

Solvency and Financial Condition Report



Trust International Insurance Company (Cyprus) Ltd



Report for year ending 31 December 2019

This Page was intentionally left Blank

Contents

Executive Summary	8
A. Business and Performance	15
A.1. Business	15
A.2. Underwriting Performance	20
A.3. Investment Performance	21
A.4. Performance of other activities	22
A.5. Any other information	22
B. System of Governance	24
B.1. General information on the system of governance	24
B.2. Fit and Proper requirements	31
B.3. Risk Management System including the Own Risk and Solvency Assessment	32
B.4. Internal Control System	38
B.5. Internal Audit Function	40
B.6. Actuarial Function	41
B.7. Outsourcing	41
B.8. Any other information	42
C. Risk Profile	44
C.1. Underwriting Risk	46
C.2. Market Risk	50
C.3. Credit Risk	54
C.4. Liquidity Risk	55
C.5. Operational Risk	56
C.6. Other Material Risks	59
C.7. Any other information	60
D. Valuation for Solvency Purposes	62
D.1. Assets	62
D.2. Technical Provisions	68
D.3. Other Liabilities	74
D.4. Alternative methods for valuation	75
D.5. Any other material information	75
E. Capital Management	77
E.1. Own Funds	77
E.2. Solvency Capital Requirement and Minimum Capital Requirement	79

E.3.	Use of the duration-based Equity risk sub-module in the calculation of the Solvency Capital Requirement	81
E.4.	Differences between the Standard Formula and any internal model used.....	81
E.5.	Non-Compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement.....	81
E.6.	Any other information	81
Annex A – Quantitative Reporting Templates		83
S.02.01.02	- Balance Sheet	84
S.05.01.02	- Premiums, claims and expenses by line of business	86
S.05.02.01	- Premiums, claims and expenses by country	87
S.17.01.02	- Non-Life Technical Provisions.....	88
S.19.01.21	- Non-Life insurance claims	89
S.23.01.01	- Own Funds Table	90
S.25.01.21	- SCR – for undertakings on Standard Formula	92
S.28.01.01	- MCR – only life or non-life insurance or reinsurance activity	93



Independent Auditor's Report

The Board of Directors of Trust International Insurance Company (Cyprus) Limited

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of Trust International Insurance Company (Cyprus) Limited (the "Company"), prepared as at 31 December 2019:

- S.02.01.02 – Balance sheet
- S.17.01.02 – Non-Life Technical Provisions
- S.23.01.01 – Own funds
- S.25.01.21 – Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 31 December 2019 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the Commission Delegated Regulation (EU) 2019/981, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

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 QRTs of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers Ltd, PwC Central, 43 Demostheni Severi Avenue, CY-1080 Nicosia
P O Box 21612, CY-1591 Nicosia, Cyprus
T: +357 - 22 555 000, F: +357 - 22 555 001, www.pwc.com.cy

PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No.143594). Its registered office is at 5 Themistocles Dervis Street, CY-1088, Nicosia. A list of the company's directors, including for individuals the present and former (if any) name and surname and nationality, if not Cypriot and for legal entities the corporate name, is kept by the Secretary of the company at its registered office. PwC refers to the Cyprus member firm, PricewaterhouseCoopers Ltd and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

**Emphasis of Matter**

We draw attention to the 'Valuation for solvency purposes' and the 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company'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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, 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 Company's internal control.
- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of 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.

Other Matter

This report, including the opinion, is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come

to

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers Limited', written over a faint, larger version of the same text.

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 4 June 2020

Executive Summary

Trust Cyprus was established in 1990 and provided reinsurance and management services to the Direct Insurance Companies of Nest Group. In 2003, Trust International Insurance Company (Cyprus) Ltd hereafter referred to as the “**Company**” acquired the license to exercise Insurance services in Cyprus and in August 2009 with a new Board of Directors and Management Team, the Company began its local operations.

On the 1st of January 2016 the Company implemented the Solvency II (SII) regime. Per the requirements of the SII regulation the Company has to provide a report called the Solvency and Financial Condition Report (hereafter referred to as “**SFCR**” or “**Report**”), that will be made available to the public and which will describe the performance of the Company for the business year that ended.

Company update and highlights

During the year 2019 the Company marked a growth of 7% comparing to 2018, achieving its targets. According to the latest official statistics of the Insurance Association of Cyprus, the Company has a market share of about 9% of the Cypriot general insurance business and ranks third amongst the general business insurance companies.

The Company had a significant increase in its profitability in 2019 comparing to 2018. The main reason for the increase in the profit is the decrease in net claims ratio, as well as the increase in net earned premium and the investment income.

As a result of a continuous action plan in relation to Solvency II, the Company continued during the year its Investment strategy, which targets in reducing its Counterparty Risk and increasing its Solvency Ratio.

Furthermore, during 2019 the Company enhanced its corporate governance processes by upgrading its procedure manuals, automating its operating systems and upgrading its Enterprise Risk Management (ERM) procedures. Throughout the year the Company continued investing in technology; it enhanced the Business Intelligence system for transparency and reliability and timely decision-making. Furthermore, the Company enhanced the procedures for the collection of premiums in light of the collections directive implemented on 1st January 2018. During the year the Company continued the preparations for implementing a new Insurance system, which is planned to be in force in the beginning of 2021.

Covid19 pandemic

The outbreak of Covid19 pandemic was one of the major external developments which affected the Company. The Company has taken significant steps to ensure business continuity, minimize the possibility of any disruption and to provide assurance to our customers and claimants that we will continue to provide covers and pay claims under any circumstances.

To ensure our Company’s ability to remain financially sound we have requested from our experts, Actuaries and Risk Managers, to perform a number of stress test scenarios on the Solvency position of the Company. The analysis has shown that none of these scenarios pushes the Solvency ratio of the Company to levels that can jeopardize the provision of coverage to our clients.

Moreover, the Company is assessing its solvency position on a biweekly basis and reports the results to the local regulator.

The Report

The SFCR is produced as per the requirements of articles 290 – 302 and Annex XX of the Commission Delegated Regulation (EU) 2015/35 hereafter referred to as “**Delegated Acts**” of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). The articles and annexes provide directions on the content and structure of this report as follows:

Table 0-1: Content and structure of SFCR

Section heading	Article	Description of contents
1. Business and performance	293	Provides basic information on the Company and gives a summary of business performance over the reporting year.
2. System of governance	294	Provides organisational information on the Company including committee structure, responsibilities of those committees and details of the processes used to manage risks in the Company.
3. Risk profile	295	Provides qualitative and quantitative information regarding the risks that the Company faces.
4. Valuation for Solvency purposes	296	Provides values for the Company's assets and liabilities calculated in accordance with accounting rules and solvency rules, gives details on the assumptions used to calculate these valuations and provides information on the differences between them.
5. Capital management	297	Provides details on the regulatory capital requirements that the Company must hold in line with Solvency II regulations and information on the Company's excess assets not required to meet its liabilities.

The report forms part of the SII public disclosures of the Company.

The SFCR is approved by the Board of Directors (BOD) of the Company.

Moreover, the SFCR is a public document and the Company is required to disclose this document on its official website after it has been audited and approved by the external auditors. The Company will also provide a copy of this report to the Insurance Company Control Service (ICCS).

The reference date of the report is the 31st of December 2019 hereafter referred to as the “**valuation date**”.

All quoted results are in Euros (€).

This is the fourth SFCR. The previous SFCR was produced as at the 31st of December 2018 hereafter referred to as the “**previous valuation date**”.

A summary of the report is provided below.

- **Business Performance**

The underwriting profit of the Company as at the valuation date is as follows:

	€ '000 2019				
	Motor	Property	Medical	Other	Total
Gross Written premium	19,439	6,605	6,071	5,640	37,755
Net Earned Premium	17,771	2,031	5,886	4,630	30,318
Net Claims incurred	(11,155)	(503)	(4,086)	(1,218)	(16,962)
Net Commissions and Acquisition Costs	(4,403)	179	(677)	(701)	(5,602)
Administrative Expenses	(2,735)	(1,416)	(683)	(1,214)	(6,048)
Underwriting Profit	(522)	291	440	1,497	1,706

The investment performance of the Company as at the valuation date is as follows:

	Euros '000 2019
Interest income from term deposits with Banks	32
Interest income from Government bonds	71
Interest income from Corporate bonds	362
Interest income from Structured products	6
Dividend income from Equity shares	30
Rental income from Investment properties	491
Profit on sale of Corporate bonds	37
Profit on sale of Structured products	1
Profit on sale of Equity shares	132
Change in the fair value of investments at fair value through profit and loss (Structured products, Equity shares)	10
Total income	1,172
Investment portfolio advisory fees	(42)
Investment portfolio custody fees	(26)
Expenses for Investment properties	(47)
Defence on rental income	(9)
Change in the fair value of Investment properties	(236)
Total losses	(360)

The Business performance of the Company is further analysed in section A of this report.

- **System of governance**

The Company is governed by the BOD which consists of six non-executive members and one executive member.

The BOD has established the following Board Committees:

- Risk Committee
- Audit Committee

- Nomination and Remuneration Committee

Moreover, the Company has established the following functions to ensure effective oversight of its operations, in accordance with the requirements of Solvency II for an Internal Control System:

- Risk Management Function
- Compliance Function
- Internal Audit Function
- Actuarial Function

To assess the fitness of the function holders and the committees, the Company has laid down its requirements in the Fit and Proper policy.

The Company has also defined its own risk management system and performs an Own Risk and Solvency Assessment (ORSA) at least once a year.

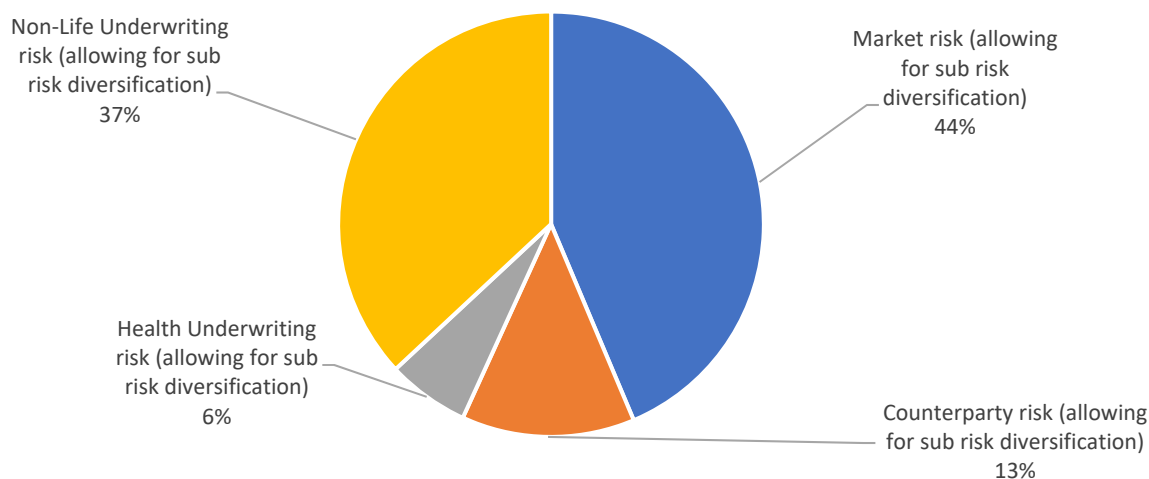
The System of governance of the Company is further analysed in section B of this report.

- **Risk profile**

The Company assesses its risks using the standard formula of Solvency II.

The diagram that follows summarizes the risk profile of the Company as at the valuation date. Based on the type of business written and the asset exposures of the Company, it is exposed primarily to Market risk and Underwriting risk (Non-Life and Health). The Company is also exposed to Counterparty risk to a lower extent:

Figure 0-1: Company Risk profile 2019



The Risk profile of the Company is further analysed in section C of this report.

• Valuation for Solvency Purposes

As at the valuation date the total value of Company assets is €76.8M on an IFRS basis and €71.5M on a SII basis. The difference in the value of assets between the two bases is fully explained by the exclusion of “Other Intangible Assets”, “Deferred Tax Assets”, “Deferred Acquisition Costs” and the revaluation of the “Reinsurance Recoverables”.

The table below shows the company’s liabilities as at the valuation date, both on an IFRS basis and SII basis. The starting point in calculating the SII technical provisions is the IFRS liabilities. Thereafter the IFRS liabilities are adjusted as follows:

Table 0-2: Reconciliation between SII and IFRS Liabilities

Item	€'000 2019
IFRS Liabilities	39,334
Less Release of UPR from the use of expected loss ratios	-6,849
Plus allowances for future expenses	1,727
Less Release of prudence in the Incurred But not Reported provisions	-978
Less Release of prudence in the claim settlement costs	-83
Plus Discounting	187
Plus Risk Margin	785
SII Technical provisions	34,123

The valuation for solvency purposes of the Company is further analysed in section D of this report.

• Capital management

As at the valuation date the Company has enough available capital to cover its Required Capital approximately by 1.7 times. Under SII, available capital is called the Own Funds.

The exact coverage ratio of the Company is 174% as at the valuation date and this is analysed as follows:

Table 0-3: SCR coverage ratio

		€ '000 31/12/2019	Calculation
(a)	Assets	71,453	
(b)	Liabilities	39,520	
(c)	Available capital (Own Funds)	31,933	(a) – (b)
(d)	Capital Requirements (SCR)	18,315	
(e)	Free Surplus	13,618	(c) – (d)
(f)	Coverage ratio	174%	(c) / (d)

Under SII all insurance entities must satisfy at any point in time the requirements of having sufficient available capital to meet the Minimum Capital Requirement (MCR) to retain its licence to sell insurance business in Cyprus. As at the valuation date, the MCR of the Company was determined to be €5.2m which means that the Company needs to have at least €5.2m of available capital (own funds) to retain its licence to sell insurance business in Cyprus. Given its available capital is at a level of €31.9m, the Company can cover its minimum capital requirement by approximately 6.2times.

The actual minimum capital coverage ratio is 617% and this is analysed as follows:

Table 0-4: MCR coverage ratio

		'000 31/12/2019	Calculation
(a)	Linear Minimum Capital Requirement	5,172	
(b)	Available capital (Own Funds)	31,933	
(c)	Solvency Capital Requirements (SCR)	18,315	
(d)	Minimum Capital Requirement cap	8,242	45% x (c)
(e)	Minimum Capital Requirement floor	4,579	25% x (c)
(f)	Minimum Capital Requirement absolute floor	3,700	Defined by Regulation
(g)	Final Minimum Capital Requirement	5,172	Max((a) , (f))
(h)	Minimum Capital Requirement Coverage	617%	(b) / (g)

The Capital management of the Company is further analysed in section E of this report.

Annex A, shows the quantitative templates submitted to the local Regulator on behalf of the Company for the valuation date.

The following templates are shown in this Annex:

Table 0-5: Annual QRTs

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

A. Business and Performance



This section of the report is produced as per the requirements of **Article 293: Business and Performance**.

The section provides an analysis of the following:

- Business
- Underwriting Performance
- Investment Performance
- Performance on any other activities
- Any other information

A. Business and Performance

A.1. Business

Trust Insurance Cyprus was established in 1990 and provided reinsurance and management services to the Direct Insurance Companies of Nest Group. In 2003, Trust International Insurance Company (Cyprus) Ltd acquired the license to exercise Insurance services in Cyprus and in August 2009 with a new Board of Directors and Management Team, the Company began its local operations.

A.1.a. Name and legal form of the Company

The name of the undertaking is Trust International Insurance Company (Cyprus) Ltd. This is a privately-owned limited liability company registered as a local insurance company in 2003.

The registered office is:

**284 Archbishop Makarios III Avenue
Fortuna Court Block B, 2nd floor
3105 Limassol, Cyprus**

A.1.b. Supervisory Authority Responsible for Financial Supervision

The Supervisory Authority responsible for the financial supervision of the Company is the Insurance Companies Control Service (ICCS), a unit that belongs to the Cyprus Ministry of Finance.

The contact details of the unit are as follows:

**Insurance Companies Control Service
P.O. Box 23364,
1682 Nicosia**

Although a member of the Trust Group which belongs to the Nest Investment (Cyprus) Ltd group, the Company reports as a solo entity to the Cyprus Insurance Companies Control Service i.e. there is no Group Supervisor.

A.1.c. External Auditor of the Company

The Company's external Auditor is PwC.

The contact details of the auditor are as follows:

**PwC Central
43 Demostheni Severi Avenue
CY-1080, Nicosia,
Cyprus**

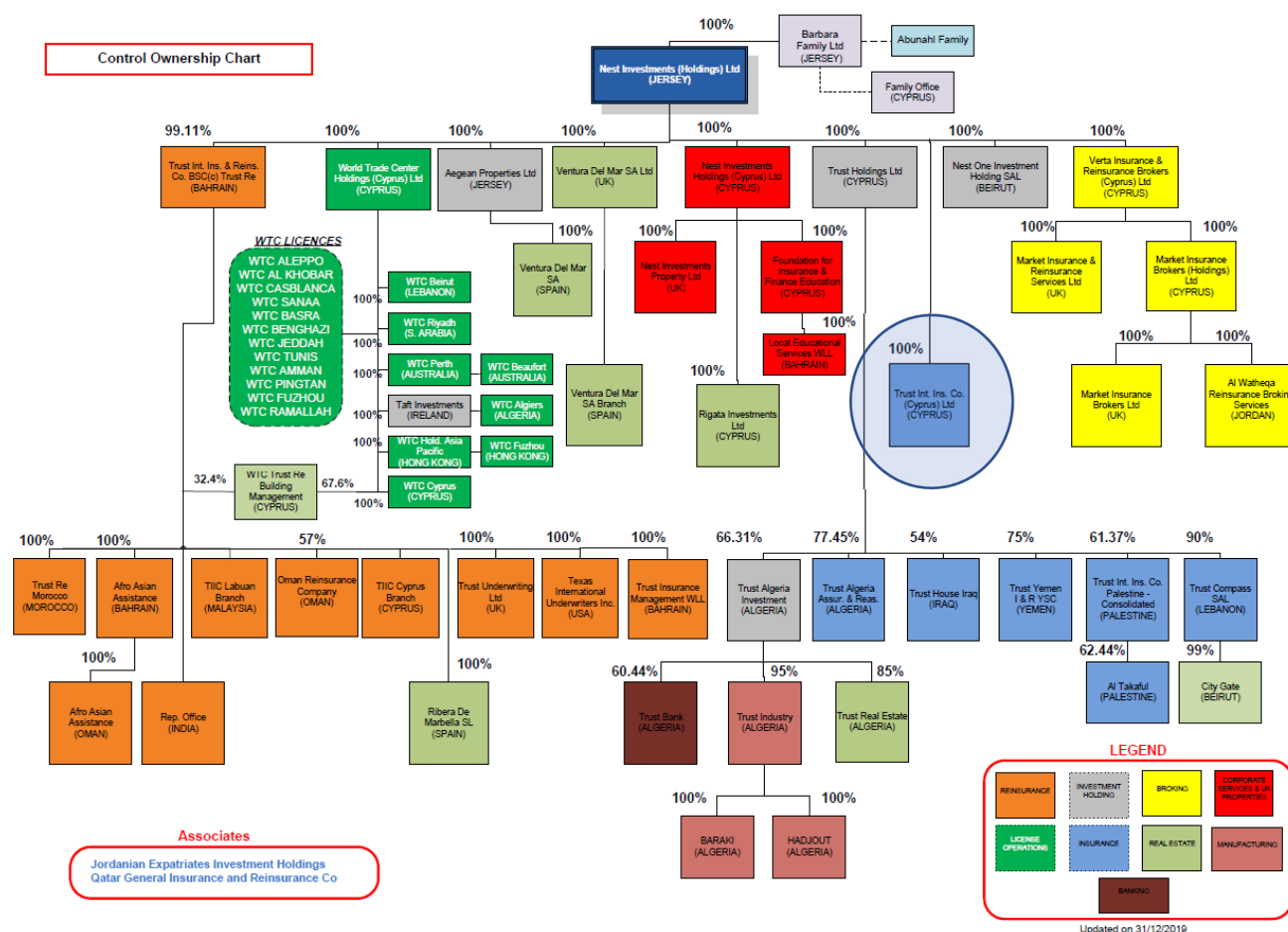
A.1.d. Description of the holders of qualifying holdings

The Company is controlled by Nest Investments (Holdings) Ltd, incorporated in Jersey, which owns 100% of the Company's shares. The Company's ultimate shareholder was Mr. Ghazi Abu Nahl at 31 December 2019 and Barbara Family Ltd at the date of this report.

A.1.e. Position within the legal structure of the group

The Company is a subsidiary of Nest Investment (holdings) Ltd. The diagram below, shows the position of the Company in the Nest Group at the date of this report.

Figure A-1 Company position within the Group



A.1.f. Material lines of business and geographical areas

The Company offers several general insurance products including:

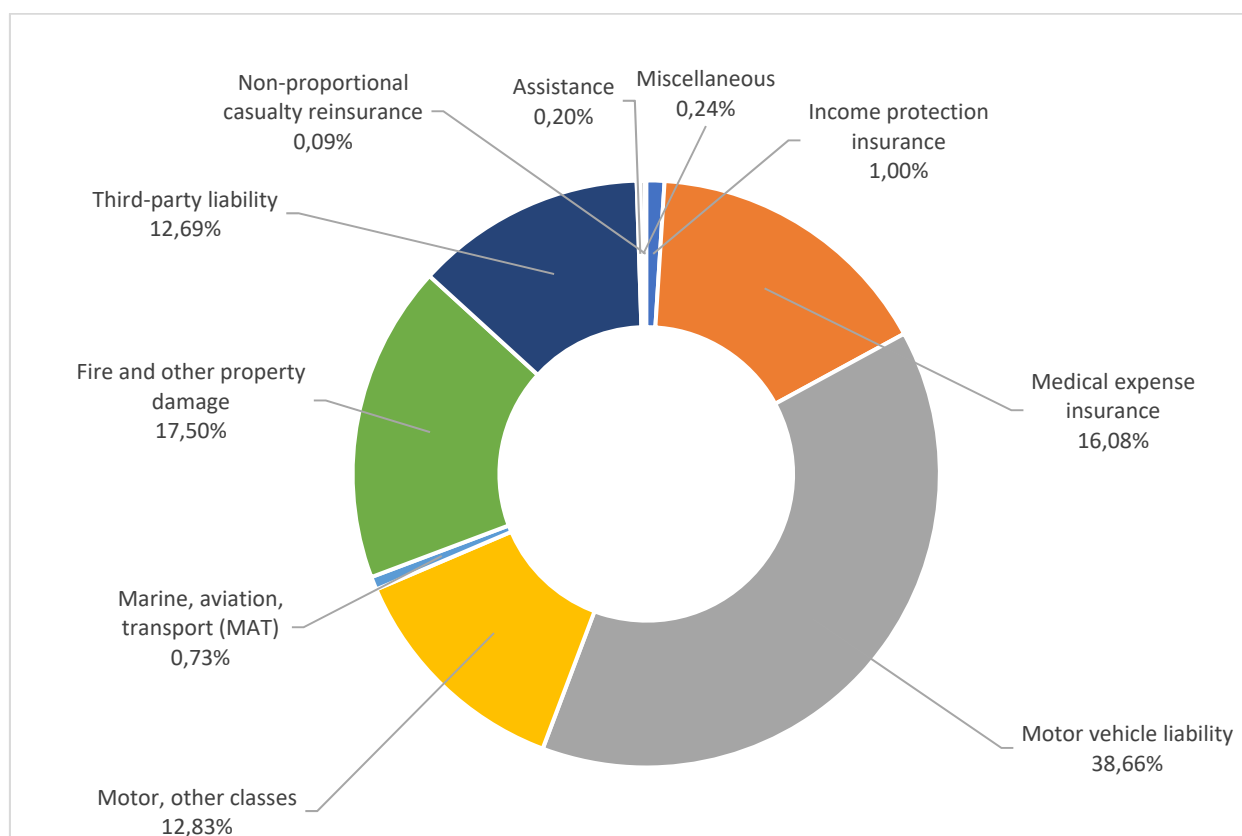
- **Motor policies** - third Party coverage as obliged by the Law is provided under the Motor Policy. Comprehensive cover is also provided and includes Own Damage Benefits, Personal Accident of the Driver and more.
- **Medical Insurance** both at an individual and group level
- **Fire Policies** provide a wide range of covers for houses, buildings, shops, factories and businesses. Perils such as fire, lighting, storm and explosion are provided.
- **Liability policies** include three types of products such as Employer's Liability, Public Liability and Professional Indemnity
- **Miscellaneous Policies** provide cover mostly for Personal Accident.
- **For Engineering Policies** cover is provided for Contractor's All Risks and Machinery Breakdown. Cover is restricted for buildings already under construction and buildings under renovation.
- **Marine policies** - Marine Hull policies provide cover for private use yachts only. Marine Cargo cover is also provided for goods in transit via sea, air or land.

The Written Premium per line of business for 2019 is provided below:

Table A-1: 2019 – Gross Written Premium

Segment	Gross €	Reinsurance €	Net €
Income protection insurance	376	205	171
Medical expense insurance	6,071	303	5,768
Motor vehicle liability	14,595	326	14,269
Motor, other classes	4,844	737	4,106
Marine, aviation, transport (MAT)	275	204	71
Fire and other property damage	6,606	4,448	2,158
Third-party liability	4,791	250	4,541
Assistance	75	36	40
Miscellaneous	90	34	56
Non-proportional casualty reinsurance	33	0	33
Total	37,755	6,541	31,214

Figure A-2: 2019 – Gross Written Premium



During 2018 the written premiums (reported in the previous SFCR) were as follows:

Table A-2: 2018 – Gross Written Premium

Segment	Gross €	Reinsurance €	Net €
Income protection insurance	502	23	479
Medical expense insurance	5,633	263	5,370
Motor vehicle liability	13,795	419	13,376
Motor, other classes	4,518	706	3,812
Marine, aviation, transport (MAT)	208	158	50
Fire and other property damage	6,236	4,290	1,946
Third-party liability	4,161	204	3,957
Assistance	76	33	43
Miscellaneous	130	65	65
Non-proportional casualty reinsurance	17	0	17
Total	35,276	6,161	29,115

A.1.g. Significant Business or other events over the reporting period

Covid19

We are all experiencing the effects of the pandemic. Our thought and priorities are to demonstrate individual and collective responsibility in order to win the war against the Covid-19 virus. The pandemic causes a global disruption in people's lives and in business activities. The Insurance Industry, like most industries, cannot remain unaffected.

The Company has taken significant steps to ensure business continuity, minimize the possibility of any disruption and to provide assurance to our customers and claimants that we will continue to provide covers and pay claims under any circumstances.

We understand that the pandemic has affected many people in many ways, and we have decided to ease the burden for those of our customers who are being financially affected more than others by adjusting our credit policies and allowing more time for the payment of due premiums and lowering instalments. In this difficult times we want our policyholders to remain protected and we have introduced these measures to enable them to continue enjoying the security and protection that our insurance policies offer.

To ensure our Company's ability to remain financially sound to service its policy holders and claimants, we have requested from our experts, Actuaries and Risk Managers, to perform a number of stress test scenarios on the Solvency position of the Company. These scenarios included the possible devaluation of assets, deterioration of bond credit ratings, increase in future claims and expenses. The analysis has shown that none of these scenarios pushes the Solvency ratio of the Company to levels that can jeopardize the provision of coverage to our clients, irrespective of whether these are taken in isolation or as a combined effect. In fact, the scenario stress tests, even when multiple negative scenarios are combined, still show that our solvency ratio will remain strong providing assurance and comfort to our clients.

Pandemic events, like to the one that we are currently experiencing, have been factored in our capital model for a number of years. Allowing for such low probability, but high impact scenarios in the solvency calculations along with our desire to maintain a high solvency ratio, has helped the company

to build the capital resources that could absorb direct risks arising from pandemic events as well as other risks that might arise as a consequence of the pandemic.

Our company's philosophy to invest in digitalization, such as online collection systems, provides convenience to our clients who can continue paying their premiums from the comfort and safety of their homes while at the same time minimizing any liquidity risks for the Company.

In terms of reinsurance, our Company continues to implement its conservative reinsurance strategy which includes low retentions and cooperation only with highly rated reinsurers. At the same time, our largest exposures are heavily reinsured with highly rated reinsurance counterparties ensuring that any claims arising will be paid without causing any financial strain to the Company's position.

In terms of new business, we are well aware that the lockdown in Cyprus is partly restricting our normal sales operation. However, we consider that the seasonality slowdown that we usually experience during the summertime will shift and hence the Company will catch up on its targets with "rally" sales immediately after the lockdown.

It is noted that the effect of the pandemic has not reached its peak yet and further developments are expected in the near future. Based on this, we have performed extreme value analysis scenarios incorporating asset shocks coupled with significant increases in our loss ratio. In these scenarios our solvency ratio of 174% reported as at the 31 December 2019, does not drop below 150%. This means that even when the pandemic will have its full impact, under the adopted scenarios our Company is expected to sustain a Solvency ratio of 150%.

A.2. Underwriting Performance

The table below, provides an analysis of the underwriting profit of the Company as at the valuation date:

Table A-3: Underwriting profit 2019

	€ '000 2019				
	Motor	Property	Medical	Other	Total
Gross Written premium	19,439	6,605	6,071	5,640	37,755
Net Earned Premium	17,771	2,031	5,886	4,630	30,318
Net Claims incurred	(11,155)	(503)	(4,086)	(1,218)	(16,962)
Net Commissions and Acquisition Costs	(4,403)	179	(677)	(701)	(5,602)
Administrative Expenses	(2,735)	(1,416)	(683)	(1,214)	(6,048)
Underwriting Profit	(522)	291	440	1,497	1,706

The above analysis is based on the results as reported in the Company accounts.

The Company's written premium is €37.8m for 2019 compared to €35.3m for 2018. Almost all lines of business increased comparing to last year, especially motor and medical business. The net claims incurred (including IBNR and claims handling reserves) amounted to €17.0m during the year comparing to €16.0m during 2018. The net claims ratio, the net commission ratio and the net administration expenses ratio have decreased comparing to 2018. As a result, the underwriting profit for the year amounted to €1.7m comparing to €1.3m for 2018.

The motor business showed underwriting losses mainly because of higher claims comparing to last year. The remaining lines of business showed underwriting profits.

The table below, provides an analysis of the underwriting profit of the Company as at the previous valuation date:

Table A-4: Underwriting profit 2018

	€ '000 2018				
	Motor	Property	Medical	Other	Total
Gross Written premium	18,313	6,236	5,633	5,094	35,276
Net Earned Premium	16,495	1,935	5,370	4,333	28,133
Net Claims incurred	(9,123)	(518)	(4,850)	(1,515)	(16,006)
Net Commissions and Acquisition Costs	(4,149)	156	(602)	(641)	(5,236)
Administrative Expenses	(2,577)	(1,324)	(626)	(1,097)	(5,624)
Underwriting Profit	646	249	(708)	1,080	1,267

A.3. Investment Performance

The Board of the Directors of the Company approves the Investment strategy of the Company. The asset categories chosen are consistent with the Company's liabilities in terms of nature, term and duration. The investment choices are also consistent with the Prudent Person Principle of SII described in section C of this report.

A.3.a. Income and expenses arising by asset class

Table A-5: Income and losses arising by asset class 2019

	Euros '000 2019
Interest income from term deposits with Banks	32
Interest income from Government bonds	71
Interest income from Corporate bonds	362
Interest income from Structured products	6
Dividend income from Equity shares	30
Rental income from Investment properties	491
Profit on sale of Corporate bonds	37
Profit on sale of Structured products	1
Profit on sale of Equity shares	132
Change in the fair value of investments at fair value through profit and loss (Structured products, Equity shares)	10
Total income	1,172
Investment portfolio advisory fees	(42)
Investment portfolio custody fees	(26)
Expenses for Investment properties	(47)
Defence on rental income	(9)
Change in the fair value of Investment properties	(236)
Total losses	(360)

Table A-6: Income and losses arising by asset class 2018

	Euros '000 2018
Interest income from term deposits with Banks	109
Interest income from Government bonds	59
Interest income from Corporate bonds	258
Interest income from Structured products	26
Dividend income from Equity shares	10
Rental income from Investment properties	96
Profit on sale of Structured products	10
Change in the fair value of Investment properties	637
Total income	1,205
Change in the fair value of investments at fair value through profit and loss (Structured products, Equity shares)	(65)
Investment portfolio advisory fees	(44)
Investment portfolio custody fees	(16)

Expenses for Investment properties	(55)
Defence on rental income	(2)
Loss on sale of Corporate bonds	(39)
Loss on sale of Equity shares	(122)
Total losses	(343)

A.3.b. Gains and Losses recognised directly in Equity

Table A-6: Gains and losses recognised directly in equity 2019

	Euros '000 2019
Revaluation of property (land and buildings)	75
Deferred tax liabilities on revaluation of property	2
Change in the fair value of investments available for sale (Corporate bonds, Government bonds, Equity shares)	803
Transfer to the income statement on sale of investments available for sale	173
Net gains	1,053

Table A-7: Gains and losses recognised directly in equity 2018

	Euros '000 2018
Revaluation of property (land and buildings)	334
Deferred tax liabilities on revaluation of property	(31)
Change in the fair value of investments available for sale (Corporate bonds, Government bonds, Equity shares)	(483)
Transfer to the income statement on sale of investments available for sale	29
Net losses	(151)

A.3.c. Investments in Securitisation

There were no investments in securitizations as at the valuation date.

A.4. Performance of other activities

The Company does not carry out any activities other than the insurance/reinsurance operations described above. Hence, there is no other material income and expenses incurred over the reporting period.

A.5. Any other information

None.

B. System of Governance



This section of the report is produced as per the requirements of **Article 294: System of Governance**.

The section provides an analysis of the following:

- General information on the system of governance
- Fit and Proper requirements
- Risk Management system including the ORSA
- Internal Control System
- Internal Audit Function
- Actuarial Function
- Outsourcing
- Any other information

B. System of Governance

B.1. General information on the system of governance

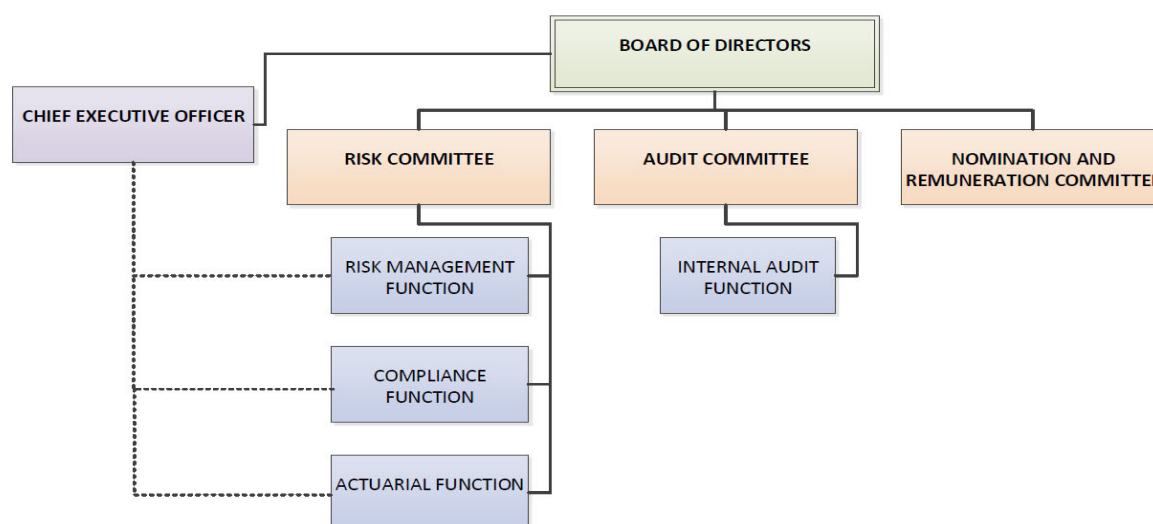
B.1.a. Structure of Administrative and Management Body

The oversight of the Company's business and its operations are provided through its governance structure. In this structure the management of risk plays a significant part. Governance starts with the Company's Board, which has overall responsibility for management of the company. The governance structure provides oversight and direction to the Company.

The Risk Management framework is included in the Governance framework which supports the Company's risk culture. The Risk framework covers the Company's business and operational functions and risk areas. It sets out the risk committees, risk reporting and risk controls.

The organisational chart below summarises the Company's System of Governance currently operating for the Company:

Figure B-1: System of Governance



B.1.a.1. Board of Directors

The Board has the overall responsibility for the oversight of the management of the Company. Its role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables each of the risks faced by the Company to be assessed and managed. The Board is responsible for promoting the long- term success of the Company whilst securing an appropriate degree of protection for policyholders.

The BOD of the Company consists of the following:

- Frixos Savvides – Chairman, Non-Executive Director
- Kamel Abunahl – Deputy Chairman, Non-Executive Director
- Mehran Eftekhar – Group Corporate Services Director, Non-Executive Director

- Chris Georghiades – Non-Executive Director
- Stavros Stavrou – Non-Executive Director
- Kyriacos Kazamias – Non-Executive Director
- Christos Christodoulou – Chief Executive Officer, Executive Director

B.1.a.2. Summary of roles and responsibilities of the Committees

B.1.a.2.1 Risk Committee

The Risk Committee is responsible to assist the BOD in fulfilling its oversight responsibilities for the identification, analysis, assessment and management of all the risks which the Company faces in its operation and may impact the assets and liabilities of the Company; in particular, (without limitation) to assist in identifying those risks which may at first seem unlikely or even remote. The independence and objectivity of the Risk Committee shall be maintained at all times.

The Risk Committee has the authority to conduct or authorise investigations into any matters within its scope of responsibility. It has the responsibility to:

- Appoint a Secretary (who will ordinarily be the Chief Risk Officer) to provide guidance and support to the Risk Committee and where necessary, arrange briefing for the members of the Risk Committee or BOD on new developments, laws, regulations, and best practice in the ERM procedures
- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organisation on risk issues. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation
- Seek any information it requires from employees and associated external parties; all of whom are directed to cooperate with the Risk Committee's requests. Meet with Company officers, external auditors, or outside counsel, if necessary
- Gain access to all information in the possession of the Company or within its power to obtain and must submit its findings and reports to the BOD on a periodic or anytime basis.

B.1.a.2.2 Audit Committee

The Audit Committee (AC) is responsible to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the System of Internal Control, the Audit Process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct. The independence and objectivity of the Audit Committee shall be maintained at all times. The AC should have access to all information and submit its findings and reports to the BOD.

The AC has the authority to conduct or authorise investigations for all matters within its scope of responsibility. It has the responsibility to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by organisation
- Resolve any disagreements between Management and the Auditor regarding financial reporting
- Pre-approve all auditing and non-audit services
- Review and approve the rotation of the external Auditors every 5 years
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation
- Seek any required information from staff - all of whom are directed to cooperate with the requests - or external parties
- Meet with Company officers, external Auditors, or outside counsel

- Delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting
- The AC should receive any and all reports including feedback on those reports for work carried out by external bodies, such as the Cyprus Ministry of Finance, External Auditors, outsourced internal Auditors, etc.

B.1.a.2.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) is a committee of Non-Executive Directors serving as members of the BOD. The primary functions of the NRC are: to assess the required competencies of BOD members; review the BOD succession plans; evaluate BOD's members' performance; regularly review and make recommendations on:

- Executive remuneration and incentive policies / schemes, including salaries, bonuses and pension plans;
- Recruitment, retention and termination policies for senior management

The NRC has the authority to conduct or authorise investigations into any matters within its scope of responsibility. It has the responsibility to:

- Appoint a Secretary (who will ordinarily be a senior member of staff such as the Head of HR and Administration or above), to provide guidance and support to the NRC and where necessary, arrange briefing for the members of the NRC or BOD on senior appointments
- Appoint, compensate, and oversee the work of any specialised organisation who can advise on engaging and rewarding non-executive directors, executive directors and other senior staff or conduct relevant investigation
- Seek any required information from staff and associated external parties; all of whom are directed to cooperate with the NRC's requests. Meet with Company officers, external advisors, or outside counsel, if necessary
- Gain access to all information in the possession of the Company or within its power to obtain and submit its findings and reports to the BOD on a periodic or anytime basis

B.1.a.3. Summary of Roles and Responsibilities of the Key Functions

B.1.a.3.1 Risk Management Function

The Risk Management Function is responsible for the measurement and management and reporting of the key risks the Company faces. In order to facilitate the most effective operation and the objectivity of the Risk Management System, the Risk management function is operationally independent and reports directly to the BOD through the Risk Committee.

The RMF is responsible for coordinating all risk management activities and comprises the Risk Manager and other staff specialised in Risk Management issues. The RMF reports directly to the CEO and, through the Risk Committee, to the BOD.

The duties of the Risk Manager include:

- Assisting Senior Management and the BOD in the effective operation of the Risk Management System, in particular by discussing the results of specialist analysis and quality reviews carried out by the RMF and proposing possible solutions for addressing material system failures that may have been identified
- Maintaining a Company-wide and aggregated view on the risk profile of the Company
- Reporting details on risk exposures and advising the BOD, through the Risk Committee, on Risk Management matters in relation to strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments

- Assisting the BOD and Senior Management with capital and resource allocation decisions and facilitating Risk Assessments
- Ensuring that there are sufficient and appropriate tools and methods in place for predicting, identifying, assessing, monitoring, controlling and reporting the Company's risks
- Reviewing the section of the Pillar 3 reports that relates to the RMF, after being prepared by the RMF staff and submitting it to Finance Function of the Company for review. Further details on the contents of this section can be found in the Disclosure and Reporting Manual for Pillar 3
- Coordinates all Risk Management activities across the Company and ensures the correct implementation of Risk Policies

At the same time, the other RMF officers are responsible for:

- Designing and performing the specialised analyses and quality reviews of the Company's Risk Management System, and reporting their results to the Risk Manager
- Monitoring, on a day-to-day basis, the Risk Management System, and bringing to the attention of the Risk Manager any issues of concern
- Identifying, assessing and monitoring existing and emerging risks
- Regularly evaluating the design and operational effectiveness of the Risk Management System to identify, measure, monitor, manage and report the risks to which the Company is exposed
- Preparing the section of the Pillar 3 reports that relates to the RMF and submitting it to the Risk Manager for review, as per the Disclosure and Reporting Manual for Pillar 3
- Updating the RMF manual
- Monitoring compliance by the Company's Senior Management and staff with all established risk policies and procedures

The Function is subject to audit by the Internal Audit Function.

B.1.a.3.2 Compliance Function

The Compliance Function is responsible for the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance of the Company with the existing legal and regulatory framework. In order to facilitate the most effective operation and the objectivity of the risk management system, the Compliance Function is operationally independent and reports directly to the BOD through the Risk Committee.

The Compliance Function is responsible to ensure that all actions undertaken by the Company are, at all times, in compliance with all applicable laws and regulations. In line with best practice, it is also responsible to take measures to monitor the compliance of the Company with internal strategies, policies, processes and reporting procedures (including agreed exposure limits and operating principles/instructions). Its principal role is to identify, assess, monitor and report the compliance risk exposure of the Company.

In order to assess the possible impact of significant changes in the legal environment that the Company operates in, as well as identify and assess the compliance risk that could arise from such changes, the Compliance Function is responsible to monitor projected revisions of legislation and plans to introduce new regulation and assess their potential impact on the Company, in addition to monitoring the relevant court decisions.

Moreover, the Compliance Function is responsible to ensure that the Company acts in accordance with all other applicable laws and regulations, whether insurance-specific or not. This includes informing Senior Management, the BOD and all affected functions of any changes in existing legislation and any new laws and regulations. Other applicable laws and regulations may address issues on intermediation, bankruptcy, sales practices, cover's commencement and termination, policy

terms and conditions, data protection, discrimination, international sanctions, insurance fraud, health and safety in the workplace, etc.

Furthermore, the Compliance Function is responsible to assess the appropriateness of the Company's compliance procedures and guidelines, follow up identified deficiencies promptly and make suggestions for improvements as necessary. To assist both Management and personnel with compliance issues, the Compliance Function draws guidelines and procedures that provide support with relation to the compliance with external regulatory requirements and internal policies and procedures. In addition, it is actively involved in the product development process by providing its advice on the potential effect of new products, services and markets from a compliance point of view reviewing agreements designated for such products.

The function is subject to audit by the Internal Audit Function.

B.1.a.3.3 Internal Audit Function

The Internal Audit Function is responsible for evaluating the adequacy and effectiveness of the Internal Control System (ICS) and other elements of the system of governance. The Internal Audit function of the Company is fully independent and reports to the BOD through the AC.

More specifically the Internal Audit Function has the following responsibilities:

- To regularly monitor the performance and effectiveness of the ICS and to reliably and frequently update Senior Management on the state of affairs in respect of the audits under process, notably in terms of how correct and consistent the implementation of the policies and procedures adopted by the BOD and/or local Senior Management has been
- To conduct general or sample ex-post audits of the functions and transactions of the Company, in order to verify that all regulations, operational procedures and preventative control mechanisms governing each type of transactions and the safeguarding of assets are stringently applied, and that the Company is in compliance with the Institutional Framework governing its operation
- To evaluate compliance and the efficiency of risk control / management procedures and to estimate the potential loss (not necessarily quantify, but qualify) that the Company might incur as a result of its exposure to risk
- To evaluate the efficiency of the Company's accounting and information systems, to systematically monitor the implementation of the operational and accounting controls and the rules applied in the collection, processing, management and secure storing of data and information, to verify the reliability of accounting data and statements produced
- To evaluate the efficiency of the organizational structure and reporting lines, as well as a sound ICS in order to ensure that the segregation of duties and the business continuity operates effectively
- To prepare a report on the outsourcing of activities in accordance with the risk based plan. There should be a list of key outsourced activities and associated risks, where the regulator and the auditor should have the right to review agreements of outsourced activities
- To evaluate the adequacy of mechanisms set by the BOD for the definition of targets and subsequently the evaluation of the extent to which the Company achieves its targets
- To carry out special investigations and special audits in situations where it is possible to relate with suspected fraud. The Internal Auditor may be asked by Senior Management or the BOD to carry out such investigations. In addition, special investigations should be performed in the case where a Unit is consolidated or in any other instance the Departments/Functions/Units are set for restructuring, expansion, undertaking new /additional tasks and in general where any Department / Function changes its procedures which may have an impact on the current controls of that Unit
- To prepare, at least on an annual basis, a risk assessment and audit plan

- To assess, at least on an annual basis, the need to operate in jurisdictions or through complex structures that reduce transparency ('know your customer principle') and report any weaknesses to the BOD
- To assess the risk management procedures (risk identification and evaluation of the existing mechanisms of identification, measurement, monitoring, analysis, correction, elimination, recording and reporting)
- To assess the data upon which the Company has calculated its Pillar 1 and Pillar 2 solvency requirements as well as the data that the actuarial function has used for the valuation of the technical provisions
- To assess the compliance procedures followed by the Company
- To assess the Internal Governance System, as well as the Company's Business Continuity and Disaster Recovery Plans and perform an overall assessment of the Company's readiness in implementing the plan
- To review and provide an independent opinion on the ORSA
- To report to the Audit Committee in relation to the following matters:
 - The responsibilities of the Internal Audit Function and/or emerging methodologies and/or compliance issues which may affect the purpose and scope of the Internal Audit work
 - Information on the status and results of the audit activities relating to the defined mission and scope of the Internal Audit Function (to the extent that these can be quantifiable through the use of Key Performance Indicators). An annual report should be prepared and submitted summarizing the Internal Audit Function operations
 - All major observations emanating from the audits carried out. Such report should be prepared on a quarterly basis and should also be submitted to the CEO

B.1.a.3.4 Actuarial Function

The Actuarial Function advises the Senior Management and the Risk Committee on the valuation of technical provisions, reinsurance adequacy, underwriting policy, capital adequacy and other matters of technical nature. The Actuarial Function reports directly to the BOD through the Risk Committee.

The Actuarial Function is responsible for coordinating all actuarial activities and comprises the Head of the Actuarial Function and other staff specialised in actuarial issues. The Head of the Actuarial Function reports to the BOD through the Risk Committee and has the overall responsibility for all the actuarial issues outlined in the Company's policies.

More specifically, the duties of the Actuarial Function include:

- Coordinate the calculation of technical provisions
- Ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of technical provisions
- Assess the sufficiency and quality of the data used in the calculation of technical provisions
- Compare best estimates against experience
- Inform the Senior Management and the BOD of the reliability and adequacy of the calculation of technical provisions
- Oversee the calculation of technical provisions in cases where approximations are used in the calculation of best estimates
- Express an opinion on the overall underwriting policy
- Express an opinion on the adequacy of reinsurance arrangements
- Contribute to the effective implementation of the Risk Management System, in particular with respect to the risk modelling underlying the calculation of the capital requirements and to the Own Risk and Solvency Assessment (ORSA)

The function is subject to audit by the Internal Audit Function.

B.1.b. Changes in System of Governance

There were no material changes to the System of Governance.

B.1.c. Remuneration Policy

Remuneration is intended to attract, retain and motivate employees to achieve the objectives of the Company, to align to its values and to operate within its risk appetite and Risk Management Framework.

Fixed Remuneration packages are offered to all staff from the Company and they include:

1. Salary
2. Annual Leave
3. Contribution to Social Insurance Fund
4. Participation in Company's Medical Scheme
5. Participation in Company's Group Life Insurance
6. Participation in Provident Fund Scheme

There is also a variable remuneration component offered by the Company to key staff members that includes:

1. Performance Related Pay - a monthly payment to staff for the over achievement of their goals and for performing better than expected.
2. Discretionary Bonus on an annual basis to members of staff who have more than 100% achievement of the individual goals and the Line Manager(s) confirms behaviours that demonstrate in practice the values of the Company.

There is no entitlement for Company options and shares to any staff member.

The Company maintains a Provident Fund Scheme as part of the fixed Remuneration package of the staff. This is a defined contribution scheme where both the employee and the Company contribute.

B.1.d. Other material transactions

None.

B.2. Fit and Proper requirements

B.2.a. Skills, knowledge and expertise requirements

The following individuals and functions fall into the scope of the Fit and Proper requirements:

- BOD (executives and non-executives)
- CEO
- Compliance Function Holder
- Actuarial Function Holder
- Risk Management Function Holder
- Internal Audit Function Holder
- Senior Managers responsible for significant business operations:
 - Financial Controller
 - Operations Manager
 - Claims Manager
 - Head of HR and Administration
 - IT Manager
 - Business Development Manager
 - Credit Control Manager

For the above identified individuals, Supervisory Authority approval is required before the appointment of the position. The BOD maintains ultimate responsibility to notify the supervisory authority of the key functions identified in the Company, and the individuals that are in scope of the fit and proper requirement, ensure they are fit and proper and seek approval from the Supervisor with regards to the Fitness and Propriety of the individuals stated above.

The Compliance Function has established processes for notifying the Supervisory Authority of the above, of any changes to the individuals that hold the Fit and Proper requirements and of any successors in case they no longer fulfil the Fit and Proper requirements.

The Compliance Function is committed to provide these notifications in a timely manner and with sufficient information to the Supervisory Authority for conducting an assessment.

The Compliance Function has the responsibility for monitoring the regulatory requirements on the fit and proper requirement and informs the BOD and key function holders of any changes to the information that needs to be submitted.

The above identified individuals are required to comply with the requirements set by the Supervisory Authority and the Code of Standards defined by the Company. Individuals in scope of the requirement inform the Human Resources Department if their Fitness and Propriety is adversely affected and Compliance if they believe they have breached any regulatory requirements.

B.2.b. Assessing Fitness and Proprietary

In accordance with Supervisory requirements, the Company requires its BOD, Senior Management and holders of Key Functions to be Fit and Proper, to adhere to the Principles and Code of Ethics and Conduct and achieve competence.

The Company has defined and documented specific criteria to assess the Fitness and Propriety of its BOD, Senior Management and holders of Key Functions. Generic criteria exist as well as specific

criteria for the role of each member. All individuals under the scope of the Fit and Proper requirement must comply with regulatory requirements, as well as the Company's requirements and policies. The following controls are performed upon appointment:

- Credit search - No Bankruptcy Certificate
- Identity check
- Sanctions Screening
- Criminal Records (DBS) check – Certificate of clean criminal record
- Educational and Professional Certificates

Individuals in scope of the Fit and Proper requirement are required to self-certify to Human Resources on an annual basis their continuing Fitness and Propriety. They should promptly inform Human Resources if they think their Fitness and Propriety has changed adversely. In case where they believe that, there was a possible breach or there will be a breach of the Code of Standards or other Regulatory Requirements, they should also inform the Compliance. In case there is no compliance with the Company's policies and Code of Standards or requirements of the regulatory regime, they may be subject to disciplinary action by the Company. In addition, they may be disciplined by the Regulator. In deciding whether an individual is responsible for a breach, the Company will consider whether the action was deliberate, or whether the behaviour was below the standard which would be reasonable in all the circumstances.

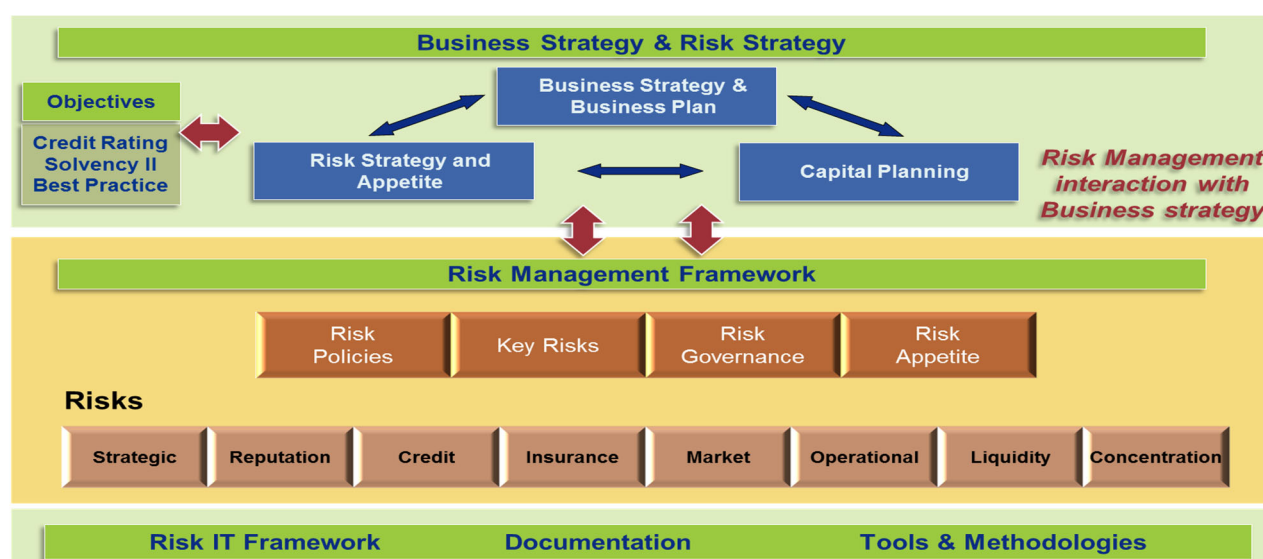
B.3. Risk Management System including the Own Risk and Solvency Assessment

B.3.a. The Risk Management System

The Company has adopted Risk Management policies and procedures in order to achieve its business and financial strategy without exceeding its risk appetite as defined by considering both internal and external constraints set by its BOD, the Group, regulators and other Stakeholders.

The Company's Risk Management Framework, as illustrated below, is an embedded part of the business and fully interacts with the strategic and business planning and the Capital Management Process.

Figure B-2: The Risk Management System



As demonstrated by the risk framework, Risk Management is embedded within the Company's strategic and operational processes, both as a standalone framework for the management of key risks and as an input in key strategic and business processes.

The Risk Management Framework establishes the mechanism and strategy through which the Company manages risk, taking into account its business objectives and vision (both short term and long term), as well as its overall risk appetite. In this way, the risk strategy sets the principles for Risk Governance, which in turn feed into the Company's organizational structure for the forming of business functions and Committees, the assignment of roles and responsibilities and the definition of lines of reporting.

The business objectives reflect minimum requirements (Regulatory Compliance such as Solvency II), international best practices, as well as long term strategic objectives (credit rating).

B.3.b. The Risk Management Process

Risk Management is a continuous process that is used in the implementation of the Company's overall strategy and allows an appropriate understanding of the nature and significance of the risks to which it is exposed, including its sensitivity to those risks and its ability to mitigate them.

The Company's Risk Management process comprises four stages:

B.3.b.1. Risk Identification

Risk Identification is the first stage in the risk management process. This is the process followed by the Company to identify and record all material risk exposures that arise from its activities. Risks are identified and registered both formally, through the periodic review of the Company's Risk Register, and informally as they arise in the course of business.

Risk identification is performed for both existing and emerging risks.

B.3.b.1.1 Risk Measurement

Once risks are identified and registered by the business areas, the business areas undertake the task of assessing the materiality of these risks and measuring their impact. Assessment and measurement of the risks is performed using both qualitative and quantitative methods.

The qualitative assessment refers to the high level assessment of risks based on expert judgment, prior experience, benchmarking and the qualitative estimation of severity and impact of adverse events. This analysis assesses the inherent and net or residual (after mitigation) risk position of the Company, based on the analysis of internal and external factors and other inputs, depending on their relevance to the risks examined and the controls in place for their mitigation. The qualitative assessment of risk enables a better understanding of the risks and their potential impact. This assessment is performed jointly by the RMF and the business units and is documented in the Company's risk register.

The quantitative assessment refers to the detailed measurement of the risks involved using appropriate quantification techniques, which are more advanced than those used in the qualitative assessment.

In order to measure the capital requirements of risks the Company's quantification techniques focus on the Solvency II standard formula and stress testing.

B.3.b.1.2 Risk Monitoring and Reporting

Monitoring risk exposures is a joint responsibility between all three lines of defense in the Risk Management Framework, consisting of prudent and regular review of risk metrics and exposures. All risk monitoring is undertaken in the context of the overarching limit structure, and any limit breaches are quickly and promptly escalated to the required parties.

The RMF is responsible to ensure that risk exposure information is communicated to Senior Management through formal and informal reporting in a timely manner to enable informed decision making.

B.3.b.1.3 Risk Mitigating / Transfer

Risks arising from Company's activities are monitored and controlled through the use of risk limits.

The Company takes into consideration techniques to mitigate risks such as the use of reinsurance, premium rate reviews, authority/limits and concentration limits. Reinsurance is used to mitigate the risk that profits and available capital are adversely affected by natural or man-made catastrophes, large losses or accumulations of losses.

The Company's Risk Management process capabilities are supported through the following:

- Risk Management education and training of all staff and management
- Use of an internationally recognized Risk Management Software for the reporting and monitoring of risks and the performance of the Risk Control Self- Assessment (RCSA) process using approved policies for the Risk Definition Process and the Likelihood and Impact factors
- Risk Review and an overall formal review of the Risk Registers developed in one to one sessions between the risk function and the heads of departments. The Risk Review takes place regularly and the Risk Register produced is quite comprehensive and touches all the risk areas the Company is exposed to. There are continuous enhancements of the scope and level of depth of the Risk Reviews
- Sensitivity and stress testing of financial projections, major decisions, etc.

The Risk Governance of the Company forms an integral part of the Risk Management Framework and is organized in a way that ensures the establishment of clear responsibility boundaries, the proper segregation of duties and the avoidance of conflicts of interest at all levels, including the BOD, Senior Management, RMF and Business Units.

The specific responsibilities of key bodies in the risk management framework are summarized below:

Table B-1: Responsibilities of key bodies in the Risk Management Framework

Body / Function	Roles in the Risk Management Framework
BOD	<ul style="list-style-type: none"> • The responsibility for the approval and periodic review of the risk profile and risk appetite, as well as the risk strategy and the policies for managing risks, lies with the BOD, so as to ensure that the BOD takes all measures necessary for the monitoring and control of risks, in accordance with the approved risk strategy and policies. This information reaches the BOD through the Risk Committee
Risk Committee	<ul style="list-style-type: none"> • Responsibility for the supervision of the Risk Management Framework is assumed by the Risk Committee

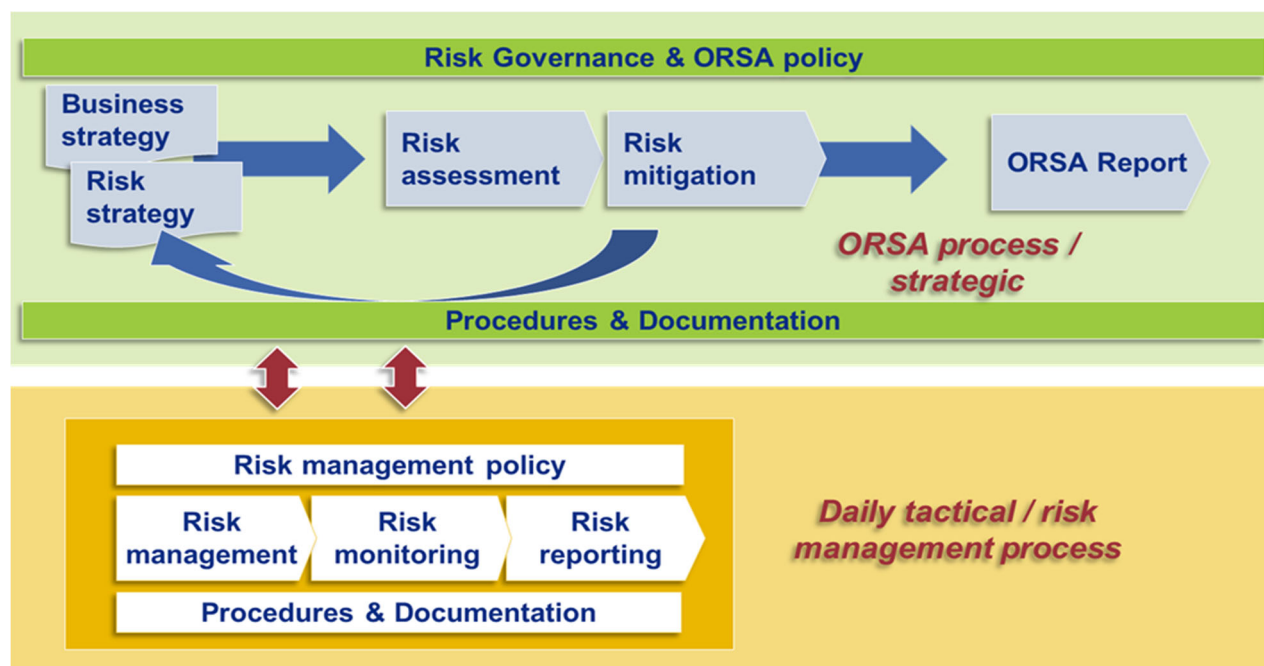
Body / Function	Roles in the Risk Management Framework
	<ul style="list-style-type: none"> • The Risk Committee reviews on an annual basis the suite of Risk Manuals of the Company and pre-approves any required changes, and subsequently forwards the updated Manual to the BOD for final approval • The Risk Committee receives frequent information on the levels of risks to which the Company is exposed, with the purpose of ensuring that the Company's risk profile remains within the established risk tolerance limits. Risk appetite and risk limits are set at a level which is commensurate with the sound operation of the Company and its strategic goals
Risk Management Function	<ul style="list-style-type: none"> • Supports the BOD in the determination and implementation of the risk strategy and capital planning • Coordinates the implementation of the Risk Management Framework • Provides regular reporting to the Senior Management and Risk Committee • Monitors the risk profile of the Company against the BOD's Risk appetite
CEO and Senior Management with risk taking capacity	<ul style="list-style-type: none"> • The Company's Senior Management (i.e. CEO, Financial Controller, Operations Manager, etc.) is responsible for the implementation of the Risk strategy, as this has been approved by the BOD • They also have the responsibility to apply the framework in their day to day activities
Business Units	<ul style="list-style-type: none"> • The individual business units under the direction of their Managers have the responsibility to know and apply the requirements of the risk strategy and Manuals in their area of business
Actuarial Function	<ul style="list-style-type: none"> • The Actuarial Function is a specialised function that advises the Senior Management and the Risk Committee on the valuation of technical provisions, reinsurance adequacy and underwriting policy
Compliance Function	<ul style="list-style-type: none"> • The Compliance Function applies suitable procedures for the purpose of achieving a timely and on-going compliance of the Company's Risk Management Framework with existing and new Laws and Regulations
Internal Audit Function	<ul style="list-style-type: none"> • The Internal Audit Function undertakes independent reviews and testing of the Risk Management Framework or of specific components of the framework and reports the results to the Audit Committee

B.3.c. ORSA Process

B.3.c.1. Process conduct

The ORSA process is illustrated in the diagram below:

Figure B-3: The ORSA Process



B.3.c.2. The ORSA Integration

The ORSA covers all the operations of the organization and all business units of the Company.

The BOD is the body that bears ultimate responsibility for the ORSA, its application and embedment within the Company's day to day procedures. The roles and responsibilities for the ORSA are presented in the table below:

Table B-2: The roles and responsibilities for the ORSA

Body / Function	Responsibility
BOD	<ul style="list-style-type: none"> Definition of corporate objectives and risk strategies, definition of the Company's risk profile, which will be used as a significant input to the ORSA Approval of the budget/business plan Establishment of a suitable ICS, especially with regards to the ORSA Understanding, review, challenge and approval of the annual ORSA report of the Company

Body / Function	Responsibility
Risk Committee	<ul style="list-style-type: none"> Review and challenge of the annual ORSA report of the Company and recommendation for approval to the BOD Recommendation for improvements in systems, procedures and processes, and adaptation as necessary in accordance with ORSA results
Senior Management	<ul style="list-style-type: none"> Dissemination of information on risk strategies and procedures to the employees concerned Ensuring that there is adequate expertise and knowledge amongst the employees and officers of the Company to successfully carry out the different tasks required Understanding of the ORSA of the Company
Risk Management Function	<ul style="list-style-type: none"> Preparation of the Risk Management policies Identification and monitoring of key risks faced by the Company Establishment of methods for risk monitoring and measurement Coordination of the preparation and implementation of the ORSA
Actuarial Function	<ul style="list-style-type: none"> Provision of technical assistance to the ORSA process owners with regards to key technical areas e.g. valuation issues, re-insurance issues, stress testing, etc. Calculation of several results required for ORSA.
Finance Function	<ul style="list-style-type: none"> Preparation of financial projections in accordance with the strategic plan approved by the BOD Preparation of financial projections in accordance with the stress tests Preparation of Pillar 1 capital planning and projection of own funds based on the planning
Departments	<ul style="list-style-type: none"> Compliance and cooperation with the request for collection of data for the implementation of the ORSA and preparation of the ORSA report Participation in the risk assessment exercise and support to the RMF Adoption of all risk management policies and procedures approved by the BOD

B.3.c.3. ORSA Review and Approval Frequency by the Board of Directors

The ORSA Supervisory Report is produced and approved by the BOD once a year (normally right after the closure of the 3rd quarter) following the completion and approval of the Company's Business Plan.

B.3.c.4. Determining Own Solvency Needs

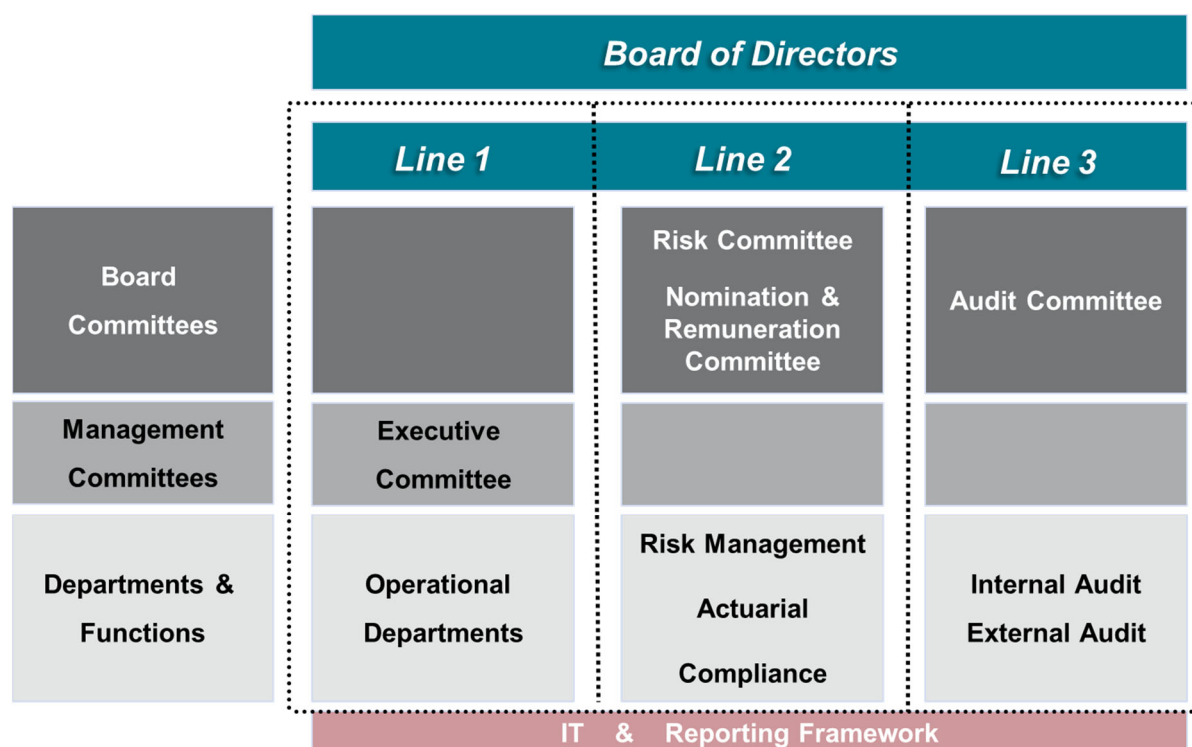
The Company assesses the appropriateness of the standard formula calculation of the SCR. This confirms that the risk profile does not materially deviate from the assumptions underlying the standard formula calculation of the SCR and provides justification for any residual deviations.

B.4. Internal Control System

B.4.a. Description of Internal Control System

The Governance Framework for the management of risks within the Company is based on the “Three lines of defense model”, as illustrated in the diagram below.

Figure B-4: Internal Control System



The three lines of defence support the implementation of a robust ICS and is aligned with the ‘four eye principle’ that the Company is required to comply with under Article 41 (1) of the Solvency II Directive, i.e. the Company is effectively run by at least two persons. The Company’s three lines of defence framework can be summarized as follows:

- 1st Line of defence: Business operations - The 1st Line of defence relates to the management of risks at the points where they arise. Risk Management at this level consists of appropriate checks and controls, incorporated in the relevant procedures and the guidelines that are set and approved by the Executive Management with the assistance of the Risk Management Function
- 2nd Line of defence: Risk Control - The 2nd Line of defence concerns mainly the Risk Management activities that are carried out by the Risk Management Function, the Actuarial Function and the Compliance Function which are integrated into the organizational structure as independent functions which report directly to the Risk Committee of the BOD.
- 3rd Line of Defence: Independent Assurance - The 3rd line of defence concerns the activities of Internal Audit that provides an independent assurance to the BOD, on the performance and effectiveness of the Risk Management Framework within the Company. The Internal Audit is integrated into the organizational structure as a fully independent function which reports directly to the Audit Committee of the BOD.

IT & Reporting Framework - The Company is continuously enhancing its IT & Reporting Framework which provides support to all three lines of defense in the performance of their activities. The Group’s Business Intelligence solution has been implemented which provides extensive Management and

Risk information to the BOD, the Management and the Operational Departments. Key information is available in real-time, directly from the operational systems and can be accessed on-line from anywhere in the world.

To assist with managing its risks, the Company is using the Group's Governance Risk and Compliance (GRC) System supported by SAP GRC. The system is one of the top ranked GRC systems internationally.

The overall oversight of the Risk Management activities is performed at BOD level (i.e. the approval of the strategic management of risk and capital). The BOD is responsible for ensuring that the implemented Risk Management Framework is suitable, effective and proportionate to the nature, scale and complexity of the risks inherent in the business. The BOD is also responsible for the approval of any periodic revision of the main strategies and business policies of the Company in terms of Risk Management.

B.4.b. Compliance Function

The Company adopts the following principles with respect to the operations of the Compliance Function:

1. The operation of the Compliance Function is assigned to a person/function who/which is independent from other significant functions of the Company and where there might be possible conflicts of interest
2. The Compliance Function has a formal status within the Company to give it appropriate standing and authority
3. The Compliance Function reports to the BOD through the Risk Committee and to the CEO
4. The Compliance Function must be able to carry out its responsibilities on its own initiative in all areas of the Company in which compliance risk exists and reports any irregularities or possible breaches without fear of retaliation or dissatisfaction from Management
5. The Compliance Function should be undertaken by a person that has the necessary qualifications, experience and professional qualities to carry out its duties

The Compliance Function staff possesses the following skills and capabilities in order to be able to perform the tasks as rigorously and appropriately as possible:

1. Familiarity with legislative structures and with the regulatory framework applicable to companies in the insurance sector, in order to be able to easily understand and interpret laws and regulations
2. Ability to apply critical thinking and challenge Company Senior Management and staff on compliance issues
3. Good communication skills, discretion and tact as they may often need to discuss issues with other Company staff and explain complicated regulations to persons who are not familiar with legal terminologies
4. Good interpersonal skills in order to develop strong relationships with Supervisory Authorities and clients
5. Integrity, a questioning mind, neutrality and independence of judgement

The roles and responsibilities of the Compliance Function have been analysed in a previous section of this report.

B.5. Internal Audit Function

B.5.a. Implementation

The roles and responsibilities of the Internal Audit Function have been analysed in a previous section of this report.

B.5.b. Independence and Objectivity

In accordance with the Solvency II Article 48 of the Insurance Law, the Internal Audit Function shall be objective and independent from any operational functions. The Internal Audit needs to be independent from the organizational activities audited and carry out its assignments with impartiality. The principle of independence entails that the Internal Audit Function should only operate under the oversight of the administrative, management or supervisory body, reporting to the Audit Committee. At the same time, it has to be ensured that the Internal Audit Function is not subject to instructions of the administrative, management or supervisory body when performing the audit and when evaluating and reporting the audit results.

Having regard to the principle of proportionality, in large undertakings and in undertakings with more complex risk profiles, the establishment of an Audit Committee is considered necessary.

Internal Audit staff is expected to apply the following Code of Ethics, based on Institute of Internal Auditors (IIA) Standards:

- Respect the confidentiality of all information received in the course of their duties
- Shall not use such information for personal gain and shall not knowingly allow any other person to use such information for personal gain
- Shall perform the responsibilities of Internal Auditor with proficiency (knowledge, skills and other competencies) and due professional care
- Shall exhibit objectivity while performing internal audit work and communicate possible threats to objectivity or independence within the normal chain of command
- Shall examine and review all the factual evidence and information prior to the release of the Reports of any Internal Audit work
- Shall not be involved in any illegal activity, or engage in acts that are discreditable and shall immediately communicate any such matters which come to his/her attention to the appropriate officer
- Shall act with high standards of conduct and professionalism at all times, in order to maintain the good image for him/herself and for the Company
- Shall not accept gifts or any other service of material amount, from a physical person or legal entity in relation to his/her duties, which may be or presumed to be bribery

To conclude, during the execution of internal audit work, the Internal Audit staff of the Company is expected to apply the following principles:

- Integrity, which establishes a trust towards the internal audit work and the Auditors' judgement
- Objectivity in gathering and evaluating of evidence and in the assessment of all relevant circumstances in forming judgements
- Confidentiality, in the use and protection of information acquired in the course of their duties
- Competency, through continuous professional development and gaining the necessary knowledge, skills and experience for their audit engagements and the continuous quality improvement of their work

B.6. Actuarial Function

The Company outsources specific actuarial tasks to the Group Actuarial and Risk Department of Nest Investments (Cyprus) Ltd. The team is responsible to support the business and meet the requirements of the Actuarial Function. The actuarial team is headed by the Group Chief Actuary and Risk Manager, who is also a staff of the Group Actuarial and Risk Department of Nest Investment (Cyprus) Ltd.

The Chief Actuary is a Fellow of the Society of Actuaries and is an Approved Person as per the SII requirements.

The Actuarial Function is responsible for coordinating all actuarial activities and comprises the Head of the Actuarial Function and other staff specialised in actuarial issues. The Head of the Actuarial Function reports to the BOD through the Risk Committee.

The function is subject to audit by the Internal Audit Function.

The roles and responsibilities of the Actuarial Functions have been analysed in a previous section of this report.

B.7. Outsourcing

B.7.a. Description of the policy

The Company considers that any activities that are fundamental to its ability to carry out its core business are likely to be critical or important.

The Company considers the following activities to be critical or important and further decides on the allocation of the relative resources:

- The pricing of insurance products
- The investment of assets or portfolio management
- Claims Handling
- Provision of regular actuarial support
- Provision of data storage
- Provision of ongoing, day-to-day systems maintenance or support
- Issuing offices

When choosing a service provider for any critical or important activity, the Company ensures that:

- A detailed examination is performed to ensure that the potential service provider has the ability and capacity and any authorisation required by Law to deliver the required functions or activities satisfactorily, taking into account the Company's objectives and needs
- The service provider has adopted all means to ensure that no explicit or potential conflict of interests with the Company impairs the needs of the outsourcing provider
- It enters into a written agreement with the service provider which clearly allocates the respective rights and obligations of the Company and the service provider
- The general terms and conditions of the outsourcing agreement are authorised and understood by the CEO or BOD
- The outsourcing does not represent a breach of any data protection regulation or any other laws
- The service provider is subject to the same provisions on the safety and confidentiality of information relating to the Company or to its policyholders or beneficiaries, that are applicable to the Company

In addition, the Company ensures that the outsourcing of any critical or important activities does not lead to a material impairment of the quality of the Company's Governance System and further any outsourcing service provider does not lead to an increase in the Company's operational risk.

In order to get the final approval for the outsourcing service, a detailed examination is performed to allow the Company to understand the main risks that might arise from the outsourcing and identify the most suitable strategies for the mitigation/management of these risks and ensure that the service provider has the ability, capacity and any authorisation required by Law to perform the outsourced activities reliably and professionally. For this purpose, an internal assessment is performed by the Head of Operations and reviewed and approved by CEO. Additionally, approval is required by the BOD.

B.7.b. Functions and Activities Outsourced

Table B-3: Outsourced activities

Outsourced Activity	Description of outsourced service	Jurisdiction
Actuarial Activities	Actuarial services	Cyprus
Road Assistance	Accident care and road assistance	Cyprus
Home Assistance	Technical assistance for home services	Greece
Medical Assistance	Medical Claims handling abroad	Greece
Loss Adjusters	Loss Estimators for both motor non-motor business	Cyprus
Data Storage	Policy documents are scanned and stored	Cyprus
Investment Advisors	Provides advice to the Investment Committee	Cyprus
Servers and Systems Maintenance	Software and hardware maintenance agreements	Cyprus, Greece
Claims Handling	Issuing offices that have an agreement with the Company to handle claims up to a certain maximum amount	Cyprus
Issuing offices	Authority to underwrite business in the name and on account of the Company	Cyprus

B.8. Any other information

B.8.a. Adequacy of the System of Governance

It is considered that the system of governance in place is effective and provides a sound and prudent management of risks faced by the Company. The Company's organisational structure supports the strategic objectives and operations of the Company and ensures that the BOD is able to take business decisions with a full appreciation of the impact on risk exposures and assess compliance with the Company's appetite.

B.8.b. Any other material information

None.

C. Risk Profile



This section of the report is produced as per the requirements of **Article 295: Risk profile**.

As described in the Risk Management section of the report the Company employs a pre-defined risk management process that involves the following steps:

1. Risk Identification
2. Risk Measurements
3. Risk Monitoring and Reporting
4. Risk Mitigation

C. Risk Profile

As described in the Risk Management section of the report the Company employs a pre-defined risk management process that involves the following steps:

1. Risk Identification
2. Risk Measurements
3. Risk Monitoring and Reporting
4. Risk Mitigation

Risks are identified and registered both formally, through the periodic review of the Company's risk register, and informally as they arise in the course of business. To measure the capital requirements of risks the Company's quantification techniques focus on the Solvency II standard formula including stress testing. As at the valuation date, there were changes in the methodologies used to assess these risks compared to the previous reporting date.

It is confirmed that the standard model adequately represents the risk profile of the Company and no internal model is required given the nature, scale and complexity of the risks of the Company.

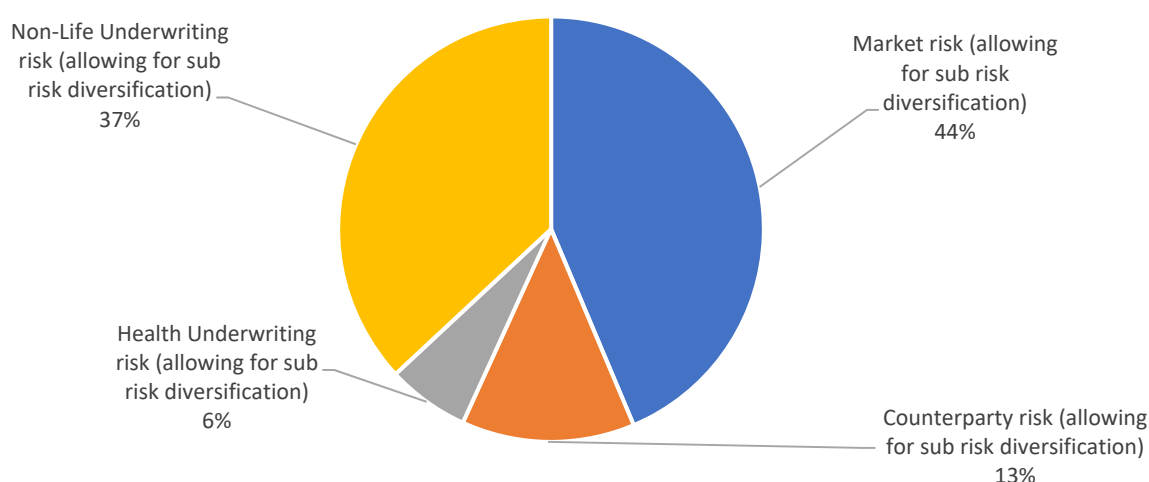
Monitoring risk exposures is undertaken in the context of the overarching limit structure, and any limit breaches are quickly and promptly escalated to the required parties.

Risks arising from Company activities are monitored and controlled through the use of risk limits. The Company takes into consideration techniques to mitigate risks such as the use of reinsurance, premium rate reviews, authority/limits and concentration limits. Reinsurance is used to mitigate the risk that profits and available capital are adversely affected by natural or man-made catastrophes, large losses or accumulations of losses.

Based on the type of business the Company writes and its asset exposures it is exposed primarily to Market Risk and Underwriting Risk (Non-Life and Health) and to a lower extend to Counterparty Risk.

The diagram that follows summarizes the undiversified risk profile of the Company as at the valuation date:

Figure C-1: Company Risk profile 2019



The table below shows a comparison between the risk profile of the Company for years 2019 and 2018:

Table C-1: Company Risk Profile 2019 v/s 2018

Risk allocation	%	%
	31/12/2019	31/12/2018
Market risk (allowing for sub risk diversification)	44%	36%
Counterparty risk (allowing for sub risk diversification)	13%	20%
Health Underwriting risk (allowing for sub risk diversification)	6%	9%
Non-Life Underwriting risk (allowing for sub risk diversification)	37%	35%

In contrast to previous years were the changes in the risk profile of the Company stemmed strictly from changes in the risk exposures, at this valuation date changes to the risk profile of the Company were also induced by changes in a number of calculation parameters of the SII standard formula. Changes in the standard formula of SII were issued by the European Insurance and Occupational Pensions Authority (EIOPA) through their Commission Delegated Regulation 2019/981 issued on 8/3/2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC.

It is noted that the change in the standard formula has very negligible effect on the SCR of the Company. A comprehensive analysis of the changes in the risk profile of the Company is provided in the sections that follow where each of the above risks are assessed.

The assessment of the capital requirements to cover these risks is analysed in Section E of this report. In the subsequent Sections of part C of this report, the exposure of the Company to:

- Underwriting Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Operational Risk

is analysed separately in relation to:

- Risk Assessment
- Risk Concentration
- Risk Mitigation

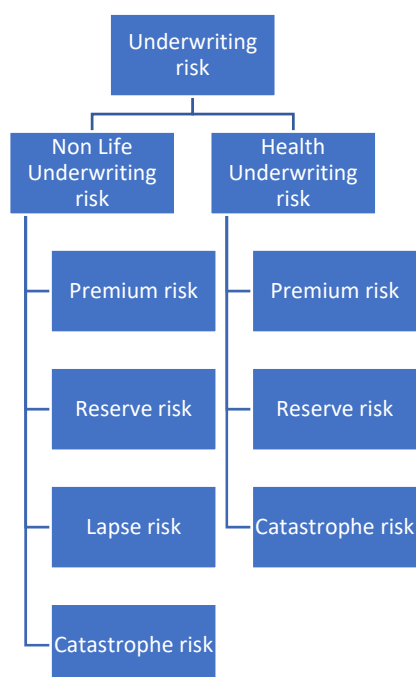
Risk Sensitivity of other material risks is analysed in a separate section at the end of Section C.

C.1. Underwriting Risk

Based on the type of business the Company writes, it is exposed to Non-Life Underwriting risk and Health Underwriting risk.

The Company assesses these risks using the standard formula of Solvency II dealing with underwriting risk:

Figure C-2: Underwriting Risk Model

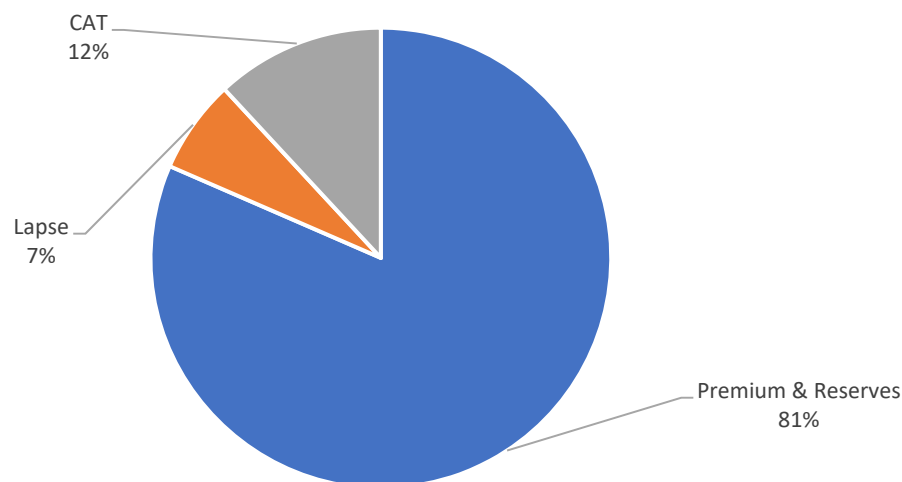


This includes an assessment of the risks resulting from:

- **Premium and Reserve Risk:** a random change in the volume of premiums and reserves of the Company:
 - **Premium Risk:** arises from the failure of pricing, product or strategy. It is the risk that the planned loss and expense ratios for future accident years materialise differently from expected. It includes the risk of losses due to the potential timing, frequency and severity of covered loss events differing from that assumed at the time of underwriting and pricing a risk. It arises during market and/or investment cycles where there is pressure on pricing margins, which results in being unable to charge an appropriate price without undermining its market position.
 - **Reserve Risk:** arises if the eventual reserve requirement is greater than that currently held. It represents the difference between the actual versus expected variability in the timing or amount of loss costs.
- **Lapse risk (on applicable for non-health business):** a 40% lapse shock on the company policies.
- **Catastrophe risk:** Natural and manmade extreme / exceptional events which arise from the failure to manage risk aggregation or accumulation that may result in an increased exposure to natural or manmade catastrophe losses.

Within the Non-Life Underwriting risk the allocation of risk capital is shown in the chart that follows:

Figure C-3: Non-Life Underwriting Risk allocation of Risk Capital 2019



Insurance risk concentration occurs due to the concentration of an insurance operation in a particular industry or insurance peril. It may also occur as a result of a correlation between individual insured perils.

The major risk contributor in the Non-Life Underwriting Risk is the Premium and Reserves part of the module which is driven by the level of reserves and the premium written. This means that the lines that are driving the capital requirements and hence the risk concentrations are the lines in which the company writes a lot of business and these are:

- Motor Business
- Fire and Theft
- Third Party Liability

The table that follows provides a comparison of the Non-Life Underwriting risk profile of the Company for years 2019 and 2018:

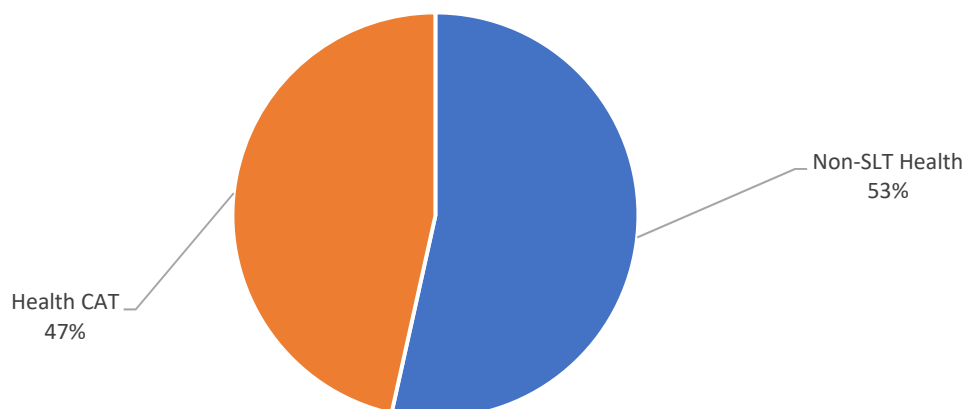
Figure C-4: Non-Life Underwriting Risk allocation of Risk Capital 2019 v/s 2018

Risk allocation	%	
	31/12/2019	31/12/2018
Premium & Reserves	81%	79%
Lapse	7%	7%
CAT	12%	14%

The main reason for the increase in premium reserve risk is the increase in premiums written in Motor and Liability LOBs. CAT risk decreased due to the change in currency of the reinsurance treaties from USD to EUR. The change was in effect in 2018 and the company still had some exposure to currency risk. By the end of 2019 the exposure to currency risk (within cat risk) is further reduced and results in lower risk capital requirement.

Within the Health Underwriting Risk the allocation of the capital requirements is as follows:

Figure C-5: Health Underwriting Risk allocation of Risk capital 2019



The business driving these capital requirements is the medical business.

The table that follows provides a comparison of the Health Underwriting Risk profile of the Company for years 2019 and 2018:

Figure C-6: Health Underwriting Risk allocation of Risk Capital 2019 v/s 2018

Risk allocation	%	
	31/12/2019	31/12/2018
Non-SLT Health	53%	42%
Health CAT	47%	58%

The decrease in Health cat risk is due to the following reasons:

- Decrease in the personal accident business written which result in lower capital requirements held in mass accident scenario
- Change in the assumption of benefits payable per person for medical treatment considering the company's claims experience.

To manage the underwriting risks the company is monitoring and controlling the risks it is undertaking by performing a number of activities:

- Setting strict pricing guidelines relevant to each line of business
- Employing strict approval and underwriting authorities
- Employing underwriting guidelines, procedures & authority matrices
- Monitoring of accumulations by cresta zone, geographic locations etc.
- Reviewing of the coverage provided for natural catastrophes
- Pricing risk through the purchase of reinsurance
- Portfolio reinsurance
- Creating reports to review claims
- SLAs with loss adjusters
- Running a claims committee to review claims
- Running an underwriting committee to review large risks

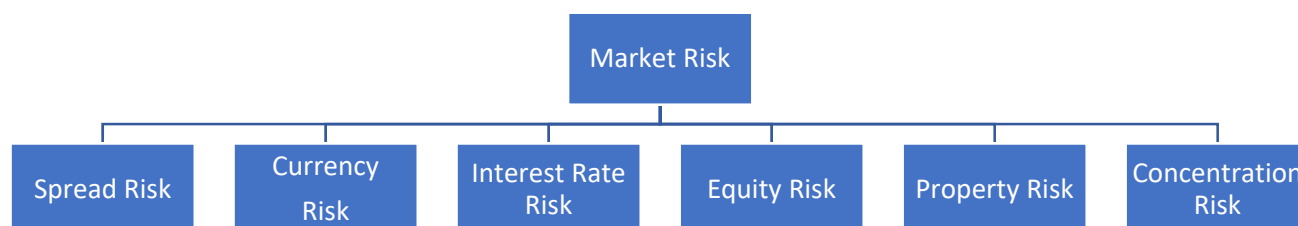
- Strategic plans to control volume of business

The Risk Committee actively monitors the effectiveness of the Risk Mitigation techniques through processes and deliverables including the Risk Register, Stress and Scenario Tests and Risk Indicator Reporting.

C.2. Market Risk

Market risk is the risk that the Company is adversely affected by movements in the fair value of its financial assets arising from market movements, such as credit spreads, interest rates and foreign exchange rates or other price risks.

The Company assesses Market Risk using the standard formula part of Solvency II dealing with Market Risk:

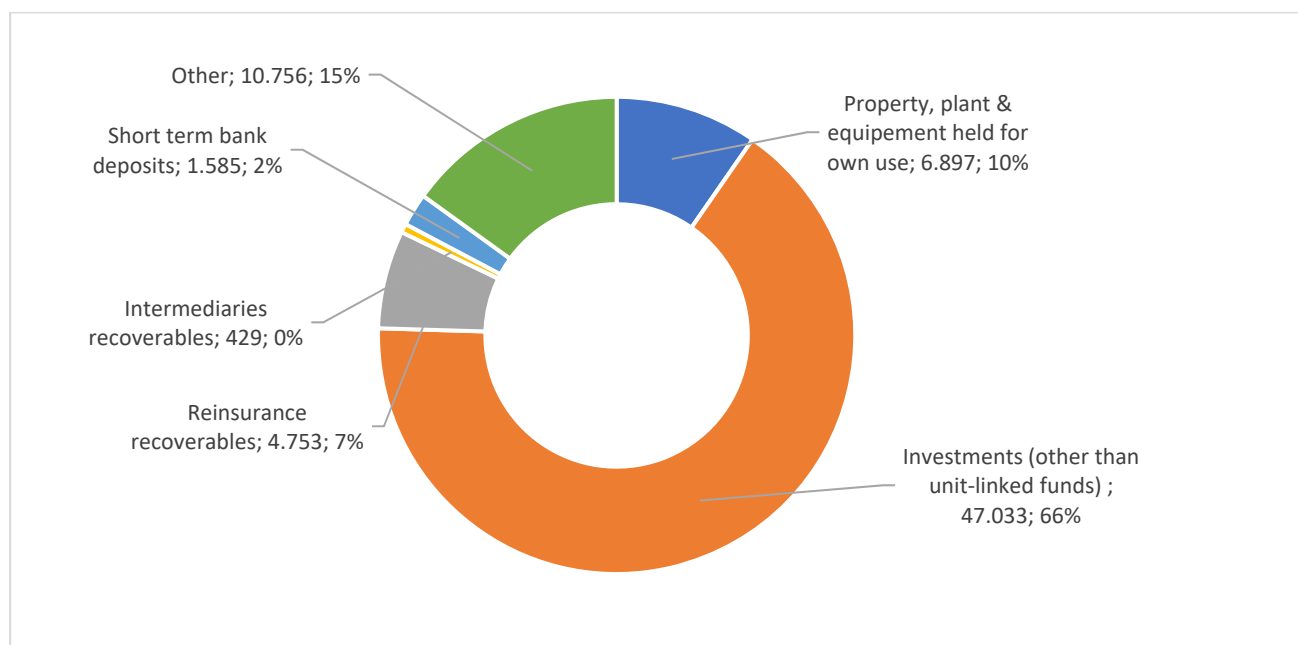


There were changes in the assessment methodology of Concentration risk as required by EIOPA through their Commission Delegated Regulation 2019/981 issued on 8/3/2019. However the effect was very immaterial.

Based on the type of assets the Company invests in, it is exposed to Market Risk. The total Company asset exposure is €71,5M on a SII basis.

This is allocated as follows (all monetary figures are in million euros):

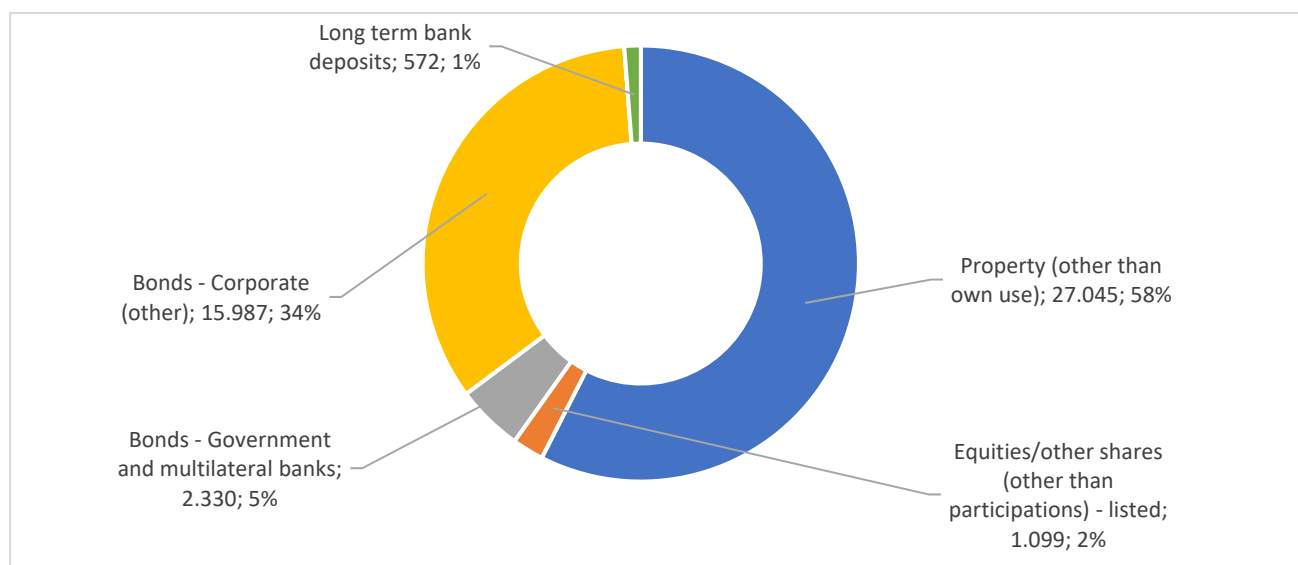
Figure C-7: Asset Portfolio 2019



Based on the diagram above the major asset component is Investments (Other than Unit Linked).

Investments (Other than Unit Linked) make up the 66% of the total assets and is analysed as follows:

Figure C-8: Analysis of Investments (Other than Unit Linked) 2019

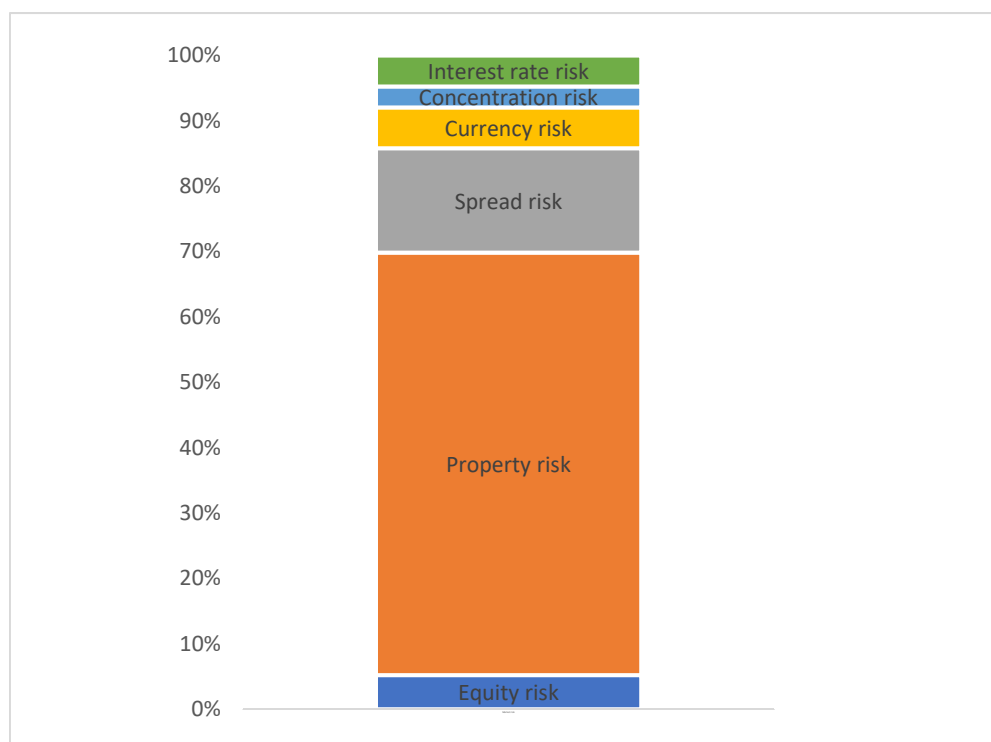


To assess Market Risk the Company is using the standard model of Solvency II. This includes an assessment of the capital requirements resulting from:

- Spread Risk - financial loss due to the increase in the spread that an asset trades relative to a comparable government bond
- Currency Risk - financial loss due to the change in value of currency exchange rates
- Interest Rate Risk - financial loss arising due to changes in the level of interest rates
- Equity Risk - financial loss due to changes in prices of equities, mutual funds and equity-linked capital market instruments
- Property Risk - financial loss arising due to changes in real estate prices
- Concentration Risk - financial loss arising due to the concentration of assets in a particular asset class and / or Counterparty

The major sub risks within Market Risk is Spread risk and Property risk:

Figure C-9: Market Risk Profile 2019



The Company is exposed to spread risk through its exposures in Bonds and Term deposits.

On the other hand, property risk arises from the company's exposure to properties in Nicosia and Limassol. A sizeable part of the property risk comes from the Head office of the Company.

The table that follows provides a comparison of the Market risk profile of the Company for years 2019 and 2018:

Figure C-10: Market Risk allocation of Risk Capital 2019 v/s 2018

Risk allocation	%	
	31/12/2019	31/12/2018
Interest rate risk	5%	5%
Equity risk	5%	2%
Property risk	65%	24%
Spread risk	16%	19%
Currency risk	6%	10%
Concentration risk	3%	38%

There were changes in the assessment methodology of Underwriting risk as required by EIOPA through their Commission Delegated Regulation 2019/981 issued on 8/3/2019 which affected both the Non-Life Underwriting risk and Health Underwriting risk.

It is noted that:

- The increase in property risk is due to the increase in property exposure of the Company. This is the result of the acquisition of new offices in Limassol including the acquisition of lands in Asgata and Ayios Tychonas in the form of capital injection.
- Spread risk and concentration risk reduced significantly due to the decrease of exposure in BOC term deposits

To manage market risk the Company invest in assets appropriate to the term, nature and currency of its liabilities such that to maximize investment returns. It also manages Market risks by:

- Employing a well-defined investment strategy
- Monitoring of the asset portfolio to avoid asset concentrations
- Monitoring the solvency position prior to agreeing any changes in the assets
- Any material changes to the assets have to be approved by the BOD

The Company monitors the effectiveness of the Risk Mitigation techniques documented risk taking authorities, defined risk limits and minimum standards.

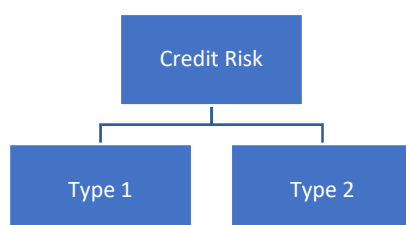
The BOD of the Company approves Company's Risk Appetite which contains the risk appetite for Market Risk.

The Company's investment management policy also ensures the Company's compliance with the Prudent Person Principle as per Article 132 of the Directive 2009/138/EC.

C.3. Credit Risk

Counterparty Default Risk (Credit Risk) is defined as the change in the value of assets and liabilities caused by unexpected default or deterioration in the credit standing of independent counterparties and debtors.

The Company assesses Credit Risk using the standard formula part of Solvency II dealing with Credit Risk:



This involves an assessment of Credit Risk on both asset and liability side of its balance sheet.

Credit Risk is categorized as:

- Type 1 - involves exposures to counterparties that are non-diversifiable and usually rated e.g. reinsurance arrangements, cash at bank etc.
- Type 2 - involves diversifiable and unrated exposures e.g. receivable from intermediaries, policyholder etc.

The Company is exposed to Credit Risk through its deposits in Banks and the reinsurance treaties that it maintains. These are classified Type 1 exposures. As at the valuation date Type 1 exposures are primarily driven by the exposures of the Company to its reinsurers.

The Type 1 Credit Risk exposures are primarily mitigated through diversification of the credit institutions e.g. Banks and the Reinsurance providers. Moreover the choice of the Counterparty is based on its credit rating and any decisions on this have to be approved by the BOD of the Company. Reinsurance selection is also based on:

- Financial analysis for selecting reinsurance program
- Participate in the reinsurance selection process
- Financial analysis for selecting reinsurance program

The Company is also exposed to Credit Risk through its investments in related Companies of the Group and its receivables from policyholders and intermediaries. These are the so-called Type 2 exposures.

The Type 2 Credit Risk exposures are mitigated through internal procedure that ensures the minimization of the period that any receivables remain outstanding. Credit Risk of Premium receivables is also managed through:

1. Credit Policy & Procedures
2. Monitoring of outstanding premiums
3. Credit Control Report
4. Problematic debts
5. Update the Collections Procedure
6. Credit Control Committee
7. Credit Scoring System

C.4. Liquidity Risk

Liquidity Risk arises through the possible inability of the Company to meet its obligations as they fall due. These obligations are predominantly the payment of claims from the covered business.

This type of risk is not explicitly assessed by the standard formula of SII. Hence to assess Liquidity Risk the Company is performing its own qualitative assessment through the ORSA. The goal of the Company is to maintain sufficient liquidity to manage its day to day operations in the short, medium and long term as well as sufficient buffer of liquid assets for covering sudden liquidity demands that may arise.

Moreover, the Company's liquid assets are regularly reviewed and it is ensured that the value of the liquid asset buffer is stable under normal and stressed market conditions.

C.5. Operational Risk

Operational Risk is the risk of loss arising in the Company from its people, processes, systems or the external environment which is a natural consequence of its business operations.

Operational Risks are assessed by the Company through the standard model of SII. This involves assessing Operational Risk through assessing the Company earned premium, provisions and expenses.

Over and above, the Company has in place an Enterprise Risk Management Framework to systematically perform internal assessment of its risks of people, processes, systems or the external environment affecting the business.

Indicative list of Operational Risks together with mitigating actions for the Company include:

Table C-2: Operational risks 2019

Risk Name	Risk Description	Control Activities
Failure of building facilities	Risk of disruption to business activities due to failure of building facilities (power, lights, air-conditioning, security, etc.) or unavailability of building	Ensure that the Business Continuity Plan (BCP) is active and tested. Disaster Recovery is completed by IT and it is a major requirement of the BCP.
Risk of a potential crisis event	Risk of a potential crisis event (e.g. reputational, financial, economic, political, etc.)	Preparation and Implementation of Crisis Management Plan. Disaster Recovery Plan in place.
Communication risks between claims & U/W	Risk of lack of communication between claims department and underwriting in order to share its experiences regarding the claims e.g. for renewing group contracts, for sharing its experiences of non-approved claims, for sharing experiences for bad policyholders, etc.	Claims department notifies the Underwriting department on a need basis depending on the severity of the claim in order to provide future underwriting suggestions and actions. Meetings are performed on a need basis between the Operations and the Claims department in order to: (1) monitor the performance of the portfolio (2) decide on large policies/group contracts. Agreement of Service Level Agreements (SLAs) between claims and underwriting department for the submission of necessary information.
E&O in the procedures of the Finance Department	Risk of Errors and Omissions in the procedures of the Finance Department	Approved Department Manual and check list documents the procedures that must be followed. Authorization matrix with doer-reviewer for each journal type is followed. Regular review and approval of departmental Manual and authorisation matrix.
Lack of compliance with HR Policies	Risk of employees not complying with company HR Policies leading to compliance, reputational, business and other issues	HR Manual and HR Employee Handbook. HR Manual has been approved by external lawyer and Board of Directors. Employee policies and regulations handbook is part of the HR manual and is submitted to employees upon their employment. Induction and orientation program of a duration of 5 days for any new employee in the Head office. Regarding the employees of branches, the induction and orientation program has a duration of 10 days.

		Discussion meetings with Senior Managers to design any updates to the HR policies and procedures.
		Time Attendance Handbook is provided to new employees upon their recruitment.
		Rules & Regulations handbook is provided to any new employee regarding the HO premises use.
		The General Data Protection Regulation document is submitted to employees upon their recruitment.
Health and Safety risks to people	Health and Safety risks at work or abroad including medical situations, emergencies, civil unrest, political reasons	Health and Safety Policy and Manual in place.
		Emergency and Evacuation Procedures Manual in place with testing and training taking place.
		Medical examinations are performed as per recruitment procedure.
Investment outside risk appetite	Risk of investment in asset categories outside the approved risk appetite of the company. The result could be losses as a result of market movements in sectors or assets we are not very familiar with.	Functional/Executive Investment Committee in place.
		Authority and Approval Guidelines in place.
		Preparation of regular investment reports in comparison with the investment policy submitted to Investment Committee.
		Formalization of Investment policy in line with Solvency II.
		An agreement with an Investment Consultant is in place.
Network Failure	Inability to connect to the network due to MPLS (IP VPN) failure and/or due to failure of the router or the communication line	2 different internet service providers for connectivity redundancy with wireless data option.
		Redundant firewall, redundant switches backup UPS that prevent downtime. Load balancer switches to operate connection in case of failure.
		Power Generator in place, up and running in 10 seconds. Every 6 months there is a test process in place. Full load test including maintenance done once a year. Monthly testing and check from supplier.
Recruitment of low quality agents	Risk of recruitment of low quality agents, leading to reputational damage, underwriting losses, credit losses, etc.	Documented recruitment procedure including recruitment proposal form. Final approval for agents' recruitment from Business Development Manager and CEO.
		Involvement of Credit Control Manager and Operation Manager during the selection process of agents.
Inappropriate insurance policy Terms and Conditions (T&Cs)	Risk of inappropriate policy terms and conditions which may expose the company to the risk of: Claims which were not priced in the premium rate, claims which were not considered as exposed to at the time of underwriting, claims which are excluded from the reinsurance cover, heterogeneous exposure portfolio, terms and conditions not in line with applicable laws and regulations	All policy terms and conditions and any changes are reviewed and approved by the Operations Manager and the legal department. Terms and conditions are reviewed for consistency with the reinsurance arrangements.
		Non-standard terms and conditions are approved by the Operations Manager and are reviewed by the legal department.
		Terms and conditions codes are included for each policy in the Company's insurance system to ensure consistency upon policy issuance.
		All terms and conditions and special terms wordings to be incorporated in the insurance system. This will be in place following the full implementation of the new system.
		System premium automation for non-motor. It exists for motor policies only. This will be implemented in the new insurance system.
Failure to follow approved Internal Audit (IA) plan	Failure to follow IA plan as approved by the Internal Audit Committee due to time and resource constraints	Audit Committee reviews progress of the IA plan implementation.
		Quarterly status progress of the IA yearly plan is reported to the Audit Committee.

Inefficient procurement procedure	Risk of inefficient procurement procedures due to errors, omissions or fraud	Quotes for new items/activities taken from 2-3 suppliers.
		Approval by CEO.
		Documentation of procurement procedure is incorporated in Marketing Procedures.
		Use of standard form for approval by CEO regarding the selection of any supplier, which contains details of quotes taken and selection criteria in addition to Marketing officer recommendation.

C.6. Other Material Risks

The information provided in this section of the report provide a fair view of the risk profile of the Company as at the valuation date. There is a number of other risks that the Company is facing, and these are appropriately managed.

The Company has also performed the following stress tests as reported in the Company's 2019 ORSA report:

Table C-3: Stress tests 2019

Scenario	Details
Market Risk	
Property Stress	Reduction of the market value of the Company's property assets
Sovereign & Corporate Bonds	Deterioration of credit spreads of sovereign and corporate bonds with the resulting impact on their market value
Equity Stress	Reduction of the market value of equities
Credit Risk	
Default of main local Bank	Default of the main local Bank of the Company by total exposure (current accounts, term deposits, equities, etc.)
Default of top 5 direct customers	Default of the top 5 direct customers of the Company by premium volume
Default of top reinsurer	Default of the top reinsurer of the Company by total exposure
Deterioration of credit standing of reinsurers	Deterioration of the credit standing of all of the Company reinsurers
Insurance Risk	
Loss Ratio increase	Deterioration of the Loss Ratio of the Company
Reserve deficiencies	Increase of technical provisions due to various reasons (increase in inflation expectations, court inflation, legal costs inflation, etc.)
Man-made catastrophes	Impact of man-made catastrophes
Natural Catastrophes	Impact of natural catastrophes
Strategic/Reputational Risk	
Written Premium reduction	Failure to meet business plan premiums
Written Premium increase	Exceed the business plan premiums
Policy cancellations	Impact of mass policy cancellations
Liquidity Risk	
Large Claim payment	Impact of large claims on the liquidity of the Company
Accumulation of claims due to single event	Impact of accumulation of claims on the liquidity of the Company
Policy cancellations	Impact of policy cancellations on the liquidity of the Company

C.7. Any other information

None.

D. Valuation for Solvency Purposes



This section of the report is produced as per the requirements of **Article 296: Valuation for Solvency Purposes**.

The section provides an analysis of the following:

- Assets
- Technical Provisions
- Other Liabilities
- Alternative Methods for Valuation
- Any other information

D. Valuation for Solvency Purposes

D.1. Assets

D.1.a. Valuation of Assets

D.1.a.1. Summary of the Valuation of Assets

As at the valuation date the total value of Company assets is €76,8M on an IFRS basis and €71,5M on a SII basis. The total difference of €5.3M is analysed in a subsequent section of this report.

The table that follows shows the valuation of the Company assets under an IFRS and Solvency II basis as at the valuation date:

Table D-1: Assets valuation: IFRS and Solvency II 2019

Assets	€ '000 IFRS 31/12/2019	€ 0 SII 31/12/2019	Difference
Other intangible assets	830	0	830
Property, plant & equipment held for own use	6,897	6,897	0
Investments (other than assets held for unit-linked funds)	47,033	47,033	0
Reinsurance recoverables	6,282	4,753	1,529
Intermediaries recoverables	429	429	0
Insurance recoverables (excluding Intermediaries)	5,349	5,349	0
Deferred acquisition costs	2,891	0	2,891
Receivables (trade, not insurance)	74	74	0
Deferred tax assets	61	0	61
Cash and cash equivalents	2	2	0
Short term bank deposits	1,585	1,585	0
Any other assets, not elsewhere shown	5,331	5,331	0
Total assets (excluding other financial sector assets of groups)	76,763	71,453	5,310

D.1.a.2. Bases, Methods and Assumptions

The Company recognizes and values its assets in accordance with the International Financial Reporting Standards (IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, and adjusts the valuation of certain assets in accordance with Solvency II methodologies.

The management of the Company is required to make estimates and assumptions that affect the reported amounts of assets. The following bases, methods and assumptions are used for valuation of each of the following material classes of assets:

4.1.1.2.1 Intangible Assets

Intangible Assets are measured at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on cost on a straight-line basis over the estimated useful life of the assets, of five years for computer software and for recruitment bonuses. At each reporting date the carrying values of intangible assets are reviewed for impairment when events or changes in circumstances

indicate that the carrying values may not be recoverable. When the carrying values exceed the estimated recoverable amount, intangible assets are written down to their recoverable amount.

The Intangible assets are valued at zero for Solvency II purposes because they cannot be sold separately and because there is no quoted market price in an active market for the same or similar intangible assets.

4.1.1.2.2 Property, Plant and Equipment

Owner-occupied property is property held by the Company for use in the supply of services or for administrative purposes.

Owner-occupied property is initially measured at cost and subsequently measured at fair value. Valuations are carried out annually by independent qualified values using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

On disposal of freehold land and buildings, the relevant revaluation reserve balance is transferred to retained earnings.

The buildings are depreciated at an annual rate of 2%.

Equipment is measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on cost at a straight-line basis over its estimated useful life, using the following annual rates:

Table D-2: Depreciation

Item	Depreciation
Furniture and office equipment	10%/ 20%
Computer equipment	20%
Motor vehicles	15%
Leasehold improvements	25%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

4.1.1.2.3 Investment Property

The investment properties, principally comprising land, shops and offices, are held for long term rental yields and are not occupied by the Company. All properties are shown at valuation carried out by independent professionally qualified valuers at 31 December 2019 in accordance to IFRS 13. Fair value of the properties is determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets. Certain properties, are shown at fair value determined by using the income capitalisation method.

4.1.1.2.4 Investments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The subsequent measurement of Financial Assets depends on their classification as follows:

1. Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. These investments are initially recorded at fair value. Subsequent to initial recognition, they are measured at fair value. Changes in fair value are recorded in the income statement. The structured notes (unlisted structured products) and the equity shares in Bank of Cyprus (which were acquired as a result of the conversion of the Bank's deposits in accordance with the relevant decrees of the Central Bank) and Societe Generale (which were acquired as a result of the redemption of a structured product) are included in this category.
2. Available-for-sale (AFS) financial investments: AFS investments include equity investments and debt instruments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt instruments classified as AFS are non-derivatives that are either designated in this category if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term or not classified in any of the other categories.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income (OCI) and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the income statement. The government bonds, the corporate bonds and the listed equity shares (other than the equity shares in Bank of Cyprus and Societe Generale) are included in this category.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or in the absence of a principal market, in the most advantageous market for the asset; the principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

All the investments of the Company are valued at Level 1 with the exception of the structured notes that are classified as Level 2 because they represent unlisted structured products which are linked to listed equities and which are converted into cash or equity shares upon redemption, and their value was derived from the prices of the underlying listed equities.

4.1.1.2.5 Deposits other than cash equivalents

Deposits other than cash equivalents consist of cash at banks in term deposits with an original maturity of zero to twelve months from the date of acquisition.

4.1.1.2.6 Reinsurance Recoverables

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

The impairment loss is recorded in the income statement.

The Reinsurance recoverables are valued at a different basis for Solvency II purposes as explained further in the section below.

4.1.1.2.7 Insurance Premium Receivables

Insurance receivables represent premiums receivable from intermediaries and from policyholders. They are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

4.1.1.2.8 Deferred Acquisition Costs

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Deferred Acquisition Costs (DAC) for general insurance and health products are amortised over the period in which the related revenues are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. DAC are derecognised when the related contracts are either settled or disposed of.

The Deferred Acquisition Costs are valued at zero for Solvency II purposes because they are released as future profits from the premium reserves.

4.1.1.2.9 Short term Bank Deposits

Short term bank deposits consist of cash at banks in current accounts.

4.1.1.2.10 Other assets (Other debtors and prepayments)

This category includes receivables from related companies, prepayments and deposits, amounts receivable from Insurance pools and cash in hand other than notes and coins. Other debtors and prepayments represent balances that are repayable during the normal course of the Company's operations and are interest-free.

D.1.b. Assets: Valuation for Solvency purposes v/s Valuation in Financial Statements

All assets on the Solvency II Balance Sheet are valued on the same basis as in the financial statements.

The only differences in the values of assets between the two bases are:

- the exclusion of:
 - Other Intangible Assets
 - Deferred Acquisition Costs and
 - Deferred tax assets
- the revaluation of the "Reinsurance Recoverables"

In relation to the revaluation of the Reinsurance recoverables, the SII value (€4.8m) is lower than the IFRS value (€6.3m). The analysis of the difference as this arises from the Technical Provision is shown below:

Table D-3: SII v/s IFRS Reinsurance Asset 2019

Technical Reserves (Reinsurance)	€'000 IFRS 2019	€'000 SII 2019	€'000 Difference
Best Estimate	6,282	4,753	-1,529
Premium reserves	1,932	570	-1,362
Unearned Premium Reserve	1,932	1,932	0
Unexpired Risk Reserve	0	0	0
future losses/profits	0	-1,364	-1,364
discounting	0	3	3
Claims reserves	4,350	4,199	-151
undiscounted	4,350	4,178	-172
discounting	0	21	21
Risk Margin	0	0	0
Reins. default adjustment	0	-16	-16
TOTAL	6,282	4,753	-1,529

The table that follows shows a summary of the reconciliation between the IFRS reinsurance asset and the SII reinsurance asset:

Table D-4: Reconciliation between SII and IFRS Reinsurance Asset

Item	2019 €'000
IFRS Reinsurance Asset	6,282
Less release of reinsurance share of UPR	-1,362
Less reinsurance share of prudence in Claim provisions	-172
Plus Discounting	21
Less Reinsurance Default Adjustment	-16
SII Reinsurance Asset	4,753

D.2. Technical Provisions

D.2.a. Valuation of Technical Provisions

Solvency II requires the Company to set up technical provisions on a fair value basis; that is the current amount undertakings would have to pay if they were to transfer their (re)insurance obligations immediately to another undertaking.

Moreover, technical provisions are calculated separately for each homogeneous risk group to achieve an accurate valuation of technical provisions. For this purpose the Company segments its (re)insurance obligations into homogeneous risk groups, and as a minimum by line of business. These homogeneous groups are defined by the SII regulation and the company fully complies with the suggested segmentation.

D.2.a.1. Summary of Valuation of Technical Provisions

Technical Provisions (TP) are taken as the sum of Best Estimate Liability (BEL) and Risk Margin (RM). The total technical provision as at the valuation date for the Company is €34.1m. This is broken down into a BEL of €33.3m and a RM €0.8m.

The technical provision results as at the valuation date for the relevant SII segments are shown in the table that follows, separately for Direct, Inwards proportional reinsurance and inwards non-proportional reinsurance:

Table D-5: Technical provisions for homogenous Risk groups

Type	SII Segment	Gross BEL 31/12/2019 €'000	RM 31/12/2019 €'000	Gross TP 31/12/2019 €'000
Direct	Income protection insurance	365	9	374
Direct	Medical expense insurance	1,255	30	1,285
Direct	Motor vehicle liability	17,587	414	18,001
Direct	Motor, other classes	4,339	102	4,441
Direct	Marine, aviation, transport (MAT)	64	2	66
Direct	Fire and other property damage	4,711	111	4,822
Direct	Third-party liability	4,995	118	5,112
Direct	Assistance	2	0	2
Direct	Miscellaneous	14	0	15
Inwards Proportional	Income protection insurance	0	0	0
Inwards Proportional	Marine, aviation, transport (MAT)	0	0	0
Inwards Proportional	Fire and other property damage	3	0	3
Inwards non Proportional	Non-proportional casualty reinsurance	2	0	2
Total		33,338	785	34,123

D.2.a.2. Bases, Methods and Assumptions

As described above technical provisions are taken as the sum of Best Estimate Liability (BEL) and Risk Margin (RM). These items are further explained below:

1. Best Estimate Liability (BEL)

The BEL calculation corresponds to the probability weighted average of future cash-flows taking account of the time value of money. This is as defined in the SII technical specifications.

The cash flows that make up the BEL components as at the valuation date is the total of the following items:

- Claim reserves - the cash-flow projections relate to claim events having occurred before or at the valuation date – whether the claims arising from these events have been reported or not (i.e. all incurred but not settled claims). The cash-flow projections comprise all future claim payments as well as claims administration expenses arising from these events. Historical experience was used to project the Ultimate Future Cost of claims by employing a number of actuarial approaches e.g. Claims Development Factor Method modelling,
- Premium Reserves - the cash-flow projections relate to claim events occurring after the valuation date and during the remaining in-force period (coverage period) of the policies held by the undertaking (recognised policies). The cash-flow projections comprise all future claim payments and claims administration expenses arising from these events, cash-flows arising from the ongoing administration of the in-force policies and expected future premiums stemming from recognised policies falling within the contract boundary.

The time value of money is allowed by discounting using the risk-free yield curve for Euros (€) published by EIOPA.

1. Risk Margin (RM)

The risk margin is calculated by projecting the solvency capital requirement (SCR) for the run-off of existing business for 'non-hedgeable' risks. A prescribed cost of capital charge of 6% is applied and the result is then discounted at the risk-free rate to determine the risk margin.

The value of the RM is calculated in total and is then allocated to the lines of business (SII segments) based on the BEL requirement of each line.

D.2.b. Uncertainty in Technical Provisions

In calculating the TPs uncertainty can arise from the following:

1. Outstanding Claims Reserve – while information about claims is generally available, assessing the cost of settling the claim is subject to some uncertainty.
2. "IBNR" – this is generally subject to a greater degree of uncertainty than say Outstanding Claims Reserve since the nature of the claims is not known at the time of reserving.
3. URR - this is uncertain as the claims have not yet been incurred, but are expected to be incurred on the business which the Company has written.
4. Risk margin – the risk margin, being the margin payable to transfer the business to another insurance carrier, is uncertain due to the requirement to forecast future solvency capital requirements over the period of a run off.

D.2.c. Liabilities: Valuation for Solvency purposes vs Valuation in Financial Statements

The tables that follow show a comparison between the liabilities as calculated for IFRS and SII purposes:

Table D-6: SII v/s IFRS Gross liabilities 2019

Liabilities	€'000 IFRS 31/12/2019	€ '000 SII 31/12/2019
Gross technical provisions – non-life (excluding health)	39,334	32,464
TP calculated as a whole (Best estimate + Risk margin)	39,334	0
Best Estimate	0	31,718
Risk margin	0	747
Gross technical provisions - health (similar to non-life)	0	1,659
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	0	1,620
Risk margin	0	38
Total	39,334	34,123

Table D-7: SII v/s IFRS Gross Liabilities 2019

Technical Reserves (Gross)	€'000 IFRS 2019	€'000 SII 2019	€'000 Difference
Best Estimate	39,334	33,338	5,996
Premium reserves	13,815	8,739	5,076
Unearned Premium Reserve	13,815	13,815	0
Unexpired Risk Reserve	0	0	0
future losses/profits	0	-5,122	5,122
discounting	0	46	-46
Claims reserves	25,519	24,599	920
undiscounted	25,519	24,458	1,061
discounting	0	141	-141
Risk Margin	0	785	-785
Reins. default adjustment	0	0	0
TOTAL	39,334	34,123	5,211

The table below shows that at the valuation date the IFRS liabilities amount to €39,3M and the SII liabilities amount to €34,1M.

Breaking down the Best estimate liabilities into their subsequent parts the technical provisions can also be represented as follows:

Table D-8: SII v/s IFRS Gross Liabilities 2019

Technical Reserves (Gross)	€'000 IFRS 31/12/2019	€'000 SII 31/12/2019	€'000 Difference
Total provision after the valuation date	13,815	8,739	5,076
Future Claims		6,966	
Admin expenses		1,174	
Claims management expenses		553	
Unearned Premium Reserve	13,815		
Discounting		46	-46
Total provision prior to the valuation date	25,519	24,599	920
O/S claims	21,053	21,053	0
IBNR	3,888	2,910	978
Claim Expenses	578	495	83
Discounting		141	-141
Risk Margin		785	-785
Total Technical provisions	39,334	34,123	5,211

The €5,211K difference is accounted as follows:

Table D-9: Reconciliation between SII and IFRS liabilities 2019

Item	€'000 2019
IFRS Liabilities	39,334
Less Release of UPR from the use of expected loss ratios	-6,849
Plus allowances for future expenses	1,727
Less Release of prudence in the Incurred But not Reported provisions	-978
Less Release of prudence in the claim settlement costs	-83
Plus Discounting	187
Plus Risk Margin	785
SII Technical provisions	34,123

The starting point in calculating the SII technical provisions is the IFRS liabilities. Thereafter the IFRS liabilities are adjusted as follows:

1. Expected loss ratios are used to calculate the expected losses from unearned business. These are derived utilizing the actuarial best estimate ultimate loss ratio assumptions with adjustments made to allow for future expected inflation. This accounts to a release of €6,849K from the premium reserves.
2. An explicit allowance for future expenses is made. This accounts to an increase in the provision by €1,727K
3. The prudence build in the Incurred But not Reported (IBNR) reserves is removed. This accounts to a decrease of €978K in the claim reserves

4. The prudency build in the claim settlement costs is removed. This accounts to a decrease of €83K in the claim reserves
5. No discount rate is used under IFRS whereas under Solvency II the Company must discount liabilities at the risk-free rate. This accounts for €187K increase in the liabilities.
6. The IFRS methodology for the valuation of technical provisions does not include the Solvency II concepts of the risk margin or transitional measures. The Risk Margin has an increasing effect on the IFRS liabilities of €785K.

D.2.d. Transitional measures: Matching Adjustment

Given the nature of the Company liabilities the valuation of technical provisions for solvency purposes does not use the matching adjustment.

D.2.e. Transitional Measures: Volatility Adjustment

The valuation of technical provisions for solvency purposes does not use the volatility adjustment.

D.2.f. Transitional measures: Risk Free Interest Rate

The Company does not use the transitional measures on interest rates.

D.2.g. Transitional measures: Impact

Not applicable.

D.2.h. Recoveries from reinsurance and special purpose vehicles

D.2.h.1. Recoveries

The Company does not use any special purpose vehicles.

The Company reinsures its business through proportional and excess of loss reinsurance arrangements. This reduces the technical provision by lowering the BEL and consequently reducing the Capital Requirements, through building the reinsurance recoveries as an asset.

The table below shows a summary of the reinsurance recoveries on various segments written by the Company:

Table D-10: Gross and Net BEL 2019

Type	Segment	€ '000 SII Gross BEL 31/12/2019	€ '000 SII Net BEL 31/12/2019	€ '000 SII Reinsurance BEL 31/12/2019
Direct	Income protection insurance	365	219	146
Direct	Medical expense insurance	1,255	1,191	64
Direct	Motor vehicle liability	17,587	16,406	1,181
Direct	Motor, other classes	4,339	4,338	1
Direct	Marine, aviation, transport (MAT)	64	27	37
Direct	Fire and other property damage	4,711	1,484	3,227
Direct	Third-party liability	4,995	4,887	108
Direct	Assistance	2	2	0
Direct	Miscellaneous	14	13	1
InProp	Income protection insurance	0	0	0
InProp	Marine, aviation, transport (MAT)	0	0	0
InProp	Fire and other property damage	3	1	2
InNonProp	Non-proportional casualty reinsurance	2	2	0
Total		33,338	28,569	4,769

The total reinsurance BEL includes €16K for Reinsurance default adjustments. If this were to be subtracted from the Reinsurance BEL the total Reinsurance BEL would have been €4,753K rather than €4,769K which ties back to the Reinsurance assets in the balance sheet.

It should be noted that reinsurance will decrease the capital requirements of the Company through its mitigating effect on underwriting risk including catastrophe events. However, reinsurance will also increase the capital requirements of the Company by absorbing capital to allow for the credit risk of the reinsurer through the counterparty default risk module of the standard formula. This has been analyzed in the Risk profile section of the report.

D.3. Other Liabilities

D.3.a. Valuation of Other Liabilities

D.3.a.1. Summary of the valuation of Other Liabilities

The table that follows analyses the valuation of the liabilities booked by the Company that related to liabilities other than technical provisions.

Table D-11: Summary of the valuation of Other liabilities 2019

Liabilities	€ '000 IFRS 31/12/2019	€ 000 SII 31/12/2019	Difference
Cash deposits from reinsurers	1,138	1,138	0
Insurance and intermediaries payables	1550	1550	0
Reinsurance accounts payable	424	424	0
Deferred tax liabilities	182	0	182
Provisions other than technical provisions	736	153	584
Payables (trade, not insurance)	1,373	1,373	0
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	760	760	0
Total liabilities (excluding other financial sector liabilities of groups)	6,163	5,397	765

D.3.a.2. Bases, methods and assumptions

The Company recognizes and values its other liabilities in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, and adjusts the valuation of certain liabilities in accordance with Solvency II methodologies.

The management of the Company is required to make estimates and assumptions that affect the reported amounts of liabilities. The following bases, methods and assumptions are used for valuation of each of the following material classes of other liabilities

4.3.1.2.1 Cash Deposits from Reinsurers

This category includes payables to reinsurers for premium reserve retained. They are repayable during the normal course of the Company's operations and bear interest rate according to the terms of each treaty.

4.3.1.2.2 Provisions other than Technical Provisions

This category includes amounts payable to Group Insurance pools and deferred acquisition income. They are repayable during the normal course of the Company's operations and are interest-free.

The Deferred acquisition income is valued at zero for Solvency II purposes because it is released as future profits from the premium reserves.

D.3.a.3. Trade Payables (Other creditors and accrued expenses)

This category includes other creditors and accrued expenses which do not relate to insurance operations as well as employee contributions payable to the government. They represent balances that are repayable during the normal course of the Company's operations and are interest-free.

D.3.a.4. Insurance and intermediaries payables

This category includes commissions payable to intermediaries in relation to insurance operations. They represent balances that are repayable during the normal course of the Company's operations and are interest-free.

D.3.a.5. Other Liabilities

This category includes other creditors and accrued expenses which relate to insurance operations as well as payables to claimants and Motor Insurers Fund. They represent balances that are repayable during the normal course of the Company's operations and are interest-free.

4.3.2. Other Liabilities: Valuation for Solvency Purposes v/s Valuation Financial Statements

All other liabilities on the Solvency II balance sheet are valued on the same basis as in the financial statements.

The only difference in the values of other liabilities between the two bases is the exclusion from Solvency II of "Deferred tax liabilities" of €0.2m and the exclusion of deferred acquisition income of €0.6m from "Provisions other than technical provisions".

4.4. Alternative methods for valuation

The Company does not use any other methods of valuation.

4.5. Any other material information**Going Concern**

The Company's management has assessed the ability of the Company to continue as a going concern. In making this assessment, the Company's management has also considered the current economic situation in Cyprus and specifically in relation to the Covid-19 pandemic, and the potential impact this may have on the Company's operating environment and financial position.

The management have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future, and in particular in relation to the Covid-19 pandemic. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

E. Capital Management



This section of the report is produced as per the requirements of **Article 297: Capital Management**.

The section provides an analysis of the following:

- Own Funds
- SCR and MCR
- Use of the duration-based equity risk sub-module in the calculation of the SCR
- Differences between the standard formula and any internal model used
- Non-compliance with the MCR and non-compliance with the SCR
- Any other information

E. Capital Management

E.1. Own Funds

E.1.a. Own Funds Management

Capital management focuses on ensuring that there is sufficient coverage of both the regulatory capital requirements (MCR and SCR) as well as the economic capital targets set. The Company sets out target capital parameters and strategy to be maintained over a three-year business planning horizon. The intention of the plan is to ensure the Company meets regulatory capital requirements and other business expectations whilst also optimizing capital efficiency.

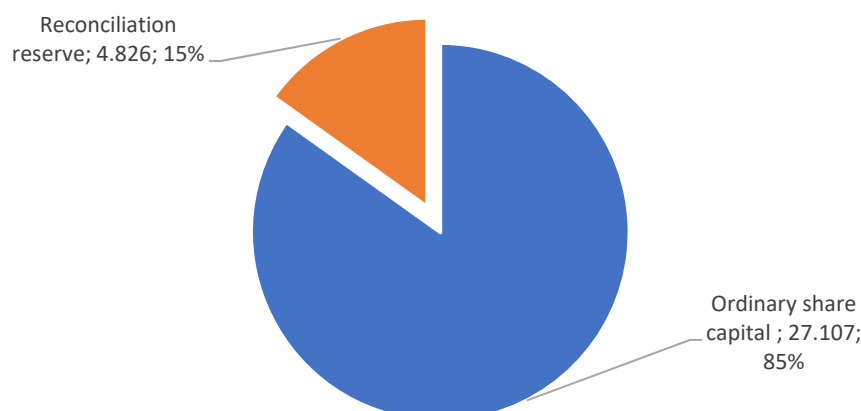
- The Solvency Capital Level must be 105% of all capital requirements at all times and over the business plan period
- The Solvency Capital Level must be 125% of the Pillar 1 Capital Requirement at all times and over the business plan period

E.1.b. Structure, Amount and Quality of Owned Funds

The total amount of Own Funds as at the valuation date is €31,9m compared to €23,4m in 2018.

The total amount of eligible own funds is classified as Tier 1 (unrestricted) capital as it is made up of Ordinary share capital (gross of own shares) and Reconciliation reserve. The illustration that follows shows the breakdown of the Own Funds into Ordinary shares and the reconciliation reserve as at the valuation date:

Figure E-1: Analysis of basic own funds for 2019



E.1.c. Basic Own Funds to cover the SCR

The total amount of Own Funds as at the valuation date is €31,9m, and is classified as Tier 1 (unrestricted) capital as which means that all the amount of available capital can be used to support the SCR.

E.1.d. Basic Own Funds to cover the MCR

The total amount of Own Funds as at the valuation date is €31,9m and is classified as Tier 1 (unrestricted) capital as which means that all the amount of available capital can be used to support the MCR.

E.1.e. Differences between equity in financial statements and excess of assets over liabilities as calculated for solvency purposes

The difference is fully explained by the Reconciliation reserve.

E.1.f. Basic own-fund item subject to transitional arrangements

There were no basic own-fund items that are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/EC

E.1.g. Ancillary Own Funds

There were no ancillary Own-fund items

E.1.h. Deductions from Own Funds

There were not deductions from Own Funds.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.a. SCR and MCR Results

The SCR of the Company as at the valuation date was €18.3m. The MCR of the Company as at the valuation date was €5.2m.

Table E-1: SCR and MCR results 2018 and 2019

Capital	€ '000 31/12/2019	€ '000 31/12/2018
Solvency Capital requirement	18,315	16,913
Minimum Capital Requirement	5,172	4,819

E.2.b. SCR Split by Risk Modules

The undertaking applies the standard formula. The underlying Company risks have been described in section C of this report. The valuation methodologies for the Assets and the Liabilities have been described in section D of this report.

In this section the capital requirements assessed under the standard formula of SII are provided.

The SCR is the amount of funds that the Company is required to hold in line with the Solvency II Directive. The SCR calculation is a formula-based figure calibrated to ensure that all quantifiable risks are taken into account.

The assessment of the SCR using the standard formula approach is based on a modular approach separately assessing each applicable risk. These are then aggregated in the standard formula using correlation matrices, both at the submodule and the main module level. An intangible asset module is then added (uncorrelated) to give the BSCR. The operational risk component and adjustments for risk absorbing effect of future profit sharing and deferred taxes are then allowed for, to give the overall SCR.

The coverage ratio of the Company as at the valuation date is 174% compared to 139% in 2018. This is summarized below:

Table E-2: Coverage ratio for 2018 and 2019

	€ '000 31/12/2019	€ '000 31/12/2018
BSCR	17,215	15,886
Operational Risk	1,100	1,027
SCR	18,315	16,913
Available Capital	31,933	23,433
Surplus	13,618	6,521
Coverage	174%	139%

The SCR for each risk module is also analyzed separately as per below:

Table E-3: SCR split by risk modules and sub Risk Modules for 2019 and 2018

	€ '000 2019	€ '000 2018
Market risk (allowing for sub risk diversification)	10,382	8,143
Interest rate risk	611	749
Equity risk	672	331
Property risk	8,338	3,370
Spread risk	2,060	2,697
Currency risk	806	1,408
Concentration risk	413	5,282
Counterparty risk (allowing for sub risk diversification)	3,130	4,395
Type 1	2,098	2,816
Type 2	1,232	1,869
Health Underwriting risk (allowing for sub risk diversification)	1,487	2,125
SLT Health (similar to life technique) underwriting risk	0	0
Non-SLT Health	1,004	1,126
Health CAT	874	1,543
Non-Life Underwriting risk (allowing for sub risk diversification)	8,786	7,970
Premium & Reserves	8,374	7,509
Lapse	676	636
CAT	1,221	1,323
Total Capital Required (allowing for sub risk diversification)	23,784	22,633
Diversification benefit between risk modules	6,569	6,747
BSCR	17,215	15,886
Operational Risk	1,100	1,027
SCR	18,315	16,913
Available Capital	31,933	23,433
Total capital (per SII balance sheet)	71,453	61,238
Less Total technical provisions	34,123	32,477
Less Other Liabilities	5,397	5,328
Surplus	13,618	6,521
Coverage	174%	139%

E.2.c. Simplified Calculations

The Company is not making any simplified calculations.

E.2.d. Undertaking- specific parameters

The Company is not using undertaking- specific parameters pursuant to Article 104(7) of Directive 2009/138/EC.

E.2.e. Use of the third subparagraph of Article 51(2) of Directive 2009/138/EC;

Not applicable.

E.2.f. Impact of any undertaking-specific parameters

Not applicable.

E.2.g. Information on the inputs used by the undertaking to calculate the MCR*Table E-4: MCR coverage ratio for 2018 and 2019*

	Euros '000 31/12/2019	Euros '000 31/12/2018
Linear MCR	5,172	4,819
SCR	18,315	16,913
MCR cap (45% of SCR)	8,242	7,611
MCR floor (25% of SCR)	4,579	4,228
MCR absolute floor	3,700	3,700
MCR	5,172	4,819
Coverage	617%	486%

E.2.h. Any material change to the SCR and MCR over the reporting period

Not applicable.

E.3. Use of the duration-based Equity risk sub-module in the calculation of the Solvency Capital Requirement

The Company did not use the duration-based equity risk sub-module for the calculation of its Solvency Capital Requirement.

E.4. Differences between the Standard Formula and any internal model used

The Company used the standard formula for its solvency assessment i.e. did not use an internal model for the calculation of the Solvency Capital Requirement.

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

There was no breach of the Minimum Capital Requirements or Solvency Capital Requirements during the reporting period as the company available capital was higher than both the SCR and the MCR.

E.6. Any other information

There were changes in the parameters and methodologies in the SII standard formula as required by EIOPA through their Commission Delegated Regulation 2019/981 issued on 8/3/2019. All the changes were adopted by the Company and implemented as required by the local and international regulation. The changes had a very minor impact on the Solvency position of the Company.

Annex A.

Quantitative

Reporting Templates



Annex A – Quantitative Reporting Templates

This Annex lists the annual quantitative templates submitted to the local Regulator on behalf of the Company for the valuation date.

The following templates are reproduced in this annex:

Table 0-1: QRTs required

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

S.02.01.02 - Balance Sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	6,897,175
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	47,033,397
Property (other than for own use)	R0080	27,045,463
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	1,099,496
Equities - listed	R0110	1,099,496
Equities - unlisted	R0120	0
Bonds	R0130	18,316,400
Government Bonds	R0140	2,329,762
Corporate Bonds	R0150	15,986,638
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	572,038
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	4,752,713
Non-life and health similar to non-life	R0280	4,752,713
Non-life excluding health	R0290	4,542,513
Health similar to non-life	R0300	210,200
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	5,778,105
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	74,065
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	1,587,189
Any other assets, not elsewhere shown	R0420	5,330,681
Total assets	R0500	71,453,325

Liabilities	Solvency II value	
	C0010	
Technical provisions – non-life	R0510	34,122,838
Technical provisions – non-life (excluding health)	R0520	32,464,212
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	31,717,556
Risk margin	R0550	746,656
Technical provisions - health (similar to non-life)	R0560	1,658,626
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	1,620,479
Risk margin	R0590	38,147
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	152,602
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	1,137,941
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	1,550,409
Reinsurance payables	R0830	423,612
Payables (trade, not insurance)	R0840	1,373,312
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	759,549
Total liabilities	R0900	39,520,263
Excess of assets over liabilities	R1000	31,933,062

S.05.01.02 - Premiums, claims and expenses by line of business

		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 ex- pense insur- ance	Income protection insurance	Work- ers' compen- sation insur- ance	Motor vehicle liability insur- ance	Other motor insurance	Marine, avi- ation and transport insur- ance	Fire and other damage to property insur- ance	General lia- bility insur- ance	Credit and surety- ship insur- ance	Legal ex- penses insur- ance	Assis- tance	Miscella- neous finan- cial loss	Health	Casualty	Marine, aviation, transport	Prop- erty		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160		
Premiums written																			
Gross - Direct Business	R0110	6,070,825	376,111	0	14,595,252	4,843,590	273,790	6,565,942	4,791,042	0	0	75,163	90,101	-	-			37,681,816	
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	732	39,681	0	0	0	0	0	-	-			40,413	
Gross - Non-proportional reinsurance accepted	R0130													0	33,008	0	0	33,008	
Reinsurers' share	R0140	302,663	205,434	0	326,088	737,237	203,619	4,447,630	249,573	0	0	35,509	33,681	0	0	0	0	6,541,434	
Net	R0200	5,768,162	170,677	0	14,269,164	4,106,353	70,903	2,157,993	4,541,469	0	0	39,654	56,420	0	33,008	0	0	31,213,803	
Premiums earned																			
Gross - Direct Business	R0210	6,188,583	354,280	0	14,181,732	4,649,164	267,939	6,312,109	4,461,010	0	0	76,519	109,919					36,601,255	
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	1,164	39,821	0	0	0	0	0					40,986	
Gross - Non-proportional reinsurance accepted	R0230													0	28,745	0	0	28,745	
Reinsurers' share	R0240	302,663	160,186	0	326,088	733,351	200,781	4,321,117	225,568	0	0	35,326	48,244	0	0	0	0	6,353,324	
Net	R0300	5,885,920	194,094	0	13,855,644	3,915,813	68,322	2,030,813	4,235,442	0	0	41,193	61,675	0	28,745	0	0	30,317,661	
Claims incurred																			
Gross - Direct Business	R0310	4,265,779	136,504	0	8,505,832	2,748,126	114,043	1,990,727	1,198,961	0	0	3,061	-1,513					18,961,520	
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	17,909	0	0	0	0	0					17,909	
Gross - Non-proportional reinsurance accepted	R0330													0	257	0	0	257	
Reinsurers' share	R0340	158,627	139,852	0	125,331	5,846	81,696	1,523,278	6,630	0	0	2,256	0	0	0	0	0	2,043,516	
Net	R0400	4,107,152	-3,348	0	8,380,501	2,742,280	32,347	485,358	1,192,331	0	0	805	-1,513	0	257	0	0	16,936,170	
Changes in other technical provisions																			
Gross - Direct Business	R0410	0	0	0	0	0	0	0	0	0	0	0	0					0	
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0					0	
Gross - Non- proportional reinsurance accepted	R0430													0	0	0	0	0	
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Net	R0500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Expenses incurred	R0550	1,379,505	123,508	0	5,492,073	1,844,955	103,288	2,728,018	1,818,144	0	0	22,567	40,041	0	0	0	0	13,552,099	
Other expenses	R1200																		0
Total expenses	R1300																		13,552,099

S.05.02.01 - Premiums, claims and expenses by country

Table 0-2

		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		BH					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	37,681,816	0	0	0	0	0	37,681,816
Gross - Proportional reinsurance accepted	R0120	0	40,413	0	0	0	0	40,413
Gross - Non-proportional reinsurance accepted	R0130	0	33,008	0	0	0	0	33,008
Reinsurers' share	R0140	6,502,938	38,496	0	0	0	0	6,541,434
Net	R0200	31,178,878	34,925	0	0	0	0	31,213,803
Premiums earned								
Gross - Direct Business	R0210	36,601,255	0	0	0	0	0	36,601,255
Gross - Proportional reinsurance accepted	R0220	0	40,986	0	0	0	0	40,986
Gross - Non-proportional reinsurance accepted	R0230	0	28,745	0	0	0	0	28,745
Reinsurers' share	R0240	6,314,321	39,003	0	0	0	0	6,353,324
Net	R0300	30,286,934	30,727	0	0	0	0	30,317,661
Claims incurred								
Gross - Direct Business	R0310	18,961,520	0	0	0	0	0	18,961,520
Gross - Proportional reinsurance accepted	R0320	0	17,909	0	0	0	0	17,909
Gross - Non-proportional reinsurance accepted	R0330	0	257	0	0	0	0	257
Reinsurers' share	R0340	2,026,789	16,727	0	0	0	0	2,043,516
Net	R0400	16,934,731	1,439	0	0	0	0	16,936,170
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	13,552,082	17	0	0	0	0	13,552,099
Other expenses	R1200							0
Total expenses	R1300							13,552,099

S.17.01.02 - Non-Life Technical Provisions

Technical provisions calculated as a whole

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

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

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

Net Best Estimate of Premium Provisions

Claims provisions

Gross

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

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Technical provisions - total

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

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

	Direct business and accepted proportional reinsurance									Accepted non-proportional reinsurance	
	Medical expense insurance	Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Assistance	Miscellaneous financial loss	Non-proportional casualty reinsurance	Total Non-Life obligation
	C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0120	C0130	C0150	C0180
R0010	0	0	0	0	0	0	0	0	0	0	0
R0050	0	0	0	0	0	0	0	0	0	0	0
R0060	348,027	120,750	4,464,094	1,775,003	26,377	1,168,677	823,103	2,384	8,579	2,069	8,739,063
R0140	0	49,404	55,228	0	11,835	442,877	7,128	161	1,401	0	568,034
R0150	348,027	71,346	4,408,866	1,775,003	14,542	725,800	815,975	2,223	7,178	2,069	8,171,029
R0160	907,336	244,366	13,122,866	2,563,624	37,904	3,545,523	4,171,671	54	5,628	0	24,598,972
R0240	64,266	96,530	1,122,034	691	25,324	2,775,378	100,456	0	0	0	4,184,679
R0250	843,070	147,836	12,000,832	2,562,933	12,580	770,145	4,071,215	54	5,628	0	20,414,293
R0260	1,255,363	365,116	17,586,960	4,338,627	64,281	4,714,200	4,994,774	2,438	14,207	2,069	33,338,035
R0270	1,191,097	219,182	16,409,698	4,337,936	27,122	1,495,945	4,887,190	2,277	12,806	2,069	28,585,322
R0280	29,552	8,595	414,011	102,135	1,513	110,976	117,581	57	334	49	784,803
R0290	0	0	0	0	0	0	0	0	0	0	0
R0300	0	0	0	0	0	0	0	0	0	0	0
R0310	0	0	0	0	0	0	0	0	0	0	0
R0320	1,284,915	373,711	18,000,971	4,440,762	65,794	4,825,176	5,112,355	2,495	14,541	2,118	34,122,838
R0330	64,266	145,934	1,177,262	691	37,159	3,218,255	107,584	161	1,401	0	4,752,713
R0340	1,220,649	227,777	16,823,709	4,440,071	28,635	1,606,921	5,004,771	2,334	13,140	2,118	29,370,125

S.19.01.21 - Non-Life insurance claims

Gross Claims Paid (non-cumulative)

(absolute amount)

Year		Development year											In Current year		Sum of years (cumulative)	
		0	1	2	3	4	5	6	7	8	9	10&+				
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110				
Prior	R0100											0	R0100	0		0
N-9	R0160	1,084,741	619,132	250,926	70,186	189,368	64,543	202,050	18,992	29,032	24,130		R0160	24,130		2,553,100
N-8	R0170	2,416,055	1,247,879	180,941	246,905	182,633	132,201	21,565	57,309	53,895			R0170	53,895		4,539,383
N-7	R0180	3,762,716	1,544,527	403,592	26,175	53,317	127,369	162,049	339,439				R0180	339,439		6,419,184
N-6	R0190	4,933,839	2,098,062	240,840	267,224	117,537	215,582	201,907					R0190	201,907		8,074,991
N-5	R0200	5,583,603	2,566,090	329,230	83,529	214,738	380,787						R0200	380,787		9,157,977
N-4	R0210	6,254,429	2,118,620	462,469	261,760	237,057							R0210	237,057		9,334,335
N-3	R0220	7,173,723	2,648,595	437,305	273,475								R0220	273,475		10,533,098
N-2	R0230	8,608,402	3,286,876	404,570									R0230	404,570		12,299,848
N-1	R0240	8,664,127	5,508,814										R0240	5,508,814		14,172,941
N	R0250	10,194,226											R0250	10,194,226		10,194,226
Total													R0260	17,618,300		87,279,083

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year												Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10&+		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	
Prior	R0100											2006	R0100
N-9	R0160	0	0	0	0	0	0	0	0	0	50,219		R0160
N-8	R0170	0	0	0	0	0	0	0	0	86,643			R0170
N-7	R0180	0	0	0	0	0	0	0	469,047				R0180
N-6	R0190	0	0	0	0	0	0	1,410,590					R0190
N-5	R0200	0	0	0	0	0	3,579,030						R0200
N-4	R0210	0	0	0	0	1,679,457							R0210
N-3	R0220	0	0	0	2,176,910								R0220
N-2	R0230	0	0	2,424,213									R0230
N-1	R0240	0	3,403,524										R0240
N	R0250	9,176,757											R0250
Total													R0260

S.23.01.01 - Own Funds Table

	Total	Tier 1 - unre- stricted	Tier 1 - re- stricted	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 2015/35					
Ordinary share capital (gross of own shares)	R0010 27,107,000	27,107,000		0	
Share premium account related to ordinary share capital	R0030 0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040 0	0		0	
Subordinated mutual member accounts	R0050 0		0	0	0
Surplus funds	R0070 0	0			
Preference shares	R0090 0		0	0	0
Share premium account related to preference shares	R0110 0		0	0	0
Reconciliation reserve	R0130 4,826,062	4,826,062			
Subordinated liabilities	R0140 0		0	0	0
An amount equal to the value of net deferred tax assets	R0160 0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180 0	0	0	0	0
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 0				
Deductions					
Deductions for participations in financial and credit institutions	R0230 0	0	0	0	
Total basic own funds after deductions	R0290 31,933,062	31,933,062	0	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	R0300 0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310 0			0	
Unpaid and uncalled preference shares callable on demand	R0320 0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330 0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340 0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350 0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360 0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370 0			0	0
Other ancillary own funds	R0390 0			0	0
Total ancillary own funds	R0400 0			0	0
Available and eligible own funds					
Total available own funds to meet the SCR	R0500 31,933,062	31,933,062	0	0	0
Total available own funds to meet the MCR	R0510 31,933,062	31,933,062	0	0	
Total eligible own funds to meet the SCR	R0540 31,933,062	31,933,062	0	0	0
Total eligible own funds to meet the MCR	R0550 31,933,062	31,933,062	0	0	
SCR	R0580 18,315,335				
MCR	R0600 5,171,947				
Ratio of Eligible own funds to SCR	R0620 174.352%				
Ratio of Eligible own funds to MCR	R0640 617.428%				
Reconciliation reserve					
Excess of assets over liabilities	R0700 31,933,062				

C0060

Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	27,107,000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Reconciliation reserve	R0760	4,826,062	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	0	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	
Total Expected profits included in future premiums (EPIFP)	R0790	0	

S.25.01.21 - SCR – for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
Market risk	R0010 10,381,539		-
Counterparty default risk	R0020 3,129,502		
Life underwriting risk	R0030 0		-
Health underwriting risk	R0040 1,486,715		-
Non-life underwriting risk	R0050 8,785,964		-
Diversification	R0060 -6,568,515		
Intangible asset risk	R0070 0		
Basic Solvency Capital Requirement	R0100 17,215,205		

Calculation of Solvency Capital Requirement

Operational risk	R0130 1,100,130
Loss-absorbing capacity of technical provisions	R0140 0
Loss-absorbing capacity of deferred taxes	R0150 0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160 0

Solvency Capital Requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement**Other information on SCR**

Capital requirement for duration-based equity risk sub-module	R0400 0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410 0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420 0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430 0
Diversification effects due to RFF nSCR aggregation for article 304	R0440 0

Approach to tax rate

Approach based on average tax rate

	C0109
R0590	

Calculation of loss absorbing capacity of deferred taxes

LAC DT	
LAC DT justified by reversion of deferred tax liabilities	
LAC DT justified by reference to probable future taxable economic profit	
LAC DT justified by carry back, current year	
LAC DT justified by carry back, future years	
Maximum LAC DT	

	LAC DT
	C0130
R0640	
R0650	
R0660	
R0670	
R0680	
R0690	

Note: R0590-R0690 apply from 1 January 2020

S.28.01.01 - MCR – only life or non-life insurance or reinsurance activity**Linear formula component for non-life insurance and reinsurance obligations**MCR_{NL} Result

	C0010
R0010	5,171,947

Medical expense insurance and proportional reinsurance
Income protection insurance and proportional reinsurance
Workers' compensation insurance and proportional reinsurance
Motor vehicle liability insurance and proportional reinsurance
Other motor insurance and proportional reinsurance
Marine, aviation and transport insurance and proportional reinsurance
Fire and other damage to property insurance and proportional reinsurance
General liability insurance and proportional reinsurance
Credit and suretyship insurance and proportional reinsurance
Legal expenses insurance and proportional reinsurance
Assistance and proportional reinsurance
Miscellaneous financial loss insurance and proportional reinsurance
Non-proportional health reinsurance
Non-proportional casualty reinsurance
Non-proportional marine, aviation and transport reinsurance
Non-proportional property reinsurance

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
R0020	1,191,097	5,768,162
R0030	219,182	170,677
R0040	0	0
R0050	16,409,698	14,269,164
R0060	4,337,936	4,106,353
R0070	27,122	70,903
R0080	1,495,945	2,157,993
R0090	4,887,190	4,541,469
R0100	0	0
R0110	0	0
R0120	2,277	39,654
R0130	12,806	56,420
R0140	0	0
R0150	2,069	33,008
R0160	0	0
R0170	0	0

Linear formula component for life insurance and reinsurance obligationsMCR_L Result

	C0040
R0200	0

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

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
R0210	0	
R0220	0	
R0230	0	
R0240	0	
R0250		0

Overall MCR calculation

Linear MCR

SCR

MCR cap

MCR floor

Combined MCR

Absolute floor of the MCR

Minimum Capital Requirement

	C0070
R0300	5,171,947
R0310	18,315,335
R0320	8,241,901
R0330	4,578,834
R0340	5,171,947
R0350	3,700,000
R0400	5,171,947

End of report