

Solvency and Financial Condition Report



Trust International Insurance Company (Cyprus) Ltd



Report for year ended 31 December 2023

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Independent Auditor's Report

To 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 2023/895 of 4 April 2023, of Trust International Insurance Company (Cyprus) Limited (the "Company"), prepared as at 31 December 2023:

- 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 activity 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 2023 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016 as amended, the Commission Delegated Regulation (EU) 2015/35 as amended, 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.

**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.

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PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143594). Its registered office is at PwC Central, 43 Demostheni Severi Avenue, CY-1080 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



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 2023/895 of 4 April 2023):

- S.05.01.02 – Premiums, claims and expenses by line of business
- 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 judgement and maintain professional scepticism 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

Our report 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 that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

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

24 April 2024

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**” or “**Trust**” 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 business performance of the Company for the reporting year.

Company update and highlights

2023 has been another challenging year for our Company.

Russia’s war in Ukraine, which began in February 2022, caused challenges on a global scale, which included supply-chain disruptions, soaring inflation and high energy prices. The increases in oil and electricity prices, pushed the prices of other goods upwards, which reduced the purchasing power of consumers, affecting all social classes, but especially the most vulnerable groups of the population. Additionally, the increase in interest rates by the ECB has led to an increase in lending rates in Cypriot banking institutions, which propelled the profitability of the Banks. The increase in the non-performing loans has slowed down comparing to previous years. The Cypriot economy experienced a satisfactory growth rate of 2,5% in 2023, higher than the 0,5% average for European Union, mainly due to the good performance of the tourism sector, the positive economic impact of foreign companies relocating to Cyprus and the country’s limited dependency on natural gas compared to other European nations. Additionally, Cyprus’ long-term credit rating has been upgraded to BBB with a positive outlook.

Further to the above, the conflict in the neighbourhood between Israel and Hamas in the Gaza strip in Palestine which begun in October 2023, has led to a situation that remains unstable.

The new insurance system, which was implemented by the Company at the beginning of 2021, continued to cause challenges to the management and staff during 2023, and has also caused a temporary increase in administrative expenses. The benefits in relation to the automations resulting from the implementation of this large project, as well as the reduction in administrative expenses, are expected to be experienced in the following years.

The adoption of IFRS 17 “Insurance Contracts from 1st January 2023, with retrospective adjustment from 1st January 2022, has brought further challenges to the Company, due to the significant investment required in systems and human resources. IFRS 17 has also affected adversely the profitability of the Company for 2023, mainly due to the decrease in the interest rates comparing to 2022. Under IFRS 17, the Company’s insurance contracts issued, and reinsurance contracts held are all eligible to be measured under the Premium Allocation Approach (“PAA”). The PAA simplifies the measurement of insurance contracts in comparison with the general model or the VFA model in IFRS 17.

In addition to the adoption of IFRS 17, the Company applied IFRS 9 “Financial Instruments” from 1st January 2023. The main change introduced by IFRS 9 is the reclassification of equities from Fair Value through Other Comprehensive Income (FVOCI) to Fair Value through Profit or Loss (FVTPL). Furthermore, the debt instruments that either do not form part of a “hold to collect” or “hold to collect and sell” business model i.e. are “held for trading” or which fail the SPPI (Solely Payments of Principal and Interest) test, are also classified as FVTPL. In addition to the changes in the classification and measurement of the financial assets, the Company recognises Expected Credit Losses (ECL) for the

financial assets measured at Amortised Cost (AC) or FVOCI, using the simplified and general approach respectively.

Amidst all the developments of 2023, the Company managed to increase its net asset position and its Solvency Ratio. The growth recorded in insurance revenue is a clear reflection of how solid the Company is. The superiority of the Company in terms of service and innovation, as well as adaptability, is also evident.

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, as amended, 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 the structure and composition of BoD committees, responsibilities of those committees and details of the processes used to manage risks of 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 2023 hereafter referred to as the “**valuation date**”.

All quoted results are in Euros (€).

This is the sixth SFCR. The previous SFCR was produced as at the 31st of December 2022 hereafter referred to as the “**previous valuation date**”.

A summary of the Report is provided below.

- **Business Performance**

The underwriting profit/ insurance service result of the Company as at the valuation date, which incorporates the IFRS 17 “Insurance contracts” changes, is as follows:

	€'000 2023					
	Motor	Property	Medical	Liability	Other	Total
Gross Written premium	28,208	10,181	3,861	8,220	1,083	51,553
Net Earned Premium	24,236	2,984	3,624	7,321	546	38,711
Net Claims incurred	(15,691)	(530)	(1,538)	(593)	(133)	(18,485)
Net Commissions and Acquisition Costs	(6,057)	337	(482)	(1,287)	(41)	(7,530)
Administrative Expenses	(4,046)	(1,450)	(573)	(1,244)	(164)	(7,477)
Underwriting profit/ Insurance service result	(1,558)	1,341	1,031	4,197	208	5,219

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

	€ '000 2023
Interest income from Government bonds	49
Interest income from Corporate bonds	455
Interest income from Bank deposits	58
Dividend income from Equity shares	61
Rental income from Investment properties	1,625
Profit on sale of Equity shares	217
Loss on sale of Government bonds	(2)
Loss on sale of Corporate bonds	(212)
Change in the fair value of Investment properties	1,331
Change in the fair value of investments at fair value through profit and loss - Government bonds	2
Change in the fair value of investments at fair value through profit and loss - Corporate bonds	1
Change in the fair value of investments at fair value through profit and loss - Equity shares	410
Net credit impairment losses on Government bonds	1
Net credit impairment losses on Corporate bonds	28
Net credit impairment losses on Cash and Bank deposits	20

Total net investment income	4,044
Tax on interest income	(7)
Investment portfolio advisory fees	(58)
Investment portfolio custody fees and other transaction costs	(54)
Expenses for Investment properties	(153)
Defence on rental income	(31)
Total costs	(303)

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 comprising six non-executive members and one executive member.

The BOD has established the following Board Committees:

- Risk Committee
- Audit Committee
- Nomination, Remuneration and Corporate Governance 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.

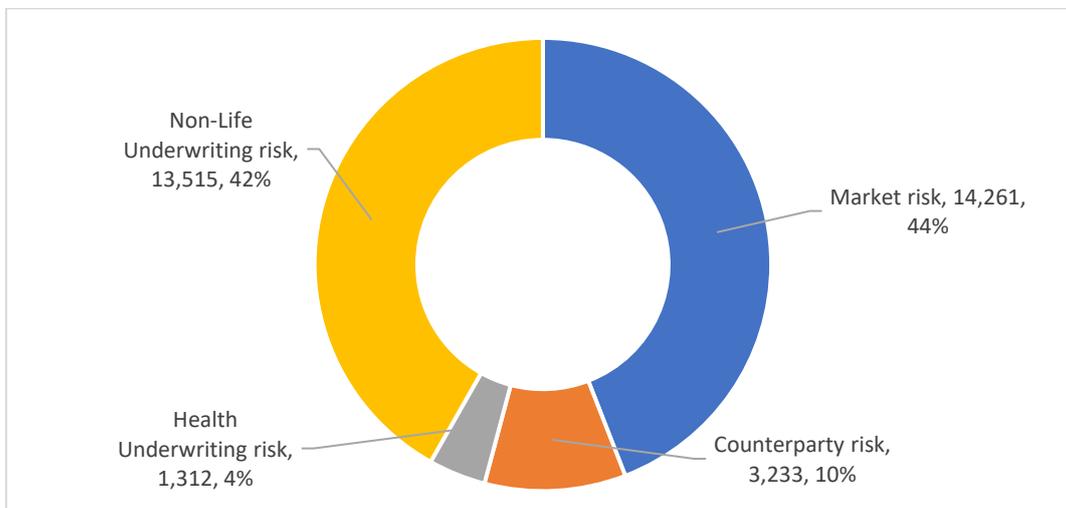
The System of governance of the Company is further analysed in section B of this Report.

- **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 2023



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 €106.8M on an IFRS basis and €104.1M on a SII basis. The total difference of €2.7M in the value of assets between the two bases is fully explained by the exclusion of “Other Intangible Assets” and the revaluation of the “Reinsurance Contracts Asset”.

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 2023

Item	2023 €'000
IFRS Liabilities	51,640
Less Release of UPR	-9,407
Plus Deferred Acquisition Cost	5,410
Plus Discounting Effect	-644
Plus Risk Margin – Less Risk Adjustment	-330
SII Technical provisions	46,669

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 1.8 times. Under SII, available capital is referred to as “Own Funds”.

The exact coverage ratio of the Company is 184% as at the valuation date and this is analysed as follows:

Table 0-3: SCR coverage ratio 2023

		€ '000 31/12/2023	Calculation
(a)	Assets	104,120	
(b)	Liabilities	63,355	
(c)	Available capital (Own Funds)	40,785	(a) – (b)
(d)	Capital Requirements (SCR)	22,210	
(e)	Free Surplus	18,575	(c) – (d)
(f)	Coverage ratio	184%	(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 their licences to undertake insurance business in Cyprus. As at the valuation date, the MCR of the Company was determined to be €7.35m which means that the Company needs to have at least €7.35m of available capital (own funds) to retain its licence to undertake insurance business in Cyprus. Given the Company’s available capital is at a level of €40.78m, the Company can cover its minimum capital requirement by approximately 5.6 times.

The actual minimum capital coverage ratio is 555% and this is analysed as follows:

Table 0-4: MCR coverage ratio 2023

		'000 31/12/2023	Calculation
(a)	Linear Minimum Capital Requirement	7,347	
(b)	Available capital (Own Funds)	40,785	
(c)	Solvency Capital Requirements (SCR)	22,210	
(d)	Minimum Capital Requirement cap	9,994	45% x (c)
(e)	Minimum Capital Requirement floor	5,552	25% x (c)
(f)	Minimum Capital Requirement absolute floor	4,000	Defined by Regulation
(g)	Final Minimum Capital Requirement	7,347	
(h)	Minimum Capital Requirement Coverage	555%	(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 2023

Code	Template name
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
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 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
43 Demostheni Severi Avenue
CY-1080, Nicosia,
Cyprus**

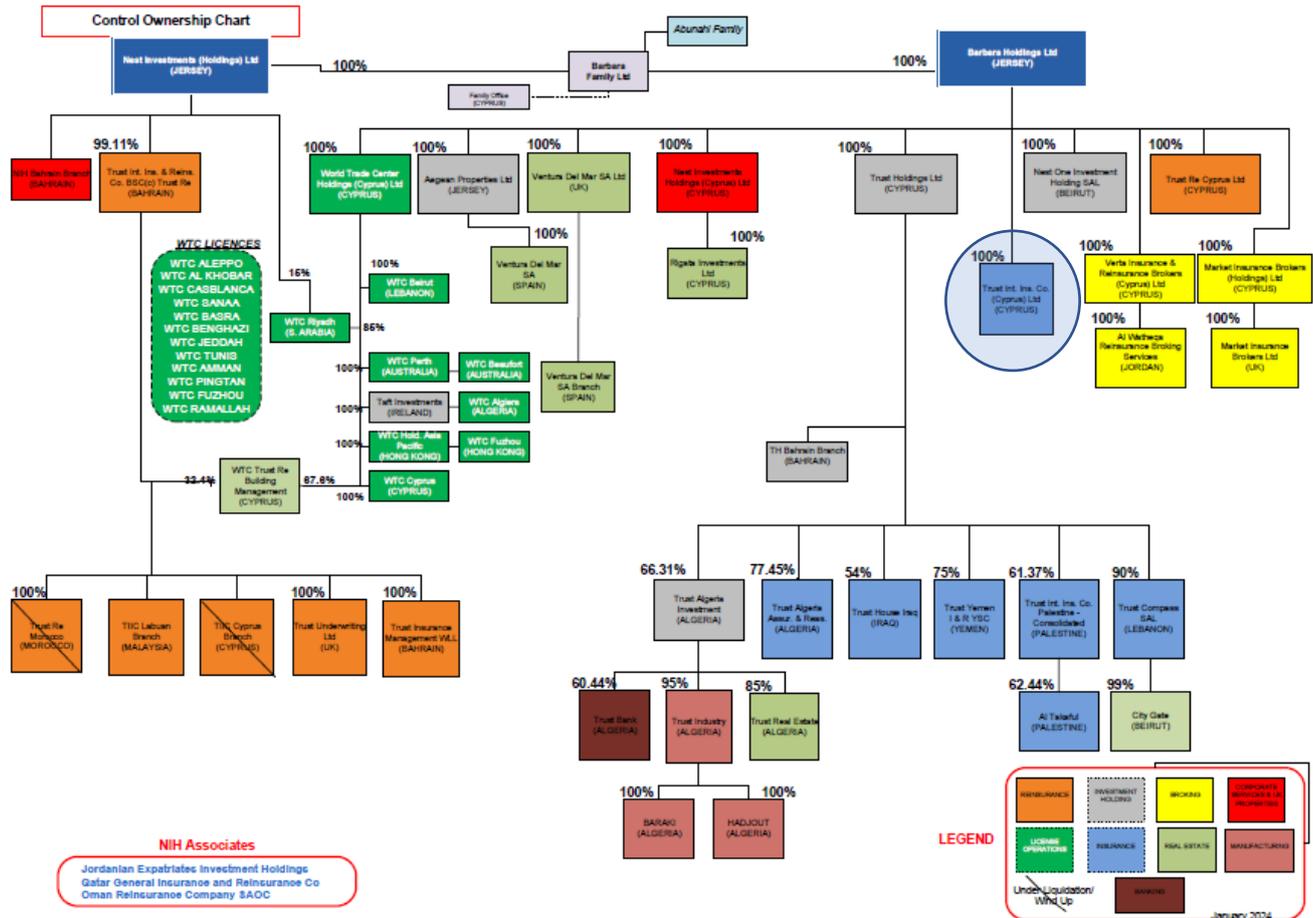
A.1.d. Description of the holders of qualifying holdings

The Company is controlled by Barbara Holdings Ltd, incorporated in Jersey, which owns 100% of the Company's shares. The Company's ultimate controlling party is Barbara Foundation.

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

The Company is a subsidiary of Barbara Holdings Ltd. The diagram below, shows the position of the Company in the Group.

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.

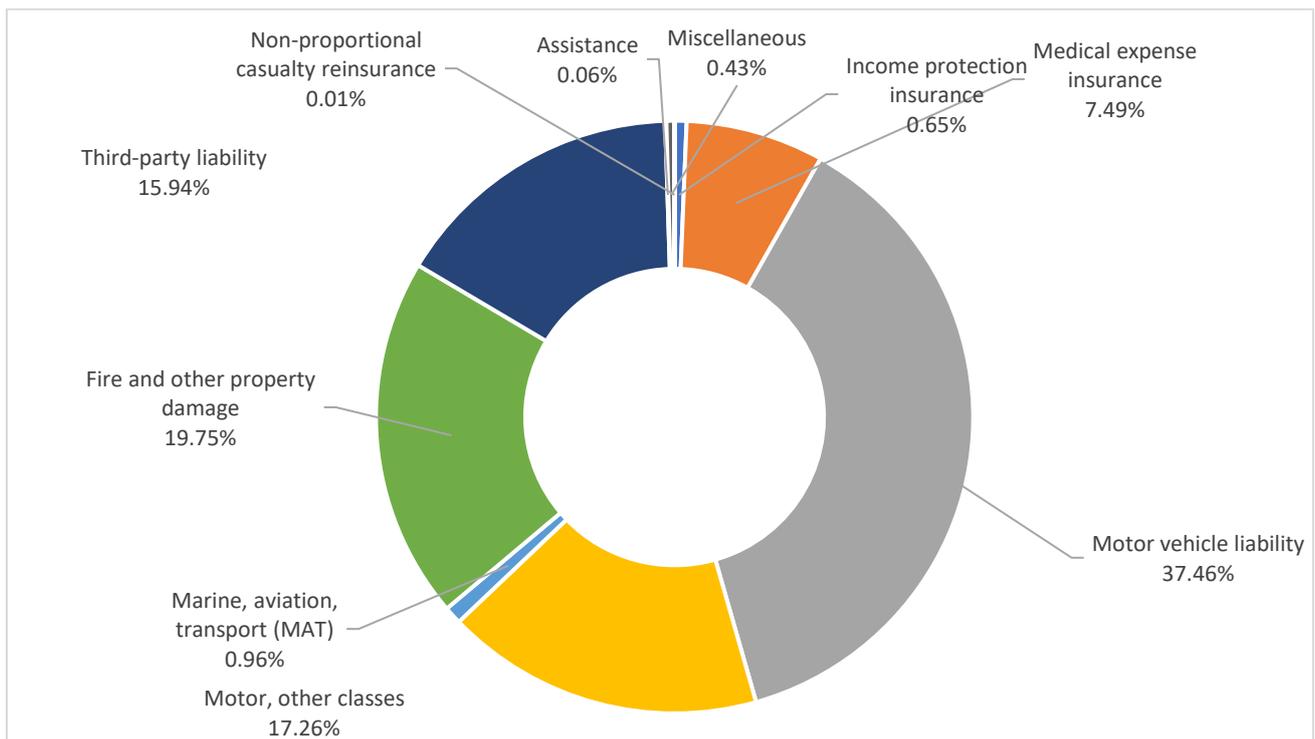
- **Marine policies** - Marine Hull policies provide cover for private use yachts only. Marine Cargo cover is also provided for goods in transit via sea, air or land.

The Written Premium per line of business for 2023 is provided below:

Table A-1: 2023 – Gross Written Premium by SII LoB

Segment	Gross	Reinsurance	Net
Income protection insurance	334	52	282
Medical expense insurance	3,861	229	3,632
Motor vehicle liability	19,311	1,001	18,310
Motor, other classes	8,897	1,129	7,768
Marine, aviation, transport (MAT)	495	315	180
Fire and other property damage	10,181	6,814	3,367
Third-party liability	8,216	447	7,769
Assistance	32	25	7
Miscellaneous	222	105	117
Non-proportional casualty reinsurance	4	0	4
Total	51,553	10,117	41,436

Figure A-2: 2023 – Gross Written Premium



During 2022 the written premiums (reported in the previous SFCR) were as follows:

Table A-2: 2022 – Gross Written Premium by SII LoB

Segment	Gross	Reinsurance	Net
Income protection insurance	314	56	258
Medical expense insurance	3,854	249	3,605
Motor vehicle liability	16,630	349	16,281
Motor, other classes	7,385	946	6,439
Marine, aviation, transport (MAT)	432	261	171
Fire and other property damage	8,438	5,502	2,936
Third-party liability	7,262	336	6,926
Assistance	29	12	17
Miscellaneous	224	126	98
Non-proportional casualty reinsurance	3	0	3
Total	44,571	7,837	36,734

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

2023 has been another challenging year for our Company.

Russia's war in Ukraine, which began in February 2022, caused challenges on a global scale, which included supply-chain disruptions, soaring inflation and high energy prices. The increases in oil and electricity prices, pushed the prices of other goods upwards, which reduced the purchasing power of consumers, affecting all social classes, but especially the most vulnerable groups of the population. Additionally, the increase in interest rates by the ECB has led to an increase in lending rates in Cypriot banking institutions, which propelled the profitability of the Banks. The increase in the non-performing loans has slowed down comparing to previous years. The Cypriot economy experienced a satisfactory growth rate of 2,5% in 2023, higher than the 0,5% average for European Union, mainly due to the good performance of the tourism sector, the positive economic impact of foreign companies relocating to Cyprus and the country's limited dependency on natural gas compared to other European nations. Additionally, Cyprus' long-term credit rating has been upgraded to BBB with a positive outlook.

Further to the above, the conflict in the neighbourhood between Israel and Hamas in the Gaza strip in Palestine which begun in October 2023, has led to a situation that remains unstable.

The new insurance system, which was implemented by the Company at the beginning of 2021, continued to cause challenges to the management and staff during 2023, and has also caused a temporary increase in administrative expenses. The benefits in relation to the automations resulting from the implementation of this large project, as well as the reduction in administrative expenses, are expected to be experienced in the following years.

The adoption of IFRS 17 "Insurance Contracts from 1st January 2023, with retrospective adjustment from 1st January 2022, has brought further challenges to the Company, due to the significant investment required in systems and human resources. IFRS 17 has also affected adversely the profitability of the Company for 2023, mainly due to the decrease in the interest rates comparing to 2022.

In addition to the adoption of IFRS 17, the Company applied IFRS 9 "Financial Instruments" from 1st January 2023. The main change introduced by IFRS 9 is the reclassification of equities from Fair Value through Other Comprehensive Income (FVOCI) to Fair Value through Profit or Loss (FVTPL). Furthermore, the debt instruments that either do not form part of a "hold to collect" or "hold to collect

and sell” business model i.e. are “held for trading” or which fail the SPPI (Solely Payments of Principal and Interest) test, are also classified as FVTPL. In addition to the changes in the classification and measurement of the financial assets, the Company recognises Expected Credit Losses (ECL) for the financial assets measured at Amortised Cost (AC) or FVOCI, using the simplified and general approach respectively.

Amidst all the developments of 2023, the Company managed to increase its net asset position and its Solvency Ratio. The growth recorded in insurance revenue is a clear reflection of how solid the Company is. The superiority of the Company in terms of service and innovation, as well as adaptability, is also evident.

1.2. Underwriting Performance

The table below, provides an analysis of the underwriting profit/ insurance service result of the Company as at the valuation date, which incorporates the IFRS 17 “Insurance contracts” changes:

Table A-3: Underwriting profit 2023

	€'000 2023					
	Motor	Property	Medical	Liability	Other	Total
Gross Written premium	28,208	10,181	3,861	8,220	1,083	51,553
Net Earned Premium	24,236	2,984	3,624	7,321	546	38,711
Net Claims incurred	(15,691)	(530)	(1,538)	(593)	(133)	(18,485)
Net Commissions and Acquisition Costs	(6,057)	337	(482)	(1,287)	(41)	(7,530)
Administrative Expenses	(4,046)	(1,450)	(573)	(1,244)	(164)	(7,477)
Underwriting profit/ Insurance service result	(1,558)	1,341	1,031	4,197	208	5,219

The above analysis is based on the results as reported in the Company’s financial statements.

The Company’s written premium is €51.6m for 2023 compared to €44.6m for 2022. All lines of business have increased compared to last year. The net claims incurred (including IBNR and claims handling reserves) amounted to €18.5m during the year compared to €15.9m during 2022. The net claims ratio has increased comparing to 2022 mainly due to higher motor claims, the net commission ratio has increased slightly and the net administration expenses ratio has remained the same. As a result, the underwriting profit or insurance service result for the year decreased to €5.2m comparing to €5.5m for 2022.

All lines of business showed underwriting profits except motor which showed underwriting losses because of higher claims.

The table below, provides an analysis of the underwriting profit/ insurance service result of the Company as at the previous valuation date, which incorporates the IFRS 17 “Insurance contracts” changes:

Table A-4: Underwriting profit 2022

	€ '000 2022					
	Motor	Property	Medical	Liability	Other	Total
Gross Written premium	24,015	8,438	3,854	7,262	1,000	44,569
Net Earned Premium	21,359	2,736	3,521	6,650	485	34,751
Net Claims incurred	(12,048)	(413)	(1,373)	(2,021)	(76)	(15,931)
Net Commissions and Acquisition Costs	(5,249)	325	(489)	(1,116)	(15)	(6,544)
Administrative Expenses	(3,594)	(1,290)	(600)	(1,135)	(157)	(6,776)
Underwriting profit/ Insurance service result	468	1,358	1,059	2,378	237	5,500

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 under IFRS 9 2023

	€ '000 2023
Interest income from Government bonds	49
Interest income from Corporate bonds	455
Interest income from Bank deposits	58
Dividend income from Equity shares	61
Rental income from Investment properties	1,625
Profit on sale of Equity shares	217
Loss on sale of Government bonds	(2)
Loss on sale of Corporate bonds	(212)
Change in the fair value of Investment properties	1,331
Change in the fair value of investments at fair value through profit and loss - Government bonds	2
Change in the fair value of investments at fair value through profit and loss - Corporate bonds	1
Change in the fair value of investments at fair value through profit and loss - Equity shares	410
Net credit impairment losses on Government bonds	1
Net credit impairment losses on Corporate bonds	28
Net credit impairment losses on Cash and Bank deposits	20
Total net investment income	4,044
Tax on interest income	(7)
Investment portfolio advisory fees	(58)
Investment portfolio custody fees and other transaction costs	(54)
Expenses for Investment properties	(153)
Defence on rental income	(31)
Total costs	(303)

Table A-6: Income and losses arising by asset class under IAS 39 2022

	€ '000 2022
Interest income from Government bonds	58
Interest income from Corporate bonds	336
Dividend income from Equity shares	52
Rental income from Investment properties	1,320
Profit on sale of Equity shares	128
Loss on sale of Government bonds	(10)
Loss on sale of Corporate bonds	(79)

Change in the fair value of Investment properties	798
Change in the fair value of investments at fair value through profit and loss - Equity shares	(13)
Total income	2,590
Tax on interest income	(7)
Liquidity fees for deposits with Banks	(47)
Investment portfolio advisory fees	(60)
Investment portfolio custody fees	(22)
Expenses for Investment properties	(141)
Defence on rental income	(27)
Total costs	(304)

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

Table A-6: Gains and losses recognised directly in equity under IFRS 9 2023

	€'000 2023
Revaluation of property (land and buildings)	149
Deferred tax liabilities on revaluation of property	(124)
Change in the fair value of investments at fair value through other comprehensive income - Government bonds, Corporate bonds	669
Transfer to the income statement on sale of investments at fair value through other comprehensive income - Government bonds, Corporate bonds	161
Net credit impairment losses on investments at fair value through other comprehensive income - Government bonds, Corporate bonds	70
Net gains	925

Table A-7: Gains and losses recognised directly in equity under IAS 39 2022

	€'000 2022
Revaluation of property (land and buildings)	50
Deferred tax liabilities on revaluation of property	27
Change in the fair value of investments available for sale - Government bonds, Corporate bonds, Equity shares	(2,215)
Transfer to the income statement on sale of investments available for sale	151
Net losses	(1,987)

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

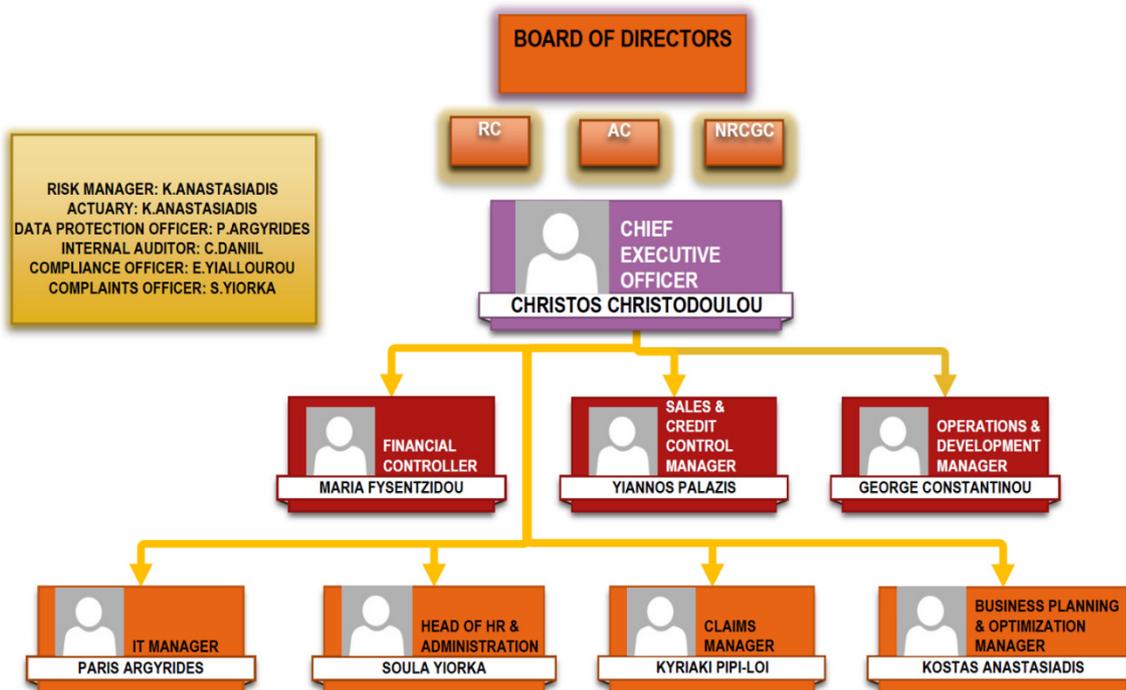
B.1.a. Structure of Administrative and Management Body

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 the overall responsibility for the 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 supervisory oversight 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 comprises of the following members:

- Chris Georghiades – Chairman
- Kamel Abu Nahl – Deputy Chairman
- Kyriacos Kazamias – Director
- Andreas Constantinides – Director
- Marios Hadjiyiannakis – Director
- Christos Christodoulou – Chief Executive Officer

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, Remuneration and Corporate Governance Committee

The Nomination, Remuneration and Corporate Governance Committee (NRCGC) is a committee of Non-Executive Directors serving as members of the BOD. The primary functions of the NRCGC 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 NRCGC 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 NRCGC and where necessary, arrange briefing for the members of the NRCGC 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 NRCGC'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

None

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
 - Business Planning and Optimization 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 Propriety

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 limits / 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 management 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 defence 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

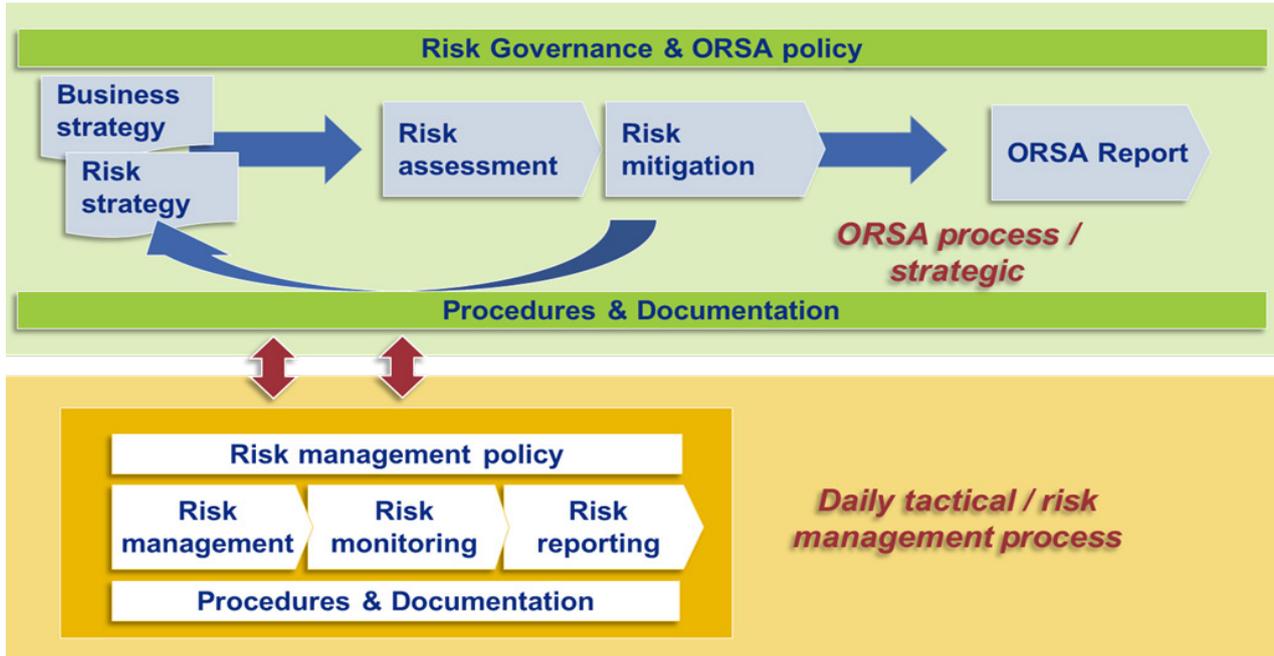
Body / Function	Roles in the Risk Management Framework
BOD	<ul style="list-style-type: none"> The responsibility for the approval and periodic review of the risk profile and risk appetite, as well as the risk strategy and the policies for managing risks, lies with the BOD, so as to ensure that the BOD 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 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 specialized 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
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 • Calculation of all the relevant Capital Requirements and other results of the ORSA exercise • Preparation 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 the Best Estimate Liability Results to use in the ORSA • Calculation of other 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

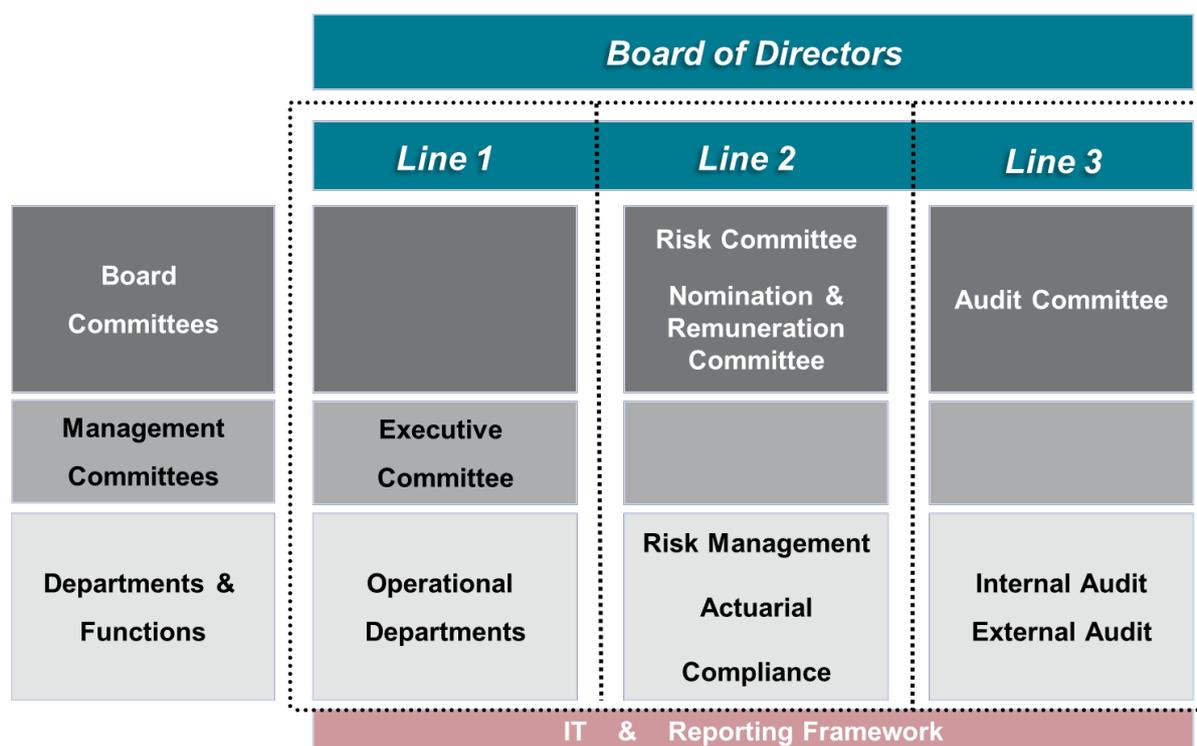
The Company assesses the appropriateness of the standard formula calculation of the SCR. This confirms that the risk profile does not materially deviate from the assumptions underlying the standard formula calculation of the SCR and provides justification for any residual deviations.

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 defence 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 defence 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

As from 2023, the Actuarial Function of the Company has been setup internally and is led by the Head of the Actuarial and Risk Management Function who is an associate member of the Institute and Faculty of Actuaries in the UK and is an Approved Person as per the SII requirements.

The team is responsible to support the business and meet the requirements of the Actuarial Function. 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 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
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 and 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:

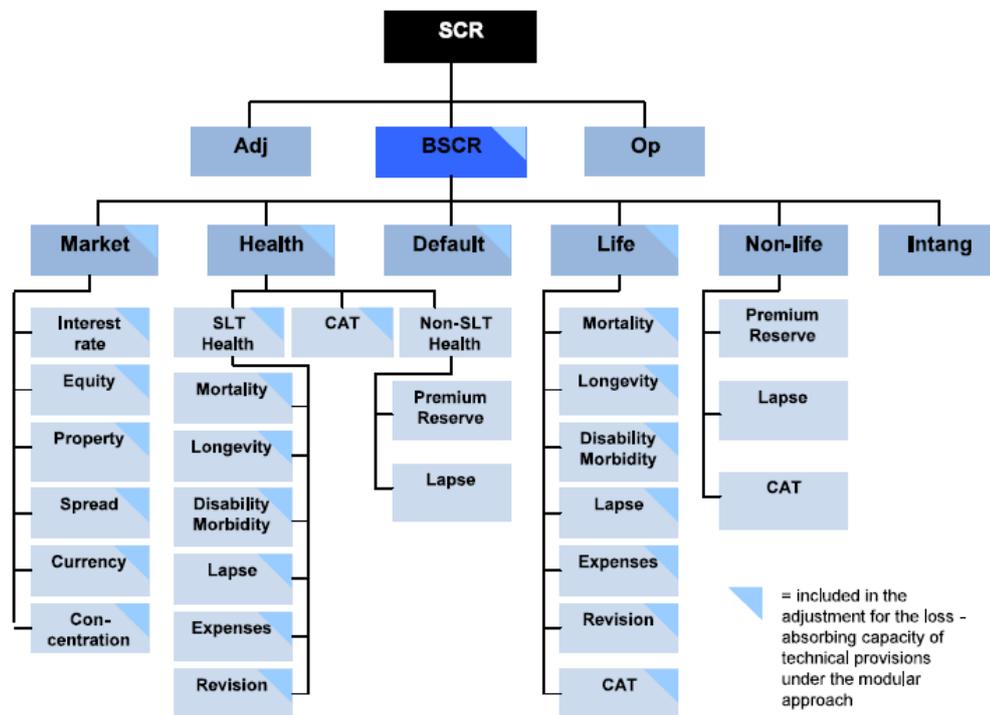
- Risk Identification
- Risk Measurements
- Risk Monitoring and Reporting
- Risk Mitigation

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:



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.

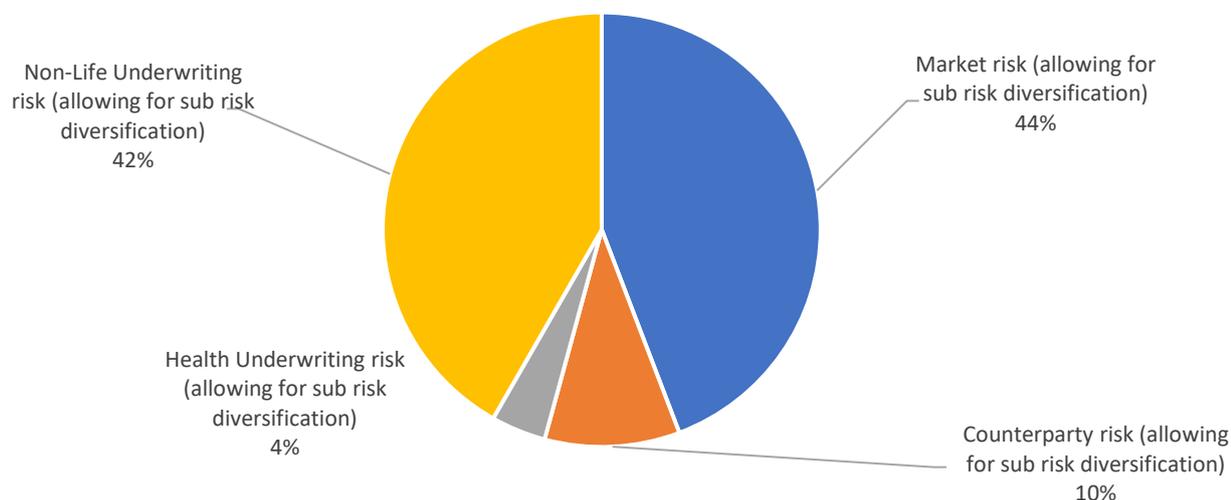
Monitoring risk exposures is undertaken in the context of the overarching limit structure, and any limit breaches are quickly and promptly escalated to the required parties.

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 extent 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 2023



The table below shows a comparison between the risk profile of the Company for years 2023 and 2022:

Table C-1: Company Risk Profile 2023 v/s 2022

Risk allocation	%	
	31/12/2023	31/12/2022
Market risk (allowing for sub risk diversification)	44%	42%
Counterparty risk (allowing for sub risk diversification)	10%	11%
Health Underwriting risk (allowing for sub risk diversification)	4%	5%
Non-Life Underwriting risk (allowing for sub risk diversification)	42%	42%

The allocation of the risk capital into the above categories for years 2022 and 2023 shows that the Company risk profile has remained broadly the same with an increase in the market risk, and a corresponding decrease in counterparty risk due to reduced exposure in current accounts.

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

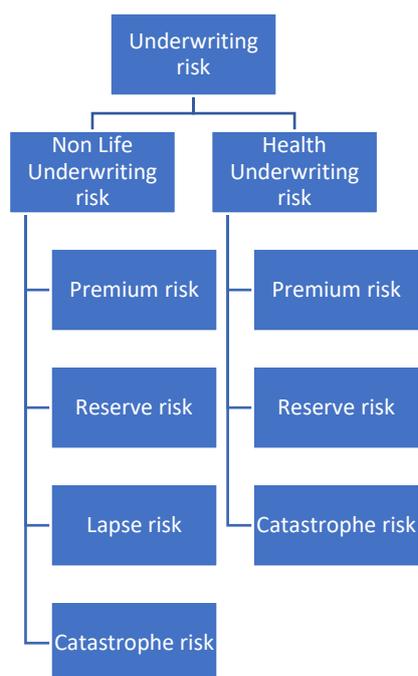
Risk Sensitivity of other material risks in analysed in a separate section at the end of Section C.

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

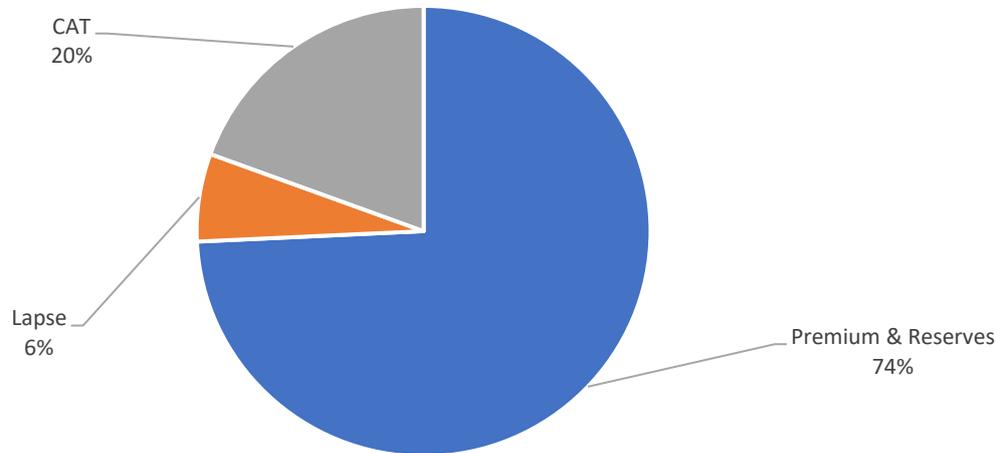


This includes an assessment of the risks resulting from:

- **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 2023



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 2023 and 2022:

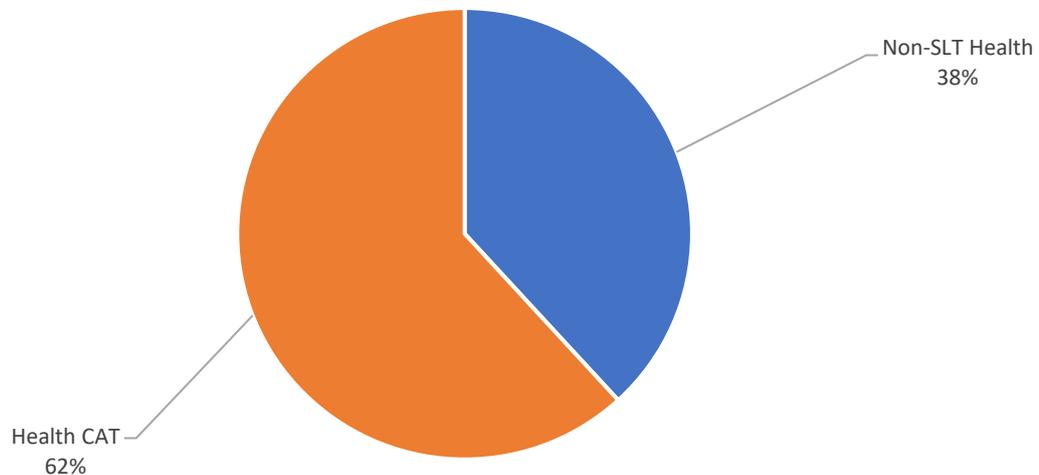
Figure C-4: Non-Life Underwriting Risk allocation of Risk Capital 2023 v/s 2022

Risk allocation	%	
	31/12/2023	31/12/2022
Premium & Reserves	74%	77%
Lapse	6%	7%
CAT	20%	16%

The allocation of the risk capital into the above categories for years 2023 and 2022 shows that there is an increase in Cat Risk due to increased exposure in Earthquake Catastrophe event.

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

Figure C-5: Health Underwriting Risk allocation of Risk capital 2023



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 2023 and 2022:

Figure C-6: Health Underwriting Risk allocation of Risk Capital 2023 v/s 2022

Risk allocation	%	
	31/12/2023	31/12/2022
Non-SLT Health	38%	39%
Health CAT	62%	61%

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

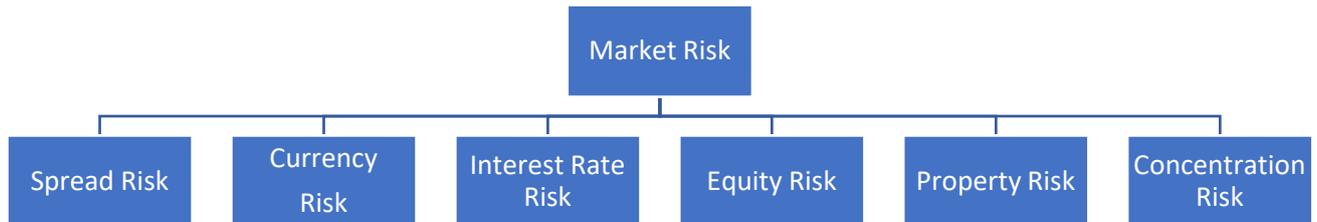
- Setting strict pricing guidelines relevant to each line of business
- Employing strict approval and underwriting authorities
- Employing underwriting guidelines, procedures & authority matrices
- Monitoring of accumulations by cresta zone, geographic locations etc.
- Reviewing of the coverage provided 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.

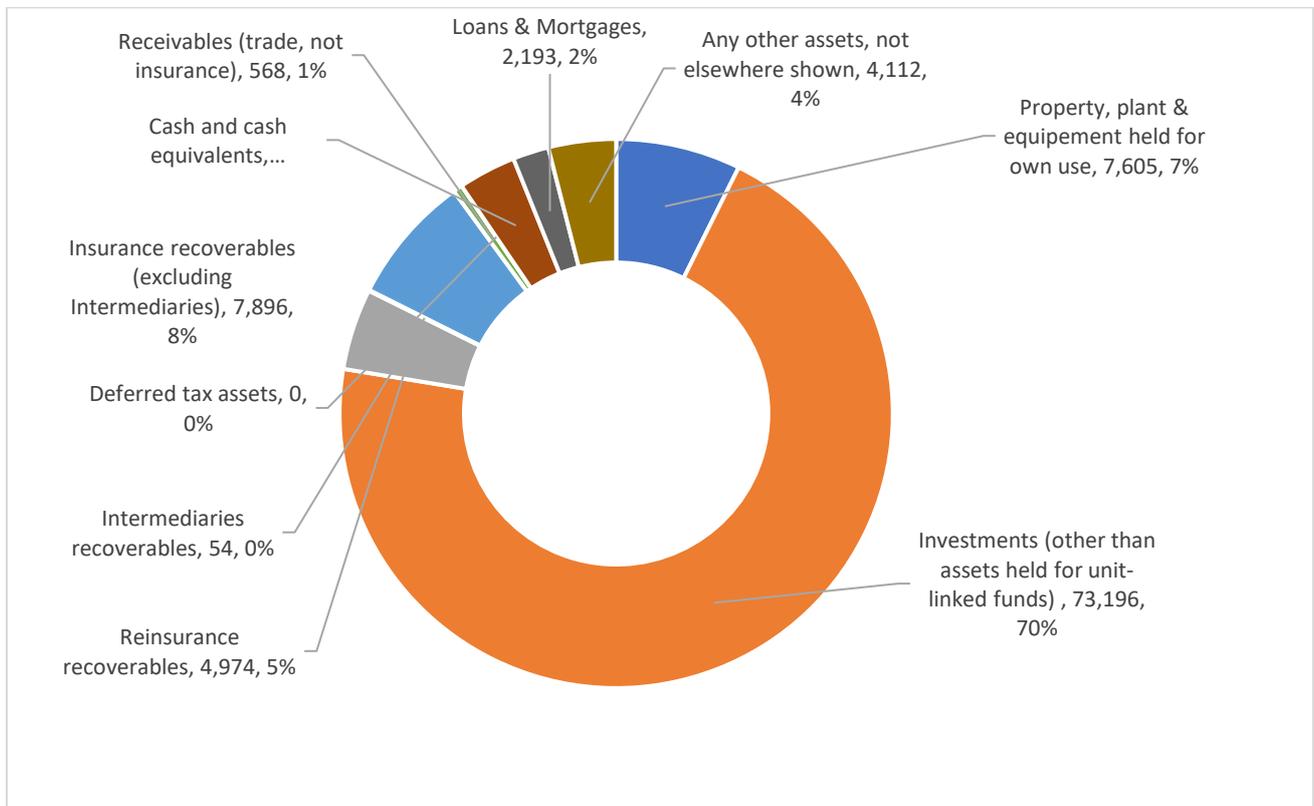
The Company assesses Market Risk using the standard formula part of Solvency II dealing with Market Risk:



Based on the type of assets the Company invests in, it is exposed to Market Risk. The total Company asset exposure is €104.12M on a SII basis.

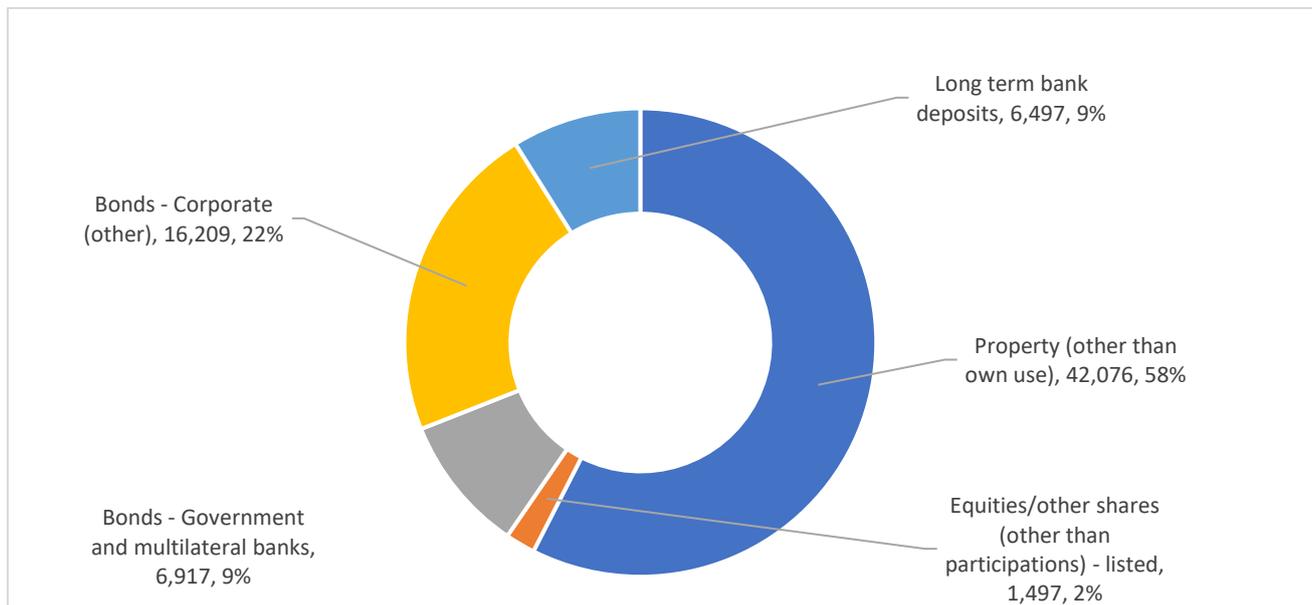
This is allocated as follows (all monetary figures are in million euros):

Figure C-7: Asset Portfolio 2023



Investments make up the 70.3% of the total assets and is analysed as follows:

Figure C-8: Analysis of Investments (Other than Unit Linked) 2023

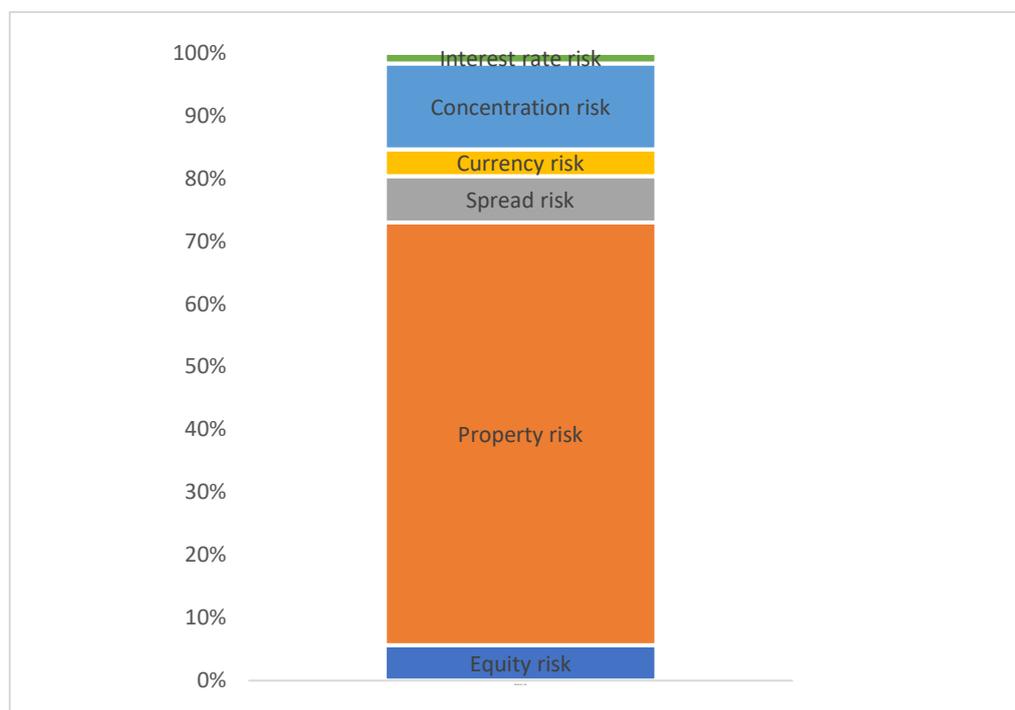


To assess Market Risk the Company is using the standard model of Solvency II. This includes an assessment of the capital requirements resulting from:

- 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 Concentration risk and Property risk:

Figure C-9: Market Risk Profile 2023



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 and the WTC building in Limassol.

The table that follows provides a comparison of the Market risk profile of the Company for years 2023 and 2022:

Figure C-10: Market Risk allocation of Risk Capital 2023 v/s 2022

Risk allocation	%	
	31/12/2023	31/12/2022
Interest rate risk	1%	1%
Equity risk	6%	7%
Property risk	68%	65%
Spread risk	7%	9%
Currency risk	4%	7%
Concentration risk	14%	11%

To manage market risk the Company invests 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.

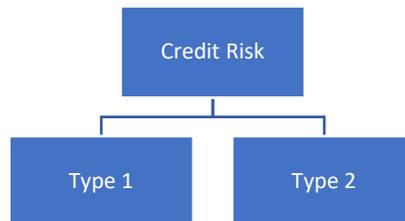
The BOD of the Company approves the Company's Risk Appetite which sets out the risk appetite for Market Risk.

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 2023

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.

		<p>Discussion meetings with Senior Managers to design any updates to the HR policies and procedures.</p> <p>Time Attendance Handbook is provided to new employees upon their recruitment.</p> <p>Rules & Regulations handbook is provided to any new employee regarding the HO premises use.</p> <p>The General Data Protection Regulation document is submitted to employees upon their recruitment.</p>
Health and Safety risks to people	Health and Safety risks at work or abroad including medical situations, emergencies, civil unrest, political reasons	<p>Health and Safety Policy and Manual in place.</p> <p>Emergency and Evacuation Procedures Manual in place with testing and training taking place.</p> <p>Medical examinations are performed as per recruitment procedure.</p>
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.	<p>Functional/Executive Investment Committee in place.</p> <p>Authority and Approval Guidelines in place.</p> <p>Preparation of regular investment reports in comparison with the investment policy submitted to Investment Committee.</p> <p>Formalization of Investment policy in line with Solvency II.</p> <p>An agreement with an Investment Consultant is in place.</p>
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	<p>2 different internet service providers for connectivity redundancy with wireless data option.</p> <p>Redundant firewall, redundant switches backup UPS that prevent downtime. Load balancer switches to operate connection in case of failure.</p> <p>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.</p>
Recruitment of low quality agents	Risk of recruitment of low quality agents, leading to reputational damage, underwriting losses, credit losses, etc.	<p>Documented recruitment procedure including recruitment proposal form. Final approval for agents' recruitment from Business Development Manager and CEO.</p> <p>Involvement of Credit Control Manager and Operation Manager during the selection process of agents.</p>
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, heterogenous exposure portfolio, terms and conditions not in line with applicable laws and regulations	<p>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.</p> <p>Non-standard terms and conditions are approved by the Operations Manager and are reviewed by the legal department.</p> <p>Terms and conditions codes are included for each policy in the Company's insurance system to ensure consistency upon policy issuance.</p> <p>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.</p> <p>System premium automation for non-motor. It exists for motor policies only. This will be implemented in the new insurance system.</p>
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	<p>Audit Committee reviews progress of the IA plan implementation.</p> <p>Quarterly status progress of the IA yearly plan is reported to the Audit Committee.</p>

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 2023 ORSA report:

Table C-3: Stress tests 2023

Scenario	Scenario Name	Scenario Description	Scenario Risk
0	Basic	Basic Scenario	SII Standard Formula
1	Drop in Property value	Reduction of the market value of the Company's property assets	Market Risk
2	Drop in Equities' value	Reduction of the market value of equities	Market Risk
3	Drop in Corporate Bonds' Value	Bond value decrease of 15% and decrease in the credit ratings of Bond Issuers by 2 credit Steps	Market Risk
4	Downgrade of All Banks	Downgrade All Banks by 2 steps	Credit Risk
5	Deterioration of credit standing of reinsurers	Deterioration of the credit standing of all of the Company reinsurers to Credit Quality step 3	Credit Risk
6	Default of top reinsurer	Default of the top reinsurer of the Company by total exposure	Credit Risk
7	Loss Ratio increase	Deterioration of the Loss Ratio of the Company	Insurance Risk
8	Reserve Deficiencies	0.05	Insurance Risk
9	Increase in company expenses	Increase in the Company's allocated expenses	Insurance Risk
10	Under capacity of XOL EQ treaty	Inadequate reinsurance leading to XOL undercapacity	Insurance Risk
11	Natural Catastrophes	Impact of natural catastrophes	Insurance Risk
12	Written Premium increase	Outperform the business plan	Strategic / Reputational Risk
13	Written Premium reduction	Failure to meet business plan premiums	Strategic / Reputational Risk

14	Cyber Risk	Denial of Service Impact Analysis	Emerging/Insurance Risk
15	Climate Change	Induced Increase in Property and Motor Claims Scenario Analysis	Emerging/Insurance Risk
16	Adverse Claims Scenario	Inadequate reinsurance and Increase in Loss Ratio	Insurance Risk
17	Economic Market Downfall	Decrease in value of investment assets	Market Risk
18	Adverse Operational Scenario	Impact of loss ratio increase, premiums decrease and expense ratio increase	Insurance risk/Strategic

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 €106.83M on an IFRS basis and €104.12M on a SII basis. The total difference of €2.7M 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 2023

Assets	€	€	Difference
	'000	0	
	IFRS	SII	
	31/12/2023	31/12/2023	
Goodwill	0	0	0
Other intangible assets	1,395	0	1,395
Property, plant & equipment held for own use	7,605	7,605	0
Investments (other than assets held for unit-linked funds)	73,196	73,196	0
Loans & Mortgages	2,193	2,193	0
Reinsurance Contract Assets	6,286	4,974	1,312
Intermediaries recoverables	54	54	0
Insurance recoverables (excluding Intermediaries)	7,896	7,896	0
Receivables (trade, not insurance)	568	568	0
Cash and cash equivalents	3,522	3,522	0
Any other assets, not elsewhere shown	4,112	4,112	0
Total assets (excluding other financial sector assets of groups)	106,827	104,120	2,707

D.1.a.1.1 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:

4.1.1.1.2 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.

4.1.1.1.3 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 valuers 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.

4.1.1.1.4 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 2023 in accordance with 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.

4.1.1.1.5 Investments

Financial assets within the scope of IFRS 9, which has been applied on 1st January 2023, are classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income or as financial assets at fair value through profit or loss. The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, as follows:

1. Financial assets at amortised cost (AC): Held for collecting the contractual cash flows; such cash flows should represent Solely Payments of Principal and Interest (SPPI).
2. Financial assets at fair value through other comprehensive income (FVOCI): held for both collecting contractual cash flows and selling. Such cash flows should represent Solely Payments of Principal and Interest (SPPI). The Government and Corporate bonds that pass the SPPI test are classified under this category.
3. Financial assets at fair value through profit or loss (FVTPL): financial assets that either do not form part of a "hold to collect" or "hold to collect and sell" business model. The equities and Government Bonds/ treasury bills which are held for trading are classified under this category as well as the Government and Corporate bonds that fail the SPPI test.

Financial assets are initially recognised on the trade date measured at their fair value plus transaction costs, except for FVTPL where transaction costs are recognised in expenses.

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

Financial assets at amortised cost (AC): After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment (ECL). Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

Financial assets at fair value through other comprehensive income (FVOCI): FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI is explained below. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Financial assets at fair value through profit or loss (FVTPL): assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other interest and similar income when the right to the payment has been established.

Impairment and the calculation of Expected Credit Losses (ECLs)

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company applies the simplified method of IFRS 9 for premiums receivable as they essentially represent the debtors from the Company's main activities. As a result, the Company does not monitor changes in credit risk, but recognises expected credit losses throughout the life of the relevant receivables for each reference period. Premiums receivable from direct clients not individually assessed, are assessed on a collective basis. For this purpose, the Company uses a provision matrix to estimate the relevant provisions, in a way that reflects experience from past events including provisions for their customer's future financial condition and economic environment. For the purpose of calculating the expected credit losses (ECL), the amounts due from direct clients are grouped based on common risk characteristics. The level of grouping is based on several common characteristics. On the basis of the provision matrix, loss parameters are determined, which reflect the expected credit losses, using reasonable and valid information including forward looking information, as appropriate.

The Company's debt instruments comprise solely of quoted bonds, that are mostly graded in the investment grade category (scale 0-3) and somewhat speculative category (scale 4) by Moody's Investors Service Ltd or S&P Global Ratings Europe Limited, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

When estimating the ECLs the Company considers four scenarios (a base case, an upside, a mild downside and a more extreme downside). When relevant, the assessment of multiple scenarios also incorporates the probability that the defaulted loans will cure.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD** The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

- **EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- **LGD** A The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

The Company allocates its assets subject to ECL calculations into one of these categories, determined as follows:

- **12mECL** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the four scenarios, as explained above.
- **LTECL** When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
- **Impairment** B For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

4.1.1.1.6 Deposits other than cash equivalents

Deposits other than cash equivalents consist of cash at banks in term deposits.

4.1.1.1.7 Loans & Mortgages

This category includes a loan to a common control entity which bears interest. The Company applied the general ECL model for the impairment assessment of this balance.

4.1.1.1.8 Reinsurance contract assets

The Company applies the premium allocation approach (PAA) to all reinsurance contracts that it holds, as the coverage period of each contract in the group is one year or less.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of the remaining coverage (ARC) and the incurred claims (AIC), comprising the Fulfilment cash flows related to past service allocated to the group at the reporting date.

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

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

4.1.1.1.9 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. For more details on the ECL assessment of premium receivables refer to note 4.1.1.1.5 above.

4.1.1.1.10 Cash and cash equivalents

Cash and cash equivalents consist of cash (notes and coins) and cash at banks in current accounts.

4.1.1.1.11 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. The Company applied the general ECL model for the impairment assessment of these balances.

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
- the revaluation of the “Reinsurance Contract Assets”

In relation to the evaluation of the Reinsurance recoverable, the SII value (€4.97m) is lower than the IFRS value (€6.28m). The analysis of the difference as this arises from the Technical Provision is shown below:

Table D-3: SII v/s IFRS Reinsurance Asset 2023

Technical Reserves (Reinsurance)	€'000 IFRS 31/12/2023	€'000 SII 31/12/2023	€'000 Difference
Best Estimate	6,204	4,998	-1,206
Premium reserves	2,059	925	-1,134
Unearned Premium Reserve	2,059	3,105	1,046
Unexpired Risk Reserve	0	0	0
future losses/profits	0	-2,134	-2,134
discounting	0	-46	-46
Claims reserves	4,145	4,073	-72
undiscounted	4,245	4,245	0
discounting	-100	-172	-72
Risk Margin/Risk adjustment	81	0	-81
Reins. default adjustment	0	-24	-24
TOTAL	6,285	4,974	-1,311

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 2023

Item	€'000
IFRS Reinsurance Asset	6,286
Less release of reinsurance share of UPR	-1,134
Less Discounting Difference	-73
Less Risk Adjustment	-81
Less Reinsurance Default Adjustment	-24
SII Reinsurance Asset	4,974

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 gross technical provision as at the valuation date for the Company is €46.669m. This is broken down into a gross BEL of €45.491m and a RM €1.178m.

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 31/12/2023

Type	SII Segment	Gross	RM	Gross
		BEL	31/12/2023	TP
		31/12/2023	€'000	31/12/2023
		€'000		€'000
Direct	Income protection insurance	159	4	163
Direct	Medical expense insurance	609	15	624
Direct	Motor vehicle liability	23,864	618	24,482
Direct	Motor, other classes	6,874	178	7,052
Direct	Marine, aviation, transport (MAT)	412	11	423
Direct	Fire and other property damage	4,619	120	4,739
Direct	Third-party liability	8,796	228	9,024
Direct	Assistance	0	0	0
Direct	Miscellaneous	100	2	102
Inwards Proportional	Income protection insurance	0	0	0
Inwards Proportional	Marine, aviation, transport (MAT)	0	0	0
Inwards Proportional	Fire and other property damage	58	2	60
Inwards Non-Proportional	Non-proportional casualty reinsurance	0	0	0
Total		45,491	1,178	46,669

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.

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. Uncertainty from the claims that 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 2023

Liabilities	€'000	€'000
	IFRS	SII
	31/12/2023	31/12/2023
Gross technical provisions – non-life (excluding health)	51,640	45,882
TP calculated as a whole (Best estimate + Risk margin)	51,640	0
Best Estimate	0	44,724
Risk margin	0	1,158
Gross technical provisions - health (similar to non-life)	0	787
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	0	767
Risk margin	0	20
Total	51,640	46,669

Table D-7: SII v/s IFRS Gross Liabilities 2023

Technical Reserves (Gross)	€'000	€'000	€'000
	IFRS	SII	Difference
	31/12/2023	31/12/2023	
Best Estimate	50,132	45,491	4,641
Premium reserves	16,547	12,146	4,401
Unearned Premium Reserve	16,547	21,957	-5,410
Unexpired Risk Reserve	0	0	0
future losses/profits	0	-9,407	9,407
discounting	0	-404	404
Claims reserves	33,585	33,345	240
undiscounted	34,470	34,470	0
discounted	-885	-1,125	240
Risk Margin/Risk adjustment	1,508	1,178	330
Reins. default adjustment	0	0	0
TOTAL	51,640	46,669	4,971

The table below shows that at the valuation date the IFRS liabilities amount to €51,64M and the SII liabilities amount to €46,669M.

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 2023

Technical Reserves (Gross)	€'000 IFRS 31/12/2023	€'000 SII 31/12/2023	€'000 Difference
Total provision after the valuation date	16,547	12,146	4,401
Future Claims		9,641	
Admin expenses		1,866	
Claims management expenses		1,043	
Unearned Premium Reserve	16,547		
Discounting		-404	404
Total provision prior to the valuation date	33,585	33,345	240
O/S claims	30,690	30,690	0
IBNR	3,030	3,030	0
Claim Expenses	750	750	0
Discounting	-885	-1,125	240
Risk Margin/Risk Adjustment	1,508	1,178	330
Total Technical provisions	51,640	46,669	4,971

The €4,971K difference is accounted as follows:

Table D-9: Reconciliation between SII and IFRS liabilities 2023

Type	Results 31/12/2023 €'000
IFRS Liabilities	51,640
Less Release of UPR	-9,407
Plus Deferred Acquisition Cost	5,410
Plus Discounting Difference	-644
Plus Risk Margin Less Risk Adjustment	-330
SII Technical provisions	46,669

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 €3,997K from the premium reserves
2. The discounting difference between IFRS17 and solvency II results in a decrease of €644K in the claim reserves
3. The IFRS methodology for the valuation of technical provisions does not include the Solvency II concepts of the risk margin or transitional measures but the new methodology of risk adjustment

as disclosed in the new standard. The difference of the Risk Margin and the Risk adjustment has a decreasing effect on the IFRS liabilities of €330K.

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 2023

Type	Segment	€	€	€
		'000 SII	'000 SII	'000 SII
		Gross BEL	Net BEL	Reinsurance BEL
		31/12/2023	31/12/2023	31/12/2023
Direct	Income protection insurance	159	80	79
Direct	Medical expense insurance	609	596	13
Direct	Motor vehicle liability	23,864	22,415	1,449
Direct	Motor, other classes	6,873	6,780	93
Direct	Marine, aviation, transport (MAT)	412	145	267
Direct	Fire and other property damage	4,620	1,671	2,949
Direct	Third-party liability	8,796	8,723	73
Direct	Assistance	0	0	0
Direct	Miscellaneous	0	0	0
InProp	Income protection insurance	100	48	52
InProp	Marine, aviation, transport (MAT)	0	0	0
InProp	Fire and other property damage	58	35	23
InNonProp	Non-proportional casualty reinsurance	0	0	0
Total		45,491	40,493	4,998

The total reinsurance BEL includes €24K for Reinsurance default adjustments. If this were to be subtracted from the Reinsurance BEL the total would have been €4,974K rather than €4,998K 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 2023

Liabilities	€	€	Differ- ence
	'000	'000	
	IFRS	SII	
	31/12/2023	31/12/2023	
Cash deposits from reinsurers	1,661	1,661	0
(Re)insurance accounts payable	3,258	3,258	0
Deferred tax liabilities	173	456	-283
Provisions other than technical provisions	155	155	0
Payables (trade, not insurance)	3,123	3,123	0
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	8,014	8,014	0
Total liabilities (excluding other financial sector liabilities of groups)	16,384	16,667	-283

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.

D.3.a.3. 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.

D.3.a.4. Provisions other than Technical Provisions

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

D.3.a.5. 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.6. 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.7. 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.

The only difference in the values of other liabilities between the two bases is the deferred tax liability on the additional net assets arising from the differences between IFRS and Solvency II bases.

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.

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. The satisfactory results of the Company for the year, its strong net asset position and its sound solvency position, do not raise any material uncertainty on 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 war of Russia in Ukraine and the conflict between Israel and Palestine, and the potential impact these 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 war of Russia in Ukraine and the conflict between Israel and Palestine. The ratio of eligible own funds to solvency capital requirement of 184% as at 31 December 2023 is well above the legal capital requirement. Furthermore, the Company has continuing profitability and increasing cash flow position for the past years. Thus, the management continue to adopt the going concern basis of accounting in preparing the annual financial statements for the foreseeable future.

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.

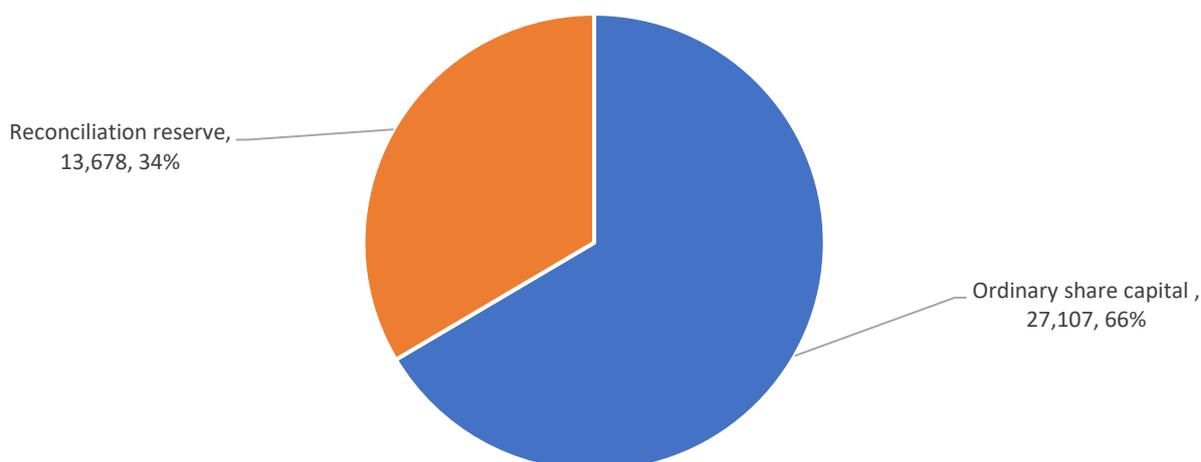
- The Solvency Capital Level must be 105% of all capital requirements at all times and over the business plan period
- The Solvency Capital Level must be 125% of the Pillar 1 Capital Requirement at all times and over the business plan period

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

The total amount of Own Funds as at the valuation date is €40,785m compared to €37,6m in 2022.

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 2023



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

The total amount of Own Funds as at the valuation date is €40,785m, 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 €40,785m 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 €22.21m. The MCR of the Company as at the valuation date was €7.35m.

Table E-1: SCR and MCR results 2023 and 2022

Capital	€	€
	'000	'000
	31/12/2023	31/12/2022
Solvency Capital requirement	22,210	22,175
Minimum Capital Requirement	7,347	6,546

E.2.b. SCR Split by Risk Modules

The Company 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 184% compared to 170% in 2022. This is summarized below:

Table E-2: Coverage ratio for 2023 and 2022

	€	€
	'000	'000
	31/12/2023	31/12/2022
BSCR	23,933	20,903
Operational Risk	1,450	1,272
LACDT	(3,173)	0.00
SCR	22,210	22,175
Available Capital	40,785	37,623
Surplus	18,575	15,448
Coverage	184%	170%

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 2023 and 2022

	€ '000 2023	€ '000 2022
Market risk (allowing for sub risk diversification)	14,261	11,912
Interest rate risk	199	192
Equity risk	1,016	1,116
Property risk	12,183	9,706
Spread risk	1,331	1,382
Currency risk	774	1,054
Concentration risk	2,472	1,593
Counterparty risk (allowing for sub risk diversification)	3,233	3,164
Type 1	1,786	2,263
Type 2	1,670	1,090
Health Underwriting risk (allowing for sub risk diversification)	1,312	1,285
SLT Health (similar to life technique) underwriting risk	0	0
Non-SLT Health	624	624
Health CAT	1,009	978
Non-Life Underwriting risk (allowing for sub risk diversification)	13,515	12,043
Premium & Reserves	12,304	11,203
Lapse	1,044	993
CAT	3,221	2,335
Total Capital Required (allowing for sub risk diversification)	32,321	28,403
Diversification benefit between risk modules	8,388	7,500
BSCR	23,933	20,903
Operational Risk	1,450	1,272
LACDT	3,173	0.00
SCR	22,210	22,175
Available Capital	40,785	37,623
Total capital (per SII balance sheet)	104,120	87,425
Less Total technical provisions	46,669	42,450
Less Other Liabilities	16,666	7,352
Surplus	18,575	15,448
Coverage	184%	170%

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 2023 and 2022

	Euros '000 31/12/2023	Euros '000 31/12/2022
Linear MCR	7,347	6,546
SCR	22,210	22,175
MCR cap (45% of SCR)	9,994	9,979
MCR floor (25% of SCR)	5,562	5,544
MCR absolute floor	4,000	4,000
MCR	7,347	6,546
Coverage	555%	575%

E.2.h. Any material changes 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.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	7,604,880
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	73,195,724
Property (other than for own use)	R0080	42,076,000
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	1,497,394
Equities - listed	R0110	1,497,394
Equities - unlisted	R0120	0
Bonds	R0130	23,125,764
Government Bonds	R0140	6,916,883
Corporate Bonds	R0150	16,208,881
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	6,496,566
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	2,193,163
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	2,193,163
Reinsurance recoverables from:	R0270	4,974,315
Non-life and health similar to non-life	R0280	4,974,315
Non-life excluding health	R0290	4,884,316
Health similar to non-life	R0300	89,999
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	7,949,662
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	568,439
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	3,522,595
Any other assets, not elsewhere shown	R0420	4,111,363
Total assets	R0500	104,120,141

	Solvency II value	
		C0010
Liabilities		
Technical provisions – non-life	R0510	46,669,476
Technical provisions – non-life (excluding health)	R0520	45,882,508
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	44,724,060
Risk margin	R0550	1,158,448
Technical provisions - health (similar to non-life)	R0560	786,968
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	767,098
Risk margin	R0590	19,870
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	154,719
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	1,660,533
Deferred tax liabilities	R0780	455,613
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	2,956,147
Reinsurance payables	R0830	301,436
Payables (trade, not insurance)	R0840	3,122,837
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	8,014,356
Total liabilities	R0900	63,335,117
Excess of assets over liabilities	R1000	40,785,024

S.17.01.02 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance								Accepted non-		Total Non-Life obligation	
		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 health reinsurance		Non-proportional casualty reinsurance
		C0020	C0030	C0050	C0060	C0070	C0080	C0090	C0120	C0130	C0140		C0150
Technical provisions calculated as a whole	R0101	0	0	0	0	0	0	0	0	0	0	0	0
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	R0050	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM													
Best estimate													
Premium provisions													
Gross	R0060	242,072	36,979	6,018,492	2,896,307	88,245	1,599,538	1,241,190	439	22,932	0	0	12,146,194
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	9,179	3,115	156,376	7,559	42,088	694,559	2,113	0	5,925	0	0	920,914
Net Best Estimate of Premium Provisions	R0150	232,893	33,864	5,862,116	2,888,748	46,157	904,979	1,239,077	439	17,007	0	0	11,225,280
Claims provisions													
Gross	R0160	366,452	121,596	17,845,866	3,977,457	323,745	3,078,419	7,554,766	0	76,663	0	0	33,344,964
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	2,979	74,726	1,286,339	85,559	224,085	2,263,700	70,336	0	45,675	0	0	4,053,399
Net Best Estimate of Claims Provisions	R0250	363,473	46,870	16,559,527	3,891,898	99,660	814,719	7,484,430	0	30,988	0	0	29,291,565
Total Best estimate - gross	R0260	608,524	158,575	23,864,358	6,873,764	411,990	4,677,957	8,795,956	439	99,595	0	0	45,491,158
Total Best estimate - net	R0270	596,366	80,734	22,421,643	6,780,646	145,817	1,719,698	8,723,507	439	47,995	0	0	40,516,845
Risk margin	R0280	15,762	4,108	618,138	178,045	10,671	121,169	227,834	11	2,580	0	0	1,178,318
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total													
Technical provisions - total	R0320	624,286	162,683	24,482,496	7,051,809	422,661	4,799,126	9,023,790	450	102,175	0	0	46,669,476
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	12,158	77,841	1,442,715	93,118	266,173	2,958,259	72,449	0	51,600	0	0	4,974,313
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	612,128	84,842	23,039,781	6,958,691	156,488	1,840,867	8,951,341	450	50,575	0	0	41,695,163

S.19.01.21 - Non-Life insurance claims

Accident year / Underwriting year **Z0010** 1Gross Claims Paid (non-cumulative)
(absolute amount)

Development year

Year	0	1	2	3	4	5	6	7	8	9	10&+	In Current year	Sum of years (cumulative)
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100										397,995	R0100	397,995
N-9	R0160	5,583,603	2,566,090	329,230	83,529	214,738	380,787	386,645	131,159	273,565	545,258	R0160	545,258
N-8	R0170	6,254,429	2,118,620	462,469	261,760	237,057	730,077	49,016	182,259	219,296		R0170	219,296
N-7	R0180	7,173,723	2,648,595	437,305	273,475	176,827	222,903	99,296	591,218			R0180	591,218
N-6	R0190	8,608,402	3,286,876	404,570	299,286	278,489	153,989	141,738				R0190	141,738
N-5	R0200	8,664,127	5,508,814	736,826	455,759	444,618	278,295					R0200	278,295
N-4	R0210	10,194,226	3,889,611	1,165,569	375,277	178,312						R0210	178,312
N-3	R0220	8,060,655	3,099,481	974,539	214,089							R0220	214,089
N-2	R0230	7,689,352	4,973,323	925,939								R0230	925,939
N-1	R0240	8,290,694	5,031,047									R0240	5,031,047
N	R0250	9,252,661										R0250	9,252,661
Total	R0260											R0260	17,775,848

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year	0	1	2	3	4	5	6	7	8	9	10&+	Year end (discounted data)	
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
Prior	R0100										563,388	R0100	540,331
N-9	R0160									2,627,244		R0160	2,559,654
N-8	R0170								1,354,568			R0170	1,308,910
N-7	R0180							1,832,459				R0180	1,766,426
N-6	R0190						2,220,805					R0190	2,140,261
N-5	R0200					2,803,981						R0200	2,697,233
N-4	R0210				2,443,359							R0210	2,347,750
N-3	R0220			3,507,475								R0220	3,383,751
N-2	R0230		3,214,033									R0230	3,104,699
N-1	R0240	4,218,612										R0240	4,088,794
N	R0250	9,683,723										R0250	9,407,155
Total	R0260											R0260	33,344,964

S.23.01.01 - Own Funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 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	0	
Preference shares	R0090	0	0	0	0
Share premium account related to preference shares	R0110	0	0	0	0
Reconciliation reserve	R0130	13,678,024	13,836,134	0	0
Subordinated liabilities	R0140	0	0	0	0
An amount equal to the value of net deferred tax assets	R0160	0	0	0	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	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					
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	R0220	0			
Deductions					
Deductions for participations in financial and credit institutions	R0230	0	0	0	
Total basic own funds after deductions	R0290	40,785,024	40,943,134	0	0
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	R0300	0	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	0	
Unpaid and uncalled preference shares callable on demand	R0320	0	0	0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0	0	0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0	0	0	
Letters of credit and guarantees other than under Article 96(2) of the Directive	R0350	0	0	0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0	0	0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0	0	0	0
Other ancillary own funds	R0390	0	0	0	0
Total ancillary own funds	R0400	0	0	0	0
Available and eligible own funds					
Total available own funds to meet the SCR	R0500	40,785,024	40,785,024	0	0
Total available own funds to meet the MCR	R0510	40,785,024	40,785,024	0	
Total eligible own funds to meet the SCR	R0540	40,785,024	40,785,024	0	0
Total eligible own funds to meet the MCR	R0550	40,785,024	40,785,024	0	0
SCR	R0580	22,209,704			
MCR	R0600	7,346,555			
Ratio of Eligible own funds to SCR	R0620	183.636%			
Ratio of Eligible own funds to MCR	R0640	555.158%			

Reconciliation reserve

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

Reconciliation reserve

Expected profits

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

Total Expected profits included in future premiums (EPIFP)

	C0060
R0700	40,785,024
R0710	0
R0720	0
R0730	27,107,000
R0740	0
R0760	13,678,024
R0770	0
R0780	0
R0790	0

S.25.01.21 - SCR – for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
Market risk	R0010	14,260,739	
Counterparty default risk	R0020	3,232,640	
Life underwriting risk	R0030	0	
Health underwriting risk	R0040	1,312,322	
Non-life underwriting risk	R0050	13,515,159	
Diversification	R0060	-8,387,902	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	23,932,958	
Calculation of Solvency Capital Requirement		C0100	
Operational risk	R0130	1,449,561	
Loss-absorbing capacity of technical provisions	R0140	0	
Loss-absorbing capacity of deferred taxes	R0150	-3,172,815	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/4	R0160	0	
Solvency Capital Requirement excluding capital add-on	R0200	22,209,704	
Capital add-on already set	R0210	0	
of which, capital add-ons already set - Article 37 (1) Type a	R0211	0	
of which, capital add-ons already set - Article 37 (1) Type b	R0212	0	
of which, capital add-ons already set - Article 37 (1) Type c	R0213	0	
of which, capital add-ons already set - Article 37 (1) Type d	R0214	0	
Solvency capital requirement	R0220	22,209,704	
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	R0430	0	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0	
Approach to tax rate		C0109	
Approach based on average tax rate	R0590	Yes	
Calculation of loss absorbing capacity of deferred taxes		LAC DT	
LAC DT		C0130	
LAC DT justified by reversion of deferred tax liabilities	R0640	-3,172,815	
LAC DT justified by reference to probable future taxable economic profit	R0650	0	
LAC DT justified by carry back, current year	R0660	-3,172,815	
LAC DT justified by carry back, future years	R0670	0	
Maximum LAC DT	R0680	0	
	R0690	-3,250,000	

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 _{HL} Result	C0010
R0010	7,346,555

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance	R0020 596,366	3,631,932
Income protection insurance and proportional reinsurance	R0030 80,734	282,453
Workers' compensation insurance and proportional reinsurance	R0040 0	0
Motor vehicle liability insurance and proportional reinsurance	R0050 22,421,643	18,309,780
Other motor insurance and proportional reinsurance	R0060 6,780,646	7,767,286
Marine, aviation and transport insurance and proportional reinsurance	R0070 145,816	179,028
Fire and other damage to property insurance and proportional reinsurance	R0080 1,719,699	3,367,840
General liability insurance and proportional reinsurance	R0090 8,723,507	7,769,176
Credit and suretyship insurance and proportional reinsurance	R0100 0	0
Legal expenses insurance and proportional reinsurance	R0110 0	0
Assistance and proportional reinsurance	R0120 439	6,733
Miscellaneous financial loss insurance and proportional reinsurance	R0130 47,995	117,697
Non-proportional health reinsurance	R0140 0	0
Non-proportional casualty reinsurance	R0150 0	4,027
Non-proportional marine, aviation and transport reinsurance	R0160 0	0
Non-proportional property reinsurance	R0170 0	0

Linear formula component for life insurance and reinsurance obligations

MCR _L Result	C0040
R0200	0

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210 0	
Obligations with profit participation - future discretionary benefits	R0220 0	
Index-linked and unit-linked insurance obligations	R0230 0	
Other life (re)insurance and health (re)insurance obligations	R0240 0	
Total capital at risk for all life (re)insurance obligations	R0250	0

Overall MCR calculation

Linear MCR	R0300	7,346,555
SCR	R0310	22,209,704
MCR cap	R0320	9,994,367
MCR floor	R0330	5,552,426
Combined MCR	R0340	7,346,555
Absolute floor of the MCR	R0350	4,000,000
Minimum Capital Requirement	R0400	7,346,555

End of report