HELLAS
DIRECT
RETHINK INSURANCE

Solvency and Financial Condition Report

Year ended 31 December 2016

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Executive Summary

This Solvency and Financial Condition Report (SFCR) has been prepared in order to satisfy the public disclosure requirements under the Delegated Regulations of the European Parliament. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management. This report should assist the Company's stakeholders, including the supervisory authorities, in their understanding of the capital position of HD Insurance Ltd ("Hellas Direct") under Pillar I of Solvency II following its implementation on 1 January 2016.

Material changes to business and performance

Despite continued volatility in Greece, the Company managed to grow its top line revenue by 37% compared to 2015, which represented a net portfolio growth of 44%. The loss ratio for the full year was 53% - a significant drop on the 62% experienced in 2015, and this, coupled with the receipt of additional reinsurance commission (reflecting the profitable run-off of prior underwriting years) resulted in a doubling of underwriting profit to just over EUR 2m.

System of Governance

The Solvency and Financial Condition Report includes the following information regarding the system of governance of the Company (as detailed in Section 2 of this report):
(a) the structure of the Company's administrative, management, or supervisory body, providing a description of its main roles and responsibilities and a brief description of the segregation of responsibilities within this body, with particular reference to the relevant committees within it, as well as a description of the main roles and responsibilities of key management functions;
(b) any material changes in the system of governance that have taken place during the reporting period;
(c) information on the remuneration policy and practices regarding the administrative, management or supervisory body and, unless otherwise stated, employees, including:
(d) principles of the remuneration policy, with an explanation of the relative importance of the fixed and variable components of remuneration; and
(e) information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based.

No material changes have occurred during 2016 regarding the system of governance other than the implementation of various structural and procedural enhancements.

Risk profile

The risk profile of the Company is described in Section 3 of this report. The Board of Directors is responsible for the overall governance of the Company, and the Risk Management Committee is specifically responsible for risk governance.
The Company's risk appetite is conservative. Where possible, the Company prefers to avoid unnecessary risk altogether; in cases where risk is inherent to the Company's business (e.g. insurance risk, fraud risk), strong controls are put in place to mitigate it.

Capital management

Effective capital management is essential for the Company to maintain the financial strength necessary to ensure financial stability even in stress scenarios, whilst securing commitments made to policyholders and other stakeholders.
The prudent deployment of capital by the Company must as far as possible meet the diverse expectations of all stakeholders:
- Clients: appropriate capitalisation to ensure client confidence;
- Financial analysts: evaluation of the Company's financial strength;
- Management (internal requirements): appropriate capital allocation to business segments to support strategy/growth; efficient capital structure to minimise cost of capital;
- Regulatory authorities: compliance with Minimum Capital Requirement and Solvency II compliance;
- Shareholders: maximise returns by optimising capital allocation and deployment;

Hellas Direct's strategic plans and budgets are prepared giving full consideration to their impact on the Company's risk profile and capital adequacy under Solvency II.

1. Business and Performance

1.1 Business

HD Insurance Limited is a Cyprus incorporated and regulated non-life insurance undertaking. The Company is a private company limited by shares. The Company has one wholly-owned subsidiary, HD 360 Limited, whose principal activity is software development and data analysis.

The Company is regulated by the Cyprus Superintendent of Insurance. Contact details are as follows:

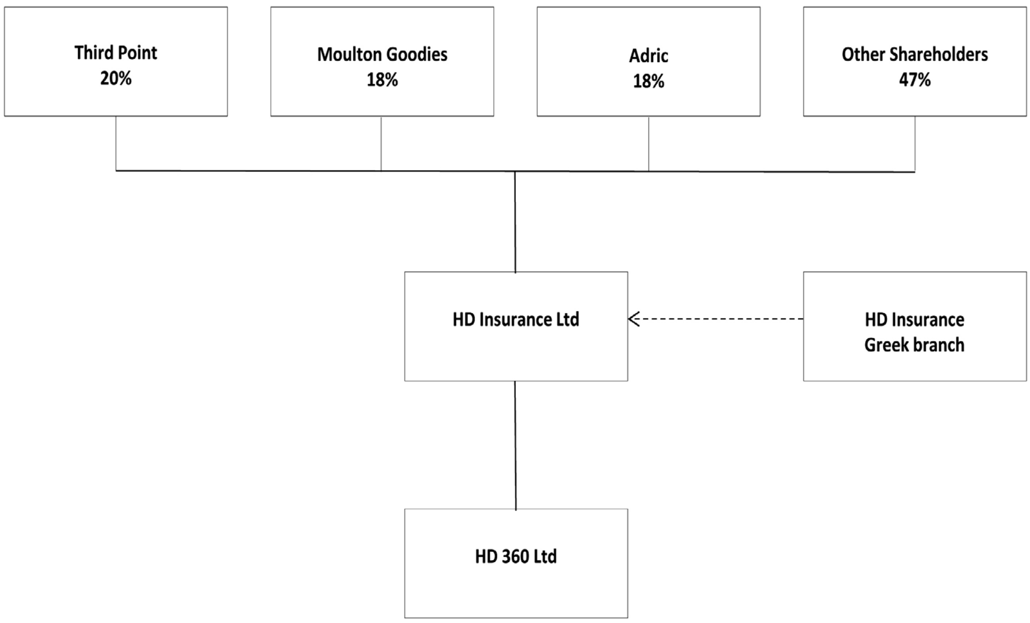
Victoria Natar, Superintendent of Insurance
Insurance Companies Control Service, PO Box 23364
Nicosia 1682, Cyprus

The contact details of the officers who directly supervise the Company are as follows:

Sophocles Ioannides, sioannides@mof.gov.cy, Tel:+357 22602908
George Hadjizorzis, ghadjizorzis@mof.gov.cy, Tel:+357 22602908

The Company's external auditor is PriceWaterhouseCoopers. Contact details are as follows:

George Kazamias, Partner
PricewaterhouseCoopers Ltd
Julia House, 3 Themistoklis Dervis Street, CY1066 Nicosia, Cyprus
george.kazamias@cy.pwc.com, Tel +357 22555797



The entities holding more than 10% of the Company's share capital are detailed below:

Name	% Holding	Description
Third Point Hellenic Recovery Fund, L.P.	20.13%	Institutional investor, Cayman Islands
Moulton Goodies Limited	18.97%	Jon Moulton family office, Guernsey
Adric Holdings Limited	15.06%	Founder co, BVI

The Company is a specialist private motor vehicle insurer for all regions in Greece. Currently the Company does not offer any additional insurance products and does not write any business outside Greece.

Hellas Direct sells insurance direct to the customer through its website and customer service centre located in Athens. The Company does not sell policies through any insurance intermediaries.

Since September 2014, Hellas Direct has operated a branch in Greece. Prior to establishing a branch, insurance services in Greece were provided under EU "Freedom of Services" legislation.

The Company sold its first insurance policy in August 2012, and since that date, has achieved rapid sales growth. As a start-up, the Company is currently loss-making.

The Company has a wholly-owned subsidiary undertaking, HD 360 Limited, which was incorporated on 29th June 2016. The IT and analytics operations of HD Insurance Limited were transferred to its subsidiary on this date. The principal activity of HD 360 Limited is software development and data analytics.

1.2 Underwriting performance

The Company issued its first insurance policy on 7th August 2012.

The underwriting performance of Hellas Direct can be summarized as:

	2014	2015	2016
Number of policies	24,895	54,458	93,038
GWP (€)	3,494,727	5,416,713	7,405,923
Net written premium (€)	1,334,308	2,247,662	3,718,454
Loss ratios	77%	62%	53%

Despite continued volatility in Greece, the Company managed to grow its top line revenue by 37% compared to 2015, which represented a net portfolio growth of 44%. The loss ratio for the full year was 53% - a significant drop on the 62% experienced in 2015, and this, coupled with the receipt of additional reinsurance commission (reflecting the profitable run-off of prior underwriting years) resulted in a doubling of underwriting profit to just over EUR 2m.

On the claims side, the environment has remained relatively benign, as evidenced in the full year loss ratio of 53% (accident year basis). The granular detail the Company has access to enables management to monitor developments on a real-time basis and adjust underwriting accordingly.

In September 2016 a new claims system was installed which has improved the speed and efficiency of the claims management process.

1.3 Investment performance

The company holds cash in the UK, Cyprus and Greece, and a small number of Bank of Cyprus shares obtained in the 2013 haircut of deposits.

The income and expenses related to these investments in each year were as follows:

	2015	2016
Bank balances at year end (€)	8,050,166	6,841,476
Shares held at year end (€)	5,748	5,476
Interest income (€)	4,662	(2,407)
Fair value movements re shares (€)	(2,641)	(272)

The Company's investment performance has been negatively affected by extremely low, non-existent and in some cases, negative, interest rates, relating to specific bank deposits.

1.4 Performance of other activities

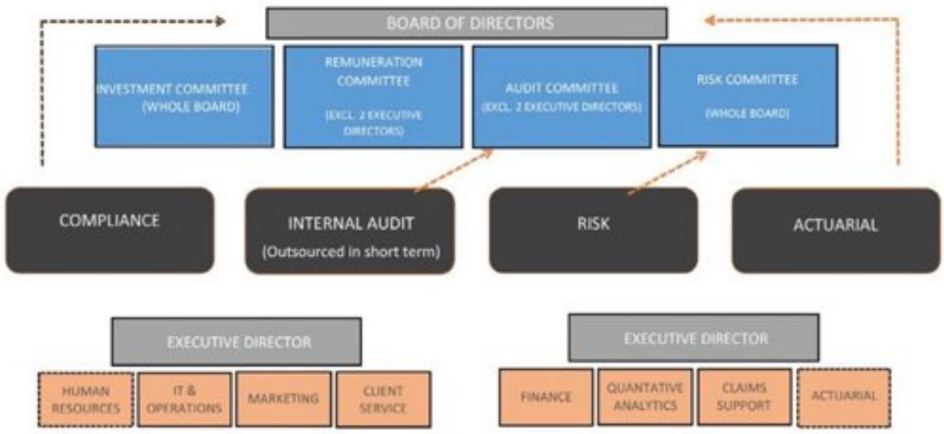
The Company continues to invest in technology and innovation, launching, amongst other things, a telematics product and a digital garages management platform.

The administrative expenses of the Company for 2016 were down 14% on prior year levels, primarily due to the spin-out of the Company's IT and Analytics operations into a wholly-owned subsidiary, HD 360 Limited. The subsidiary undertaking was incorporated in Cyprus on the 29th June 2016; the principle activities of HD 360 Limited are software development and data analytics services. HD 360 Limited supports the operations of HD Insurance Limited, and charges it a monthly fee based on a % of HD Insurance's gross written premium.

2. System of governance

2.1 General information on the system of governance

The current governance structure of Hellas Direct is as per the below diagram:



Responsibilities of the Board

The Board of Directors has responsibility for the overall stewardship of the Company, and for setting the highest possible standards for the Company's business conduct – 'tone at the top'. The Board's key objectives are to oversee the conduct of the business of the Company, to create and preserve long term shareholder value and to safeguard the interests of the policyholders. The Board should also ensure that the Company meets its obligations on an ongoing basis and operates in a reliable and safe manner. As part of its duties, the Board also takes into consideration the legitimate interests of the Company's other stakeholders, such as employees, suppliers and the various government authorities in the jurisdictions in which the Company operates.

The minimum number of Directors is two; there is no maximum number of Directors. For every 10% of share capital held, the shareholder is entitled to appoint 1 director to the Board.

The Board of Directors meets at least 6 times per year, at intervals of at least once every 10 weeks.
The members of the Board of Directors during 2016 were as follows:

Thymios Kyriakopoulos	non-executive, Chairman
George Leventis	non-executive
Louis Wang	non-executive
Spencer Moulton	non-executive (resigned 19th May 2016)
Emilios Markou	executive
Alexis Pantazis	executive

Other Committees

The Directors delegate such of their powers as are considered appropriate to the following committees of the Board:

Audit Committee

This consists of at least two Directors, both of whom should be non-executives. The audit committee meets at least once a year to approve the annual financial statements. The audit committee also meets with respect to the internal audit function of the Company. This committee is headed by George Leventis and comprises all the non-executive directors. As a result of legislation expected to be passed in Cyprus
in 2017, in relation to EU corporate governance legislation affecting public interest entities, the Chairman of the Audit Committee is required to be both independent and to have an accounting or auditing qualification or experience. As none of the current members of the Board of Directors fulfil these requirements, the Company is currently in the process of selecting a candidate with appropriate qualifications and experience to appoint as Chairman of the Audit Committee.

Remuneration Committee

This consists of at least two Directors, both of whom should be non-executives. The remuneration committee meets on an as-needed basis, to discuss and approve the salaries of the Executive Directors. This committee is headed by Louis Wang and comprises all the non-executive directors.

Investment Committee

This consists of at least any two Directors, either executive or non-executive. The Investment Committee meets on an as-needed basis, to discuss the Company's investment strategy. This committee is headed by Efthymios Kyriakopoulos and comprises all the Company's directors.

Risk Committee

This committee is headed by Louis Wang and comprises all the Company's directors. Meetings are held on a quarterly basis.

Key responsibilities of the risk committee:
• Advise execs on risk appetite and strategy,
• Ensuring pricing is in line with strategy & risk appetite,
• Check incentivisation of staff is appropriate in terms of capital requirements & timing of earnings,
• Assess and monitor the risk management function and information security functions (and the compliance function, unless this is done by the audit committee),
• Oversee stress testing.

Organizational structure of the Company

The operational functions of the Company have been split into the following departments, each of which has its own manager, and has been assigned to the oversight of one of the Executive Directors:
• Actuarial,
• Claims support,
• Client service,
• Finance,
• HR,
• IT & operations (from July 2016 provided by subsidiary company HD 360 Ltd),
• Quantitative Analytics (from July 2016 provided by subsidiary company HD 360 Ltd).

Remuneration policy and practices

The remuneration policy of the Company is as follows:
• all employees are on fixed salaries paid on a monthly basis,
• the Company does not pay overtime,
• non-executive directors, with the exception of the Chairman of the Board, are not remunerated,
• the Company has entered into a medical insurance scheme for its employees, although no other benefits such as pensions are offered,
• the Company does not currently have a share option scheme in place which is open to employees; the two executive directors hold share options in the Company.

Other than the monthly payments of directors' salaries and the Chairman's fee, there were no material transactions during the reporting period with shareholders, persons who exercise a significant influence on the undertaking, or members of the administrative, management or supervisory body.

2.2
Fit and proper requirements

The Company has in place a 'Fit and Proper' policy, which is applied to all persons who are considered to be a 'Responsible Person'. This includes: directors of the Company; senior management of the Company; appointed auditors of the Company; or service providers to whom a key function has been outsourced.

Fit and proper assessments will be carried out within the following time frames:
a) before a person becomes a holder of a Responsible Person position,
b) within 28 days of a person becoming the holder of a Responsible Person position,
c) annually for each of the Responsible Person positions.

The assessment of whether a person is 'fit' shall:
a) include an assessment of the person's professional and formal qualifications, knowledge and relevant experience within the insurance sector, other financial sectors or other businesses and whether these are adequate to enable sound and prudent management,
b) take account of the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial and management skills of that person,
c) in the case of board members, take account of the respective duties allocated to individual members to ensure appropriate diversity of qualifications, knowledge and relevant experience such that the business is managed and overseen in a professional manner.

The assessment of whether a person is 'proper' shall:
a) consider whether they are of good repute and integrity,
b) include an assessment of that person's honesty and financial soundness based on evidence regarding their character, personal behaviour and business conduct including any criminal, financial and regulatory aspects relevant for the purpose of the assessment.

2.3
Risk management system including the own risk and solvency assessment

The Company has established a risk management function, under the oversight of a board level Risk Committee. The risk management function draws on the expertise of other operational functions within the Company, such as Analytics, Finance and IT.

The Company's risk appetite is conservative. Where possible, the Company prefers to avoid unnecessary risk altogether; in cases where risk is inherent to the business (e.g. insurance risk, fraud risk), strong controls are put in place to mitigate it.

The responsibilities of the risk management function include the following:
• identifying risks,
• assessing risks,
• forecasting future frequency and severity of losses,
• finding risk mitigation solutions,
• conducting stress tests.

The Company's internal reporting cycle is a key tool in its risk management framework. The reporting detailed below allows the Company's management to effectively identify, measure, monitor, manage and report on a continuous basis, the risks on an individual and aggregated level.

ORSA process

HD Insurance Limited carried out its third ORSA in Q4 2016. A detailed risk register was prepared which identified the key risks faced by the Company and the steps taken to mitigate them, where appropriate. The ORSA was carried out by the Risk Management Function, with the assistance of the Finance Function, under the guidance of the Executive Directors, seeking the input of the Company's entire management team where necessary. The ORSA was reviewed and approved by the Board of Directors on 19th December 2016.

The ORSA represents the entirety of the processes and procedures employed to identify, assess, monitor, manage, and report the short and long term risks the Company faces or may face and to determine the own funds necessary to ensure that overall solvency needs are met at all times.

The ORSA documents the capital and solvency position of the Company and the results of stress testing undertaken during the period, as well as looking forward to the projected capital and solvency position over the duration of the 3 year business planning period.

The ORSA summary report is reflective of the actual ERM reporting that is overseen by the Board of Directors. It is compiled by the Risk Management Function in conjunction with input from the other operational department heads, under the guidance of the Executive Directors and the oversight of the entire Board.

The Company carries out the ORSA exercise on at least an annual basis, with the next ORSA planned for Q3 2017. If there are significant changes to the environment in which the Company operates, or in the Company's own risk profile (for example as a result of Greece exiting either the EU or the Euro, or as a result of the Company acquiring an equity stake in another insurance Company), the ORSA will be revisited.

2.4 Internal control system

The Company has established a robust system of internal control, comprising appropriate controls around conflict of interest and segregation of duties.

For instance:
• invoice approval limits have been put in place for each function. Amounts in excess of the agreed limits must be approved for payment by the Executive Directors,
• all invoice and claims payments are made by the finance function; each payment run is reviewed and approved by the Executive Directors before payments are made,
• there are segregation of duties within the online payments systems in bank,
• individual payments of over certain agreed limits must be approved by the Board,
• the Company requires Board approval to enter into any agreements with a value over a pre-defined limit.

The Board of Directors is responsible for overseeing and monitoring the performance of senior management during its regular meetings.

The internal auditors report directly to the Audit Committee.

Compliance Function role

The Company has established a Compliance Function which is supported by certain key external providers, with whom the Company has entered into written agreements.
The role of the Compliance Function is to ensure compliance with the internal control system, in the three following areas:
• Administrative and accounting procedures.
• Internal control framework.
• Appropriate reporting arrangements at all levels in the Company.

The members of the Compliance Function must comply with the Company's "fit and proper" requirements, particularly in the area of legal expertise.

Compliance Function responsibilities

The compliance function has the following three core areas of responsibility:
• Risk control.
• Early warning.
• Provision of advice to management.

The function is responsible for risk control in respect of compliance risk. Compliance risk is defined as the risk of incurring legal or regulatory sanctions, significant financial loss or damage to reputation resulting from the Company's failure to comply with laws or regulations.

If the Company violates the law in any way, the Compliance Function has the responsibility for investigating and following up the incident. The Compliance Function must report any such incidents to the Board of Directors, and in certain circumstances, to outside bodies such as the legal or regulatory authorities.
The Compliance Function is responsible for providing early warning of potential compliance issues. The function must consider possible future changes in the legal environment and their potential effect on the Company.
The Compliance Function is responsible for producing a Compliance Plan, which must include the compliance risk and legal changes risk for the following financial year.
The Compliance Function is responsible for advising the Company's executive management, and the Board of Directors, on compliance with laws, regulations and Solvency II requirements. This advice must include the preparation of rules and training of staff in compliance with legal requirements. The Compliance Function must also provide operational management and the Risk Management Function with support on legal requirements when new products and services are to be launched or when the Company intends to enter a new market.

2.5 Internal audit function

Internal audit is an independent, objective assurance activity. Due to the small size of the Company the audit committee has outsourced this function to an external provider, currently Baker Tilly Cyprus.

Internal Audit function role

The internal audit function should bring a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes.

Internal Audit function responsibilities

The key responsibilities of the internal audit function are as follows:
a) to evaluate and provide reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Company's objectives and goals to be met;
b) to report risk management issues and internal controls deficiencies identified directly to the audit committee and provide recommendations for improving the Company's operations, in terms of both efficient and effective performance;
c) to evaluate information security and associated risk exposures;
d) to evaluate regulatory compliance;
e) to evaluate the organisation's readiness in case of business interruption;
f)to maintain open communication with management and the audit committee;
g) to provide support to the Company's anti-fraud programs.

The first internal audit was undertaken in respect of the year ended 31 December 2015, and an internal audit report was presented to the Audit Committee on 11 July 2016.

2.6 Actuarial function

The Company has established an actuarial function which is supported by an external actuarial firm, Cronje & Yiannas Actuaries and Consultants Limited, who are responsible for calculating and reporting on the Company's reserves on at least an annual basis.

Actuarial Function role

The role of the Actuarial Function falls into three main areas:
• coordination and monitoring of the evaluation of technical provisions, including methodology, assumptions and data,
• reporting,
• supporting the Risk-Management Function.

Actuarial Function responsibilities

In respect of technical provisions, the Function is responsible for the following:
• understanding the individual model components, their interdependencies and the way the model depicts and takes account of the resultant diversification effects,
• to develop and regularly review the reserving methodology,
• to compare the current assumptions with those for the previous year with the actual figures to calculate the technical provisions (best-estimate comparison) and identify the reason for the variances,
• to express an opinion on the reserving and underwriting guidelines (i.e. the consistency between the underwriting guidelines and the pricing, or the financial effect of changes in the general business conditions),
• to analyse the interdependencies between reinsurance programmes, reserving and the underwriting guidelines,
• to analyse the appropriateness of premiums and the technical provisions, taking account of changes in the underwriting strategy or the market environment (e.g. inflation risks or legal changes),
• to take account of relevant market information,
• to express an opinion on the main risk factors and their influence on profitability in the next financial year,
• to assess and validate the appropriateness, quality and completeness of the internal and external data and IT systems used.

The Actuarial Function is also responsible for supporting the Risk Management Function in respect of the calculation and modelling of underwriting risks, and also in respect of the methodology used to calculate own funds and capital requirements.

The Actuarial Function must also give an opinion on the effectiveness of the reinsurance programmes in which the Company participates, looking forward to the expected development of the business in the coming years.

The Actuarial Function, along with the Risk Management Function, contributes to the ORSA by confirming that the technical provisions have been calculated in accordance with Solvency II requirements.

In terms of reporting, the Actuarial Function submits an annual report to the Board covering the results of the activities described above. On the basis of this report, the Board should be in a position to form an opinion on the appropriateness of the calculation of technical provisions, the underwriting guidelines and the reinsurance guidelines. The report also provides explanations for any changes in assumptions and variances. The report also contains an assessment of the reserving, the underwriting policy and the reinsurance cover, as well as the interaction between them. Any weaknesses or deficiencies in these areas must be reported and recommendations made as to mitigation or rectification.

Requirements

The members of the Actuarial Function must comply with the Company's Fit and Proper requirements, as well as possessing in-depth actuarial and mathematical knowledge. The Company must implement proper segregation of duties to avoid self-review risk.

2.7 Outsourcing

Solvency II allows the outsourcing of any task or function to an external service provider. The Company has outsourced its internal audit function. Also the Company engaged with an external Actuarial firm in relation to the calculation and certification of the Company's technical provisions as per Solvency II regulations. The outsourced service providers are located in Cyprus.

Before outsourcing any of the Company's critical functions, management must assess and ensure that the outsourcing of the function will not lead to:
- Material impairment of the quality of the system of governance;
- An undue increase in the operational risk;
- Impairment of the ability of the supervisory authorities to monitor the Company's compliance with its obligations;
- Continuous and satisfactory service to policyholders being undermined.

The outsourcing of any critical function to an external provider should be approved by the Company's Board of Directors.

Choice of outsourcing provider

The Board of Directors has the responsibility for ensuring that appropriate due diligence has taken place prior to the commencement of any outsourcing arrangement. The Board also has the responsibility for approving the written contracts between the Company and the service provider.
Appropriate due diligence includes the following:
- An assessment of the service provider's ability, capacity and authorisation required by law to carry out the relevant function;
- An assessment of any conflicts of interest;
- The service provider's adherence to data protection and other laws;
- Whether the agreement with the service provider would undermine the safety and confidentiality of information relating to the Company and its policyholders;
- An assessment of the adequacy of the financial resources of the service provider and the qualifications of its staff;
- The putting in place of adequate contingency plans in the case of business interruption on the part of the service provider;
- A named person at the service provider must satisfy the "fit & proper" requirements applicable to the function being outsourced.

In all cases where the entirety or an element of any key function is outsourced, a written agreement must be put in place setting out the respective rights and obligations of both the Company and the service provider.

Duties and responsibilities of both parties

The written agreement which shall be concluded between the Company and the service provider should cover the following matters:
- The duties & responsibilities of both parties;
- The service provider's commitment to comply with all applicable laws and regulations;
- The service provider's obligation to disclose any development which may materially affect its ability to fulfil its obligations under the terms of the agreement;
- Provision of a notice period for the termination of the contract which is sufficiently long to enable the Company to make alternative arrangements;
- The Company should be in the position to terminate the agreement without detriment to the continuity or quality of its provision of services to policyholders;
- The Company has the right to be informed about the service provider's performance of its functions, and also to issue general guidelines and individual instructions relating to the outsourced activities;
- The service provider shall protect any confidential information relating to the Company and its stakeholders;
- The Company, its external auditor and the supervisory authority may have access to the service provider's information and business premises and can address questions directly to the service provider;
- The terms & conditions under which the service provider may sub-outsource any of the outsourced activities;
- The fees to be charged in respect of the services provided.

Reporting and monitoring arrangements

The Company must appoint an internal member of staff to continue to be responsible for the function involved. The person concerned must be named in a written document and will be required to verify performance of the outsourced task and the quality of the service provider's work.
The internal function head should ensure on a continuous basis that:
-The service provider's risk management and internal control systems are fit for purpose;
-The service provider has the appropriate financial resources and appropriately trained and qualified staff to perform the outsourced services;
-The outsourcing of the relevant activities is not adversely affecting the provision of continuous and satisfactory services to policyholders;
-The service provider has adequate contingency plans in place to deal with emergency situations or business disruptions.

The internal function head should report to the Board of Directors (relevant committee) on a timely basis regarding any issues that may arise with regards to the outsourced function.

Termination and transition arrangements

The Company will ensure that any agreements with service providers for the outsourcing of key functions will include appropriate termination clauses. In the event of termination by the service provider, the notice period should be sufficiently long in order to enable the Company to make other arrangements and either find an alternative service provider or take the function in-house. It is suggested that this notice period should not be shorter than 3 months.

Communication with regulatory authorities and other external stakeholders

The decision to outsource one of the Company's critical functions, or changes in any outsourcing arrangements, must be notified to the supervisory authorities in a timely manner (which is defined as at least 6 weeks in advance of the commencement of such arrangements).

Adequacy of system of governance

The Company is committed to maintaining a comprehensive and effective system of governance that is proportionate to the nature, scale and complexity of risks inherent in its business. The Board and the management of the Company intend to continuously monitor the effectiveness and adequacy of its system of governance going forwards, reviewing its systems, processes and procedures on a least an annual basis and updating them where necessary.

3. Risk profile

3.1 Underwriting risk

The Company has a low exposure to underwriting risk, consistent with its documented risk appetite. Its calculation of provisions complies with regulatory and actuarial professional guidance.

Additionally, its comprehensive reinsurance agreement means any exposure to large losses, either through a single event or accumulation of losses is limited.

The limitation of exposure to large losses means that the Company can continue writing new business subject to its availability of capital, and is not at a level that will hinder the Company from achieving its growth targets. The business of the Company is writing private motor vehicle insurance in Greece. The Company offers cover for the following risks:
1. Third party liability
2. Collision with uninsured
3. Accident care
4. Road assistance
5. Glass
6. Legal protection
7. Personal accident
8. Fire
9. Natural phenomena
10. Theft
11. Own damages

The Company avoids the higher risk areas of the motor vehicle portfolio by not insuring motorbikes or vans, or cars with a value or power to weight ratio in excess of pre-defined limits. The risk profile of the motor vehicle insurance business is intrinsically short-tail, and as the Company is a direct to consumer business, any risks around reporting or cashflow delays which might normally be an issue due to broker networks are fully avoided.

Reinsurance

The Company reinsures its entire portfolio, significantly limiting its maximum exposure per claim.

Covers 1, 2, 5, 7, 8, 9, 10 & 11 are reinsured with Munich Re via a 50% quota share treaty.

Covers 3 & 4 were fully reinsured with Interpartner until December 2016, when the active portfolio was moved to Mapfre Assistencia. A fixed fee is paid per policy and the reinsurer assumes the entire risk of claims in these categories.

Cover 6 was fully reinsured with Arag until October 2015, when this coverage was taken fully in-house. A fixed fee was paid per policy to Arag, who retains the responsibility for running off claims made on policies written prior to October 2015.

Excess of loss insurance

The Company also has excess of loss insurance provided by a consortium of four reinsurers: Munich Re, Swiss Re, New Re and Hannover Re. This covers losses in excess of EUR1m, and is currently paid for via a fixed annual fee, which may be adjusted upwards depending on the level of GWP written in a given year.
The Company's management continuously monitors its risk exposure, and believes that the Company's risk profile is well understood and is appropriate for the nature of the business. Due to the sophisticated IT infrastructure developed by the Company, very granular information is available for analysis on a real-time basis,

which enables the management team to keep abreast of developments in the insured portfolio and the wider macro-economic environment.

On the asset side, management's risk appetite is again very conservative. With the exception of immaterial trading balances such as deposits, prepayments and physical fixed assets (computers, desks etc), the Company's entire asset base is made up of cash. Management strategy is to keep the asset base liquid and risk-free. The vast majority of the Company's cash is held in two A-rated banks in the UK. Cash accumulates in the Company's Greek bank accounts due to the capital controls which were implemented in July 2015, however, wherever possible the Company makes efforts to settle its working capital needs from its Greek accounts. Cash is transferred to Cyprus to cover its working capital needs on an as-needed basis.

Key drivers of the risk profile

- Car age
- Car value
- Driver age
- Length of policy purchased
- Postcode
- Natural phenomena specific to Greece – freak weather, earthquakes etc
- Previous claims history

Risk Profiles – material exposure, concentration, mitigation and sensitivity

The Company limits its cover to private motor vehicles in Greece.
The vehicle value insured is limited to EUR 75K per vehicle. The Company's risk in terms of location is diversified: in 2016, vehicles were insured in 869 different postcodes. The diversification profile is better than in 2015.
In terms of driver age group, the Company again targets drivers in age-groups which are proven to be statistically less likely to report a claim.
The Company does not insure cars with a power to weight ratio of higher than 20%.
The risks taken by the Company are extensively reinsured. Due to this, the Company's maximum exposure per claim is capped at €500K, with the exception of losses due to terrorism, or to natural phenomena >€4m, which are excluded from the Company's reinsurance programme.

3.2 Market risk

The Company has been successful in limiting its exposure to market risk to a negligible level.
It faces almost no interest rate risk due to assets being held as cash deposits.

The Company has also been successful in substantially matching the currency of its cash inflow and outflow, thus limiting its exposure to adverse foreign exchange movements.

During 2016, the majority of assets were held as cash deposits. All expenses, with the exception of some IT consultancy costs, were incurred in Euros, which matches the currency of the Company's income. As from January 2017, the Company no longer has any significant costs denominated in foreign currencies. This is in accordance with the limits set in the Company's risk appetite statement.

3.3 Credit risk

The Company is exposed to a low level of credit risk due to the fact that the majority of its counterparties (banks and reinsurers) have excellent credit ratings. The fact that the Company collects 100% of its premiums in advance of policy commencement and does not use brokers, means that there is no risk exposure to credit default from customers.
The Company has committed to holding the majority of its assets in banks rated A by international rating agencies and which hence have a low probability of default. Where it is not possible to deal with A-rated banks or move cash outside the country (for example in Greece), the Company makes efforts to settle as much as possible of its working capital liabilities with cash generated from its Greek operations. For costs which are incurred outside Greece, the Company has used its reserves of cash held in the UK, so no liquidity issues have been faced.

As at the year end, Barclays, the main bank in which cash deposits are held, was rated A Negative by S&P, and Munich Re, the Company's principal reinsurer, was rated AA- by S&P.
As at the year-end, 89% of the Company's cash reserves were held with Barclays and Credit Suisse.

Type of asset	Amount (€)	Rating
Other (incl. Cash at Bank)	1,099,192	CCC or lower
Bonds and Loans	13,909	CCC or lower
Listed Equities	5,476	CCC or lower
Other (incl. Cash at Bank)	5,850,564	A
Other (incl. Cash at Bank)	914	No rating but subject to S2

3.4 Liquidity risk

Due to the fact that the Company's assets are held almost exclusively in cash with a highly creditworthy bank, the Company has a limited exposure to liquidity risk.
The extensive reinsurance arrangements also mean that the probability of needing an amount of cash in excess of reserves held at any one point is very low.
As at the year-end, 74% of the Company's assets were held as instant access cash accounts, with the remainder being fixed assets for use in the business and working capital balances such as prepayments, deposits and amounts due from reinsurers.

3.5 Operational risk

The Company has a few sources of operational risk which could be of concern.
Downtime of its data storage systems and cloud based IT services, could result in reputational damage and loss of data would reduce the accuracy of internal models.
Other reputational risk stems from the decision to reject some prospective policyholders such as those with vehicles which have values above the acceptable limit.
The Company also faces political risk – specifically, uncertainty regarding the economy of Greece and the Eurozone. There is a risk of significant devaluation of the Euro currency in the near future which would reduce the purchasing power of the Company's reserves.
The Company has been successful in implementing strict initial underwriting and claims control procedures which mitigate the probability of fraudulent claims and other forms of moral hazard.
However, given that it operates in a single market which is unstable, the Company needs to assume a level of operational risk in its pursuit of growth and profits. It is difficult to mitigate such risks. Specifically, performance during the year in relation to operational risk was as follows:
• The Company's call centre has been available 99.99% of the time, better than the limit set in the Risk Register of 98%
• The Company's website has been available 99.99% of the time, better than the limit set in the Risk Register of 98%
• The current customer retention rate is 83%, better than the limit set in the Risk Register of 75%

3.6 Other material risks

The main source of business risk faced by the Company relates to possibility of being unable to cover its Minimum Capital Requirement, which would result in regulator action and permanent damage to its reputation. As at the end of 2016, the company was in compliance with the MCR requirement. According to the Company's 3 Year Business Plan, the Company will be sufficiently well-capitalised on a continuous basis to reach break-even point without any breach of solvency, assuming a capital injection of between EUR 1m and EUR 2m in 2017.

3.7 Stress testing

In relation to stress testing scenarios, the Company assessed the impact of the following scenarios on its 3-year business budget:

Scenario 1 - Slow portfolio growth
The baseline scenario assumes a certain level of growth of the Insurer's book of business. This scenario assessed the Company's resilience in the event that it experiences a lower than expected rate of new business acquisition and customer retention. The scenario also assessed any impact this has on meeting the regulatory capital requirements.

Scenario 2 – High loss ratios
The scenario examined the effect of a worse than expected claims experience on the financial performance and Solvency Capital Requirement of the Company.

Scenario 3 –Recoverability of loan receivable
The stress scenario examined the effect on the Company should its wholly owned subsidiary fail to attract external revenue, and assumed that in this event, the subsidiary will be liquidated on the 31st December 2018.

Stress test results showed that the greatest impact on the solvency position of the Company was due to Scenario 3. Based on the analysis performed Company is able to withstand severe shocks as per scenarios examined.

4. Valuation for solvency purposes

4.1 Assets

Description of valuation bases, methods and main assumptions

Name of Asset	Value as per Solvency II - €	Valuation Methodology	Value as per IFRS Financial Statements - €
Plant and equipment	82,672	Cost price less depreciation. Management assumes cost model to be representative of fair value as at year end	82,672
Intangible assets	0	No active market for asset hence zero value under Solvency II	52,740
Financial assets at fair value through profit and loss	5,746	Market value – listed equities	5,746
Investments in fixed term deposits	13,909	Market value – Difference due to reclassification of short term fixed deposits (€13,909) shown in cash and cash equivalents as per IFRS Financial Statements	0
Trade and other receivables	712,829	Market value	712,829
Reinsurance recoverable	1,640,383	According to Solvency II Technical Specifications for Best Estimates for recoverables - Difference due to changes in valuation of Best Estimates	2,263,115
Cash and cash equivalents	6,950,670	Market value - Difference due to reclassification of short term fixed deposits (€13,909) shown in cash and cash equivalents as per IFRS Financial Statements and due to reclassification of customer c/a (€123,103) shown in any other assets, not elsewhere shown as per IFRS Financial Statements	6,841,476

Differences in Valuation Bases between IFRS accounting and solvency purposes

Intangible Assets

The Company's intangible assets relate to software licenses that have been paid up front.
For the IFRS financial statements, these are recorded as assets and amortised over three years.
According to the Solvency II Technical specifications, "goodwill is to be valued at zero. Other intangible assets can be recognised and measured at a value other than zero only if they can be sold separately and if there is a quoted market price in an active market for the same or similar intangible assets." Since there is no active market for the assets in question, they have been valued at zero for Solvency II purposes.

Reinsurance recoverable

The reinsurance recoverable balances in the financial statements of the Company are calculated according to International Financial Reporting Standards and consist of the share of the Company's re-insurers in relation to unearned premium reserves, case by case reserves for reported but not settled claims and the estimates for incurred but not reported claims.

The Solvency II Reinsurance recoverables are calculated on a best estimate basis as described in Section 4.2 of this report. The best estimates are calculated on a cash flow basis and are also discounted.

4.2 Technical provisions

Summary of technical provisions as at 31st December 2016

	Motor vehicle liability insurance - €	Other motor insurance - €	Legal expenses insurance - €	Total - €
Total Best Estimates - Gross	3,289,617	698,902	189,931	**4,178,450**
Total Best Estimates - Recoverables	1,372,616	267,767	0	**1,640,383**
Net Best Estimates	1,917,017	431,136	189,931	**2,538,084**
Risk margin	177,073	39,833	17,548	**234,454**

No amount of any technical provisions was calculated as a whole, rather than as a best estimate and risk margin, under Article 79(3) of the Law

No amount of any technical provisions is subject to:
- a matching adjustment under Article 81 of the Law
- a volatility adjustment, under Article 83 of the Law
- the transitional measure on the risk-free interest rates, under Article 423 of the Law
- the transitional measure on technical provisions, under Article 424 of the Law

Claims Provision

The claims provision is the discounted best estimate of all future cash flows (claims payments, expenses and future premiums) relating to claim events prior to the Reporting date.

This section provides an overview and the methodology for calculating the following elements of the claims cost:
- Outstanding Claims
- Incurred But Not Reported Claims («IBNR»)
- Allocated Loss Adjustment Expenses («ALAE»)

A summary of the claims provision and ALAE undiscounted is shown below.

	TPL (€)	Other (€)	Legal (€)	Total (€)
Gross Claims Cost	**1,976,681**	**240,200**	**72,567**	**2,289,448**
Outstanding claims	1,959,790	227,796	68,820	2,256,405
IBNR	16,892	12,404	3,747	33,043
ALAE	**29,792**	**3,800**	**1,148**	**34,740**
Outstanding claims	29,247	3,400	1,027	33,673
IBNR	545	401	121	1,067
TOTAL	**2,006,473**	**244,000**	**73,715**	**2,324,188**

Outstanding Claims (Reported But Not Settled)

Outstanding Claims relate to the claims provision for claims that, at the Reporting date, have been reported but not yet settled.
The amount of outstanding claims cost for each reported but not settled claim was set equal to the case reserve for the claim.

It should be noted that during the latter part of 2016, the Company adopted a new claims IT system. This has changed the way in which claims are captured, as well as significantly improving the speed at which claims are being settled. Also, the settlement of claims through the "Friendly Settlement" agreement in Greece between insurance companies has impacted the settlement patterns and claims amounts since the end of 2015. The "Friendly Settlement" agreement is an industry mechanism for settling undisputed claims between insurance companies efficiently and in aggregate on a monthly basis.

In view of the above and given the limited claims experience data and the expanding portfolio, other statistical methods did not yield credible results. For example, claims paid triangles were tested, but were not deemed appropriate given the amount of data available, changes in settlement patterns and the lack of a fully developed claims settlement pattern.

There is some evidence that historically, the initial case reserves over-estimated the eventual settlement amount in the first years. However, the case estimates for the outstanding claims represent the latest estimate for each claim (including adjustments for partial payments, reimbursements and revised reserve estimates), and it would be challenging to apply an overall adjustment to all case estimates. As such, the case estimates were adopted unadjusted in all cases and for all types of claims.

Cashflow pattern applied in the calculation of claim provision

For TPL claims, the cashflow patterns of claims settlement as observed from the claims paid and claims incurred triangles have not yet stabilized and there is limited data especially for the settlement patterns of older claims.

In order to project the full run-off of claims, the link-ratios were assumed to be 50% the link-ratios implied by the industry third-party claims development from the Statistical Yearbook for Motor Insurance 2015 from the Greek Insurance Association showing an almost complete claims settlement run-off of 8 years, and 50% Hellas Direct data.

For other type of claims, the cashflow patterns of claims settlement as observed from the claims paid triangle is more stable, and substantially run-off after the fourth quarter following the accident date.

Incurred But Not Reported Claims («IBNR»)

Incurred But Not Reported Claims relate to the claims provision for claims that, at the reporting date, have been incurred but not yet reported.

Assessment of the IBNR Reserve

Four different methods were used to assess the IBNR Reserve, and the summary of the results is set out below:

	Claims Incurred Triangle (€)
TPL Claims	16,892
Other Claims (including Legal)	16,151
Total	33,043

In previous years, the average cost per claim method was selected. It is noted that there is a wide divergence between the results using different methods. The change in the claims management system for the latter part of 2016 resulted in a different recording of claims data and an increase in the speed of processing. In particular, the frequency data (impacting the average cost per claim estimate) is not comparable across all years.
It was decided to adopt the IBNR as calculated using the Claims Incurred Triangle approach, resulting in a total IBNR reserve of €33,043.

No comparable industry benchmark was available due to exclusively direct channel distribution, as opposed to predominantly agent-sourced business for the industry statistics.

Allocated Loss Adjustment Expenses («ALAE»)

Allocated Loss Adjustment Expenses are expenses that can be attributed to the settlement of an individual claim. The costs can occur either when the claim is reported, processed or finally settled. The claims provision must include an allowance for ALAE in respect of both outstanding and IBNR claims.

The ALAE for the Company includes:
• Claims assessor fees;
• Medical fees;
• Other expenses that can be directly attributed to each claim;
• Administration expense payable to Friendly Settlement for all «Own Blame» claims of €40 per claim;
• Administration expense reimbursement receivable from Friendly Settlement of €39 per claim;

The ALAE are calculated as loading on the claims cost for both outstanding and IBNR claims. In order to derive a suitable loading, the historic ALAE are analysed for closed and open claims. Analysis was also carried out by type of claim (bodily injury, damage, glass etc.) and size of claim. However, given the limited data available, this categorisation did not yield robust results and aggregation at cover level was retained.

The impact of the Friendly Settlement Arrangement on third party claims was significant.

Reinsurance Claims Provision

The Reinsurance Claims Provision is the discounted best estimate of all future cash flows (claims payments, expenses and future premiums) relating to claim events prior to the reporting date due from and payable to the reinsurance providers.

In the case of the reinsurance claims provision, the 50% quota share agreement means that Munich Re reimburses the Company for half of all claims costs. The only exception is the legal cover, which is fully borne by the Company.

A summary of the reinsurance claims provision is shown below (before discounting and the allowance for re-insurer default).

	TPL (€)	Other (€)	Legal (€)	Total (€)
Claims Cost	**988,341**	**120,100**	**-**	**1,108,441**
Outstanding claims	979,895	113,898	-	1,093,793
IBNR	8,446	6,202	-	14,648
ALAE	**14,896**	**1,900**	**-**	**16,796**
Outstanding claims	14,623	1,700	-	16,323
IBNR	273	200	-	473
TOTAL	**1,003,237**	**122,000**	**-**	**1,125,237**

Reinsurer Counterparty Default

Allowance for counterparty default of the reinsurer was made in the reinsurance claims and premium provisions using the following simplification with parameters consistent with the Solvency Capital Requirement calculation for the reinsurer default in respect of receivables.

Probability of Default («PD») = 0.002%
Recovery Rate («RR») = 50%
Adjustment = (1 – RR) x Cash flow x Modified Duration x (PD / (1-PD))

Given the very low probability of default and relatively short duration of the cash flows, this adjustment had a limited impact on the provisions.

Premium Provision

The premium provision is the discounted best estimate of all future cash flows (claims payments, expenses and future premiums) relating to claim events after the Reporting date in respect of policies in force at the Reporting date.

This section provides an overview and the methodology for calculating the following elements of the claims provision:

- Future Claims Cost
- Allocated Loss Adjustment Expenses («ALAE»)

The impact of the cancellation of policies before the expiration of the contracts was considered, however the conclusion is that no explicit allowance for policy lapses is required.

All of the above elements are shown for separate types of cover, both gross and net of reinsurance:

- Third Party Liability («TPL»)
- Other Covers («Other»)
- Legal Cover («Legal»)

A summary of the gross premium provision (before discounting) is shown below.

	TPL (€)	Other (€)	Legal (€)	Total (€)
Future Gross Claims Cost	777,646	314,815	79,587	1,172,048
ALAE	25,112	10,166	2,570	37,848
Total	802,758	324,981	82,157	1,209,896

Future Claims Cost

The future claims cost is the reserve in respect of claims from unexpired periods of risk.

The expected future claims cost can be derived by applying a claims ratio to the earned premium for each future period. The claims ratio can be set with reference to historic claims ratios for each cover, with more weight to recent underwriting periods given that claims ratios fluctuate over time, due to, amongst other factors, changes in underwriting. This is particularly true for Hellas Direct, since a flexible and dynamic pricing policy is in place to adapt swiftly to market pricing.

Allocated Loss Adjustment Expenses («ALAE»)

Allocated Loss Adjustment Expenses are expenses that can be attributed to the settlement of an individual claim. The costs can occur either when the claim is reported, processed or finally settled. The claims provision must include an allowance for ALAE in respect of both outstanding and IBNR claims.

The ALAE for the Company includes:

• Claims assessor fees
• Medical assessment fees
• Other expenses that can be directly attributed to each claim
• Administration expense payable to Friendly Settlement for all «Own Blame» claims of €40 per claim
• Administration expense reimbursement receivable from Friendly Settlement of €39 per claim for no fault claims

Based on the historical data, a loading of 3.2% of claims cost was applied.

Reinsurance Premium Provision

The reinsurance premium provision is the discounted best estimate of all future cash flows (claims payments, expenses and future premiums) relating to claim events after the reporting date in respect of policies in force at the Reporting date for any cashflows due from and payable to the reinsurance providers.

The 50% quota share agreement means that Munich Re reimburses the Company for half of all claims costs. The only exception is the legal cover, which is fully borne by the Company. In addition, the cost of the excess of loss policy will be added if due in respect of unexpired periods as a payment due to the reinsurer.

A summary of the net premium provision undiscounted and before allowance for the reinsurance default is shown below.

	TPL (€)	Other (€)	Legal (€)	Total (€)
Future Gross Claims Cost	388,823	157,408	-	546,231
ALAE	12,556	5,083	-	17,639
Excess of Loss Cover	(34,792)	(17,215)	-	(52,007)
Total	**366,587**	**145,276**	**-**	**511,863**

<u>Excess of Loss Reinsurance</u>

The Company maintains an Excess of Loss Reinsurance policy. The premium is reduced in line with the unearned premium on a quarterly basis for TPL and Other covers (Legal Cover is excluded).

Expenses

The technical provisions should allow for all future expenses that will be incurred in servicing existing insurance obligations. These expenses include:

• Overheads

• Administrative expenses (incl. salaries, rent, IT costs and management)

• Claims management expenses

All acquisition expenses and provisional reinsurance ceding commission income are recognised on the payment of the premium by the client.

Since premiums are received in advance of the contract start date, acquisition expenses have been excluded altogether from this assessment. The claims and premium provisions considered only ALAE. In this section, the other expenses are considered. A summary of the undiscounted expense provision is shown below.

CLAIMS PROVISION	TPL (€)	Other (€)	Legal (€)	Total (€)
Claims Management	89,758	11,236	3,394	104,388
Administration	-	-	-	-
Other Claims Handling	164,400	19,977	6,035	190,412
TOTAL	**254,158**	**31,213**	**9,429**	**294,800**

PREMIUM PROVISION	TPL (€)	Other (€)	Legal (€)	Total (€)
Claims Management	59,803	24,210	6,120	90,133
Administration	95,098	47,054	11,554	153,706
Other Claims Handling	64,676	26,183	6,619	97,478
TOTAL	**219,577**	**97,447**	**24,293**	**341,317**

Summary of Elements of Claims and Premium Provisions by Cover

A further summary of the Gross Provisions is provided below.

A. Claims Provision

	Third Party Liability (€)	Other Covers (€)	Legal Cover (€)	Total (€)
Gross Outstanding Claims Cost	1,959,790	227,796	68,820	2,256,405
Gross IBNR Claims Cost	16,892	12,404	3,747	33,043
Allocated Loss Adjustment Expenses	29,792	3,800	1,148	34,740
Claims Management and other overheads	254,158	31,213	9,429	294,800
Undiscounted Total	**2,260,632**	**275,213**	**83,144**	**2,618,989**

B. Premium Provision

	Third Party Liability (€)	Other Covers (€)	Legal Cover (€)	Total (€)
Gross Outstanding Claims Cost	777,646	314,815	79,587	1,172,048
Allocated Loss Adjustment Expenses	25,112	10,166	2,570	37,848
Claims Management and other overheads	219,577	97,447	24,293	341,317
Undiscounted Total	**1,022,335**	**422,428**	**106,450**	**1,551,213**

Conclusion

	Gross Provisions Discounted (€)	Reinsurance Provisions Discounted (€)	Net Provisions Discounted (€)
"Third Party Liability" Cover	3,289,620	1,372,615	1,917,005
"Other" Cover	698,901	267,768	431,133
"Legal" Cover	189,930	-	189,930
Total	**4,178,451**	**1,640,383**	**2,538,068**

It should be noted that:

a) the above amounts do not include the risk margin, which will be calculated separately and is not discussed in this report;

b) the Company commenced operations in 2011 and issued its first policy in 2012. Given the limited claims experience available from the Company, the relatively unique distribution model in the Greek market and lack of directly comparable industry benchmarks, there is an increased degree of uncertainty associated with the calculation of technical provisions;

c) the allowances for the unallocated loss adjustment expenses and other overheads are largely based on the budgets provided by the finance department of the Company for the next 12 months. The budget was presented to and approved by the Board of the Company. This budget allows for the reduction of the overall expenses of the Company in comparison with the previous 12 months as a result of the spin-off of the Analytics and IT functions into a separate legal entity. It is assumed in this report that the projected charge from the new spin-off to the Company in respect of services rendered fully reflects the cost that will be incurred by the Company.

The Company believes that, despite the limited data available, the technical provisions results are reasonable and sufficient and their calculation is consistent with the requirements set out in the Solvency II regulations.

4.3

Other liabilities

Other liabilities include short term trading balances arising from the Company's ordinary activities. These are recognised as liabilities in the Solvency II and IFRS balance sheets and are valued based on the expected value of resources required to settle the liability over the lifetime of that liability.

Description of valuation bases, methods and main assumptions

Liability	Value as per Solvency II -€	Valuation Methodology	Value as per IFRS Financial Statements - €
Insurance and intermediaries payables	367,916	Same as IFRS	367,916
Any other liabilities, not elsewhere shown	929,374	Same as IFRS	929,374

Reinsurance contracts

The contracts entered into by the Company with the reinsurers under which the Company is compensated for losses on one or more insurance contracts issued by the Company and that meet the classification requirements for insurance contracts, as detailed in the accounting policy "Insurance contracts-classification" above, are classified as reinsurance contracts held.

The insurance contracts entered into by the Company, under which the contract holder of the insurance contract is another insurer (inwards reinsurance), are included in reinsurance contracts.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Any amounts recoverable from reinsurers that derive from the reinsurance contracts of the Company are recognised in the assets of the Company as "Claims outstanding-reinsurers' share". The amounts recoverable from or payable to reinsurers are calculated based on the amounts related to the reinsurance contracts and based on the terms of each reinsurance contract. The reinsurance liabilities are mainly premiums payable for reinsurance contracts and are recognised as expenses on an accrual basis.

The Company evaluates its reinsurance assets on a periodic basis for impairment. If there is objective evidence that the reinsurance asset is subject to impairment, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the decrease in its value in the profit or loss.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

5. Capital management

5.1 Own funds

The Company has three components of own funds, all of which are Tier 1 basic own funds: ordinary share capital, share premium and retained earnings.

Total available own funds to meet the Solvency Capital Requirement (SCR) amounted to €4,165,720 as at 31st December 2016.

Total assets according to the Solvency II valuation amounted to €9,875,898. Cash and cash equivalents and fixed term deposits amounted to €6,950,670.

The structure and quality of basic own funds is driven by Company's investment strategy which aims for minimum risk position and the liquidity management strategy driven by Solvency II considerations.

	Total	Tier 1 - unrestricted
	€	€
Ordinary share capital	1,073,227	1,073,227
Share premium account related to ordinary share capital	15,589,781	15,589,781
Reconciliation reserve	-12,497,288	-12,497,288
Total basic own funds after adjustments	4,165,720	4,165,720

	€
Total eligible own funds to meet the MCR	4,165,720
SCR	2,150,468
MCR	3,700,000
Ratio of Eligible own funds to MCR	**113%**

5.2 Solvency capital requirement and minimum capital requirement

The Company calculates the Solvency Capital Requirement (SCR) according to the standard formula.

Through the risk assessment exercise, the Company's management determines which risks are material and for which it is committed to assign additional capital.

Those risks not captured or not considered under the quantification analysis of Solvency II and the standard formula are still assessed by the Company's management and then if found to be significant, appropriate measures are put into place to reduce the Company's exposure to those risks.

A summary of the Solvency Capital Requirement (SCR) can be found in the following table:

Type of Risk		Amount (€)
Non-Life Underwriting Risk	Premium and Reserve Risk	1,094,677
	Catastrophe Risk	500,000
	Lapse Risk	-
	SCR_{nl} Pre-Div	1,594,677
	SCR_{nl} Div Credit	282,432
	SCR_{nl} Post Div	**1,312,245**
Market Risk	Interest Rate Risk	-
	Equity Risk	41,174
	Property Risk	-
	Spread Risk	141
	Currency Risk	30,945
	Concentration Risk	15,481
	SCR_{mkt} Pre-Div	87,741
	SCR_{mkt} Div Credit	28,238
	SCR_{mkt} Post Div	**59,503**
Counterparty Default Risk	Type 1 Risk	719,248
	Type 2 Risk	183,897
	SCR_{def} Pre-Div	903,145
	SCR_{def} Div Credit	37,387
	SCR_{def} Post Div	**865,758**
Undiversified BSCR		2,237,506
Diversification Credit		320,229
Basic SCR		1,917,277
Operational Risk		233,191
Final SF SCR		**2,150,468**

Minimum Capital Requirement

The Minimum Capital Requirement of the Company equals the relevant absolute floor as defined for its business lines i.e. €3,700,000.

Summary of the Minimum Capital Requirement at 31st December 2016:

	€
SCR	2,150,468
MCR cap	967,711
MCR floor	537,617
Combined MCR	537,617
Absolute floor of the MCR	3,700,000
Minimum Capital Requirement	3,700,000

5.3 Differences

Differences between the standard formula and any internal model used

The Company uses the standard formula.

5.4 Non-compliance

Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company was fully compliant with the Minimum Capital Requirement throughout 2016. The Company will need to raise additional equity of between €1m to €2m during 2017 in order to maintain MCR compliance.

5.5 Any other information

Capital planning is performed in collaboration between the finance department and the Risk Management function of the Company.

The finance department is responsible for preparing Company's budget based on the business plan set by the management of the Company, which is then approved by the Board of Directors.

The Risk Management function is responsible for assessing the risks inherent in the Company's operations, the Company's business plan and its asset in order to mitigate excess risks.

Capital planning encompasses financial projections, forecasted own funds and solvency capital and the forecast future solvency position in order to ensure that the Company will be able to execute its business plan.


Rethink*

Appendix I

Balance sheet

Balance Sheet

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**	82,672
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	20,385
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	1,000
Equities	**R0100**	5,476
Equities - listed	**R0110**	5,476
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	13,909
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	1,640,383
Non-life and health similar to non-life	**R0280**	1,640,383
Non-life excluding health	**R0290**	1,640,383
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	712,829
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**	6,950,670
Any other assets, not elsewhere shown	**R0420**	468,976
Total assets	**R0500**	9,875,915

Balance Sheet

Liabilities

Technical provisions – non-life	**R0510**	4,412,905
Technical provisions – non-life (excluding health)	**R0520**	4,412,905
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	4,178,451
Risk margin	**R0550**	234,454
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	367,916
Payables (trade, not insurance)	**R0840**	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	929,374
Total liabilities	**R0900**	5,710,195
Excess of assets over liabilities	**R1000**	4,165,420

Appendix II

Premiums, claims and expenses by line of business

Premiums, claims and expenses by line of business

Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**				4,263,831	1,654,505					480,740	1,006,847						7,405,923
Gross - Proportional reinsurance accepted	**R0120**																	0
Gross - Non-proportional reinsurance accepted	**R0130**																	0
Reinsurers' share	**R0140**				2,115,473	820,872					1,004	750,120						3,687,469
Net	**R0200**				2,148,358	833,633					479,736	256,727						3,718,454
Premiums earned																		
Gross - Direct Business	**R0210**				4,119,724	1,499,767					438,308	849,103						6,906,902
Gross - Proportional reinsurance accepted	**R0220**																	0
Gross - Non-proportional reinsurance accepted	**R0230**																	0
Reinsurers' share	**R0240**				2,046,206	744,912					77,229	689,241						3,557,588
Net	**R0300**				2,073,519	754,855					361,079	159,862						3,349,314
Claims incurred																		
Gross - Direct Business	**R0310**				2,750,354	1,063,850					93,766	0						3,907,970
Gross - Proportional reinsurance accepted	**R0320**																	0
Gross - Non-proportional reinsurance accepted	**R0330**																	0
Reinsurers' share	**R0340**				1,447,689	442,271					2,735	0						1,892,695
Net	**R0400**				1,302,665	621,579					91,031	0						2,015,275
Changes in other technical provisions																		
Gross - Direct Business	**R0410**																	
Gross - Proportional reinsurance accepted	**R0420**																	
Gross - Non- proportional reinsurance accepted	**R0430**																	
Reinsurers' share	**R0440**																	
Net	**R0500**																	
Expenses incurred	**R0550**				220,612	85,605					24,874	52,094						383,185
Other expenses	**R1200**																	
Total expenses	**R1300**																	

Appendix III

Premiums, claims and expenses by country

Premiums, claims and expenses by country

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110		7,405,923					7,405,923
Gross - Proportional reinsurance accepted	R0120		0					0
Gross - Non-proportional reinsurance accepted	R0130		0					0
Reinsurers' share	R0140		3,687,469					3,687,469
Net	R0200		3,718,454					3,718,454
Premiums earned								
Gross - Direct Business	R0210		6,906,902					6,906,902
Gross - Proportional reinsurance accepted	R0220		0					0
Gross - Non-proportional reinsurance accepted	R0230		0					0
Reinsurers' share	R0240		3,557,588					3,557,588
Net	R0300		3,349,314					3,349,314
Claims incurred								
Gross - Direct Business	R0310		3,907,970					3,907,970
Gross - Proportional reinsurance accepted	R0320		0					0
Gross - Non-proportional reinsurance accepted	R0330		0					0
Reinsurers' share	R0340		1,892,695					1,892,695
Net	R0400		2,015,275					2,015,275
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550		383,185					383,185
Other expenses	R1200							
Total expenses	R1300							

Appendix IV

Non-life technical provisions

Non-life technical provisions

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance				Accepted non-proportional reinsurance				
		Motor vehicle liability insurance	Other motor insurance	Legal expenses insurance	Assistance	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0050	C0060	C0110	C0120	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	1,024,006	423,272	106,661	0					1,553,939
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	367,202	145,583	0	0					512,785
Net Best Estimate of Premium Provisions	R0150	656,804	277,689	106,661	0					1,041,154
Claims provisions										
Gross	R0160	2,265,612	275,630	83,270	0					2,624,512
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,005,415	122,183	0	0					1,127,598
Net Best Estimate of Claims Provisions	R0250	1,260,196	153,447	83,270	0					1,496,914
Total Best estimate - gross	R0260	3,289,617	698,902	189,931	0					4,178,450
Total Best estimate - net	R0270	1,917,001	431,136	189,931	0					2,538,068
Risk margin	R0280	177,073	39,833	17,548	0					234,454
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	3,466,691	738,735	207,479	0					4,412,905
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	1,372,617	267,766	0	0					1,640,383
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	2,094,074	470,969	207,479	0					2,772,522

Appendix V

Non-life insurance claims

Non-life insurance claims

Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year: Z0010

Motor vehicle liability insurance

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
N-9	R0160												R0160		
N-8	R0170												R0170		
N-7	R0180												R0180		
N-6	R0190												R0190		
N-5	R0200												R0200		
N-4	R0210												R0210		
N-3	R0220	308,175	141,488	2,202	3,743								R0220	3,743	237,939
N-2	R0230	442,152	227,010	230,876									R0230	230,876	1,003,198
N-1	R0240	739,247	629,053										R0240	629,053	1,415,800
N	R0250	1,097,125											R0250	1,097,121	1,097,121
													Total R0260	2,390,803	4,270,724

Non-life insurance claims (continued)

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220	83,362										
N-2	R0230	124,809	3,461									
N-1	R0240	272,058	2,445									
N	R0250	1,774,494										

		Year end (discounted data)
		C0360
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	83,546
	R0230	128,553
	R0240	275,108
	R0250	1,778,404
Total	R0260	2,265,611

Non-life insurance claims (continued)

Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	Z0010	Other motor insurance

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220	133,888	46,229	0	0							
N-2	R0230	253,098	106,419	0								
N-1	R0240	437,872	126,418									
N	R0250	841,029										

		In Current year
		C0170
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	0
	R0230	0
	R0240	126,418
	R0250	841,029
Total	R0260	967,447

Non-life insurance claims (continued)

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220											
N-2	R0230											
N-1	R0240	4,313										
N	R0250	270,901										

		Year end (discounted data)
		C0360
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	
	R0230	
	R0240	4,320
	R0250	271,311
Total	R0260	275,631

Non-life insurance claims (continued)

Total Non-Life Business

Accident year / Underwriting year	Z0010	Legal expenses insurance

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220	0	0	0	0							
N-2	R0230	0	0	0								
N-1	R0240	0	763									
N	R0250	14,085										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100		
	R0160		
	R0170		
	R0180		
	R0190		
	R0200		
	R0210		
	R0220	0	0
	R0230	0	0
	R0240	763	763
	R0250	14,085	14,085
Total	R0260	14,848	14,848

Non-life insurance claims (continued)

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220											
N-2	R0230											
N-1	R0240	3,148	967									
N	R0250	79,029										

		Year end (discounted data)
		C0360
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	
	R0230	
	R0240	4,121
	R0250	79,149
Total	R0260	83,270

Appendix VI

Own funds

Own funds

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	1,073,227	1,073,227			
Share premium account related to ordinary share capital	R0030	15,589,781	15,589,781			
Iinitial 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	-12,497,288	-12,497,288			
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	4,165,720	4,165,720			
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	4,165,720	4,165,720			
Total available own funds to meet the MCR	R0510	4,165,720	4,165,720			
Total eligible own funds to meet the SCR	R0540	4,165,720	4,165,720			
Total eligible own funds to meet the MCR	R0550	4,165,720	4,165,720			
SCR	R0580	2,150,468				
MCR	R0600	3,700,000				
Ratio of Eligible own funds to SCR	R0620	193.71%				
Ratio of Eligible own funds to MCR	R0640	112.59%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	4,165,720	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	16,663,008	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	R0760	-12,497,288	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780		
Total Expected profits included in future premiums (EPIFP)	R0790		

Appendix VII

Solvency capital requirement
for undertakings on standard formula

Solvency capital requirement - for undertakings on standard formula

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	59,503		
Counterparty default risk	R0020	865,759		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	1,312,245		
Diversification	R0060	-320,229		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	1,917,277		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	233,191
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	2,150,468
Capital add-on already set	R0210	
Solvency capital requirement	R0220	2,150,468
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix VIII

Minimum capital requirement - only non-life insurance

Minimum capital requirement - only non-life insurance

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	505,688

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	1,917,017	2,073,518
Other motor insurance and proportional reinsurance	R0060	431,136	754,855
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	189,931	361,079
Assistance and proportional reinsurance	R0120	0	159,861
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	505,688
SCR	R0310	2,150,468
MCR cap	R0320	967,711
MCR floor	R0330	537,617
Combined MCR	R0340	537,617
Absolute floor of the MCR	R0350	3,700,000
		C0070
Minimum Capital Requirement	R0400	3,700,000

Appendix IX

Independent auditors report

Independent auditors report

The Board of Directors of HD Insurance Limited

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

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of HD Insurance Limited (the "Company"), prepared as at 31 December 2016:

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

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

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

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Other information

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

Narrative sections:

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

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

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

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

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

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

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

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

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

• Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

• Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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

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

Other Matter

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

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 2 June 2017

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Η HD Insurance Ltd ελέγχεται από την Έφορο Ασφαλίσεων της Κύπρου και από τη Διεύθυνση Εποπτείας Ιδιωτικής Ασφάλισης της Τράπεζας της Ελλάδος.

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