HELLENIC LIFE

MEMBER OF HELLENIC BANK GROUP

# SOLVENCY AND FINANCIAL CONDITION REPORT AS AT 31ST DECEMBER 2020

April 2021

# Executive Summary

## Business performance

The principal activities of Hellenic Life Insurance Company Limited are the underwriting of Credit Life, Term Life, Unit Linked, and Health products.

The Company is licensed by the Cyprus Insurance Companies Control Service to underwrite the following insurance classes:

- Life Business: Classes 1, 3 and 4
- Non-Life Business: Class 2

The Company underwrites business in Cyprus.

During the year ended 31 December 2020, the Company wrote €26.6m (2019: €27.2m) of gross premium. Technical profit at €3.6m (2019: €0.8m) and Net profit at €3.9m (2019 €2.6m).

| | 2020 | 2019 |
|---|---|---|
| Balance on Technical Account | €3.6m | €0.8m |
| Investment Income /(Loss) | €0.8m | €2.1m |
| Profit on ordinary activities before tax | €4.4m | €3.0m |
| Tax on profit on ordinary activities | €0.5m | €0.4m |
| Profit for the financial year | €3.9m | €2.6m |

Note: Comparative figures have been adjusted in order to be in-line with the current year disclosure.

On 14 December 2020 the Board has resolved to distribute an interim dividend of €2,315 per share out of 31 December 2018 profits amounting to €2.315.000.

The Company remained focused on the business that it is familiar with and has proven to be profitable historically. This strategy has generated profits in every financial year for the last ten years.

| €'000s | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 13,292 | 12,827 | 11,874 | 11,085 | 10,962 | 11,104 | 11,759 | 12,096 | 27,245 | 26,630 |
| % increase/ (decrease) in revenue | 9.99 | (3.50) | (7.43) | (6.64) | (1.11) | 1.30 | 5.90 | 2.86 | 125 | (2.26) |
| Profit after tax | 4,188 | 5,484 | 3,710 | 3,538 | 3,370 | 2,953 | 2,178 | 3,144 | 2,586 | 3,890 |

The Company has not written any inwards reinsurance contracts.

## Solvency II

Since Solvency II came into force on 1 January 2016 the valuation of the balance sheet and the Solvency Capital Requirement under Solvency II is done periodically by running the standard-formula-based capital model.

In relation to the Solvency II balance sheet, specific valuation rules are defined in Solvency II for several balance sheet items that differ from the Financial Reporting Standards.

Balance sheet of the Company for the year ended 31 December 2020:

| | Statutory accounts | Solvency II |
|---|---|---|
| Total assets | €71.3m | €63.5m |
| Total liabilities, incl. technical provisions | €53.3m | €40.8m |
| Own funds | €18.0m | €22.7m |

The Company enjoys a healthy solvency and capital position as demonstrated in the table below (all figures as at 31st December 2020):

| | |
|---|---|
| Solvency capital requirement (SCR) | €6.7m |
| Minimum capital requirement (MCR) | €6.2m |
| Eligible own funds to cover both SCR and MCR – All Tier 1 | €22.7m |

The Company does not apply any volatility or matching adjustments and does not use any transitional arrangements (neither transitional adjustment to the relevant risk-free interest rate term structure nor transitional measure on technical provisions).

The solvency capital requirement of €6.7m is higher than the regulatory minimum capital requirement €6.2m and as such, the Company holds the solvency capital requirement of €6.7m. The Company is fully compliant with both the solvency capital requirement and the minimum capital requirement and has been during the reporting period.

## System of Governance

The Company has designed a System of Governance (SoG) which it is implementing, in a proportional and proportionate manner. This SoG addresses the following important areas of the Company:

- Terms of Reference for the Board and the Sub-Committees
- Risk Management framework
- Key Functions (Actuarial, Risk, Internal Audit and Compliance)
- Risk Policies for all the main risks
- Risk Appetite Strategy
- Own Risk Self-Assessment (ORSA)
- Fit and Proper procedure
- Scenario and Stress Testing and Reverse Stress Testing
- Outsourcing

## Key risks

Hellenic Life is a life insurance and as such the key risks faced are underwriting and market risk. Underwriting risk is at the core of any insurance company's business model and it is a risk that is actively sought, accepted and appropriately managed. The Company also has a positive appetite for market risk as it is a key driver of the financial performance. The Company seeks to protect itself against all risks faced (including the underwriting and market risk) by applying strong mitigation techniques.

The company assesses its risk and capital requirements using the EIOPA's Solvency II Standard Formula, amongst others.

## Capital management processes

The Company has a capital management process in place which interacts with the risk management Function. The objective of capital management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer.

The Company is sufficiently capitalized and enjoys a healthy solvency position with a solvency ratio of 339%, well above the minimum threshold of 115% set by Insurance Companies Control Services. This is expected to continue in the future, based on the latest Own Risk and Solvency Assessment report.

## Material changes during 2020

On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments (including the Government of Cyprus) have taken increasingly stringent steps to contain and delay the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries.

The Company has activated its business continuity plans and is fully operational. The employees are rotating working from home and from the office with no disturbance to the operations of the Company. The impact on the premium growth and claims has not been significant.

There have been no material changes in the processes, tools, bases, methodologies and assumptions applied by the Company to calculate its financial and regulatory requirements, obligations and reporting. Details of any changes can be found in the individual sections.

## Table of Contents

# 1 Business Performance

## 1.1 Business

### 1.1.1 Name and legal form of undertaking

Hellenic Life Insurance Company Limited

66 Grivas Digenis Avenue

1095 Nicosia

Cyprus

Telephone: 0035722501581

Fax: 0035722450750

Email: life@hellenicbank.com

Private Company Limited by Shares.

The Company's registration number is 115264.

### 1.1.2 Name and contact details of the supervisory authority

Hellenic Life is a Cyprus regulated entity. The contact details of its regulators are:

Superintendent of Insurance

Cyprus Insurance Companies Control Service

Ministry of Finance

P.O. Box 23364, 1682 Nicosia

Cyprus

Telephone: 0035722602990

Fax: 0035722302938

Email: insurance@mof.gov.cy

### 1.1.3 Name and contact details of the supervisory authority of the mother company

The Central Bank of Cyprus

80 John Kennedy Avenue

1076 Nicosia

Cyprus

Telephone: 0035722714100

### 1.1.4 Name and contact details of the external auditor

KPMG Limited

14 Esperidon Street

1087 Nicosia

Cyprus

Telephone: 0035722209000

Fax: 0035722678200

### 1.1.5 Description of the holders of qualifying holdings in the undertaking

Since 23rd December 2019, the controlling party is Hellenic Bank Public Company Limited (100%)

### 1.1.6 Details of the undertaking's position within the legal structure of the group

The Company is exclusively owned by Hellenic Bank Company Ltd.

### 1.1.7 Material lines of business and material geographical areas where the undertaking carries out business

Hellenic Life writes premium only in Cyprus under classes 1, 3 and 4 for Life business and classes 1 and 2 for Non-Life business.

### 1.1.8 Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

No significant internal or external events that could imply a material effect on the Company have occurred over the year ended 31 December 2020.

## 1.2 Underwriting Performance

The following table presents quantitative information on the underwriting performance of the Company for the current and for the previous reporting period as per the financial statements:

| 2020YE €000S | TOTAL | LIFE | UNIT LINKED | A&H |
|---|---|---|---|---|
| Net premium earned | 15,599 | 12,055 | 3,253 | 290 |
| Reinsurance commission income | 871 | 819 | 0 | 52 |
| Net insurance claims & benefits | -4,602 | -1,661 | -2,929 | -12 |
| Total expenses | -8,251 | -6,380 | -1,718 | -153 |
| **UNDERWRITING RESULT** | 3,616 | 4,833 | -1,394 | 177 |

| 2019YE €000S | TOTAL | LIFE | UNIT LINKED | A&H |
|---|---|---|---|---|
| Net premium earned | 13,544 | 10,800 | 2,600 | 144 |
| Reinsurance commission income | 600 | 600 | - | - |
| Net insurance claims & benefits | -5,741 | -2,531 | -3,164 | -46 |
| Total expenses | -7,588 | -6,596 | -868 | -124 |
| **UNDERWRITING RESULT** | 814 | 2,303 | -1,469 | -19 |

Note: Comparative figures have been adjusted in order to be in-line with the current year disclosure.

## 1.3 Investment Performance

During the year ended 31 December 2020, the Company recognised the following net investment income (the comparative values as at 31 December 2019 are also set out):

| €000S | 2020 | 2019 |
|---|---|---|
| Interest income | 96 | 109 |
| Dividend income | 211 | 249 |

| | | |
|---|---|---|
| Net fair value gains/(losses) on financial assets at fair value through profit or loss | 374 | 1,419 |
| Net realised gains/(losses) on disposal | | |
| - Financial assets at fair value through profit or loss | -25 | 209 |
| | **656** | **1,986** |

Investment income for FY2020 has been negatively affected by the Covid-19 pandemic outbreak.

### 1.3.1 Income and expenses arising from investments by asset class

The assets invested by the Company (own funds and customer funds) fall into the following assets classes:

1) **Collective Investment Undertakings: €35.712k (2019: €25.302k)**

   The Company has invested in collective investment undertakings through investments in Exchange Trade Funds (ETFs) which provide access to a diversified pool of financial assets. In the year ended 31 December 2020, the Company received dividend income on these assets of €211 (2019: €249k).

2) **Government Bonds €304k: (2019: €397k)**

   The interest income arising from this investment during the year ended 31 December 2020 is €12k (2019: €15k).

3) **Cash deposits (customer funds): €5.359k (2019: €4.833k)**

   The income arising from cash deposits for the year ended 31 December 2020 totalled €109k (2019: €101k). This amount represents interest received on the bank accounts balances held in Cyprus.

### 1.3.2 Any gains and losses recognised directly in equity

During the year ended 31 December 2020 a net amount of -€NIL (2019: -€NIL) was recognized directly in equity in relation to revaluation of investments held during the year.

### 1.3.3 There are no investment assets in securitisation

### 1.3.4 Performance of other activities

There have been no other significant activities undertaken by the Company other than its insurance and related activities.

### 1.3.5 Other material income and expenses

No other material income or expenses incurred during the year 2020.

## 1.4 Any other information

There are no other material matters in respect to the business or performance of the Company.

# 2 System of Governance

## 2.1 General information on the system of governance

### 2.1.1 The structure of the Board of Directors (BoD)

The membership of the Board is presented below:

Evripides A. Polykarpou, Chairman (appointed on 23 September 2020)

Adamos Savvides

Andreas Papadatos

Demetrios Efstathiou (resigned on 14 October 2020)

Phivos Stasopoulos, (chairman until 6 October 2020)

Marios Kalotychos (appointed on 16 October 2020, resigned on 7 January 2021)

Petros Arsalides (appointed on 28 January 2020)

Christodoulos Hadjistavris (appointed on 28 January 2020)

Aristodemos Anastassiades (appointed on 23 September 2020)

Aristos Stylianou (appointed on 29 September 2020)

Eleftherios Hadjizacharia (appointed on 14 October 2020)

Christos Patsalides (appointed on 4 February 2021)

#### 2.1.1.1 Description of its main roles and responsibilities

The Company is ultimately governed by the BoD comprising of a non-executive chairman and deputy chairman, another three non-executive directors and the executive director, who is also the General Manager of the Company.

The BoD maintains responsibility for the prudent management of the Company. It reviews and assesses the Company's strategic and business planning, solvency, as well as the Senior Management's approach to addressing risks and challenges. It reviews reports submitted by Senior Management and maintains frequent and open communication with the General Manager and Executive and Risk Committee.

#### 2.1.1.2 Brief description of the segregation of responsibilities within these bodies (e.g. committees)

For more effective operation, the BoD has established the following Committees:

– *Audit Committee*

The Audit Committee, is accountable to the BoD and shall assist the BoD in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external reporting obligations, including its obligations under applicable laws and regulations and shall be directly responsible on behalf of the BoD for the oversight of the External Auditor.

– *Risk and Reserving Committee*

The Risk and Reserving Committee as an advisory Committee to the BoD assists with the formulation of the Company's overall risk strategies and policies for managing significant business risks, and is responsible for overseeing the implementation of the Risk Management Framework.

– ***Strategy and Transformation Committee***

The Committee monitors the implementation of the Strategic plan of the Company, updating the BoD on the progress and escalating issues faced.

### 2.1.2 Description of the main roles and responsibilities of key Functions

– ***Internal Audit***

The Internal Audit is independent of any other Function with operational responsibilities, reporting to the BoD through the Audit Committee. The IAF is responsible for evaluating the adequacy and effectiveness of the internal control systems, operational Functions and any matters which would require their review.

– ***Compliance***

The Compliance Function has a direct reporting line to the Board. It is independent of risk-taking Functions e.g. underwriting and claims. It is responsible for the establishment and maintenance of a proper framework and policies for the on-going and timely prevention, handling, management and monitoring of compliance risk. The Function is subject to audit by the Internal Audit Function.

– ***Actuarial Function***

The Actuarial Function is responsible for the valuation of the technical provisions, expresses an opinion on the overall underwriting policy and the reinsurance arrangements and contributes to the effective implementation of the risk-management system, amongst others. The Function is also responsible for the technical pricing of products within the scope defined by the Board of Directors.

The Actuarial Function is a measure of quality assurance with a view to safeguarding that certain control tasks of the Company are based on expert technical actuarial advice.

– ***Risk Management Function (RMF)***

The RMF aims at facilitating the implementation of the Risk Management System of the Company. The RMF designs and implements strategies, processes and reporting procedures necessary to identify, measure, monitor and report the risks on an individual and on an aggregate level. This Function is also responsible for the preparation of the Own Risk and Solvency Assessment (ORSA) report.

### 2.1.3 Material changes in the system of governance over the reporting period

There have been no changes to the system of governance over the reporting period.

### 2.1.4 Remuneration policy and practices for the BoD and employees

The BoD of the Company adopts the Remuneration Policy of Hellenic Bank.

The remuneration of all staff employed by the Company complies with the Group's principles:

- It is in line with the Company's strategy and promotes sound and effective risk management
- It is in line with the Code of Business Conduct and Ethics
- It is linked with the Company's structured performance appraisal system

- Ensures fair treatment, provision of equal opportunities
- It is transparent and adequately disclosed to all members of staff

The remuneration of the BoD and employees is not based on share options, shares or variable remuneration components and supplementary pension or early retirement schemes.

#### *2.1.5 Information about material transactions during the reporting period with:*

Hellenic Bank received a total amount of €4,668k (2019: €4,707k) for the sale of insurance contracts through its branch network.

Key management compensation (including Directors' remuneration) for the year ended 31 December 2020 amounted to €609k (2019: €426k). In 2020, key management salaries (excluding Directors' remuneration) and other short-term employee benefits amount to €487k (2019: salaries and other short-term employee benefits €347k).

### 2.2 Fit and proper requirements

#### *2.2.1 Description of the specific requirements concerning skills, knowledge and expertise*

The Company ensures that all persons who effectively run the Company or have other key Functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

They collectively possess professional qualifications, experience and knowledge about at least:

- Insurance and financial markets;
- Business strategy and business model;
- System of governance;
- Financial and actuarial analysis; and
- Regulatory framework and requirements.

#### *2.2.2 Description of the undertaking's process for assessing the fitness and the propriety*

In order to ensure that Senior Managers / Directors of the Company are fit, they are recruited giving due regard to interview requirements, referencing, relevant skills, personal and professional background and other checks as required and relevant to the role to be undertaken. Some of the general checks conducted include:

- Educational Background Check; and
- Professional Qualifications / Membership Check

In order to ensure that Senior Managers / Company Directors are proper, they are subjected to a variety of checks at the commencement of their assessment, including:

- Credit checks
- Identity checks (including passport)
- Employment History
- Criminal History checks

## 2.3 Risk management system including the own risk and solvency assessment

### *2.3.1 Description of the undertaking's risk management system and how it is able to effectively identify, measure, monitor, manage and report, on a continuous basis*

#### *2.3.1.1 Principles*

The Risk Management System is governed by the Risk Principles defined by the BoD. The main principles adopted by the Company regarding the management of risk are listed below:

- The Company aims to create and promote a strong risk culture that is embedded in all aspects of the Company's activities.
- The BoD in carrying out both its management and supervisory Functions has collectively a full understanding of the nature of the business and its associated risks.
- The BoD is responsible for setting the company's risk appetite and risk tolerance at a level which is commensurate with its sound operation and the strategic goals of the Company.
- The Company has an established, comprehensive and independent from risk taking activities RMF.
- The Company applies high standards of transparency with regards to the performance of its operations and communicates all the information it considers necessary to the interested and affected parties.
- New products, markets, and business strategies are analysed carefully and the Company makes sure that it possesses adequate internal tools and expertise to understand and monitor the risks associated with them.
- The risk management framework is subject to an independent review by the Internal Audit Function.

#### *2.3.1.2 Risk Appetite*

Hellenic Life sees itself as a bancassurer with its core business being Credit Life Insurance in Cyprus. The Company looks for prudent organic growth whilst maintaining a well-managed and profitable business portfolio.

The strategic objective of the Company is to build on what has been achieved without exposing undue stress to the resources or capital and thus jeopardising the current operation.

In line with its overall strategy, the Company's appetite is primarily for underwriting risk specifically related to Life and Health Insurance. Hence, underwriting risk accounts for a significant portion of the Company's risk portfolio and is one of the main contributors of the Company's Solvency Capital Requirement.

Nonetheless, the Company accepts that underwriting inevitably gives rise to other risk exposures, such as the credit risk that arises from the agreements with reinsurers and from issuers of investment assets, as well as operational risk. The Company acknowledges that these risks are unavoidable and seeks to reduce these risks to a reasonable and practicable extent. Moreover, like any other insurance Company, the Company has a capital base, the investment of which introduces some investment risk. The Company has low appetite for investment risk and hence it invests its portfolio of assets in a manner that aims for security of investments, adequate diversification as well as sufficient liquidity to meet liabilities as they fall due.

#### 2.3.1.3 Risk Management Cycle

The Company's Risk Management System encompasses a number of key processes and procedures which address the Company's key risks. These steps are summarised below:

a. ***Risk identification -*** Risks are identified and documented in the Risk Register. Risk and control owners are assigned to each risk to ensure accountability for managing all material risks and the related controls.

b. ***Risk assessment -*** The risk exposures are then assessed qualitatively on a gross basis (inherent risk) and on a net basis (residual risk) on established criteria for frequency and severity for risk not covered by capital and using the Value at Risk (VaR) measure for risks covered by capital.

   Stress testing is conducted at least annually by the RMF as a risk assessment tool in order to assess the Company's vulnerability to possible events or future changes in economic conditions which have unfavourable effects on its performance, solvency, liquidity or reputation and its ability to withstand such changes.

c. ***Risk control and mitigation -*** The Company designs and implements controls to prevent or detect the occurrence of an identified risk event or to mitigate its severity. The Company's control activities are documented in the Risk Register.

d. ***Risk monitoring -*** The RMF has the responsibility to ensure that all material risk exposures are monitored on an on-going basis and that any risks that fall outside the approved risk appetite of the Company are identified and appropriately escalated to the Risk and Reserving Committee. At least once a year, the Risk Register is formally reviewed by the RMF and any actions deemed necessary following such review are brought to the attention of the Board.

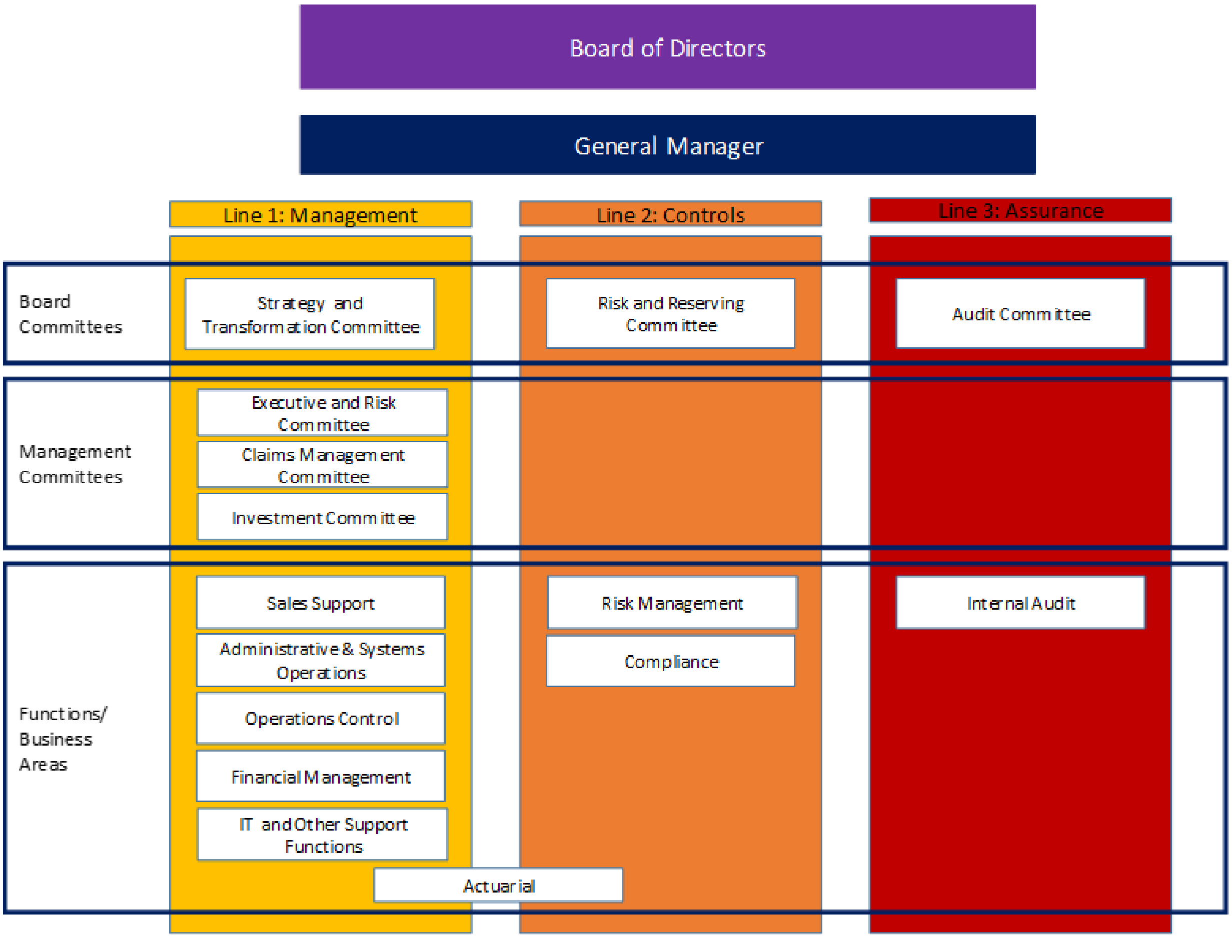
#### 2.3.1.4 Risk Reporting

The Risk Management Function reports to the BoD, through the Risk and Reserving Committee at least annually on its assessment of material risks and the management thereof, in particular the actions being taken to mitigate or control key risk exposures. It is also obliged to report the following to the BoD, without delay:

- Any significant changes to the overall risk profile of the Company
- Any deviations from the risk management strategy or risk appetite
- Any risk management matters in relation to strategic affairs, such as major projects and investments

### 2.3.2 Description of how the risk management system (including the risk management Function) are implemented and integrated into the organisational structure and decision-making processes of the undertaking

In implementing its risk management strategy, the Company operates the 'Three Line of Defence Model' to manage its risk and control its activities. This 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 **First Line of Defence** relates to the management of risks at the points where they arise. These activities are carried out by persons who take on risks on behalf of the Company. Risk management at this level consists of appropriate checks and controls, incorporated in the relevant procedures and the guidelines that are set by the Executive and Risk Committee, along with the other management committees and the assistance of the RMF.

The **Second Line of Defence** concerns the risk management activities that are carried out by the RMF and the other control Functions. It also refers to the risk management activities performed by the Risk and Reserving Committee and includes the approval and oversight of the implementation of risk policies and the establishment of systems and controls so that the overall level of risks and the relationship between risk and reward remain within acceptable levels.

The role of the RMF is to:

- Support the BoD in the determination and implementation of the risk strategy and capital planning
- Coordinate the implementation of the risk management framework
- Be the main unit for risk management responsibilities
- Report to the Senior Management
- Risk management training to the BoD, Committees, Senior Management and risk-taking Functions directly involved in the management and oversight of risk, on the contents of, and for providing guidance on their application

- Monitor the risk profile of the Company against the Company's risk appetite
- Develop internal risk methodologies and models
- Bring to the attention of the BoD any breaches of the Risk Management Framework Policy

The RMF is assisted by the Actuarial Function on the technical aspects of risk management and modelling.

The **Third line of Defence** concerns the activities of the Internal Audit Function that through its work provides an independent assurance to the BoD, on the performance and effectiveness of the risk management systems within the Company.

The Company embeds the risk management system into the organisational structure and supports it by appropriate internal controls and by information systems that provide relevant, information. The risk management system then provides information that are fed into the decision-making processes by assessing the risk exposure of alternative strategies the Company is considering with respect to risk mitigation, business volumes and investments.

### 2.3.3 *Process adopted to fulfil the obligation to conduct an ORSA*

#### 2.3.3.1 *Description of the process undertaken by the undertaking to fulfil its obligation to conduct an ORSA as part of its risk management system*

ORSA is a component of the overall risk management and control system of the Company. It allows the risk management Function to take into account all the risks associated with the Company's business strategies and the required level of capital that the Company needs to cover such risks. ORSA policy documents all the steps, processes and procedures employed by the Risk Management Function to identify, assess, monitor, manage and report the short and long term risks the Company faces or it is likely to face and determines the own funds necessary to ensure that the Company's solvency position is met at all times.

The Company follows the steps below to implement its ORSA:

a. ***Identify and classify risks*** - The Company identifies the material risks it faces at a particular point in time. This includes risks considered in the SCR standard formula, as well as risks not included in the standard formula such as liquidity, strategic and business risks.

b. ***Assessment and measurement of risks through different approaches including stress testing*** - the Company collects data, quantifies and aggregates risks using different approaches such as Value at Risk and stress testing and qualitative approaches, such as risk register assessment.

c. ***Capital Allocation*** – According to its risk profile, the Company determines the necessary additional capital over and above the regulatory minimum SCR.

d. ***Capital planning*** – Based on the capital allocation projections, the Company prepares a capital plan for the following 3 years. Such plans depend on the Company's strategic objectives and financial projections and assumptions on future economic conditions.

e. ***Stress testing*** - The Company applies stress and scenario testing to the forward-looking capital plan and develops actions that can be taken in unforeseen circumstances in the future.

f. ***Communicate and document the results*** – The Company presents the results of the process to senior management and the Board of Directors and prepares the ORSA report.

g. ***Confirm that the ORSA process is embedded in the decision making of the Company*** - The Company confirms that the above procedure is not independent from the "business as usual" process of the Company. The RMF reports the key risks and any stress tests so that the BoD and the Executive and Risk Committee make decisions upon the results of these procedures.

### 2.3.3.2 *How the ORSA is integrated into the organisational structure and decision-making processes of the undertaking*

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:

| Responsible Body/ Function | Responsibility |
|---|---|
| Board of Directors | • Definition of corporate objectives and risk strategies, definition of the Company's risk profile, used as a significant input to ORSA<br>• Approval of the budget<br>• Establishment of a suitable internal control system, especially with regard to the ORSA<br>• Understanding, review, challenge and approval of the annual ORSA report |
| Risk and Reserving Committee | • Review and challenge of the annual ORSA report of the Company and recommendation for approval to the Board of Directors<br>• Review and challenge of the risk quantification and stress testing performed in the ORSA process<br>• Review and challenge the results of the Pillar 1 capital calculation and the quality of the data used |
| Senior Management | • Dissemination of information on risk strategies and procedures to the employees concerned<br>• Ensuring that there is adequate expertise and knowledge amongst the employees and officers of the Company to successfully carry out the different tasks required by ORSA<br>• Understanding of the ORSA of the Company |
| Risk Management Function | • Preparation of the Risk Management policies and procedures<br>• Identification and monitoring of key risks faced by the Company<br>• Establishment of methods for risk monitoring and measurement<br>• Coordination of the preparation and implementation of the ORSA<br>• Quantification and run of the stress test scenarios and analysis of the results<br>• Recommendation for capital allocation for Pillar 2 and capital projections<br>• Provision of ORSA training to senior manager and staff |

| Responsible Body/ Function | Responsibility |
|---|---|
| Actuarial Function | • Responsible for producing the SII compliant technical provisions and calculating the standard formula capital requirements (both current and projected).<br>• 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. |
| Finance Function | • Preparation of financial projections in accordance with the strategic plan approved by the Board of Directors<br>• Preparation of Pillar 1 capital planning and projection of own funds based on the planning |
| Internal Audit Function | • Independent review of the ORSA as part of their review of the Risk Management Function |
| Compliance Function | • Provide support and assistance on compliance matters as appropriate ensuring adherence to the regulatory obligations<br>• Ensure the timely submission of ORSA annual report |
| Departments | • Compliance and cooperation with the request for collection of data for the implementation of the ORSA and preparation of the ORSA report<br>• Participation in the risk assessment exercise and support to the RMF<br>• Provision of information and adoption of all risk management policies and procedures approved by the Board<br>• Provision of timely and accurate data<br>• Inform the control Functions (risk management, internal audit, compliance and actuarial) of any facts relevant to the performance of their roles. |

The ORSA process is not independent from the "business as usual' process of the Company. As a result, the RMF reports the Company's risks and stress tests and the BoD and Management make decisions upon the results of these procedures. In addition, the Company considers the impact on its capital in its financial projections. Strategic decisions are assessed and evaluated in the light of their effect on the Company's risk situation and risk-bearing capacity over the business planning horizon. Such strategic decisions include but are not limited to:

- Expansions into new markets
- Introduction of new products
- Utilisation of additional distribution channels
- Target business volumes
- Reinsurance arrangements
- Investment decisions

#### 2.3.3.3 Statement detailing how often the ORSA is reviewed and approved by the BoD

The ORSA report is produced at least annually. The document is submitted to the Risk and Reserving Committee for review and then to the BoD for final approval. The assessment is repeated immediately following any significant changes to the internal or external environment that the Company operates.

The latest annual ORSA report was submitted to the regulator in November 2020.

#### 2.3.3.4 Interaction between capital management activities and risk management system

The Company uses the EIOPA standard formula to calculate the required solvency capital and to assess the overall solvency needs, on a quarterly basis. The standard formula is widely used internally as it represents the main metric for the ongoing management of risk and capital. Given the characteristics of the Company's portfolio, the Company is confident that the risk capital as calculated by the standard formula is generally at least equal to the actual underlying risk of the Company. Furthermore, the ranking of risks as quantified by the standard formula represents the expectations of the management which provides additional comfort about the merits in adopting this approach.

A three-year base case projection of the Solvency II Balance Sheets and Solvency Capital Requirements ('SCR') is produced using the standard formula. The results are subjected to a range of scenario testing that is reviewed by management and challenged by the BoD and, where appropriate, potential management actions are noted and conclusions drawn. Senior management, taking into account the insight from the stress testing outcome, develops the Company's long and short term capital management plan, whilst considering the business strategy and risk tolerance. This plan includes alternatives to ensure that solvency needs can be met even under unexpectedly adverse circumstances.

## 2.4 Internal control system

### 2.4.1 Description of the undertaking's internal control system

The Company's internal control process is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting and non-financial information.
- Compliance with applicable laws and regulations.
- Achievement of the Company's strategy and objectives.

Every member of the Company has a role in the system of internal control. Internal control is people-dependent and its strength dependents on people's attitude toward internal control and their attention to it:

- The BoD is responsible for setting the strategy, tone, culture and values of the Company.
- Executive and Risk Committee, Risk Management, Actuarial, and Compliance Functions design policies and procedures to ensure that an effective internal control system is established within the Company.
- The Internal Audit Function monitors the effectiveness of the internal control system.

*Control Activities*

Examples of control activities are set out below:

- The BoD and Executive and Risk Committee regularly review actual performance against budgets, forecasts, and prior period results.
- Executive and Risk Committee is involved in developing performance plans and targets and measures and reports results against those plans and targets.
- Heads of Business Units and Functions at all business areas review standard performance and exception reports, analyse trends, and measure results against targets on a regular basis.
- The Information Security Policy sets the appropriate framework for the effective management and protection of the Company's data against possible and potential initial and external threads.
- Key data and programs are appropriately backed up and maintained for business continuity purposes.
- Access to the systems, programs and data is controlled, the systems are maintained in a secure environment and applications are appropriately developed and maintained.

#### *2.4.2 Description of how the compliance Function is implemented*

The Compliance Function is administratively independent from other departments of the Company and possesses discretionary autonomy to create, enhance, review and modify its existing risk management or executive competencies. It is directly supervised by the Audit Committee and the BoD.

Compliance Function assists Management in the effective management of compliance risk and maintains the right of unobstructed, immediate and direct access to the Audit Committee or the BoD, whenever deemed necessary.

Additionally, the Compliance Function is responsible, in accordance with its monitoring and controls testing duties, for establishing, creating, modifying, enhancing any controls it deems appropriate in order to eliminate or mitigate existing and newly identified risks.

### 2.5 Internal audit Function

#### *2.5.1 Description of how the undertaking's internal audit Function is implemented*

The work of the Internal Audit Unit is based on the Internal Audit Policy approved by the BoD, following recommendation by the Board Audit Committee. The Internal Audit Unit authority to unrestricted information, its operating principles, its responsibilities, reporting requirements as well as the Internal Auditors' code of conduct, quality assurance and improvement program are all laid out in the Internal Audit Policy.

#### *2.5.2 Description of how the undertaking's internal audit Function maintains its independence and objectivity from the activities it reviews*

The Internal Audit Unit is independent from business and operational units. The Head of Internal Audit reports directly to the Chair of the Audit Committee and via the Audit Committee to the Board of Directors. The Internal Audit Unit has direct access to the Audit Committee and its Chairperson and Executive Management regarding matters that the Internal Audit Unit believes are significant to require immediate attention of the Audit Committee and its Chairperson and the General Manager.

### 2.6 Actuarial Function

The Company's actuarial Function is the responsibility of the Actuarial Function Holder.

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 the best estimate
- 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)
- Responsible of the technical pricing of the products within the scope defined by the Board of Directors

Each of these activities is undertaken on an at least annual basis and the outcome is reported to the Senior Management and the Board via actuarial reporting. The calculation of technical reserves and the risk modelling underlying the calculation of the solvency capital requirements are performed on a quarterly basis.

## 2.7 Outsourcing

### *2.7.1 Description of the outsourcing policy*

Outsourcing is the use of a third party (either an affiliate entity within the same group or an external entity) to perform activities on a continuing basis that would normally be undertaken by the Company. The third party to whom an activity is outsourced is a service provider.

The Outsourcing Policy of the Company sets out the following;

- Roles and responsibilities
- Outsourcing requirements
  - (a) Supervision of outsourced activities
  - (b) Critical or important Functions or activities
  - (c) Service provider for critical or important Functions or activities
  - (d) Service provider for noncritical Functions
  - (e) Internal outsourcing
  - (f) Approval of outsourcing services
  - (g) Written agreement requirements
  - (h) Termination
- Risk management and internal control system
  - (a) Risk management actions
  - (b) Establishment of risk management
  - (c) Contingency Plan

### *2.7.2 List of any critical or important operational Functions or activities that are outsourced and the jurisdiction in which the service providers of such Functions or activities are located*

The following is a list of the critical or important operational Functions the Company has outsourced along with the jurisdiction in which the service providers of such Functions or activities are located.

| Outsourced Provider | Service Outsourced | Jurisdiction |
|---|---|---|
| Hellenic Bank Public Company Ltd | Compliance / AMLCO / Data Protection | Cyprus |
| | Internal Audit * | |
| | Information Technology (development and maintenance) | |
| | Information Security Infrastructure and Systems Development | |
| | Risk Management Function | |
| | Custodian & Brokerage Services | |
| | | |
| Deloitte Actuarial Services | Actuarial Function | Cyprus |
| | | |
| MetLife Services Cyprus Limited | Information Technology and System Administration | Cyprus |

* sub-outsourced to PwC.

## 2.8 Adequacy of the system of governance

The system of governance is adequate to the nature, scale and complexity of the risks inherent in its business.

The Company aims to continuously improve its compliance and governance systems by ensuring that they are reviewed and evaluated; and recommendations are made to the Board regarding enhancing and developing the systems, including the outcomes from compliance monitoring programmes, root cause analysis from complaints, breaches and risk events.

Internal audits and external audits provide independent evaluation of the Company's system of governance. Recommendations from these audits are considered by the Board and implemented proportionately to the business' risks.

## 2.9 Any other information

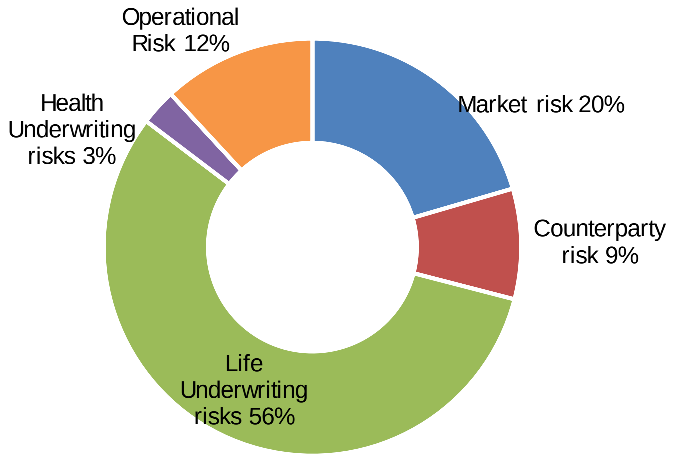
There is no other material information regarding the system of governance of the undertaking.

# 3 Risk Profile

The Company is a leading Bancassurance Company in Cyprus. Its core business is underwriting and as such underwriting risk is one of its key sources of risk. Strong risk mitigation techniques are applied though, thus significantly reducing the impact on the capital requirements.

The table below shows the Solvency Capital Requirement (SCR) allocated by risk type (pre-diversification) as at 31/12/2020:

**Solvency capital requirement allocation by risk type**




## 3.1 Underwriting Risk

### *3.1.1 Description of the measures used to assess the risk*

The main risk assessment tools used by the Company are the standard formula solvency capital requirement calculation (discussed in more detail in section 5.1.9), stress and scenario testing (discussed in more detail in section 3.7), the risk register and other quantitative and qualitative assessments. There has been no material change in the tools, parameters or assumptions used since the previous year.

### *3.1.2 Description of the risk*

The Company's key underwriting risks are:

- Lapse risk: Risk of higher lapses than expected, as well as the risk of mass lapse (an instantaneous one-of shock lapse event).
- Expense risk: risk of higher than anticipated acquisition costs or maintenance expenses.
- Mortality risk: risk of higher mortality experience than expected at the time of underwriting.
- Reserving risk: risk of inadequate assumptions leading to under-reserving.

### *3.1.3 Risk Concentration*

No material risk concentrations have been identified. This is because of:

- The Company's well-diversified insurance portfolio: The portfolio enjoys high levels of diversification with respect to age, gender, level of life insurance cover, type of insurance cover, degree of underwriting applied at inception of the cover and geographical location.

- Low catastrophe risk: The catastrophe risk (assessed using the two scenarios prescribed by the standard formula) is very low (€0.3m).
- Reinsurance: The Company manages its exposure to any one risk and to catastrophic events using reinsurance. Thus, the loss to the Company is generally limited to its retention.

The Company's currently distributes its products via Hellenic Bank. The Company's establishment agreement limits its customers to Hellenic Bank's customers, thus restricting the distribution channels that could be used up to 2019 and prior. As such, concentration is observed in that respect however it is not deemed material given the large customer base of Hellenic Bank.

### *3.1.4 Risk Mitigation*

1. Portfolio Monitoring

The senior management of the Company:

- Receives and reviews regular reports on the gross written premium, risks written and incurred claims; and
- Regular detailed profitability analyses and reviews are undertaken both by internal employees and external consultants.

2. Clear delegation of underwriting and claims authorities

There is a clear delegation of underwriting and claims authorities within the Company and peer review requirements, with the most complex risks and claims requiring review and sign-off by the General Manager and the Claims Management Committee respectively. This ensures that the risks and claims are assessed by personnel of appropriate experience and expertise and the premium charged reflects the characteristics of each risk and appropriate claim provisions are put in place.

3. Reinsurance

The Company uses reinsurance to protect against claims volatility. Each class of business has its own reinsurance treaty and facultative reinsurance is used if a risk falls outside the reinsurance treaties and the Company's risk appetite. A detailed analysis is undertaken regularly to assess the most appropriate reinsurance structure in accordance to the business, capital and risk strategies of the Company. External consultants are at times engaged to review the reinsurance structure of the Company and advice on its optimisation and the Actuarial Function issues an opinion on the reinsurance arrangements on an annual basis. The credit rating and the financial condition of the key reinsurance counterparties are reviewed on a quarterly basis, so that corrective action is taken in the event of a deterioration in their financial quality.

4. Market and emerging risks/trends monitoring

The Company closely monitors the market and emerging risks /trends and participates in the discussion to address common market issues faced.

The continued effectiveness of the risk mitigation techniques and controls described above is monitored continuously by the Senior Management. In the event of any findings or shortcomings identified, quick action is taken and the risk mitigation techniques are adjusted accordingly.

### *3.1.5 Risk Sensitivity, Methods, Assumptions and Outcome of stress and sensitivity testing*

Discussed in section 3.7.

## 3.2 Market risk

### 3.2.1 *Description of the measures used to assess the risk*

The main risk assessment tools used by the Company are the standard formula solvency capital requirement (discussed in more detail in section 5.1.9), stress and scenario testing (discussed in more detail in section 3.7), the risk register and other qualitative assessments. There has been no material change in the tools, parameters or assumptions used since the previous year.

### 3.2.2 *Description of the risk*

Market risk is the risk that changes in market prices will affect the fair value and/or future cash flows of financial instruments. The Company's market risk exposures mainly arise from its investments to local Cypriot banks and Collective Investment Undertakings (CIU, mainly Exchanged Traded funds).

### 3.2.3 *Risk Concentration*

Some risk concentration arises in respect of Hellenic Bank, due to its strategic relationship with the Company. However, the Company invests in CIUs which enables a level of diversification that may not have been possible through direct investments.

### 3.2.4 *Risk Mitigation*

Market risk is mitigated through the investment policy adopted by the Company which safeguards against exposure to risky asset classes and ensures minimum diversification limits.

Furthermore, the management of the Company reviews the market values along with the credit rating and the financial condition of the key counterparties at least quarterly, ready to take action in the event of a deterioration in the credit quality.

The Investment Committee reviews investment related information regularly to ensure that the portfolio is invested in line with the investment guidelines and the risk appetite of the Company. Furthermore, external financial advisors are appointed to provide independent investment advice.

The continued effectiveness of the risk mitigation techniques and controls described above is monitored continuously by the Senior Management. In the event of any findings or shortcomings identified, quick action is taken, and the risk mitigation techniques are adjusted accordingly.

### 3.2.5 *Risk Sensitivity, Methods, Assumptions and Outcome of stress and sensitivity testing*

Discussed in section 3.7.

### 3.2.6 *Prudent Person Principle*

The Solvency II regulations require investment of assets in accordance to the "Prudent Person Principle". In light of this, the Company has aligned its investment policy and framework with this principle.

The Company regularly reviews the financial condition of its investment counterparties and ensures that the currency and duration of assets is appropriate to the duration of its liabilities, avoiding excessive reliance on any one counterparty or asset class or geographical location. In particular, before investing in CIUs, due diligence is performed on the underlying fund holdings and enquiries are made on the availability of data on these holdings on a look through basis. This is to ensure that the Company is satisfied that it will be possible to properly identify, measure, monitor, manage, control and report on their underlying risk and be able to perform the required solvency capital calculations. The Company has not invested in derivatives or other inadmissible financial instruments.

## 3.3 Credit risk

### 3.3.1 *Description of the measures used to assess the risk*

The main risk assessment tools used by the Company are the standard formula solvency capital requirement calculations (discussed in more detail in section 5.1.9), stress and scenario testing (discussed in more detail in section 3.7), the risk register and other qualitative assessments. There has been no material change in the tools, parameters or assumptions used since the previous year.

### 3.3.2 *Description of the risk*

The risk of loss, or of adverse change in the financial situation resulting from fluctuations in the credit standing of counterparties. The key counterparties of the Company are:

- premium counterparties: through non-payment of premium due for insurance protection;
- reinsurers: through failure to pay valid claims against a reinsurance contract held by the Company; and
- banking and financial counterparties: through issuer default and/or default of the banks holding the assets.

There have been no major changes to the reinsurance panel or the financial counterparties, the credit rating of the reinsurance counterparties and the counterparty risk appetite and as such the credit risk profile in respect of these counterparties remains unchanged.

### 3.3.3 *Risk Concentration*

Some risk concentration arises in respect of Hellenic Bank, due to its strategic relationship with the Company.

### 3.3.4 *Risk Mitigation*

The key risk mitigation techniques are:

- Due diligence on the financial condition of the counterparties before entering into agreement with them;
- Regular reviews of the credit rating and the financial condition of the key counterparties;
- Monitoring of premium debt balances and contract terms;
- A number of reinsurers are used (to ensure credit risk diversification) and all key reinsurance counterparties are reputable and of high financial quality (rated “A-” and higher); and
- The terms and conditions of the reinsurance contracts stipulate exit terms in the event of changes in the financial condition of the counterparties.

The continued effectiveness of the risk mitigation techniques and controls is monitored through the risk register, which is a dynamic list of the risks the Company faces and their controls. The risk register is reviewed and updated continuously as new risks are identified and/or failures in controls.

### 3.3.5 Risk Sensitivity, Methods, Assumptions and Outcome of stress and sensitivity testing

Discussed in section 3.7.

## 3.4 Liquidity risk

### 3.4.1 Description of the measures used to assess the risk

Stress and scenario testing (discussed in more detail in section 3.7), is used to assess the Company's liquidity in the event of severe or extreme scenarios by considering the impact of the scenarios in the earnings of the Company by financial year. There has been no material change in the tools, parameters or assumptions used since the previous year.

### 3.4.2 Description of the risk

Liquidity risk is defined as the risk that the Company is unable to realize investments and other assets (or realise them at excessive cost) in order to settle its financial obligations when they fall due.

The liquidity risk of the Company is generally very low, with the majority of assets invested in short-terms products, including cash at bank and listed securities (CIUs).

### 3.4.3 Risk Concentration

No material concentrations identified.

### 3.4.4 Risk Mitigation

The Company has developed investment guidelines (reviewed and approved by the Board) which, among others, ensure the duration and currency of the invested assets are consistent with the liabilities' profile, prohibits investment in illiquid assets and ensure appropriate levels of counterparties and asset diversification are in place. The Company has also developed a Liquidity Contingency plan.

The continued effectiveness of the risk mitigation techniques and controls described above is monitored continuously by the Senior Management. In the event of any findings or shortcomings identified, quick action is taken, and the risk mitigation techniques are adjusted accordingly.

### 3.4.5 Risk Sensitivity, Methods, Assumptions and Outcome of stress and sensitivity testing

Discussed in section 3.7.

### 3.4.6 Expected profit in future premiums

The total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2) is € 9,2m. The methodology used in the derivation of this figure is in line with the relevant guidance issued by EIOPA.

## 3.5 Operational risk

### 3.5.1 Description of the measures used to assess the risk

The main risk assessment tools used by the Company are the standard formula solvency capital requirement calculations (discussed in more detail in section 5.1.9), stress and scenario testing (discussed in more detail in section 3.7), the risk register, the loss events log and other qualitative assessments. Qualitative assessments are undertaken to track the developments within the risk profile and review the design and operational effectiveness of the control environment across the key processes. There has been no material change in the tools, parameters or assumptions used since the previous year.

### 3.5.2 Description of the risk

The key operational risks that the Company manages are the following:

- Systems risk: the risk of systems and IT infrastructure failure leading to errors in reporting of the data (including pricing) and impacting decision making.
- Cyber/data security: the risk of inadequate cyber security leading to financial loss, disruption or damage to the reputation of the Company. It includes hacking of the systems, cyber hostaging and stealing/losing of soft and hard information, amongst others.
- Outsourcing: the risk of outsourced services failing to provide the benefits agreed could lead to reduced profitability, inadequate business processes, regulatory fines and reputational damage.
- Policies and Procedures: Inadequate policies and procedures may lead to the deficiencies in the monitoring or the non-early identification of operational risks such as failures in the systems, breach of outsourcing agreements, amongst others.
- People risks: the risk that inability to attract and recruit employees with appropriate qualifications and competences or failure to provide appropriate training and continuous professional development could lead to lower levels of productivity and profitability and increased levels of errors and mistakes.
- Key persons reliance: the risk that reliance on key individuals creates if not properly managed through adequate succession planning, appointment of trained replacements, not having robust processes in place running independently of any one person etc.
- Unintended mis-selling: the risk of causing detriment to customers through sale of products not suited for their needs.
- Legal risk: the risk of failure to properly identify and manage legal exposures.
- Regulatory risks: the risk of failure to comply with regulatory requirements.

### 3.5.3 Risk Concentration

In light of the wide-range of processes, systems and people this risk covers, no material concentrations have been identified. The high reliance on outsourcing providers and the risks in relation to the acquisition of a new IT system should be mentioned though.

### 3.5.4 Risk Mitigation

Operational risk covers a wide range of processes, procedures and systems across the Company, thus appropriate risk mitigation techniques are applied depending on the process or system. These include but are not limited to:

- Regular Internal Audit and external consultants' reviews or the processes, systems and procedures;
- Policies and procedures are documented and available to all employees;
- Regular reviews of policies and procedures documents adherence;
- Performance management and reviews to ensure employees are satisfied with their work and perform to the best of their abilities;
- Code of Ethics and Conduct is in place;
- Regular attendance to trainings and seminars both to further develop the employees' knowledge and capabilities (reducing people's risk) and to ensure the Company keeps abreast of any regulatory or technical developments (reducing regulatory risk);

- Legal advice is sought at the earliest opportunity from specialized lawyers, when required;
- Peer review of material work and appropriate underwriting, claims and other authority limits in place;
- Purchase of own Insurance and other risk mitigation tools, where appropriate;
- Requirement to report operational losses;
- Business continuity and disaster scenario planning; and
- Standard templates/policy wordings.

The continued effectiveness of the risk mitigation techniques and controls is monitored through the risk register. The risk register is reviewed and updated continuously as new risks and/or failures in controls are identified.

### *3.5.5 Risk Sensitivity, Methods, Assumptions and Outcome of stress and sensitivity testing*

Discussed in section 3.7.

## 3.6 Other material risks

There are no other material risks to mention.

## 3.7 Risk sensitivity/Stress and scenario testing (all risks)

### *3.7.1 Methods and assumptions*

Stress and scenario testing considers the financial impact on earnings and capital of a specific event or combination of events. Defining specific events helps to understand and manage the key risks an organization faces and visualize extreme events.

The events were selected by considering the Company's exposure to internal factors, such as a change in business plan, and external factors, such as certain possible events with negative effects or a deterioration of economic conditions.

### *3.7.2 Outcome of stress testing and sensitivity testing (undertaken as part of the 2020 annual ORSA report)*

The table below sets a description of the eight stress scenarios, the impact of the sensitivity measured as an amount of the solvency capital requirement, and relative impact on the overall solvency coverage ratio.

| SN | Stressed risk | Scenario | Impact on Solvency Capital requirement €m | | Impact on Solvency coverage ratio (%) | |
|---|---|---|---|---|---|---|
| | | | 2021 | 2022 | 2021 | 2022 |
| 1 | Underwriting risk | Adverse claims experience | - 0.4 | - 0.5 | -10% | -7% |
| 2 | Underwriting risk | Higher lapses than anticipated | - 1.3 | - 1.6 | -15% | -10% |
| 3 | Underwriting risk/ Strategic risk | Lower business volume than anticipated | - 0.5 | - 1.1 | -3% | 5% |

| SN | Stressed risk | Scenario | Impact on Solvency Capital requirement €m | | Impact on Solvency coverage ratio (%) | |
|---|---|---|---|---|---|---|
| | | | 2021 | 2022 | 2021 | 2022 |
| 4 | Credit Risk | Downgrade of key foreign financial institution by two notches | 0.0 | 0.0 | 0% | 0% |
| 5 | Credit Risk | Downgrade of key reinsurers by two notches | 0.6 | 0.5 | -6% | -7% |
| 6 | Market Risk/ Credit risk/ Strategic risk | Counterparty default, also impacting sales. | - 1.5 | - 1.9 | -35% | -29% |
| 7 | Market Risk/ Underwriting risk | Economic recession | - 1.7 | - 2.9 | -12% | -8% |
| 8 | Insurance Risk/ Market Risk | Covid-19 second wave outbreak | -1.1 | -1.9 | -22% | -15% |

The results of the testing above indicate that the Company is sufficiently capitalized and able to withstand an extreme event, as even in the strongest scenario, the solvency ratio of the Company is well-above 150% which is above of the 115% threshold set by the ICCS.

# 4 Valuation for solvency purposes

## 4.1 Assets

### 4.1.1 Value of assets

The Company held the following assets as at 31st December of 2020:

| €000s | Solvency II |
|---|---|
| Deferred acquisition costs | 0 |
| Intangible assets | 0 |
| Deferred tax assets | 0 |
| Property, plant & equipment | 355 |
| Government Bonds | 0 |
| Collective Investments Undertakings | 23,006 |
| Deposits other than cash equivalents | 10 |
| Assets held for index-linked and unit-linked contracts | 18,369 |
| Reinsurance recoverable | 17,733 |
| Reinsurance receivables | 840 |
| Trade and other receivables | 98 |
| Cash and cash equivalents | 3,065 |
| Any other assets, not elsewhere shown | 0 |
| **Total assets** | 63,475 |

### 4.1.2 Description of bases, methods and main assumptions used for valuation for solvency purposes

The valuation principles applied to these assets are consistent with those used in the IFRS accounts, notably:

- Property, plant and equipment – items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the asset.
- Bonds and Collective Investment Undertakings – The Company's financial assets are classified as financial assets at fair value through profit or loss. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Cash and equivalents – for own funds are classified under amortised cost. Unit linked Cash deposits are classified under Financial assets at fair value through profit or loss.

- Other assets – Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. These financial assets are comprised of mainly reinsurance receivables on claims paid, reinsurance share on reserves and premium receivable.
- Deferred acquisition costs – Deferred acquisition costs are amortized over the period in which the costs are expected to be recoverable out of future margins in the revenue of the related contracts. The rate of amortization is consistent with the pattern of emergence of such margins.

### *4.1.3 IFRS vs Solvency II*

| €000s | Solvency II | Statutory accounts | Major Differences |
|---|---|---|---|
| Deferred acquisition costs | 0 | 12 | DAC are valued at zero on a SII valuation basis |
| Intangible assets | 0 | 1,165 | Intangibles are valued at zero on a SII valuation basis |
| Deferred tax assets | 0 | 0 | |
| Property, plant & equipment | 355 | 355 | |
| Government Bonds | 0 | 0 | |
| Collective Investments Undertakings | 23,006 | 23,006 | |
| Deposits other than cash equivalents | 10 | 10 | |
| Assets held for index-linked and unit-linked contracts | 18,369 | 18,369 | |
| Reinsurance recoverable | 17,733 | 24,338 | For the difference refer to section 4.2 |
| Reinsurance receivables | 840 | 840 | |
| Trade and other receivables | 98 | 98 | |
| Cash and cash equivalents | 3,065 | 3,064 | |
| Any other assets, not elsewhere shown | 0 | 0 | |
| **Total assets** | **63,475** | **71,343** | **7,782** |

## 4.2 Technical Provisions

### *4.2.1 Value of Technical Provisions (Amount of Best Estimate and Risk Margin)*

The value of the Company's technical provisions is equal to the sum of the best estimate and the risk margin, which are calculated separately. The table below shows the value of technical provisions as at 31 December 2020 both gross and net of reinsurance (RI) recoverables by line of business.

| €'000s | Unit- Linked Insurance | Other Life Insurance | Medical Expense insurance | Income protection insurance | Total |
|---|---|---|---|---|---|
| Gross Best Estimate | 16,063 | 14,019 | 0.06 | 398 | 30,479 |
| Risk Margin | 2,367 | 2,455 | 0.23 | 97 | 4,919 |
| Gross Technical Provisions | 18,430 | 16,473 | 0.28 | 494 | 35,398 |
| RI Recoverables | 288 | 17,157 | 0.04 | 288 | 17,733 |
| Net Technical Provision | 18,142 | (684) | 0.24 | 207 | 17,665 |

### 4.2.2 Description of the bases, methods and main assumptions used

#### 4.2.2.1 Unit-Linked Insurance

For the Unit-Linked Business the best estimate liability (BEL) set up has been derived from the value of the units allocated to the policies that were in force on the valuation date and the present value of the expected future cash flows related to these policies. The cash flow projections are performed on a best estimate basis (i.e. without any prudence margins) and discounting is performed using the EUR risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA.

On top the above, any outstanding claims as at the valuation date are also added to the BEL.

#### 4.2.2.2 Other Life Insurance (excl. Group Life Insurance)

The BEL for Other Life Insurance is calculated as the expected present value of all future cash flows arising in relation to other life insurance policies (premiums, expenses, claims etc.). The cash flow projections are performed on a best estimate basis (i.e. without any prudence margins) and discounting is performed using the EUR risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA.

On top the above, any outstanding claims as at the valuation date are also added to the BEL.

#### 4.2.2.3 Group Life Insurance, Medical Expense Insurance & Income Protection Insurance

4.2.2.3.1 Claims provision

The provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Thus, the components of the Claims Provision are the Outstanding Case Estimates, the Incurred But Not Reported (IBNR), the Incurred But Not Enough Reported (IBNER) and the Unallocated Loss Adjustment Expenses (ULAE). Under Solvency II, the reserves are discounted to allow for the time value of money using the EUR risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA.

4.2.2.3.2 Premium provision

The calculation of the best estimate of the premium provision relates to all future cashflows arising from future events, over the remaining duration of unexpired policies. Such cashflows mostly relate to future claims, administration expenses and reinsurance cost.

### 4.2.3 Risk Margin

The Risk Margin is designed to ensure that the value of technical provisions is equivalent to the amount that a third undertaking would be expected to require in order to take over and meet the Company's insurance obligations. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company's insurance obligations over their lifetime thereof. This rate, called the Cost-of-Capital, is prescribed at 6%, as published by EIOPA.

### 4.2.4 Recoverables

Reinsurance Recoverables represent the difference between Gross and Net provisions. A reduction of reinsurance recoverables has been made to allow for expected losses due to the possible default of a counterparty.

### 4.2.5 Description of the level of uncertainty associated with the value of technical provisions

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions are interest rates, lapse rates, mortality rates, and morbidity rates.

Another source of uncertainty is data. The data management processes of the company are under review. Following completion of the project, the data management of the company is expected to significantly improve and additional controls will be added. According to the work performed so far we do not expect this to have a material impact on the solvency coverage ratio of the company.

### 4.2.6 Quantitative and qualitative explanation of any material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS.

| Net Technical provisions (€'000s) | Unit- Linked Insurance | Other Life Insurance | Medical Expense insurance | Income protection insurance | **Total** |
|---|---|---|---|---|---|
| Solvency II | 18,142 | (684) | 0.24 | 207 | 17,665 |
| IFRS | 19,163 | 4,969 | 0.02 | 103 | 24,234 |
| Difference | **(1,020)** | **(5,652)** | **0.22** | **104** | **(6,569)** |

Lower technical provisions emerge under Solvency II as prudence margins are removed from the assumption basis and there is a shift to a best estimate approach.

Moreover the removal of zeroization of negative reserves and allowance of future profits, result in further reduction of the net technical provisions.

### 4.2.7 Statement on whether the matching or volatility adjustment referred to in Article 77d of Directive 2009/138/EC is used

The Company has not used the matching or volatility adjustment referred to in Article 77d of Directive 2009/138/EC.

### 4.2.8 Statement on whether the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is applied

The Company has not used the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC.

### 4.2.9 Statement on whether the transitional deduction referred to in Article 308d of Directive 2009/138/EC is applied

The Company has not used any of the following the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

### 4.2.10 Material assumption changes

The following material assumption changes have taken place between year-end 2019 and year-end 2020:

- The mortality and persistency assumptions have been revised following and a mortality and persistency analysis undertaken by the Company in 2020Q4.
- The risk free rates used both for discount and fund growth for the Solvency II valuation are as prescribed by EIOPA and have been revised appropriately based on the latest market conditions and Company experience for the IFRS valuation.
- Expense assumptions have been updated following the annual expense analysis undertaken by the Actuarial Function.

## 4.3 Valuation of other liabilities

### 4.3.1 Value of other liabilities

The table below sets out the value of the other liabilities as at 31st December 2020:

| €'000s | Solvency II value |
|---|---|
| Insurance & intermediaries payables | 256 |
| Reinsurance payables | 3,007 |
| Payables (trade, not insurance) | 1,460 |
| Any other liabilities, not elsewhere shown | - |
| Deferred Tax | 663 |
| **Total other liabilities** | **5,386** |

### 4.3.2 Description of the bases, methods and main assumptions used for their valuation for solvency purposes

**Insurance and intermediaries payables**

Insurance and intermediaries payables at 31 December 2020 total €256k (2019: €65k), made up of the following balances:

- Commission payable to insurance intermediaries

This balance is calculated in accordance with the terms and conditions of the contract with the intermediary – no adjustments or judgements are made for valuation purposes. There is a high degree of certainty over the economic outflow due to the relatively short timeframe between the commission liabilities arising and the intermediary receiving payment from the Company. The value of this liability for Solvency II is the same as for IFRS.

**Reinsurance payables**

As at 31 December 2020, the balance owed to reinsurers was €3,007k (2019: €1,020k). This balance is in respect of reinsurance agreements that were in force at the reporting date, aggregated based on their comparable nature, function, risk and materiality.

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from ceded reinsurance contracts are presented separately from the related assets, liabilities, income and expenses of the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

**Payables (trade, not insurance)**

Payables (trade, not insurance) relate to balances owed in respect of other services received by the Company; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The total for payables (trade, not insurance) as at 31 December 2020 was €1,460k (2019: €888k).

### 4.3.3 *Quantitative and qualitative explanation of any material differences with the valuation bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS*

| €'000s | Solvency II value | Statutory Account |
|---|---|---|
| Insurance & intermediaries payables | 256 | 256 |
| Reinsurance payables | 3,007 | 3,007 |
| Payables (trade, not insurance) | 1,460 | 1,460 |
| Any other liabilities, not elsewhere shown | - | - |
| Deferred Tax | 663 | - |
| **Total other liabilities** | **5,386** | **4,723** |

#### 4.3.3.1 *Deferred Tax Liability (DTL)*

The lower reserves under the Solvency II calculation generate an IFRS profit which will be subject to the prevailing tax rate when it arises. The DTL calculation is derived from the application of the prevailing tax rate on the difference of the IFRS insurance liabilities and the corresponding Solvency II liabilities. The current tax rate of 12.5% is used in the calculation. The calculated amount is booked on the Solvency II balance sheet as a DTL if the Solvency II technical provisions are lower. In case where the Solvency II liability is higher there is no attempt to set a Deferred Tax Asset (DTA). The amount for the YE2020 is equal to €663K (2019: €633K).

### 4.4 Any other information

No other material information regarding the valuation of assets and liabilities for solvency purposes.

# 5 Capital Management

## 5.1 Own Funds

### *5.1.1 Objectives, policies and processes employed for managing its own funds*

The objective of capital management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management and BoD, at least quarterly, during which the ratio of eligible own funds over SCR and MCR are reviewed. As part of own funds management, the Company prepares annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

### *5.1.2 Information on the structure, amount and quality of own funds at the end of the reporting period and at the end of the previous reporting period*

The following table shows the structure of own funds as at 31 December 2020 and 31 December 2019:

| Own funds (€'000s) | December 2020 | December 2019 |
|---|---|---|
| Ordinary share capital | 1,710 | 1,710 |
| Reconciliation reserve | 4,643 | 4,433 |
| Retained Earnings | 16,339 | 14,764 |
| Other Own Funds | 0 | 0 |
| Total Basic Own funds | 22,691 | 20,907 |

The current structure of own funds as shown above is composed only of capital classified as Tier 1 - Unrestricted.

### *5.1.3 Eligible amount of own funds to cover SCR (by tier)*

The Company's own funds are all tier 1 unrestricted and available to cover the SCR.

### *5.1.4 Eligible amount of own funds to cover MCR (by tier)*

The Company's own funds are all tier 1 unrestricted and available to cover the MCR.

### *5.1.5 IFRS Equity vs Own Funds*

The following summary table shows the comparisons and movement in the IFRS and Solvency II valuation of assets, liabilities and Own Funds.

| **€'000s** | **IFRS** | **SOLVENCY II** | **MOVEMENT** |
|---|---|---|---|
| Total Assets | 71,343 | 63,475 | 7,868 |
| Total Liabilities | 53,295 | 40,784 | 12,511 |
| **Total Own Funds** | **18,049** | **22,691** | **-4,642** |
| *Ordinary Share Capital* | *1,710* | *1,710* | *0* |
| *Retained Earnings* | *16,339* | *16,339* | *0* |
| *Other Own funds* | *0* | *0* | *0* |
| *Reconciliation Reserve* | *0* | *4,642* | *-4,642* |

The movement in the valuation of assets and liabilities arises from the differences in the valuation of IFRS and Solvency II standards, below:

- Intangible assets that cannot be individually sold, are not admissible under Solvency II. The difference is immaterial
- Deferred Acquisition Cost (DAC) is not included under Solvency II. The difference is immaterial
- Differences in gross technical provisions and reinsurance recoverables (as explained in section 4.2.6)
- Difference in the Deferred Tax Liability (as explained in section 4.3.3.1)

### *5.1.6 Ancillary own funds*

Not applicable

### *5.1.7 Description of any item deducted from own funds*

Not applicable

### *5.1.8 Brief description of any significant restriction affecting the availability and transferability of own funds within the undertaking*

Not applicable

### *5.1.9 Deferred tax assets*

The Company has no deferred tax assets.

## 5.2 Solvency Capital Requirement and Minimum Capital Requirement

### *5.2.1 Amounts of SCR and MCR*

As at 31 December 2019 the SCR of the Company was calculated at €6,692k (2019: €7,014k) and the MCR at €6,200k (2019: €6,200k). Therefore, the Company keeps the SCR in its books as capital charge. The SCR has been submitted to the supervisory authorities and the Company awaits for their feedback.

### *5.2.2 Amount of SCR split by risk modules*

The following table shows the SCR split by risk modules:

| Solvency Capital Requirement | €'000s |
|---|---|
| Market risk | 1,894 |
| Counterparty default risk | 791 |
| Life Underwriting risks | 5,207 |
| Health underwriting risk | 258 |
| Non-Life underwriting risk | 0 |
| **Sum of risk components** | 8,151 |
| *Diversification effects* | -1,814 |
| Intangible asset risk | 0 |
| Basic SCR | 6,337 |
| Operational risk | 1,099 |
| Adjustments | -744 |
| SCR | 6,692 |

### *5.2.3 Simplifications*

No simplifications have been used for any of the modules or sub-modules of the SCR.

### 5.2.4 *Undertaking-specific parameters*

The Company has not used undertaking-specific parameters for any of the parameters of the standard formula.

### 5.2.5 *Information on the inputs used to calculate the MCR*

| €'000s | Non-life activities | Life activities |
|---|---|---|
| Notional linear MCR | 39 | 5,418 |
| Notional SCR excluding add-on (annual or latest calculation) | 48 | 6,644 |
| Notional MCR cap | 22 | 2,990 |
| Notional MCR floor | 12 | 1,661 |
| Notional Combined MCR | 22 | 2,990 |
| Absolute floor of the notional MCR | 2,500 | 3,700 |

The total MCR for both activities (Life + Non-Life) is equal to €6.2m.

### 5.2.6 *Any material change to the SCR and to the MCR over the reporting period, and the reasons for any such change*

The SCR has decreased since YE2019. The key drivers of the reduction are the reduced exposure to local financial institutions, the stabilization of operational risk following the increase in 2019 due to the onboarding of the ex-CCB portfolio and the use of the Loss-absorbing capacity adjustment.

The MCR remains unchanged at €6.2m.

### 5.2.7 *Loss-absorbing capacity adjustment and deferred tax assets*

The loss absorbing capacity of deferred taxes is calculated as the sum of the deferred tax liability as presented in the Solvency II Balance Sheet and of a proportion of the temporary differences between the valuation for tax purposes and the Solvency II valuation (applying a tax rate on this difference of 10.0%, as opposed to the 12.5% corporation tax rate of Cyprus thus leaving a prudency margin of 2.5%).

As at 2020YE, the Solvency Capital Requirement has been adjusted by €0.7m.

## 5.3 Duration-based equity risk sub-module option

The equity risk sub-module is not used by the Company for the calculation of its Solvency Capital requirements.

## 5.4 Internal model

An internal model is not used by the Company for the calculation of its Solvency Capital requirements and its Minimum Capital requirements.

## 5.5 Non-compliance with the MCR and non-compliance with the SCR

The Company complied with the SCR and MCR during the 2020.

## 5.6 Any other information

There is no other material information regarding the capital management of the undertaking during the year 2020.

# Appendix – Quantitative Reporting Templates

The following templates are included in the appendix:

| Code | Template name |
|---|---|
| S.02.01.02 | Balance sheet |
| S.05.01.02 | Premiums, claims and expenses by line of business |
| S.12.01.02 | Life and Health SLT Technical Provisions |
| S.17.01.02 | Non-life Technical Provisions |
| S.19.01.21 | Non-life Insurance Claims Information |
| S.23.01.01 | Own funds |
| S.25.01.21 | Solvency Capital Requirement - for undertakings on Standard Formula |
| S.28.02.01 | Minimum capital Requirement - Both life and non-life insurance activity |

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

| | | Solvency II value |
|---|---|---|
| **Assets** | | **C0010** |
| Intangible assets | **R0030** | |
| Deferred tax assets | **R0040** | |
| Pension benefit surplus | **R0050** | |
| Property, plant & equipment held for own use | **R0060** | 355 |
| Investments (other than assets held for index-linked and unit-linked contracts) | **R0070** | 23.015 |
| Property (other than for own use) | **R0080** | |
| Holdings in related undertakings, including participations | **R0090** | |
| Equities | **R0100** | |
| Equities - listed | **R0110** | |
| Equities - unlisted | **R0120** | |
| Bonds | **R0130** | |
| Government Bonds | **R0140** | |
| Corporate Bonds | **R0150** | |
| Structured notes | **R0160** | |
| Collateralised securities | **R0170** | |
| Collective Investments Undertakings | **R0180** | 23.006 |
| Derivatives | **R0190** | |
| Deposits other than cash equivalents | **R0200** | 10 |
| Other investments | **R0210** | |
| Assets held for index-linked and unit-linked contracts | **R0220** | 18.369 |
| Loans and mortgages | **R0230** | |
| Loans on policies | **R0240** | |
| Loans and mortgages to individuals | **R0250** | |
| Other loans and mortgages | **R0260** | |
| Reinsurance recoverables from: | **R0270** | 17.733 |
| Non-life and health similar to non-life | **R0280** | 288 |
| Non-life excluding health | **R0290** | |
| Health similar to non-life | **R0300** | 288 |
| Life and health similar to life, excluding health and index-linked and unit-linked | **R0310** | 17.157 |
| Health similar to life | **R0320** | |
| Life excluding health and index-linked and unit-linked | **R0330** | 17.157 |
| Life index-linked and unit-linked | **R0340** | 288 |
| Deposits to cedants | **R0350** | |
| Insurance and intermediaries receivables | **R0360** | 14 |
| Reinsurance receivables | **R0370** | 840 |
| Receivables (trade, not insurance) | **R0380** | 84 |
| Own shares (held directly) | **R0390** | |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | **R0400** | |
| Cash and cash equivalents | **R0410** | 3.065 |
| Any other assets, not elsewhere shown | **R0420** | |
| **Total assets** | **R0500** | 63.475 |

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

| **Liabilities** | | **Solvency II value** |
|---|---|---|
| | | **C0010** |
| Technical provisions – non-life | **R0510** | 495 |
| Technical provisions – non-life (excluding health) | **R0520** | |
| TP calculated as a whole | **R0530** | |
| Best Estimate | **R0540** | |
| Risk margin | **R0550** | |
| Technical provisions - health (similar to non-life) | **R0560** | 495 |
| TP calculated as a whole | **R0570** | |
| Best Estimate | **R0580** | 398 |
| Risk margin | **R0590** | 97 |
| Technical provisions - life (excluding index-linked and unit-linked) | **R0600** | 16.473 |
| Technical provisions - health (similar to life) | **R0610** | |
| TP calculated as a whole | **R0620** | |
| Best Estimate | **R0630** | |
| Risk margin | **R0640** | |
| Technical provisions – life (excluding health and index-linked and unit-linked) | **R0650** | 16.473 |
| TP calculated as a whole | **R0660** | |
| Best Estimate | **R0670** | 14.019 |
| Risk margin | **R0680** | 2.455 |
| Technical provisions – index-linked and unit-linked | **R0690** | 18.430 |
| TP calculated as a whole | **R0700** | |
| Best Estimate | **R0710** | 16.063 |
| Risk margin | **R0720** | 2.367 |
| Contingent liabilities | **R0740** | |
| Provisions other than technical provisions | **R0750** | |
| Pension benefit obligations | **R0760** | |
| Deposits from reinsurers | **R0770** | |
| Deferred tax liabilities | **R0780** | 663 |
| Derivatives | **R0790** | |
| Debts owed to credit institutions | **R0800** | |
| Financial liabilities other than debts owed to credit institutions | **R0810** | |
| Insurance & intermediaries payables | **R0820** | 256 |
| Reinsurance payables | **R0830** | 3.007 |
| Payables (trade, not insurance) | **R0840** | 1.460 |
| Subordinated liabilities | **R0850** | |
| Subordinated liabilities not in BOF | **R0860** | |
| Subordinated liabilities in BOF | **R0870** | |
| Any other liabilities, not elsewhere shown | **R0880** | |
| **Total liabilities** | **R0900** | 40.784 |
| **Excess of assets over liabilities** | **R1000** | 22.691 |

**Annex I**
**S.05.01.02**
**Premiums, claims and expenses by line of business**

| | | Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)** | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Total |
| | | **C0010** | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** | **C0080** | **C0090** | **C0200** |
| **Premiums written** | | | | | | | | | | | |
| Gross - Direct Business | **R0110** | 5 | 495 | | | | | | | | 500 |
| Gross - Proportional | **R0120** | | | | | | | | | | |
| Gross - Non-proportional | **R0130** | | | | | | | | | | |
| Reinsurers' share | **R0140** | 3 | 204 | | | | | | | | 207 |
| Net | **R0200** | 2 | 291 | | | | | | | | 293 |
| **Premiums earned** | | | | | | | | | | | |
| Gross - Direct Business | **R0210** | 5 | 486 | | | | | | | | 490 |
| Gross - Proportional | **R0220** | | | | | | | | | | |
| Gross - Non-proportional | **R0230** | | | | | | | | | | |
| Reinsurers' share | **R0240** | 3 | 197 | | | | | | | | 200 |
| Net | **R0300** | 2 | 289 | | | | | | | | 290 |
| **Claims incurred** | | | | | | | | | | | |
| Gross - Direct Business | **R0310** | | -8 | | | | | | | | -8 |
| Gross - Proportional | **R0320** | | | | | | | | | | |
| Gross - Non-proportional | **R0330** | | | | | | | | | | |
| Reinsurers' share | **R0340** | | -21 | | | | | | | | -21 |
| Net | **R0400** | | 13 | | | | | | | | 13 |
| **Changes in other technical** | | | | | | | | | | | |
| Gross - Direct Business | **R0410** | | 17 | | | | | | | | 17 |
| Gross - Proportional | **R0420** | | | | | | | | | | |
| Gross - Non- proportional | **R0430** | | | | | | | | | | |
| Reinsurers'share | **R0440** | | 28 | | | | | | | | 28 |
| Net | **R0500** | | -11 | | | | | | | | -11 |
| **Expenses incurred** | **R0550** | 1 | 128 | | | | | | | | 129 |
| **Other expenses** | **R1200** | | | | | | | | | | |
| **Total expenses** | **R1300** | | | | | | | | | | 129 |

**Annex I**
**S.05.01.02**
**Premiums, claims and expenses by line of business**
**Annex I**
**S.05.01.02**
**Premiums, claims and expenses by line of business**

| | | Line of Business for: **life insurance obligations** | | | | | | **Life reinsurance obligations** | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health | Health reinsurance | Life-reinsurance | |
| | | **C0210** | **C0220** | **C0230** | **C0240** | **C0250** | **C0260** | **C0270** | **C0280** | **C0300** |
| **Premiums written** | | | | | | | | | | |
| Gross | **R1410** | | | 3.277 | 22.853 | | | | | 26.130 |
| Reinsurers' share | **R1420** | | | 24 | 10.797 | | | | | 10.821 |
| Net | **R1500** | | | 3.253 | 12.056 | | | | | 15.309 |
| **Premiums earned** | | | | | | | | | | |
| Gross | **R1510** | | | 3.277 | 22.845 | | | | | 26.121 |
| Reinsurers' share | **R1520** | | | 24 | 10.789 | | | | | 10.813 |
| Net | **R1600** | | | 3.253 | 12.055 | | | | | 15.309 |
| **Claims incurred** | | | | | | | | | | |
| Gross | **R1610** | | | 1.305 | 10.623 | | | | | 11.929 |
| Reinsurers' share | **R1620** | | | 6 | 9.009 | | | | | 9.015 |
| Net | **R1700** | | | 1.300 | 1.614 | | | | | 2.914 |
| **Changes in other technical** | | | | | | | | | | |
| Gross | **R1710** | | | 1.633 | 2.305 | | | | | 3.938 |
| Reinsurers' share | **R1720** | | | 123 | 2.262 | | | | | 2.385 |
| Net | **R1800** | | | 1.509 | 44 | | | | | 1.553 |
| **Expenses incurred** | **R1900** | | | 680 | 7.214 | | | | | 7.894 |
| **Other expenses** | **R2500** | | | | | | | | | |
| **Total expenses** | **R2600** | | | | | | | | | 7.894 |

**Annex I**
**S.12.01.02**
**Life and Health SLT Technical Provisions**

| | | Insurance with profit participation | Index-linked and unit-linked insurance | Index-linked and unit-linked insurance: Contracts without options and guarantees | Index-linked and unit-linked insurance: Contracts with options or guarantees | Other life insurance | Other life insurance: Contracts without options and guarantees | Other life insurance: Contracts with options or guarantees | Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations | Accepted reinsurance | **Total (Life other than health insurance, incl. Unit-Linked)** | Health insurance (direct business) | Health insurance (direct business): Contracts without options and guarantees | Health insurance (direct business): Contracts with options or guarantees | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Health reinsurance (reinsurance accepted) | **Total (Health similar to life insurance)** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** | **C0080** | **C0090** | **C0100** | **C0150** | **C0160** | **C0170** | **C0180** | **C0190** | **C0200** | **C0210** |
| **Technical provisions calculated as a whole** | **R0010** | | | | | | | | | | | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | **R0020** | | | | | | | | | | | | | | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | |
| **Best Estimate** | | | | | | | | | | | | | | | | | |
| **Gross Best Estimate** | **R0030** | | | 10.641 | 5.422 | | 14.019 | | | | 30.081 | | | | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0080** | | | 285 | 3 | | 17.157 | | | | 17.445 | | | | | | |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | **R0090** | | | 10.356 | 5.419 | | -3.138 | | | | 12.636 | | | | | | |
| **Risk Margin** | **R0100** | | 2.367 | | | 2.455 | | | | | 4.822 | | | | | | |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | |
| Technical Provisions calculated as a whole | **R0110** | | | | | | | | | | | | | | | | |
| Best estimate | **R0120** | | | | | | | | | | | | | | | | |
| Risk margin | **R0130** | | | | | | | | | | | | | | | | |
| **Technical provisions - total** | **R0200** | | 18.430 | | | 16.473 | | | | | 34.903 | | | | | | |

**Annex I**
**S.17.01.02**
**Non-life Technical Provisions**

| | | Direct business and accepted proportional reinsurance | | Total Non-Life obligation |
|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | |
| | | **C0020** | **C0030** | **C0180** |
| **Technical provisions calculated as a whole** | **R0010** | | | |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole | **R0050** | | | |
| **Technical provisions calculated as a sum of BE and RM** | | | | |
| **Best estimate** | | | | |
| Premium provisions | | | | |
| Gross | **R0060** | 0 | 17 | 17 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0140** | 0 | 13 | 13 |
| Net Best Estimate of Premium Provisions | **R0150** | 0 | 4 | 4 |
| **Claims provisions** | | | | |
| Gross | **R0160** | | 381 | 381 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0240** | | 275 | 275 |
| Net Best Estimate of Claims Provisions | **R0250** | | 106 | 106 |
| **Total Best estimate - gross** | **R0260** | 0 | 398 | 398 |
| **Total Best estimate - net** | **R0270** | 0 | 110 | 110 |
| **Risk margin** | **R0280** | 0 | 97 | 97 |
| **Amount of the transitional on Technical Provisions** | | | | |
| Technical Provisions calculated as a whole | **R0290** | | | |
| Best estimate | **R0300** | | | |
| Risk margin | **R0310** | | | |
| **Technical provisions - total** | | | | |
| Technical provisions - total | **R0320** | 0 | 494 | 495 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | **R0330** | 0 | 288 | 288 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | **R0340** | 0 | 207 | 207 |

**Annex I**
**S.19.01.21**
**Non-life Insurance Claims Information**

**Total Non-Life Business**

| Accident year / Underwriting year | Z0020 | Accident year [AY] |
|---|---|---|

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

| | | Development year | | | | | | | | | | | | In Current year | Sum of years (cumulative) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | | C0170 | C0180 |
| **Prior** | **R0100** | | | | | | | | | | | | **R0100** | | |
| **2011** | **R0160** | 120 | 20 | | | | | | | | | | **R0160** | | 140 |
| **2012** | **R0170** | 140 | | 40 | | | | | | | | | **R0170** | | 180 |
| **2013** | **R0180** | 170 | 80 | | | | | | | | | | **R0180** | | 250 |
| **2014** | **R0190** | 95 | 40 | | | | | | | | | | **R0190** | | 135 |
| **2015** | **R0200** | 175 | | | | | | | | | | | **R0200** | | 175 |
| **2016** | **R0210** | 55 | 70 | 254 | | | | | | | | | **R0210** | | 379 |
| **2017** | **R0220** | 150 | 40 | | | | | | | | | | **R0220** | | 190 |
| **2018** | **R0230** | 121 | 43 | | | | | | | | | | **R0230** | | 164 |
| **2019** | **R0240** | 30 | 41 | | | | | | | | | | **R0240** | 41 | 71 |
| **2020** | **R0250** | 20 | | | | | | | | | | | **R0250** | 20 | 20 |
| | | | | | | | | | | | | **Total** | **R0260** | 61 | 1.704 |

**Gross undiscounted Best Estimate Claims Provisions**
(absolute amount)

| | | Development year | | | | | | | | | | | | Year end (discounted data) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | | |
| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | | C0360 |
| **Prior** | **R0100** | | | | | | | | | | | | **R0100** | |
| **2011** | **R0160** | | | | | | | | | | | | **R0160** | |
| **2012** | **R0170** | | | | | 20 | 20 | 20 | 20 | 20 | | | **R0170** | 21 |
| **2013** | **R0180** | | | | 20 | 20 | 20 | 20 | 20 | | | | **R0180** | 21 |
| **2014** | **R0190** | | | 23 | 20 | 20 | 20 | 20 | | | | | **R0190** | 21 |
| **2015** | **R0200** | | 39 | 24 | 20 | 20 | | | | | | | **R0200** | |
| **2016** | **R0210** | 152 | 334 | 74 | 70 | 70 | | | | | | | **R0210** | 71 |
| **2017** | **R0220** | 466 | 59 | 66 | 31 | | | | | | | | **R0220** | 31 |
| **2018** | **R0230** | 131 | 77 | 41 | | | | | | | | | **R0230** | 41 |
| **2019** | **R0240** | 135 | 20 | | | | | | | | | | **R0240** | 20 |
| **2020** | **R0250** | 155 | | | | | | | | | | | **R0250** | 157 |
| | | | | | | | | | | | | **Total** | **R0260** | 381 |

**Annex I**

**S.23.01.01**

**Own funds**

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | **R0010** | 1.710 | 1.710 | | | |
| Share premium account related to ordinary share capital | **R0030** | | | | | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | **R0040** | | | | | |
| Subordinated mutual member accounts | **R0050** | | | | | |
| Surplus funds | **R0070** | | | | | |
| Preference shares | **R0090** | | | | | |
| Share premium account related to preference shares | **R0110** | | | | | |
| Reconciliation reserve | **R0130** | 20.981 | 20.981 | | | |
| Subordinated liabilities | **R0140** | | | | | |
| An amount equal to the value of net deferred tax assets | **R0160** | | | | | |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | **R0180** | | | | | |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds | **R0220** | | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | **R0230** | | | | | |
| **Total basic own funds after deductions** | **R0290** | 22.691 | 22.691 | | | |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | **R0300** | | | | | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | **R0310** | | | | | |
| Unpaid and uncalled preference shares callable on demand | **R0320** | | | | | |
| A legally binding commitment to subscribe and pay for subordinated liabilities on demand | **R0330** | | | | | |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | **R0340** | | | | | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC | **R0350** | | | | | |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | **R0360** | | | | | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | **R0370** | | | | | |
| Other ancillary own funds | **R0390** | | | | | |
| **Total ancillary own funds** | **R0400** | | | | | |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | **R0500** | 22.691 | 22.691 | | | |
| Total available own funds to meet the MCR | **R0510** | 22.691 | 22.691 | | | |
| Total eligible own funds to meet the SCR | **R0540** | 22.691 | 22.691 | | | |
| Total eligible own funds to meet the MCR | **R0550** | 22.691 | 22.691 | | | |
| **SCR** | **R0580** | 6.692 | | | | |
| **MCR** | **R0600** | 6.200 | | | | |

**Annex I**

**S.23.01.01**

**Own funds**

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| **Ratio of Eligible own funds to SCR** | **R0620** | 339,09% | | | | |
| **Ratio of Eligible own funds to MCR** | **R0640** | 365,99% | | | | |

| | | C0060 | |
|---|---|---|---|
| **Reconciliation reserve** | | | |
| Excess of assets over liabilities | **R0700** | 22.691 | |
| Own shares (held directly and indirectly) | **R0710** | | |
| Foreseeable dividends, distributions and charges | **R0720** | | |
| Other basic own fund items | **R0730** | 1.710 | |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | **R0740** | | |
| **Reconciliation reserve** | **R0760** | 20.981 | |
| **Expected profits** | | | |
| Expected profits included in future premiums (EPIFP) - Life business | **R0770** | 9.192 | |
| Expected profits included in future premiums (EPIFP) - Non- life business | **R0780** | | |
| **Total Expected profits included in future premiums (EPIFP)** | **R0790** | 9.192 | |

**Annex I**
**S.25.01.21**
**Solvency Capital Requirement - for undertakings on Standard Formula**

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | **C0110** | **C0090** | **C0120** |
| Market risk | **R0010** | 1.894 | | |
| Counterparty default risk | **R0020** | 791 | | |
| Life underwriting risk | **R0030** | 5.207 | | |
| Health underwriting risk | **R0040** | 258 | | |
| Non-life underwriting risk | **R0050** | | | |
| Diversification | **R0060** | -1.814 | | |
| Intangible asset risk | **R0070** | | | |
| **Basic Solvency Capital Requirement** | **R0100** | 6.337 | | |

| **Calculation of Solvency Capital Requirement** | | **C0100** |
|---|---|---|
| Operational risk | **R0130** | 1.099 |
| Loss-absorbing capacity of technical provisions | **R0140** | |
| Loss-absorbing capacity of deferred taxes | **R0150** | -744 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | **R0160** | |
| **Solvency capital requirement excluding capital add-on** | **R0200** | 6.692 |
| Capital add-on already set | **R0210** | |
| **Solvency capital requirement** | **R0220** | 6.692 |
| **Other information on SCR** | | |
| Capital requirement for duration-based equity risk sub-module | **R0400** | |
| Total amount of Notional Solvency Capital Requirement for remaining part | **R0410** | |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | **R0420** | |
| Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios | **R0430** | |
| Diversification effects due to RFF nSCR aggregation for article 304 | **R0440** | |

| | | Yes/No |
|---|---|---|
| **Approach to tax rate** | | **C0109** |
| Approach based on average tax rate | **R0590** | 1 - Yes |

| | | LAC DT |
|---|---|---|
| **Calculation of loss absorbing capacity of deferred taxes** | | **C0130** |
| LAC DT | **R0640** | -744 |
| LAC DT justified by reversion of deferred tax liabilities | **R0650** | -744 |
| LAC DT justified by reference to probable future taxable economic profit | **R0660** | |
| LAC DT justified by carry back, current year | **R0670** | |
| LAC DT justified by carry back, future years | **R0680** | |
| Maximum LAC DT | **R0690** | |

**Annex I**
**S.28.02.01**
**Minimum capital Requirement - Both life and non-life insurance activity**

| | | Non-life activities | Life activities |
|---|---|---|---|
| | | $MCR_{(NL,NL)}$ Result | $MCR_{(NL,L)}$Result |
| | | **C0010** | **C0020** |
| **Linear formula component for non-life insurance and reinsurance obligations** | **R0010** | 39 | |

| | | Non-life activities | | Life activities | |
|---|---|---|---|---|---|
| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
| | | **C0030** | **C0040** | **C0050** | **C0060** |
| Medical expense insurance and proportional reinsurance | **R0020** | 0 | 2 | | |
| Income protection insurance and proportional reinsurance | **R0030** | 110 | 291 | | |
| Workers' compensation insurance and proportional reinsurance | **R0040** | | | | |
| Motor vehicle liability insurance and proportional reinsurance | **R0050** | | | | |
| Other motor insurance and proportional reinsurance | **R0060** | | | | |
| Marine, aviation and transport insurance and proportional reinsurance | **R0070** | | | | |
| Fire and other damage to property insurance and proportional reinsurance | **R0080** | | | | |
| General liability insurance and proportional reinsurance | **R0090** | | | | |
| Credit and suretyship insurance and proportional reinsurance | **R0100** | | | | |
| Legal expenses insurance and proportional reinsurance | **R0110** | | | | |
| Assistance and proportional reinsurance | **R0120** | | | | |
| Miscellaneous financial loss insurance and proportional reinsurance | **R0130** | | | | |
| Non-proportional health reinsurance | **R0140** | | | | |
| Non-proportional casualty reinsurance | **R0150** | | | | |
| Non-proportional marine, aviation and transport reinsurance | **R0160** | | | | |
| Non-proportional property reinsurance | **R0170** | | | | |

| | | Non-life activities | Life activities |
|---|---|---|---|
| | | $MCR_{(L,NL)}$ Result | $MCR_{(L,L)}$ Result |
| | | **C0070** | **C0080** |
| **Linear formula component for life insurance and reinsurance obligations** | **R0200** | | 5.418 |

**Non-life activities** **Life activities**

**Annex I**
**S.28.02.01**
**Minimum capital Requirement - Both life and non-life insurance activity**

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance/SPV) total capital at risk |
|---|---|---|---|---|---|
| | | **C0090** | **C0100** | **C0110** | **C0120** |
| Obligations with profit participation - guaranteed benefits | **R0210** | | | | |
| Obligations with profit participation - future discretionary benefits | **R0220** | | | | |
| Index-linked and unit-linked insurance obligations | **R0230** | | | 15.775 | |
| Other life (re)insurance and health (re)insurance obligations | **R0240** | | | | |
| Total capital at risk for all life (re)insurance obligations | **R0250** | | | | 7.582.268 |

**Overall MCR calculation**

| | | **C0130** |
|---|---|---|
| Linear MCR | **R0300** | 5.457 |
| SCR | **R0310** | 6.692 |
| MCR cap | **R0320** | 3.011 |
| MCR floor | **R0330** | 1.673 |
| Combined MCR | **R0340** | 3.011 |
| Absolute floor of the MCR | **R0350** | 6.200 |
| | | **C0130** |
| **Minimum Capital Requirement** | **R0400** | 6.200 |

| **Notional non-life and life MCR calculation** | | **Non-life activities** | **Life activities** |
|---|---|---|---|
| | | **C0140** | **C0150** |
| Notional linear MCR | **R0500** | 39 | 5.418 |
| Notional SCR excluding add-on (annual or latest calculation) | **R0510** | 48 | 6.644 |
| Notional MCR cap | **R0520** | 22 | 2.990 |
| Notional MCR floor | **R0530** | 12 | 1.661 |
| Notional Combined MCR | **R0540** | 22 | 2.990 |
| Absolute floor of the notional MCR | **R0550** | 2.500 | 3.700 |
| Notional MCR | **R0560** | 2.500 | 3.700 |