First European Holding Company Limited
Group Solvency & Financial Condition Report

(For financial year ended 31 December 2021)

Contents

Report of the independent approved auditor to the Directors of First European Holding Company Limited ("the Undertaking") pursuant to sections 8.10.2 and 8.11.1 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Our opinion

We have audited the following documents prepared by the Undertaking as at 31 December 2021, which we have initialed for identification purposes only:

- The 'Valuation for solvency purposes' and 'Capital management' sections of the Group Solvency and Financial Condition Report ("Group SFCR") of the Undertaking as at 31 December 2021 ("the narrative disclosures subject to the audit"); and
- S.02.01.02, S.23.01.22, S.25.01.22, as at 31 December 2021 ("the templates subject to the audit").

The narrative disclosures subject to the audit and the templates subject to the audit are hereafter defined as the "relevant elements of the Group SFCR".

In our opinion, the information subject to audit in the relevant elements of the Group SFCR of the Undertaking as at 31 December 2021 is prepared, in all material respects, in accordance with the Insurance Business Act (Cap. 403), regulations and Insurance Rules issued thereunder, the Commission Delegated Regulation and the European Commission Implementing Regulation (EU) 2015/2452 (hereafter referred to as "the relevant legislation").

Scope exclusion

The relevant legislation does not require us to read or audit, nor have we read or audited, and as a consequence do not express any opinion on the other elements of the Group SFCR which comprises:

- The 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S.05.01.02, S.05.02.01, S.32.01.22; and
- Any information or calculations pertaining to a solo insurer within the Group.

To the extent the information subject to audit in the relevant elements of the Group SFCR includes amounts that are totals, sub-totals or calculations derived from the other elements of the Group SFCR, we have relied without verification on the other elements of the Group SFCR.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the SFCR* section of our report. We are independent of the Undertaking in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the relevant elements of the Group SFCR in Malta, and we have fulfilled our other ethical responsibilities in accordance with these codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report of the independent approved auditor to the Directors of First European Holding Company Limited ("the Undertaking") pursuant to sections 8.10.2 and 8.11.1 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to the 'Valuation for solvency purposes' and 'Capital management' sections of the Group SFCR, which describe the basis of accounting. The Group SFCR is prepared to assist the Undertaking in complying with the financial reporting provisions of the Solvency II Regulations. As a result, the relevant elements of the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. We understand that our report will be made available to the MFSA in support of your obligation under the relevant legislation in respect of your business for the year ended 31 December 2021. Our report is solely for this purpose and for your information and is not to be used for any other purpose or to be copied or distributed or otherwise made available, in whole or in part, to any other parties. This report will not form part of the public disclosure of the Group SFCR. We do not accept any liability or responsibility to any third party to whom our report is shown or into whose hands it may come. We hereby give you permission to provide this letter to the MFSA but assume no liability or responsibility towards them in this respect.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group SFCR in accordance with the financial reporting provisions of the relevant legislation.

In accordance with section 8.9 and section 8.11.1 of Chapter 8 of the Insurance Rules, the Directors are responsible for having in place appropriate systems and structures to meet the Undertaking's public disclosure requirements in relation to the Group SFCR and for the approval of the Group SFCR.

The Directors are also responsible for such internal control as management determines is necessary to enable the preparation of a Group SFCR that is free from material misstatement, whether due to fraud or error. The Directors are responsible for overseeing the Undertaking's financial reporting process.

The Directors should be satisfied that, throughout the financial year in question, the Undertaking has complied in all material respects with the requirements of the relevant legislation as applicable to the Undertaking. All Directors are required to sign a Declaration Form, in accordance with sections 8.6.2 and 8.11.1 of Chapter 8 of the Insurance Rules and Annex IV to the said Chapter, for submission with the Group SFCR to the competent authority.

In preparing the Group SFCR, the directors are responsible for assessing the Undertaking's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Undertaking or to cease operations, or have no realistic alternative but to do so.

Report of the independent approved auditor to the Directors of First European Holding Company Limited ("the Undertaking") pursuant to sections 8.10.2 and 8.11.1 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

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

Our responsibility as approved auditors is to form an independent opinion as to whether the relevant information and relevant elements of the Group SFCR are prepared, in all material respects, in accordance with the relevant legislation on which they are based.

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

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

- Identify and assess the risks of material misstatement of the relevant elements of the Group SFCR whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the relevant elements of the Group SFCR, including the disclosures, and whether the relevant elements of the Group SFCR represent the underlying transactions and events in a manner that achieves fair presentation.

Report of the independent approved auditor to the Directors of First European Holding Company Limited ("the Undertaking") pursuant to sections 8.10.2 and 8.11.1 in Chapter 8 of the Insurance Rules issued by the MFSA ("competent authority") in terms of the Insurance Business Act (Cap. 403)

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

Romina Soler

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

5 April 2022

Summary

First European Holding Company Limited (First European Holding) is a company based in Malta. It has one subsidiary which is wholly owned, being First European Title Insurance Company Limited (First European Title), an insurance company based in Malta to provide title insurance to European real estate markets. Title insurance is classified as miscellaneous financial loss business and is a no fault insurance policy that can protect policyholders from a wide range of title risks associated with buying and owning land or property. It covers legal expenses and costs in resolving the problem or compensates for loss. First European Title has no other lines of business. This report will consider First European Holding, First European Title and both companies collectively (the First European Group). As First European Title is the only regulated insurance entity within the First European Group it is noted that the primary risks for the First European Group relate to First European Title.

This solvency and financial condition report (SFCR) provides information on the First European Group and an overview of its business and performance, system of governance, risk profile, valuation for solvency purposes and capital management. Ultimate responsibility for this report and these areas lies with the respective boards of the members of the First European Group.

In the year to 31 December 2021, First European Title issued insurance policies with a total premium income of €3,586,000. This was an increase from the €1,393,000 in the year to 31 December 2020, although it is noted that First European Title only commenced issuing insurance policies during May 2020, following a transfer of policies from First Title Insurance Plc under Part VII of the Financial Services and Markets Act 2000 in the UK (the Part VII transfer), which took effect on 28 April 2020. In the year to 31 December 2021 First European Title recorded an underwriting profit of €1,431,000 and a retained profit of €1,304,000, calculated in accordance with International Financial Reporting Standards (IFRS).

In the year ended 31 December 2021, the First European Group reported a profit after tax of €1,276,000 (2020: €58,000).

On a Solvency II valuation basis, consolidated eligible own funds for the First European Group increased by €1,471,000 from €5,931,000 as at 31 December 2020 to €7,402,000 as at 31 December 2020. This increase was primarily due to the retained profit, with the remaining increase as a result of the technical provisions on a Solvency II basis being a further €195,000 lower than as valued under IFRS during the year.

The First European Group's eligible own funds solely comprise tier 1 unrestricted amounts classified as basic own funds. The solvency capital requirement (SCR) as at 31 December 2021, as calculated using the standard formula, was €2,604,000. The minimum capital requirement (MCR) was €2,500,000. Therefore, as at 31 December 2021, the First European Group's capital requirement was equal to the SCR and the ratio of eligible own funds to the SCR was 284%. The First European Group fully complied with the SCR and MCR as required during the year.

The First European Group operates the universally recognised three lines of defence model in respect of the governance of risk, as more fully set out in section B below.

The First European Group's most material risk is underwriting risk, followed by market risk and then counterparty default risk. The combination of these accounts for the majority of the First European Group's SCR. These and other less significant risks are considered more fully in section C below.

The First European Group has not used any transitional arrangements in the calculation of its eligible own funds or SCR.

Directors' statement in respect of the SFCR for the year ended 31 December 2021

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the Solvency II Regulations.

We are satisfied that:

a) Throughout the reporting period, the First European Group has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the First European Group; and
b) It is reasonable to believe that the First European Group has continued so to comply and will continue so to comply in future.

Signed:

Date: 5th April 2022

A. Business and performance

A.1 Business

The only regulated entity within the First European Group is First European Title. First European Title is a company limited by shares and incorporated in Malta with the registered number C88171. First European Title is authorised and regulated by the Malta Financial Services Authority (MFSA). Group supervision at a Malta level is also undertaken by the MFSA.

Contact details for the MFSA:

Malta Financial Services Authority
Triq l-Imdina, Zone 1
Central Business District, Birkirkara
CBD 1010

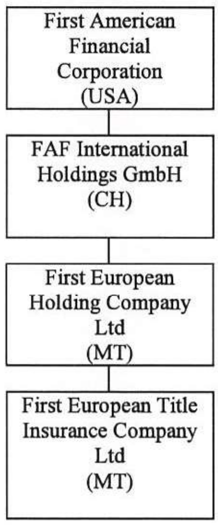
+356 2144 1155

The external auditor for the year ended 31 December 2021 was PricewaterhouseCoopers LLP:

78 Mill Street, Zone 5, Central Business District, Qormi, CBD 5090, Malta
Telephone: +356 2124 7000

First European Title is a wholly owned subsidiary of First European Holding. These two entities are consolidated as the First European Group. First European Holding is a wholly owned subsidiary of FAF International Holdings GmbH, a company incorporated in Switzerland. FAF International Holdings GmbH is a wholly owned subsidiary of First American Financial Corporation. First American Financial Corporation is a public company incorporated in the United States of America and listed on the New York Stock Exchange (NYSE: FAF).

A simplified group structure identifying where the First European Group is located within the worldwide group is set out below:



First European Title was established to issue title insurance in the European real estate markets. Title insurance is classified as miscellaneous financial loss business and is a no-fault insurance policy that can protect policyholders from a wide range of title risks associated with buying and owning land and property. It covers legal expenses and costs in resolving the problem or compensates for loss.

Significant business or other events that have occurred over the reporting period that have had a material impact on First European Title include the ongoing impact of the global Covid-19 pandemic, as more fully set out at A.5 below.

A.2 Underwriting performance

The tables below analyse the underwriting performance for the European Group for each of the years 2021 and 2020. It is noted that the business is wholly attributable to miscellaneous financial loss insurance and is written within Europe, outside of the UK.

	2021 Actual €'000	2020 Actual €'000
Gross premiums earned	3,586	1,393
Reinsurance premium	(538)	(209)
Net premiums earned	3,048	1,184
Gross claims incurred	757	(174)
Reinsurers' share of claims	(353)	38
Net claims incurred	404	(136)
Underwriting result	3,452	1,048
Operating expenses	(2,157)	(1,053)
Balance on technical account	1,295	(5)

As noted above, First European Title commenced issuing policies in May 2020. Therefore the increase in insurance business from the 2020 to the 2021 year reflects the first full year of issuing policies in 2021.

A.3 Investment performance

The investment performance for the year is detailed below, together with the prior year comparative:

	2021 €'000	2020 €'000
Income from corporate bonds	21	10
Income from government bonds	(17)	(13)
Income from other investments	-	-
	4	(3)
Gains on the realisation of investments	9	5
Less accumulated unrealised gains from prior years	(28)	-
(Loss) / profit on disposal of investments	(19)	5
Unrealised (losses) / gains on investments	(14)	62
Total investment income	**(29)**	**64**

Investment management expenses included within operating expenses disclosed above in A.2 Underwriting performance were €25,000 during 2021 (2020: €14,000).

It can be confirmed that, during 2021, there were no:

- Gains or losses on investments recognised directly in equity;
- investments in securitisations; or
- other material items of income and expenses relating to investments.

A.4 Performance of other activities

There was no other material income and no other material expenses incurred in either 2021 or 2020.

Operating expenses in A.2, above, include operating lease charges in respect of properties amounting to €25,000 in 2021 (2020: €19,000). The First European Group does not have any finance leases.

A.5 Any other information

The key event that continued to materially impact upon the First European Group during 2021 was the global Covid-19 pandemic and the start of the economic recovery experienced during the year, following the significant adverse impact during 2020.

The First European Group was well prepared to manage the impact of the global Covid-19 pandemic, and operations were able to continue without detriment to the First European Group's policyholders and other stakeholders. Similarly, the First European Group was very well capitalised to manage the impact upon its solvency and financial position. During the year, the volume and value of property transactions in the commercial real estate markets in Europe increased towards pre-pandemic levels as confidence began to return to the markets.

The First European Group is well capitalised to manage such impacts, with a ratio of eligible funds to SCR of 284% at 31 December 2021, as set out in E.2, below.

B. System of governance

B.1 General information on the system of governance

The First European Group is committed to high standards of governance and transparency and has in place a governance structure to support this, which management considers more than adequate for the nature, scale and complexity of the risks inherent in the business. As First European Holding is a non-trading holding company, the governance structure described below relates to its wholly owned subsidiary, First European Title. The governance structure has not changed materially during the year.

The board meets at least four times a year. The following committees have been appointed by, and operate under terms of reference set by, the board to assist the board in satisfying its responsibilities. The board did not appoint an audit committee, having obtained a waiver from the MFSA for SMEs, and retains responsibility for oversight of internal and external audit. These committees meet quarterly with minutes and reports provided to the board to assist with oversight, strategic discussions and the maintenance of effective systems and controls.

Committee	Key roles and responsibilities
Risk	To oversee the First European Group's risk management framework including strategic decisions and policies on risk management; the setting of risk appetite and tolerance; and the identification, measurement, management, monitoring and reporting of risk.
Underwriting	To oversee the underwriting of risk including the development of underwriting guidelines; changes in underwriting criteria and policy wording; the setting of underwriting criteria and limits.

The following functions were also identified and in place during the reporting period:

Function	Key roles and responsibilities
Claims	Undertakes claims handling and panel management of claims.
Finance	Ensures efficient and timely delivery of relevant and accurate financial and regulatory reporting, as well as the provision of capital and investment management information.
Human resources (HR)	Formulates, develops and implements effective HR strategies, policies and procedures including strategic aspects of change management, training & development, resourcing, plus pay and reward management.
Information technology (IT)	Implementation of IT strategy with responsibility for development, operations, strategy and project services, delivering efficient and effective IT solutions in all aspects of the business.
Legal	Advising and reporting to the board on changes in legislation, managing projects to implement operational changes.
Compliance	Responsible for providing compliance advice to the business and ensuring that regulations are complied with.
Internal audit	Carries out a cycle of audits following a risk-based approach with focus placed on identified key functions, providing assurance to the board and to the business.
Actuarial	Provides assurance and assistance in relation to claims and reserving, regulatory reporting, underwriting, reinsurance and the identification and assessment of risk.

Board members are appointed to ensure that the First European Group has in place a range of skills and competence at its most senior level to ensure that there is appropriate scrutiny and good governance.

All key policies are approved by the board. These include policies to support governance, underwriting performance and the internal control functions.

The First European Group's remuneration policy applies to all members of staff; it seeks to ensure that good corporate governance is maintained and that:

- The First European Group is able to attract, develop and retain high-performing and motivated employees;
- Employees are offered a competitive and market-aligned remuneration package, making fixed salaries a significant remuneration component;
- Employees feel encouraged to create sustainable results; and
- Goals set for staff are in alignment with business strategies and long term goals.

Members of staff receive fixed remuneration, determined by the role and position of the individual employee, including professional experience, skills, responsibility, job complexity and local market conditions.

In addition, staff may receive a discretionary performance related payment based upon the First European Group's financial results and individual performance.

Sales staff may participate in commission schemes, which are set annually on an individual basis with a maximum cap per policy and per year, and are designed to encourage individual performance without excessive risk-taking.

Executive and non-executive directors receive fixed fees and do not receive performance-related remuneration.

B.2 Fit and proper requirements

The First European Group has in place a policy to ensure that all relevant employees and directors are fit and proper on appointment and remain fit and proper while performing their role. The core objectives of the policy are:

- to ensure compliance with the rules set out in the Insurance Business Act (Cap. 403);
- to determine on appointment whether relevant employees are competent to perform their role and meet the fit and proper standard:
- to ensure relevant employees will continue to be competent to perform their role and tested against and meet the fit and proper standard;
- to provide a basis and process for relevant employees to make known potential, perceived or real conflicts of interest;
- to ensure that all relevant employees are aware of this policy and are under a duty to report any areas of concern; and
- to notify the regulator when any changes or amendments are made in relation to the relevant employees, or when regulatory issues arise.

The policy sets out that it is the responsibility of every relevant employee to ensure that they continue to meet the fitness requirements and that the First European Group will support them in this obligation by providing appropriate training. As part of the fit and proper review process, the First European Group has arranged for the relevant employees to complete a declaration to confirm that they remain fit and proper including compliance with the regulatory requirements and to confirm that there are no conflicts of interest to declare.

B.3 Risk management system including the Own Risk and Solvency Assessment

Risk management is embedded within the First European Group through a risk management framework, which has been designed and implemented to support strategy, assist stakeholder confidence and to ensure that material risk is identified, managed, monitored and controlled as far as it can be. The risk function is also responsible for the production of the Own Risk and Solvency Assessment (ORSA) with the risk management framework used to support this.

The risk management framework also supports the board in the implementation of strategy and the ongoing assessment of this, in the following way:

- **Board:** Ownership of risk at board level, setting strategic objectives and risk appetite.
- **Business:** Own the risks within their own areas and are accountable for risk.
- **Risk Function:** Provides support and advice to the business to manage risks. Assists with the embedding and operation of the risk management strategies and policies.
- **Risk Committee:** Assists the board in satisfying their responsibilities in respect of risk.

Risks to the First European Group are monitored on an ongoing basis, with the business asked to consider any material changes at least quarterly. Quarterly risk reporting, including risk profile, is completed and provided to the risk committee along with supporting documentation.

Documented policies and procedures are in place in relation to the risk management framework and the ORSA, with the key policies reviewed and approved by the board.

The ORSA is completed at least annually. It incorporates an assessment of the strategy over the next five-year period and assesses the First European Group's solvency needs on a best estimate basis and under a number of stressed scenarios. The ORSA also considers whether the risk and capital profile remains appropriate and includes a review of capital management. Whenever a strategic change is considered, or a prescribed material predefined event occurs, the projections underlying the ORSA will be re-performed and the ORSA will be revised accordingly. Pre-defined events include, for example, acquisitions, significant new products, reduction of solvency below critical values, significant changes in regulation or a significant governance failure.

The high-level process for the ORSA can be found at Appendix A.

B4. Internal control system

Each of the internal control functions comprising risk, internal audit, compliance and actuarial have the necessary resources, remit and authority to provide oversight and challenge within the First European Group. The First European Group operates the universally recognised three lines of defence model to provide assurance internally, as well as to all external stakeholders. The internal audit function is independent and all other control functions are operationally independent.

Compliance is ultimately the responsibility of all members of staff within the identified control framework, with the ethos of compliance with regulation and good governance communicated by the board. The compliance function is operationally independent from the business and is outsourced to USA Risk Group (Malta) Ltd, which provides a Compliance Officer on a secondment basis. The compliance function is responsible for providing compliance advice to the business and ensuring that regulations are complied with. It provides the board with a quarterly report, which contains any significant issues identified and also includes any regulatory updates when required.

B.5 Internal audit function

Internal audit is outsourced to First American Financial Corporation, a representative of which attends board meetings, which then sub-contracts it to RSM Risk Assurance Services LLP in Malta. Internal audit reports directly to the board, and is overseen by an independent non-executive director. The function carries out a cycle of audits following a risk-based approach with focus placed on identified key functions, providing assurance to the board and to the business. To ensure that the independence of internal audit function is maintained, internal auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair judgement.

B.6 Actuarial function

The actuarial function is outsourced to Milliman LLP and a representative attends the board meetings. The actuarial function is overseen by a non-executive director. The function provides assurance and assistance in relation to claims and reserving, regulatory reporting, underwriting, reinsurance and the identification and assessment of risk.

B.7 Outsourcing

In addition to the outsourcing of compliance, internal audit and actuarial functions, the investment management activity is also considered a critical outsourced function. Arrangements are in place with third party investment managers, Investec Wealth & Investments Ltd, to manage the First European Group's portfolio of bond investments. This relationship is overseen by a non-executive director. Investment guidelines are agreed by the board. Management information on investments is reviewed by the board at least on a quarterly basis.

B.8 Any other information

The board considers that the First European Group's system of governance is appropriate to the size, nature and complexity of the business.

C. Risk profile

The First European Group's risk profile is regularly reviewed and communicated to the board.

The First European Group uses the standard formula to quantify the risk inherent in its business and the solvency capital requirement for the First European Group for the year ended 31 December 2021 across each of the risk modules is set out at E2 below.

Under the standard formula, title insurance is classified as miscellaneous financial loss business which attracts high premium and reserve capital loadings when calculating the SCR compared to other lines of direct insurance business. Therefore the board considers that the resultant solvency capital requirement is appropriately prudent when considering the nature of title insurance and the coverage provided to policyholders, and has concluded that use of the standard formula is appropriate.

The First European Group's most material risk is underwriting risk, followed by counterparty default risk, the combination of which account for the majority of the First European Group's solvency capital requirement as shown at E2 below. These and other categories of risk are considered below.

C.1 Underwriting risk

Underwriting risk is the risk to the First European Group of an adverse change in the value of insurance liabilities which could arise from a number of factors including an inadequate assessment or understanding of the risk, incorrect pricing or incorrect reserving assumptions due to a miscalculation of the size or frequency of future claims.

Title insurance is a very specialist line of business. Sums insured are often high and the risks covered are known and existing risks. To manage and mitigate this risk the First European Group's underwriters are highly trained, experienced property professionals. The First European Group also benefits from the experience of its reinsurance companies, First Title Insurance plc and First American Title Insurance Company (FATIC), the latter of which has over 125 years' experience in writing title insurance and paying title insurance claims.

The chief mitigation for underwriting risk is reinsurance to diminish the impact of large losses. First European is further protected in respect of reserving risk through non-proportional cover provided by FATIC on the business assumed through the Part VII transfer. The First European Group has extensive reinsurance arrangements in place. The First European Group's primary reinsurance for title insurance business that it writes is on a non-proportional treaty / risk attaching basis with First Title Insurance plc.

The table below sets out the sensitivity of the First European Group's profit after tax, net assets and solvency ratio for the reporting period to changes in claims costs as a result of underwriting risk. The assumptions show the effect of an increase or a decrease in claim costs in the year at both a 10% and 20% level, on the basis that there is no change in future management actions, the year-end technical provisions or in the SCR. It is noted that as a result of the reserve releases during the year, the total net claims were a credit to the profit and loss and as such the application of an increase in claims cost increases profit and a reduction in claims costs reduces profit. The effect on the First European Group's solvency ratio, is not material.

Assumptions	Profit after tax €'000	Net Assets €'000	Solvency Ratio %
Actual 2021 profit and net assets	1,276	6,908	284
Increase in claims cost of 20%	1,353	6,984	287
Increase in claims cost of 10%	1,314	6,946	286
Decrease in claims cost of 10%	1,238	6,869	283
Decrease in claims cost of 20%	1,199	6,831	281

C.2 Credit and counterparty default risk

Credit and counterparty default risk is the risk of loss to, or of adverse change in the financial situation of, the First European Group resulting from fluctuations in the credit standard of issuers of securities, counterparties and any debtors to which the First European Group is exposed. This risk also includes the risk that a counterparty defaults on payments due under the terms of arrangements in place. The First European Group's two main risks in this area are:

- the default of credit institutions holding the First European Group's cash deposits; and
- the default of reinsurers, mitigated by ensuring that the reinsurers are of adequate financial standing and that amounts due are settled promptly in accordance with contractual terms.

Management information is provided to the board quarterly and monitored on a regular basis.

C.3 Market risk

Market risk for the First European Group encompasses the risk of adverse changes in the value of the First European Group's assets or liabilities as a result of changes in market variables such as interest rates and currency exchange rates. Market risk also includes concentration risk, which is the increased exposure to losses arising from a single event due to a lack of diversification of invested funds. These risks are managed by investment policies and guidelines designed to ensure investments are made in accordance with the "prudent person principle" such that they are of sufficient security, quality, liquidity and diversity to meet future liabilities and to limit concentration risk exposure. The First European Group does not invest in derivative products, all investments held are traded on regulated financial markets, and cash deposits are held with appropriate approved institutions.

The table below sets out the sensitivity of the First European Group's profit after tax, net assets and solvency ratio for the reporting period to changes in the market value of investments as at 31 December 2021 on the basis that there is no change in future management actions. Assumptions relating to the market values of bond investments are:

- Scenario 1: A decrease in the value of bond investments of 5%; and
- Scenario 2: An increase in the value of bond investments of 5%

Assumptions	Profit after tax €'000	Net Assets €'000	Solvency Ratio %
Actual 2021 profit and net assets	1,276	6,908	284
Scenario 1	947	6,578	272
Scenario 2	1,605	7,237	296

C.4 Liquidity risk

Liquidity risk is the risk that the First European Group is unable to realise assets held in order to settle its financial obligations when they fall due. The First European Group mitigates this risk through investment guidelines that are designed to ensure sufficiently liquid assets are always available to ensure any urgent need that arises can be met. It should be noted that as at 31 December 2021, cash held was broadly equal to the SCR, and the combined value of cash and AAA rated sovereign bonds held exceeded the standard formula SCR and the MCR. The First European Group does not recognise any expected profit included in future premiums and therefore the settlement of these amounts does not contribute to liquidity risk for the First European Group.

C.5 Operational risk

Operational risk is the risk to the First European Group of loss, resulting from inadequate or failed internal processes, people and systems or from external events. Risks are mitigated through ensuring the existence of up-to-date documented policies and procedures for all key operational areas, staff training, regular performance reviews, internal audit and other independent reviews.

C.6 Other material risks

In addition to the risk categories above, the First European Group also monitors, manages and controls:

- conduct risk, the risk that the behaviour of the First European Group either collectively or by individuals will result in poor outcomes for customers or the market;
- group risk, the risk that the First European Group may be adversely affected by its relationships with other entities within the wider international group or by risks which may affect the international group as a whole;
- reputational risk, the risk to the First European Group through deterioration of its reputation or standing due to negative perception of any entities within the First European Group, the wider international group or associated companies, among customers, the market and its shareholders; and
- strategic risk, the risk to current and prospective earnings or capital for the First European Group arising from adverse business decisions, a failure to identify key opportunities, improper implementation of decisions or lack of responsiveness to industry changes.

C.7 Any other information

A new risk has arisen since the period end from the war in the Ukraine. While the First European Group has no direct risk exposures in Russia or the Ukraine, there is likely to be some impact upon business confidence and commercial property markets in neighbouring countries which may impact demand for title insurance. While the extent of this impact cannot easily be assessed the First European Group operates in a number of geographic markets throughout Europe which diversifies this risk and is more than sufficiently well capitalised to manage any foreseeable fall in revenue in the year ahead.

The First European Group continues to monitor and review potential and emerging risks to the business and puts in place controls to mitigate these where appropriate. In addition, the risk management framework is used to identify these areas of risk and any potential areas of risk. These are also subjected to rigorous stress and scenario testing. Testing is carried out on a forward-looking basis incorporating any future strategy and projected financial data. This data is then stressed to reflect a variety of potential adverse scenarios and business challenges that the business may face. Factors applied to the data are considered severe but potentially realistic. The testing that has been completed has provided assurance to the board that the First European Group is well managed and sufficiently capitalised to be able to deal with significant events that may occur over the next five years, based on the scenarios considered. The board does not consider there to be any reasonable foreseeable risk of non-compliance with the First European Group's MCR or SCR.

D. Valuation for solvency purposes

The First European Group balance sheet is summarised below detailing the values of assets and liabilities on both Solvency II and statutory accounting bases.

As at 31 December 2021	Solvency II value €'000	Statutory accounting value €'000
Total assets (excluding reinsurance recoveries on technical provisions)	10,330	10,330
Net technical provisions	2,233	2,754
Liabilities other than technical provisions	695	669
Total eligible own funds / net assets	**7,402**	**6,907**

The Solvency II balance sheet has been calculated in accordance with Directive 2009/138/EC of the European Parliament and of the Council (the Solvency II Directive), specifically Articles 75 to 86 of the Solvency II Directive text.

The statutory accounting balance sheet has been calculated in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The approach and assumptions applied to the valuation of the balance sheet items have not changed during the reporting period.

D.1 Assets

The following table analyses the First European Group's total assets (excluding reinsurance recoveries on technical provisions) as at 31 December 2021:

As at 31 December 2021	Solvency II value €'000	Statutory accounting value €'000
Other assets	77	129
Government bonds	1,302	1,302
Corporate bonds	5,686	5,634
Debtors	662	662
Cash and cash equivalents	2,603	2,603
Total assets (excluding reinsurance recoveries on technical provisions)	**10,330**	**10,330**

Other assets

Other assets represent amounts paid by the First European Group prior to 31 December 2021 for goods and services due to be received after 31 December 2021. For Solvency II, accrued interest on the bond investments held as at 31 December 2021 is included within the value of the bond investments held as opposed to the statutory accounts whereby the accrued interest is included within other assets.

Government and corporate bonds

Both government bonds and corporate bonds are held at fair value, being at quoted market price in active markets for identical assets for both Solvency II and statutory accounts. The market prices are readily available, and the bonds are actively traded, details of which are provided in a statement produced by the portfolio manager. There were no significant estimates and judgements used in valuing the asset due to the nature of the asset.

For Solvency II, accrued interest on the bond investments held as at 31 December 2021 is included within the value of the bond investments held, but for statutory accounts, the accrued interest is included within other assets.

Debtors

Debtors represent amounts due to the First European Group less any provisions made for irrecoverable balances (if any). There are no provisions at the year-end.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. There are no significant estimates or judgements used in valuing these assets due to their nature.

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D.2 Technical provisions

Technical provisions for Solvency II are defined as the probability-weighted average of future cash flows, discounted to take into account the time value of money considering all possible future scenarios. Technical provisions are generally grouped into the following key components:

- Claims provisions, which relate to the best estimate of provisions relating to the earned exposure.
- Premium provisions, which relate to the best estimate of provisions that relate to the unearned exposure. Considering the nature of the First European Group's insurance products, written premiums are recognised as fully earned on the date the policy is issued. This is because there is no coverage of title defects arising after the policy has been written. As such, First European Group's technical provisions for Solvency II purposes do not comprise premium provisions.
- Risk margin, which is an additional provision to bring the best estimate to the level required to transfer the insurance obligations to a third party.

First European Group's net technical provisions for Solvency II comprise the gross best estimate technical provisions less the reinsurers' share of those technical provisions plus a risk margin as follows:

	Miscellaneous financial loss €'000
Gross best estimate technical provisions	2,717
Reinsurers' share of technical provisions	(676)
Best estimate liabilities net of reinsurance	2,041
Risk margin	192
Net technical provisions	2,233

The technical provisions within the First European Group are wholly attributable to First European Title.

The gross best estimate technical provisions and reinsurers' share of technical provisions represent the discounted cash flows of the undiscounted claims provisions, as calculated by the actuarial function and reviewed by the board and executive team. Standard actuarial techniques such as the basic chain ladder, the expected loss ratio and the Bornhuetter-Ferguson methods were used to model the undiscounted claims provisions. The key assumptions used in the calculation of the provisions were the loss development factors (derived from historical data and expert judgement), consideration of events not in data (ENID) and estimation of costs associated with the run-off of policies in-force at the balance sheet date. First European Title does not recognise any expected profit included in future premiums and does not hold an unearned premium reserve.

As noted above, title insurance, classified as miscellaneous financial loss business, is a no-fault insurance policy that can protect from a wide range of title risks associated with buying and owning a property. Risks in relation to this line of business are generally known at the point the policy is issued and are not materially affected by, for example, subsequent environmental events. Uncertainty is therefore primarily due to whether or not the known title risk results in a claim and if so the quantum of that claim. Title insurance claim liabilities have tended to be long-tailed, meaning that it often takes several years for all the claims arising from an underwriting year to be notified and for them then to be settled and paid. Therefore, many years of historical experience are needed to provide a sound basis for the projection of future claims development.

The First European Group's chief mitigation for underwriting risk is reinsurance to guard against large losses. The reinsurance for the liabilities taken on as a result of the Part VII transfer is with FATIC, a subsidiary of FAFC, on a non-proportional treaty / risk-attaching basis. For new policies issued by First European Title, reinsurance is provided by First Title Insurance plc, also on a non-proportional treaty / risk-attaching basis.

The required risk margin has been calculated in accordance with risk margin methodology 3 as per guideline 62 within the European Insurance and Occupational Pensions Authority "Guidelines on the valuation of technical provisions". The risk margin is calculated as the amount of capital needed to support the solvency capital ratio over the lifetime of the business.

The First European Group has not used any simplifications in the calculation of its technical provisions.

The First European Group does not apply the matching adjustment referred to in Article 77b of the Solvency II Directive.

The First European Group does not use the volatility adjustment referred to in Article 77d of the Solvency II Directive.

The First European Group does not apply the risk-free interest rate-term structure referred to in Article 308c of the Solvency II Directive.

The First European Group does not apply the transitional deduction referred to in Article 308d of the Solvency II Directive.

For statutory accounts, the net technical provisions are calculated in accordance with IFRSs as adopted by the EU and comprise the gross insurance technical provisions less the reinsurers' share of those technical provisions as follows:

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	Miscellaneous financial loss €'000
Gross insurance technical provisions	4,027
Reinsurers' share of technical provisions	(1,273)
Insurance liabilities net of reinsurance	2,754

Gross insurance technical provisions under the statutory accounts are held at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported (IBNR) to First European Title. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. First European Title takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, and the IBNR provision is based upon the historical experience of First European Title and other title insurers in the wider international group with experience of writing and reinsuring business within the European Union as well as consideration of sums insured and other factors as appropriate. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to First European Title, where more information about the claim event is available. Claims IBNR may not be apparent to First European Title until many years after the claim event has arisen.

Where possible, First European Title adopts multiple techniques to estimate the required level of these gross insurance technical provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each year of claim.

Gross insurance technical provisions are calculated at present value, not discounted and exclude reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based on these gross insurance technical provisions.

The main valuation principles of Solvency II leading to differences from net technical provision under statutory accounting are:

- The removal of any implicit or explicit margin for prudence;
- Consideration of ENID such as binary events;
- There is no concept of risk margin under the statutory accounting (i.e., IFRSs as adopted by the EU).

D.3 Other liabilities

The following table analyses the First European Group's liabilities other than technical provisions as at 31 December 2021:

As at 31 December 2021	Solvency II value €'000	Statutory accounting value €'000
Liabilities (excluding technical provisions)		
Deferred tax liabilities	29	3
Reinsurance payables	165	165
Payables (trade, not insurance)	129	129
Accrued expenses and other liabilities	372	372
Total Liabilities (excluding technical provisions)	**695**	**669**

Deferred tax liability

The deferred tax liability arises primarily as a result of the best estimate technical provisions included for Solvency II being lower in value than the technical provisions recognised in the statutory accounts. Deferred tax liabilities are calculated under the liability method for all temporary differences using First European Group's effective tax rate of 5%. There were no temporary differences requiring deferred taxes under the statutory accounting.

Payables (trade, not insurance)

These amounts represent unsettled expenses incurred relating to the year ended 31 December 2021. The balance mainly relates to employees earnings tax payable to the Commissioner for Revenue. There are no differences between the Solvency II valuation and statutory accounting, and neither estimation method nor valuation judgement is required for these balances.

Accrued expenses

These amounts represent expenses incurred relating to the year ended 31 December 2021 for which payment had not yet been requested and amounts owed to other group companies for which amounts were outstanding as at 31 December 2021. The balance mainly comprise unpaid professional fees and personnel costs as at year-end. There are no differences between the Solvency II valuation and statutory accounting, and neither significant estimation method nor valuation judgement is required for these balances.

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D.4 Alternative method for valuation

The First European Group does not use an alternative method for valuation.

D.5 Any other information

There is no other material information regarding the valuation of assets or liabilities for solvency purposes.

The directors are satisfied that the First European Group remains a going concern. In making this assessment, the directors considered the impact of the on-going COVID-19 pandemic to First European Group by looking primarily at the underlying business that is being insured (i.e. title insurance policies), which is assessed to be not directly impacted by the pandemic. Notwithstanding the pandemic, First European Group was able to realise premiums during the year totalling €3.59 million. First European Group has the necessary business continuity plan that enables the continuation of its business amidst the pandemic.

The directors also considered First European Group's exposure to credit risk whereby a significant portion of the assets relate to liquid government bonds and bonds issued by reputable companies. First European Group's cash and cash equivalents are likewise held by reputable banks.

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E. Capital management

The standard formula has been adopted for the calculation of the capital position in accordance with the Solvency II Directive and the board considers that there was more than sufficient solvency capital for the business throughout the reporting period. The board maintains adequate eligible funds in excess of the solvency capital requirement to meet its business objectives. The business objectives are set quantitatively and qualitatively by the board annually on a forward-looking five-year basis. The five-year plan is tested using plausible scenarios and circumstances, identifying potential business stresses and so ensuring that adequate eligible funds in excess of the standard formula SCR are maintained.

Current eligible own funds, standard formula SCR and risks to the business are monitored by the board on a quarterly basis, to identify any material variances that may necessitate a review of that five-year plan.

E.1 Own funds

Set out below is a table showing a reconciliation between the excess of assets over liabilities and equity shown in the First European Group's statutory accounts compared to total eligible own funds shown in the Solvency II balance sheet as at 31 December 2021.

	As at 31 December 2021 €'000
Retained earnings under IFRS basis	**1,057**
Differences between IFRS and Solvency II as at 31 December 2021	495
Excess of assets over liabilities and equity on a Solvency II basis	**1,552**
Tier 1 share capital	5,850
Total Solvency II eligible own funds	**7,402**

Own funds as at 31 December 2021, and throughout the year, were composed solely of tier 1 unrestricted amounts, classified as basic own funds. Share capital relates wholly to ordinary paid up share capital. There is therefore no difference between own funds and basic own funds, and these were as follows over the reporting period:

	As at 31 December 2021 €'000	As at 31 December 2020 €'000
Ordinary share capital	5,850	5,850
Reconciliation reserve	1,552	81
Total eligible own funds for Solvency II	**7,402**	**5,931**

The increase in the reconciliation reserve reflects the result for the year ended 31 December 2021 as well as the change in differences between IFRS and Solvency II for the year ending 31 December 2021. At 31 December 2021 cash held was broadly equal to the SCR and the combined value of cash and AAA rated sovereign bonds held exceeded the standard formula SCR and the MCR to ensure that liquid assets were available to meet liabilities as they fall due.

E.2 Solvency capital requirement and minimum capital requirement

The solvency capital requirement for the First European Group at the end of the reporting period is detailed as follows:

	As at 31 December 2021 €'000	As at 31 December 2020 €'000
Underwriting risk	2,036	2,072
Market risk	509	269
Counterparty default risk	430	378
Diversification benefit	(507)	(348)
Basic solvency capital requirement	**2,468**	**2,371**
Operational risk	165	98
Loss-absorbing capacity of deferred taxes	(29)	(15)
Solvency capital requirement	**2,604**	**2,454**

As shown in the above table, the amount with which the Solvency Capital Requirement has been adjusted for the loss-absorbing capacity of deferred taxes is a reduction of €29,000 (2020: reduction of €15,000) which arises primarily as a result of the best estimate technical provisions included for Solvency II being lower in value than the technical provisions recognised in the statutory accounts as detailed in section D.3 above.

The minimum capital requirement for the First European Group is the absolute floor of €2,500,000 in accordance with the Solvency II Regulations.

The own funds and capital requirements over the reporting period are detailed as follows:

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	As at 31 December 2021 €'000	As at 31 December 2020 €'000
Eligible own funds to cover the SCR and MCR	7,402	5,931
Standard formula SCR	2,604	2,454
MCR	2,500	2,500
Ratio of eligible own funds to standard formula SCR	284%	242%
Ratio of eligible own funds to MCR	296%	237%

The First European Group does not use undertaking specific parameters in the calculation of the SCR.

The capital requirements as at 31 December 2021 are explained further below.

Underwriting risk

The underwriting risk element of the SCR reflects the premiums written in the year to 31 December 2021, the estimated premium to be written in the year to 31 December 2022 and the net technical provisions valued on a Solvency II basis as at 31 December 2021.

Market risk

The increase in market risk reflects the funds invested in bonds during the year and the trend towards holdings in corporate bonds.

Counterparty default risk

The increase in counterparty default risk is as a result of the increases in trade debtors reflecting the premium growth in the year.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

The First European Group does not use the duration-based equity risk sub-module in the calculation of the solvency capital requirement.

E.4 Differences between the standard formula and any internal model used

The First European Group does not use an internal model.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

The First European Group evaluated its capital requirement in relation to that required as per the standard formula. The First European Group has maintained sufficient capital to adhere to both the SCR and MCR requirements as well as maintaining an additional margin of capital to ensure compliance is continued in the event of a deterioration in financial standing.

E.6 Any other information

The First European Group can confirm that:

- there are no restrictions on the transferability of own funds within the First European Group;
- that no transitional provisions are being used for calculating own funds; and
- the SCR is not subject to supervisory assessment.

In addition, the directors are satisfied that the First European Group remains a going concern. As disclosed in section D.5, the directors considered the impact of the on-going Covid-19 pandemic to the First European Group in making this assessment. The underlying business that is being insured (i.e. title insurance policies) is assessed to be not directly impacted by the pandemic. First European Group has the necessary business continuity plan that enables the continuation of its business amidst the pandemic.

First European Group's exposure to credit risk was also looked into by considering the nature and quality of assets, as well as, the counterparties' credit standing based on the information available to date. On this basis, the directors believe that First European Group is not exposed to significant credit risk.

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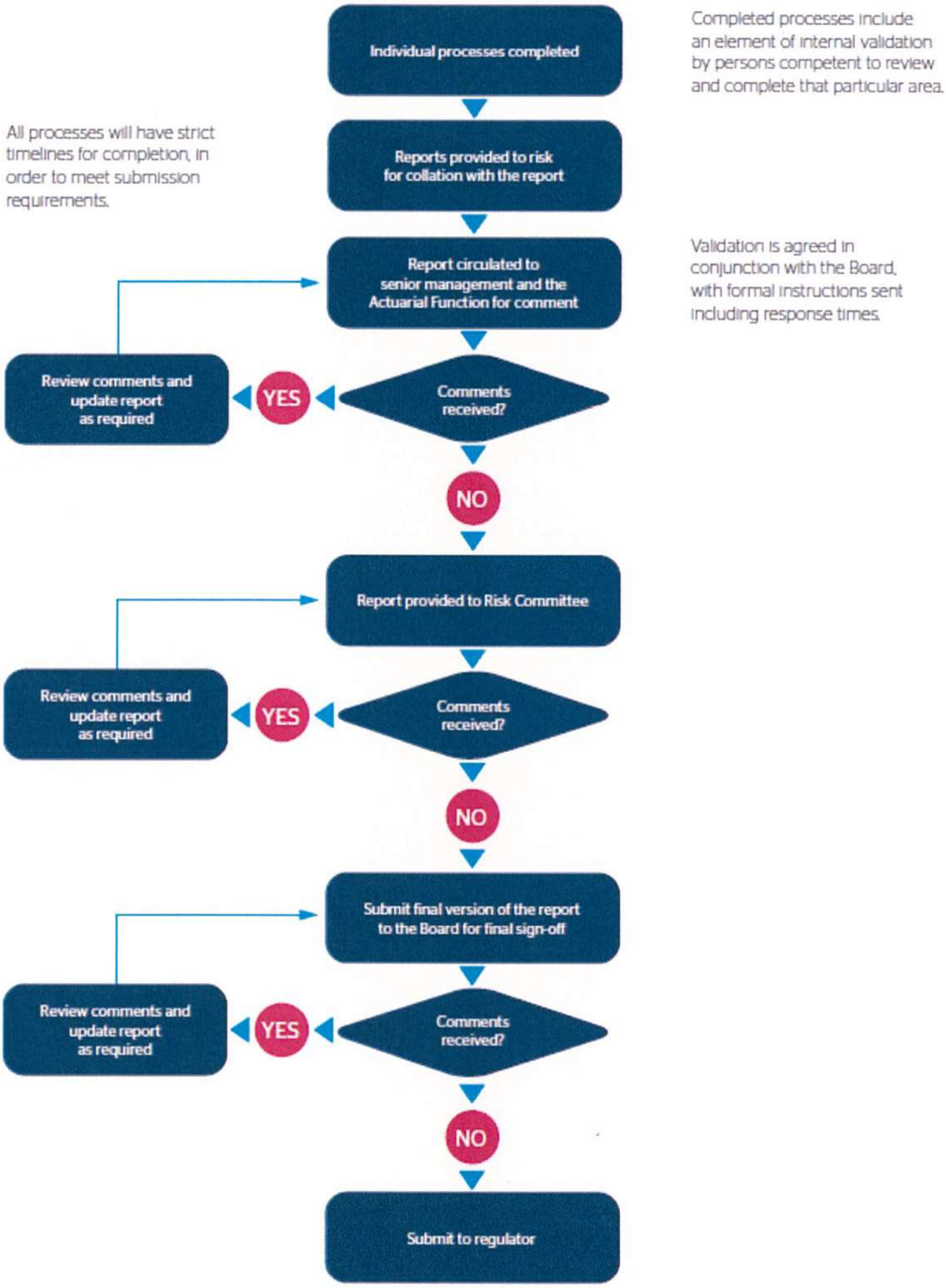
Appendix A – High level process flow for the ORSA



Glossary

Basic Own Funds	Eligible own funds that generally consist of balance sheet amounts but which exclude ancillary own funds, the inclusion of which within basic own funds requires regulatory approval.
Best Estimate	The expected present value of future cash flows for an insurer's insurance obligations, calculated using best estimate assumptions projected over the insurance contracts' run-off period, and with no allowance, explicit or implicit, for optimism or prudence.
EIOPA	European Insurance and Occupational Pensions Authority
Eligible Own Funds	Capital available to cover the SCR and MCR, calculated on a Solvency II basis. This can include the excess of assets over liabilities on the balance sheet and subordinated liabilities.
FAFC	First American Financial Corporation, the ultimate parent company of the First European Group, based in the USA.
FATIC	First American Title Insurance Company, a subsidiary of FAFC and the main provider of reinsurance to First Title Insurance plc as well as First European Title for the business assumed within the Part VII transfer.
FAFIH	FAF International Holdings GmbH, the immediate parent company of First European Holding Company, based in Switzerland.
The First European Group	The reference to both First European Holding and its only subsidiary, which is 100% owned, First European Title Insurance Company Limited.
First European Holding	First European Holding Company Limited, the immediate parent undertaking of First European Title Insurance Company Limited.
First European Title	First European Title Insurance Company Limited, an insurer regulated by the Malta Financial Services Authority providing title indemnity insurance to the European markets.
FTI	First Title Insurance plc, the main provider of reinsurance to First European Title Insurance Company Limited in respect of new business written.
IBNR	Incurred but not yet reported; reserves that are established for claim events that have materialised, but have not as yet been reported to the insurer.
IFRS	International Financial Reporting Standards
Net Technical Provisions	Technical provisions calculated net of outwards reinsurance.
NYSE	New York Stock Exchange
MCR	Minimum capital requirement: the minimum amount of capital that an insurer needs to hold to cover its risks under the Solvency II framework, failing which it is likely that the regulator would withdraw the insurer's authorisation.
MFSA	Malta Financial Services Authority.
ORSA	Own risk and solvency assessment, an internal process undertaken by insurers and reinsurers to assess their overall solvency needs taking into account their specific risk profile and to identify, assess, monitor, manage and report the short and long term risks faced.
Risk Margin	The amount an insurance company would require, over and above the best estimate liabilities, to take over and meet the whole portfolio of insurance obligations.
SCR	Solvency capital requirement: the amount of capital the regulator requires an insurer to hold to meet the requirements of the Solvency II regulatory framework. The calculation of the SCR is designed to ensure that all quantifiable risks are taken into account with the amount established covering existing business as well as new business expected over the course of a twelve-month period.
Solvency II	A European Union Directive setting out a single set of prudential and supervisory requirements for almost all European insurance and reinsurance companies. Solvency II came into force in January 2016.
Standard Formula	The methodology used by a firm to calculate its SCR as prescribed by the EIOPA. Alternatively, firms may use an internal model.
Subordinated Liabilities	Loans or security that ranks below other loans and securities, when assessing claims on an insurer's assets or earnings.
Technical Provisions	The aggregate of the best estimate liabilities plus the risk margin, representing the amount an insurance company would require to assume the whole portfolio of insurance obligations.

Financial Data

First European Holding Company Limited

Solvency and Financial Condition Report

Disclosures

31 December

2021

(Monetary amounts in EUR thousands)

General information

Participating undertaking name	First European Holding Company Limited
Group identification code	2138004TRCK9JOHH6T51
Type of code of group	LEI
Country of the group supervisor	MT
Language of reporting	en
Reporting reference date	31 December 2021
Currency used for reporting	EUR
Accounting standards	IFRS
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	6,988
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	6,988
R0140	*Government Bonds*	1,302
R0150	*Corporate Bonds*	5,686
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	0
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	
R0270	Reinsurance recoverables from:	676
R0280	*Non-life and health similar to non-life*	676
R0290	*Non-life excluding health*	676
R0300	*Health similar to non-life*	
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0320	*Health similar to life*	
R0330	*Life excluding health and index-linked and unit-linked*	
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	663
R0370	Reinsurance receivables	2
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,603
R0420	Any other assets, not elsewhere shown	75
R0500	**Total assets**	11,007

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S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,909
R0520	*Technical provisions - non-life (excluding health)*	2,909
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	2,718
R0550	*Risk margin*	192
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	
R0590	*Risk margin*	
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	*Technical provisions - health (similar to life)*	0
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	
R0640	*Risk margin*	
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	
R0680	*Risk margin*	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	75
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	29
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	
R0830	Reinsurance payables	165
R0840	Payables (trade, not insurance)	129
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	296
R0900	**Total liabilities**	3,604
R1000	**Excess of assets over liabilities**	7,402

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S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business												3,586					3,586
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share												538					538
R0200	Net												3,048					3,048
	Premiums earned																	
R0210	Gross - Direct Business												3,586					3,586
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share												538					538
R0300	Net												3,048					3,048
	Claims incurred																	
R0310	Gross - Direct Business												-757					-757
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share												-353					-353
R0400	Net												-403					-403
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net												0					0
R0550	**Expenses incurred**												1,033					1,033
R1200	**Other expenses**																	1,050
R1300	**Total expenses**																	2,084

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Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			PL	IE	BE	IT	FR	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business		1,867	514	400	160	152	3,094
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share		280	77	60	24	23	464
R0200	Net	0	1,587	437	340	136	129	2,630
	Premiums earned							
R0210	Gross - Direct Business		1,867	514	400	160	152	3,094
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share		280	77	60	24	23	464
R0300	Net	0	1,587	437	340	136	129	2,630
	Claims incurred							
R0310	Gross - Direct Business		-300	-73	42	15	-8	-324
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share		-128	-35	7	2	-11	-165
R0400	Net	0	-172	-37	34	13	3	-160
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**		323	125	242	55	105	851
R1200	**Other expenses**							1,050
R1300	**Total expenses**							1,901

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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					
R0010	Ordinary share capital (gross of own shares)	5,850	5,850		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	1,552	1,552			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	0				0
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	7,402	7,402	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

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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					
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	7,402	7,402	0	0	0
R0530	Total available own funds to meet the minimum consolidated group SCR	7,402	7,402	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	7,402	7,402	0	0	0
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	7,402	7,402	0	0	
R0610	**Minimum consolidated Group SCR**	2,500				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	296.10%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	7,402	7,402	0	0	0
R0680	**Group SCR**	2,604				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	284.31%				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	7,402
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	5,850
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	1,552
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

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Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	509		
R0020	Counterparty default risk	430		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	0		
R0050	Non-life underwriting risk	2,036		
R0060	Diversification	-507		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	2,468		

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

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

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

		C0100
	Calculation of Solvency Capital Requirement	
R0130	Operational risk	165
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-29
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	2,604
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	2,604
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	2,500
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	2,604

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Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	MT	213800Z5OLY4GC8CSV65	LEI	First European Title Insurance Company Limited	Non life insurance undertaking	Limited liability company	Non-mutual	Malta Financial Services Authority
2	MT	2138004TRCK9JOHH6T51	LEI	First European Holding Company Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited liability company	Non-mutual	Malta Financial Services Authority

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Undertakings in the scope of the group

					Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	MT	213800Z5OLY4GC8CSV65	LEI	First European Title Insurance Company Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	MT	2138004TRCK9JOHH6T51	LEI	First European Holding Company Limited	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation