	
Reinsurers' share	(10,970,415)		(5,989,658)	
	5,367,877		1,336,740	
Claims incurred, net of reinsurance		(1,963,565)		(2,296,359)
Net operating expenses		(1,829,771)		(1,588,311)
Balance on the technical account for non-life insurance business		(656,141)		530,563

Appendix 3 SCR/MCR calculations

December 2020 calculation

BSCR	16,368,627	**Reporting Units**	Units
Operational Risk	3,096,539	**Reporting**	EUR
SCR Adjustment	-		
Solo SCR	19,465,166		
Capital (Art. 4 of Directive 2003/41/EC)	-		
SCR excl. capital add-ons	19,465,166		
Capital add-ons already set	-		
SCR incl. capital add-ons	19,465,166	**Pre-corridor**	3,034,207
Additional SCR for Groups	NA	**Pre-corridor**	3,700,000
SCR	19,465,166	**MCR**	4,866,292

BSCR Components:	**Standalone**	**BSCR**	**Pro-Rated**	**Diversification**
Intangible		-	-	-
Non Life		11,892,844	9,309,499	- 2,583,345
Market		5,626,854	4,404,598	- 1,222,256
Counterparty		3,391,150	2,654,530	- 736,620
TOTAL		20,910,849	16,368,627	- 4,542,222

Non Life Risk	**Non Life Risk**		
Lapse	-	-	-
Cat	4,081,966	3,399,981	- 681,985
Premium & Reserve	10,196,402	8,492,863	- 1,703,539
Health Risk			

Life Risk			
Market Risk	**Market Risk**		
Interest rate	-	-	-
Equity	-	-	-
Property	-	-	-
Spread	543,002	370,516	- 172,486
Currency	3,209,498	2,189,994	- 1,019,504
Concentration	4,493,816	3,066,345	- 1,427,471
Counterparty	**Counterparty**		
Type 1 Exposures	2,496,804	2,361,108	- 135,696
Type 2 Exposures	1,089,240	1,030,042	- 59,198
TOTAL	26,110,727	20,910,849	- 5,199,878

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.

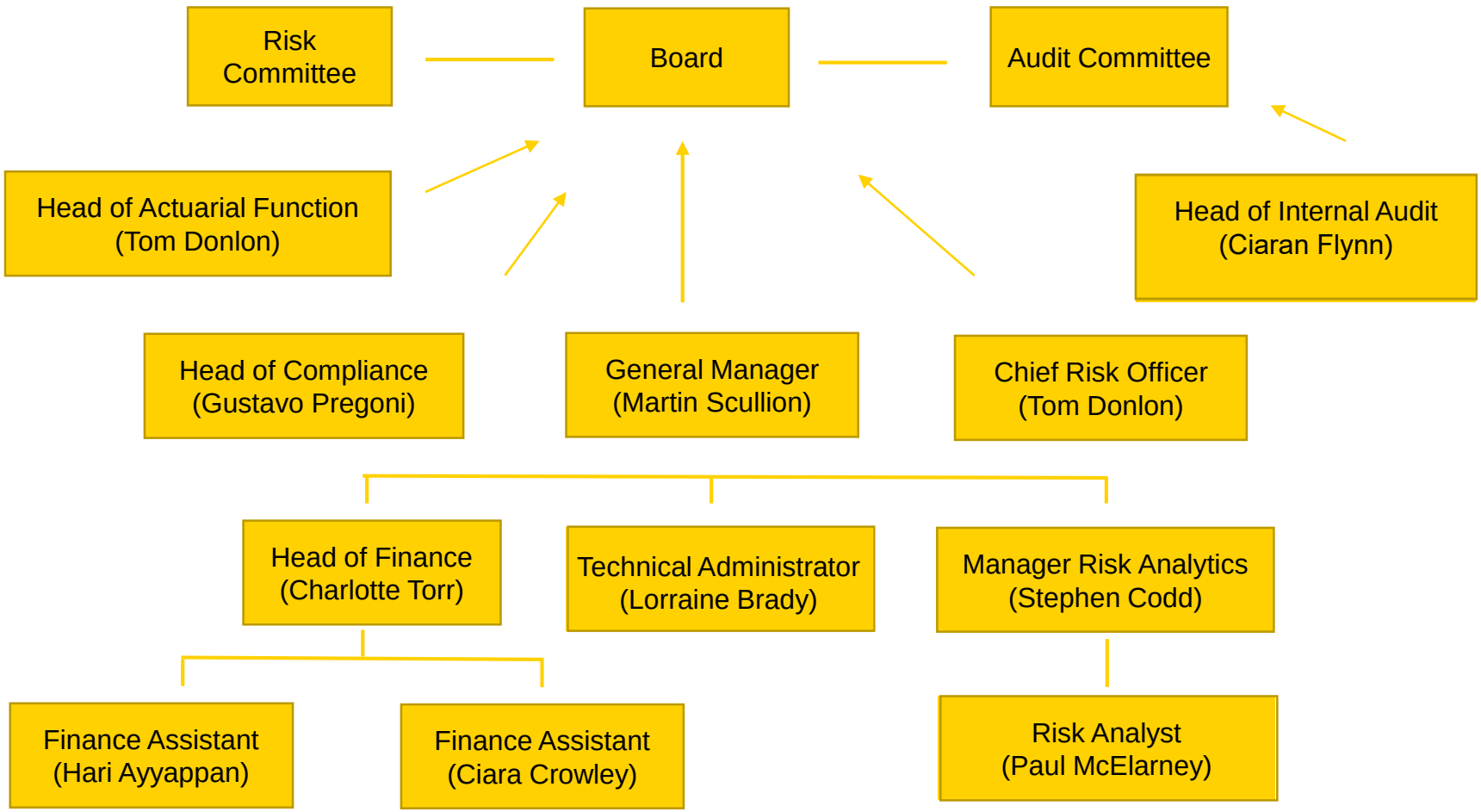
1.7	**Risk Appetite Framework/ Risk Appetite Metrics/ Risk Register**	Martin Scullion PCF-8 GM Tom Donlon (WTW) PCF-14 CRO	Defines the Risk rating of impact and probability, Risk Appetite, Tolerance Levels and metrics for all 20 of the Probus managed risks.
1.8	**List of Board Policies**	Martin Scullion PCF-8 GM Gustavo Pregoni PCF-12 Head of Compliance	List of Board-approved Policies (subject to annual and/or *ad-hoc* 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**	Martin Scullion PCF-8 GM 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; and • 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 Scullion PCF-8 GM Stephen Codd Manager Risk Analytics	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 Scullion PCF-8 GM Stephen Codd Manager Risk Analytics	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. The reserving policy shall: • 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.
22	**Business Continuity Plan**	Martin Scullion PCF-8 GM Gustavo Pregoni PCF-12 Head of Compliance Stephen Codd Manager Risk Analytics	The purpose of this document is to prepare Probus staff in the event of an incident caused by factors beyond its control (e.g., natural disasters, man-made events, cyber-attacks, etc.) and restore operations to the widest extent possible in a minimum time frame.
23	**Wind Down Plan**	Martin Scullion PCF-8 GM	This document sets out the steps and resources needed to wind down the regulated activities of the Company. It also considers the risks and impact of a wind down on key stakeholders, which are principally on third-party claimants and policyholders.

Appendix (5): Probus Insurance Organisation Chart



Appendix 6
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	-
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	-
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	45,378,607
Property (other than for own use)	**R0080**	-
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	-
Equities - listed	**R0110**	-
Equities - unlisted	**R0120**	-
Bonds	**R0130**	-
Government Bonds	**R0140**	-
Corporate Bonds	**R0150**	-
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	-
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	45,378,607
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	-
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	-
Reinsurance recoverables from:	**R0270**	70,225,015
Non-life and health similar to non-life	**R0280**	70,225,015
Non-life excluding health	**R0290**	70,225,015
Health similar to non-life	**R0300**	-
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-
Health similar to life	**R0320**	-
Life excluding health and index-linked and unit-linked	**R0330**	-
Life index-linked and unit-linked	**R0340**	-
Deposits to cedants	**R0350**	-
Insurance and intermediaries receivables	**R0360**	4,304,189
Reinsurance receivables	**R0370**	12,540,401
Receivables (trade, not insurance)	**R0380**	-
Own shares (held directly)	**R0390**	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	-
Cash and cash equivalents	**R0410**	32,874,051
Any other assets, not elsewhere shown	**R0420**	1,520,186
Total assets	**R0500**	166,842,449

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	106,546,956
Technical provisions – non-life (excluding health)	**R0520**	106,546,956
TP calculated as a whole	**R0530**	-
Best Estimate	**R0540**	103,217,976
Risk margin	**R0550**	3,328,980
Technical provisions - health (similar to non-life)	**R0560**	-
TP calculated as a whole	**R0570**	-
Best Estimate	**R0580**	-
Risk margin	**R0590**	-
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	-
TP calculated as a whole	**R0620**	-
Best Estimate	**R0630**	-
Risk margin	**R0640**	-
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	-
TP calculated as a whole	**R0660**	-
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
Technical provisions – index-linked and unit-linked	**R0690**	-
TP calculated as a whole	**R0700**	-
Best Estimate	**R0710**	-
Risk margin	**R0720**	-
Contingent liabilities	**R0740**	-
Provisions other than technical provisions	**R0750**	-
Pension benefit obligations	**R0760**	-
Deposits from reinsurers	**R0770**	-
Deferred tax liabilities	**R0780**	-
Derivatives	**R0790**	-
Debts owed to credit institutions	**R0800**	-
Financial liabilities other than debts owed to credit institutions	**R0810**	-
Insurance & intermediaries payables	**R0820**	15,598,177
Reinsurance payables	**R0830**	392,486
Payables (trade, not insurance)	**R0840**	369,251
Subordinated liabilities	**R0850**	-
Subordinated liabilities not in BOF	**R0860**	-
Subordinated liabilities in BOF	**R0870**	-
Any other liabilities, not elsewhere shown	**R0880**	669,618
Total liabilities	**R0900**	123,184,002
Excess of assets over liabilities	**R1000**	43,658,447

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**				10,127,141					
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**				8,958,921					
Net	**R0200**				1,168,220					
Premiums earned										
Gross - Direct Business	**R0210**				10,127,141					
Gross - Proportional reinsurance accepted	**R0220**				-					
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**				8,253,125					
Net	**R0300**				1,874,016					
Claims incurred										
Gross - Direct Business	**R0310**				3,109,461					
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**				1,158,108					
Net	**R0400**				1,951,353					
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**				331,147					
Other expenses	**R1200**									
Total expenses	**R1300**									

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**		1,176,390						11,303,531
Gross - Proportional reinsurance accepted	**R0120**		-						-
Gross - Non-proportional reinsurance accepted	**R0130**								-
Reinsurers' share	**R0140**		-						8,958,921
Net	**R0200**		1,176,390						2,344,610
Premiums earned									-
Gross - Direct Business	**R0210**		1,176,390						11,303,531
Gross - Proportional reinsurance accepted	**R0220**								-
Gross - Non-proportional reinsurance accepted	**R0230**								-
Reinsurers' share	**R0240**								8,253,125
Net	**R0300**		1,176,390						3,050,406
Claims incurred									-
Gross - Direct Business	**R0310**		12,212						3,121,673
Gross - Proportional reinsurance accepted	**R0320**		-						-
Gross - Non-proportional reinsurance accepted	**R0330**								-
Reinsurers' share	**R0340**		-						1,158,108
Net	**R0400**		12,212						1,963,565
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**		83,421						414,568
Other expenses	**R1200**								1,415,203
Total expenses	**R1300**								1,829,771

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		Italy	France	Germany	Netherlands	UK	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		930,721	3,415,961	3,250,688	578,983	2,552,213	10,728,566
Gross - Proportional reinsurance accepted	R0120		-	-				-
Gross - Non-proportional reinsurance accepted	R0130		-	-				-
Reinsurers' share	R0140		-	2,929,197	2,819,550	503,385	2,277,906	8,530,038
Net	R0200		930,721	486,764	431,138	75,598	274,307	2,198,528
Premiums earned								
Gross - Direct Business	R0210		930,721	3,415,961	3,250,688	578,983	2,552,213	10,728,566
Gross - Proportional reinsurance accepted	R0220							-
Gross - Non-proportional reinsurance accepted	R0230							-
Reinsurers' share	R0240		-	2,698,311	2,597,890	463,757	2,098,062	7,858,020
Net	R0300		930,721	717,650	652,798	115,226	454,151	2,870,546
Claims incurred								
Gross - Direct Business	R0310		- 2,850,057	- 70,243	5,506,188	1,010,869	- 1,078,149	2,518,608
Gross - Proportional reinsurance accepted	R0320							-
Gross - Non-proportional reinsurance accepted	R0330							-
Reinsurers' share	R0340		- 1,869,934	- 983,433	3,660,046	1,150,918	- 1,075,033	882,564
Net	R0400		- 980,123	913,190	1,846,142	- 140,049	- 3,116	1,636,044
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	455,369	59,648	- 102,279	- 52,470	25,521	113,655	499,444
Other expenses	R1200							
Total expenses	R1300							

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060									
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140									
Net Best Estimate of Premium Provisions	R0150									
Claims provisions										
Gross	R0160				103,020,003					
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				70,225,015					
Net Best Estimate of Claims Provisions	R0250				32,794,988					
Total Best estimate - gross	R0260				103,020,003					
Total Best estimate - net	R0270				32,794,988					
Risk margin	R0280				3,243,959					
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions - total										
Technical provisions - total	**R0320**				106,263,962					
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**				70,225,015					
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**				36,038,947					

Annex I
S.17.01.02
Non-life Technical Provisions

		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
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060								
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140								
Net Best Estimate of Premium Provisions	R0150								
Claims provisions									
Gross	R0160		197,973						103,217,976
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		-						70,225,015
Net Best Estimate of Claims Provisions	R0250		197,973						32,992,961
Total Best estimate - gross	R0260		197,973						103,217,976
Total Best estimate - net	R0270		197,973						32,992,961
Risk margin	R0280		85,021						3,328,980
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								-
Best estimate	R0300								-
Risk margin	R0310								-

Annex I
S.17.01.02
Non-life Technical Provisions

		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**
Technical provisions - total									
Technical provisions - total	**R0320**		282,994						106,546,956
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								70,225,015
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**		282,994						36,321,941

Annex I
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year													
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											165,629,134	R0100	5,918,444	5,918,444
N-9	R0160	4,741,816	4,767,466	4,674,432	2,339,826	1,877,357	1,783,764	750,135	328,751	2,311,151	423,123		R0160	423,123	23,997,821
N-8	R0170	3,910,870	4,222,374	2,333,523	2,774,570	2,572,323	1,897,816	848,836	9	363,661			R0170	363,661	18,923,982
N-7	R0180	1,198,123	3,951,275	3,714,970	6,342,218	3,488,784	768,612	3,606,234	27,579				R0180	27,579	23,097,795
N-6	R0190	1,858,245	4,192,071	5,234,685	3,144,742	2,879,186	1,540,426	2,951,709					R0190	2,951,709	21,801,064
N-5	R0200	3,601,489	6,449,737	6,248,148	3,064,030	3,859,189	1,211,011						R0200	1,211,011	24,433,604
N-4	R0210	4,434,776	1,655,901	1,271,399	1,355,848	2,666,524							R0210	2,666,524	11,384,448
N-3	R0220	3,896,195	2,659,368	2,993,877	2,263,853								R0220	2,263,853	11,813,293
N-2	R0230	3,073,290	1,197,903	631,298									R0230	631,298	4,902,491
N-1	R0240	3,309,876	2,647,807										R0240	2,647,807	5,957,683
N	R0250	354,957											R0250	354,956	354,957
													Total R0260	19,459,965	152,585,582

Annex I
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											20,825,369	R0100	21,239,776
N-9	R0160	-	-	-	-	-	6,053,327	4,974,786	4,931,718	2,636,651	2,219,006		R0160	2,258,188
N-8	R0170	-	-	-	-	9,058,509	7,127,582	4,122,422	4,012,360	3,411,817			R0170	3,482,874
N-7	R0180	-	-	-	17,985,437	14,015,161	12,844,682	8,885,163	8,339,370				R0180	8,508,979
N-6	R0190	-	-	23,516,638	23,979,532	15,634,729	16,077,351	12,736,269					R0190	12,824,660
N-5	R0200	-	28,024,574	21,405,994	14,844,636	11,645,444	8,817,013						R0200	8,968,572
N-4	R0210	35,991,863	26,000,775	12,953,452	10,963,870	7,332,977							R0210	7,471,286
N-3	R0220	24,926,826	16,886,352	12,616,065	9,620,266								R0220	9,743,454
N-2	R0230	13,656,031	9,744,767	9,491,910									R0230	9,562,410
N-1	R0240	14,266,288	12,431,579										R0240	12,569,145
N	R0250	6,539,414											R0250	6,588,631
												Total	R0260	103,217,975

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	6,866,246	6,866,246			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	36,399,714	36,399,714			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	43,265,960	43,265,960	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	43,265,960	43,265,960	-	-	-
Total available own funds to meet the MCR	**R0510**	43,265,960	43,265,960	-	-	
Total eligible own funds to meet the SCR	**R0540**	43,265,960	43,265,960	-	-	-
Total eligible own funds to meet the MCR	**R0550**	43,265,960	43,265,960	-	-	
SCR	**R0580**	19,465,166				
MCR	**R0600**	4,866,292				
Ratio of Eligible own funds to SCR	**R0620**	222%				
Ratio of Eligible own funds to MCR	**R0640**	889%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	43,265,961
Own shares (held directly and indirectly)	**R0710**	-
Foreseeable dividends, distributions and charges	**R0720**	-
Other basic own fund items	**R0730**	6,866,246
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	36,399,714
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

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Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	5,626,855		
Counterparty default risk	R0020	3,391,151		
Life underwriting risk	R0030	-	-	-
Health underwriting risk	R0040	-	-	-
Non-life underwriting risk	R0050	11,892,844		
Diversification	R0060	- 4,542,222		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	16,368,627		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	3,096,539
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	19,465,166
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	19,465,166
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	3,034,207

		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	32,794,988	1,168,220
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	198,012	1,176,390
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

		C0040
MCR_{L} Result	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	3,034,207
SCR	R0310	19,465,166
MCR cap	R0320	8,759,325
MCR floor	R0330	4,866,292
Combined MCR	R0340	4,866,292
Absolute floor of the MCR	R0350	3,700,000
		C0070
Minimum Capital Requirement	R0400	4,866,292