



**HELLAS  
DIRECT**  
RETHINK INSURANCE

# **SFCR**

## **Solvency and Financial Condition Report**

Year ended 31 December 2017





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# Executive Summary

HD Insurance Limited ("Hellas Direct") is a general insurance company established in 2011, incorporated in Cyprus and regulated by the Cyprus Superintendent of Insurance. 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.

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 under Pillar I of Solvency II following its implementation on 1 January 2016.

## **Material changes to business and performance**

During 2017, gross written premiums increased by 27% year on year, and the Company closed the year with a portfolio of nearly 50,000 cars, representing net portfolio growth of 29%. The loss ratio for the year decreased from 53% to 51%, resulting in a gross profit improvement of 16%.

## **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 B 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:
  - (i) principles of the remuneration policy, with an explanation of the relative importance of the fixed and variable components of remuneration; and
  - (ii) 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 2017 regarding the system of governance other than the implementation of various structural and procedural enhancements.



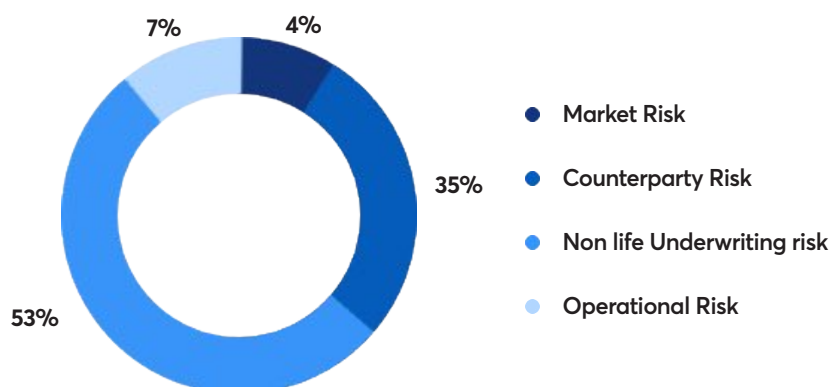
### Risk Profile

The risk profile of the Company is described in Section C 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.

The Company uses the standard formula to calculate its Solvency Capital Requirement ("SCR"). The formula divides the SCR computation into several risk modules. The allocation of SCR as at 31 December 2017 was as follows:

### SCR Summary 2017



### 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

The covers apply solely and exclusively to the residence you have insured, the address of which is stated on your insurance policy.

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

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Superintendent of Insurance  
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Nicosia 1682, Cyprus

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

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+357 22602908

The Company's external auditor is  
PriceWaterhouseCoopers.

#### Contact details

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PricewaterhouseCoopers Ltd  
PwC Central, 43 Demostheni Severi Avenue  
CY1080 Nicosia, Cyprus  
george.kazamias@cy.pwc.com  
+357 22555797

The entities holding more than 10% of the company's share capital as at 31 December 2017 are detailed below:

NAME	%HOLDING	DESCRIPTION
Third Point Hellenic Recovery Fund, L.P.	20%	Institutional investor, Cayman Islands
Moulton Goodies Limited	19%	Jon Moulton family office, Guernsey
Adric Holdings Limited	15%	Founder co, BVI

The remainder of the shares are widely spread between the remaining shareholders, with no one party holding more than 10%. As the Company's share capital is spread as set out above there is no controlling or ultimate controlling party.

The Company carries out business in Greece under the following non-life insurance lines of business ("LoB"):

PER "IFRS" FINANCIAL STATEMENTS	PER SOLVENCY II
Accident	Other motor insurance
Land Vehicle	Other motor insurance
Motor Vehicle Liability	Motor vehicle liability insurance
Legal Expenses	Legal Expenses Insurance
Assistance	Assistance



# 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:

	2012	2013	2014	2015	2016	2017
Number of policies	453	6.212	24.895	54.458	93.038	126.613
GWP (€)	160.884	1.748.557	3.494.727	5.416.713	7.405.923	9.435.236
Net written premium (€)	30.612	637.777	1.334.307	2.247.662	3.718.454	4.746.081
Loss ratios	n/a	79%	77%	62%	53%	51%
Loss before tax	(2.645.307)	(3.145.223)	(2.823.838)	(2.531.988)	(854.071)	(282.909) <sup>1</sup>

<sup>1</sup> Parent company (non consolidated)

Despite continued volatility in Greece, the Company managed to grow its top line revenue by 27% compared to 2016, and closed the year with an active portfolio of nearly 50,000 cars, representing net portfolio growth of 29%. The loss ratio for the full year was 51% - a further drop on the already low 53% experienced in 2016. Overheads remained stable, allowing the Company to significantly reduce its bottom line losses in 2017.

# 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:

	2012	2013	2014	2015	2016	2017
Bank balances at year end (€)	6.022.281	3.747.806	5.343.441	8.050.219	6.841.525	9.919.752
Shares held at year end (€)	-	-	8.389	5.748	5.476	4.777
Interest income (€)	192.500	31.869	5.318	4.662	2.407	17.524
Fair value movements re shares (€)	-	(38.836)	8.389	(2.641)	(272)	(699)

The Company's investment performance has been negatively affected by extremely low, non-existent and in some cases, negative, interest rates. The majority of the interest income in 2017 relates to an intercompany loan receivable.

# 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.

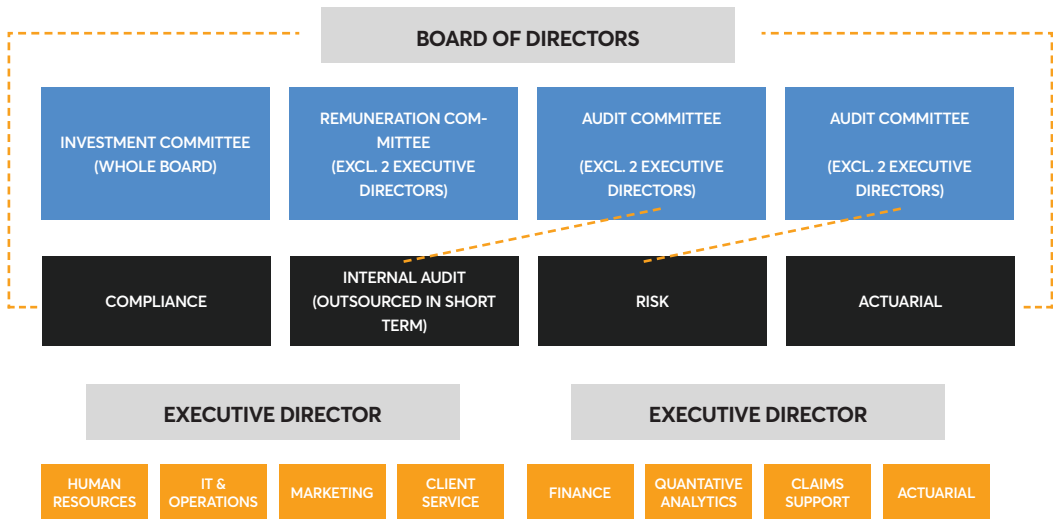
# 2

## 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 2017 were as follows:

Thymios Kyriakopoulos	Non-executive, Chairman
George Leventis	Non-executive
Louis Wang	Non-executive
Emilios Markou	Executive
Alexis Pantazis	Executive

An independent non-executive director, Tassos Anastasiou, was appointed to the Board on 15th February 2018.

## 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 was headed by George Leventis in 2017 and comprises all the non-executive directors. As a result of legislation passed 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 a result of this, Tassos Anastasiou was appointed as an independent non-executive director on 15th February 2018, and will chair the Audit Committee from this point onwards.

### 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

During 2017 this consisted of at least any two Directors, either executive or non-executive. The Investment Committee met on an as-needed basis, to discuss the Company's investment strategy. This committee was headed by Efthymios Kyriakopoulos and comprised all the Company's directors. From 2018 onwards, the responsibilities of the Investment Committee have been subsumed into the Board as a whole, and this committee was therefore disbanded.

### Risk Committee

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

## 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 did not have an employee share option scheme in place during 2017; 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

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- 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 2017. 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 21st December 2017.

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 2018. If there are significant changes to the environment in which the company operates, or in the company's own risk profile, 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 which should bring a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes. Due to the small size of the company the audit committee has outsourced this function to an external provider, currently Baker Tilly Cyprus.

The key responsibilities of the internal audit function are as follows:

- 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
- to report risk management issues and internal control deficiencies identified directly to the audit committee and provide recommendations for improving the Company's operations, in terms of both efficient and effective performance
- evaluate information security and associated risk exposures
- evaluate regulatory compliance
- evaluate the organisation's readiness in case of business interruption

- maintain open communication with management and the audit committee
- provide support to the Company's anti-fraud programs.

An internal audit was performed in respect of the year ended 31 December 2016, and an internal audit report was presented to the Audit Committee on 25th October 2017.

## 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.



## 2.7

### Outsourcing

#### 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.

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 service provider complies with dataprotection regulations.

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 & 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).

# 3

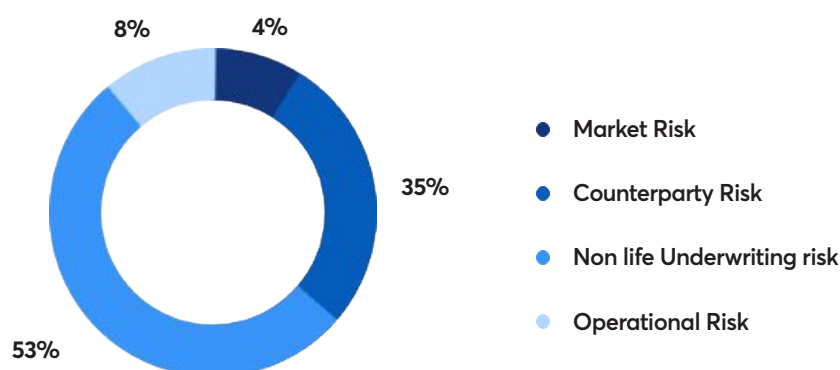
## Risk Profile

The Company aims to maintain sufficient available capital to cover all risks faced by the Company and to satisfy regulatory capital requirements at all times.

The Solvency Capital Requirement ("SCR") represents the capital that needs to be held to ensure that the Company will meet its insurance obligations with certain probability. The Company applies the standard SCR formula as provided by the European Insurance and Occupational Pensions Authority ("EIOPA").

The SCR is divided into modules and sub-modules and the summary of the SCR (before diversification) for the year ended 31 December 2017 was as follows:

### SCR Summary 2017



## 3.1

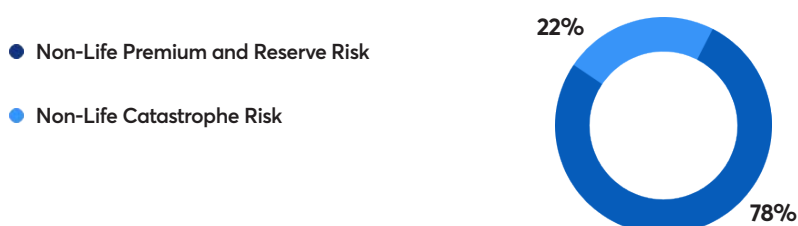
### Underwriting Risk

Non-life underwriting risk is the risk arising from non-life insurance obligations, in relation to the perils covered and the processes used in the conduct of business.

Non-life underwriting risk also includes the risk resulting from uncertainty included in assumptions about exercise of policyholder options like renewal or termination options.

Non-Life Underwriting risk represents 53% of the Company's SCR. Underwriting risk is divided in two sub modules, Premium and Reserve Risk and Catastrophe Risk.

### Non-Life Underwriting Risk Summary



Non-life premium and reserve risk combines a treatment for the two main sources of underwriting risk, premium risk and reserve 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, as a result of its comprehensive reinsurance agreement 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 were reinsured with Munich Re via a 50% quota share treaty, up until 30 June 2017. 50% of the premiums were ceded to Munich Re in return for Munich Re covering 50% of all losses incurred in the categories listed above. Munich Re will run off all claims made on policies written up to 30 June 2017.
- From 1 July 2017, covers 1, 2, 5, 8, 9, 10 & 11 are reinsured with Swiss Re and Maiden Re (70% and 30% respectively) via a 50% quota share treaty. 50% of the premiums are ceded to the reinsurers in return for the reinsurers covering 50% of all losses incurred in the categories listed above.
- From 1 July 2017, cover 7 (Personal Accident) is no longer reinsured.
- Covers 3 & 4 are fully reinsured with 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 five reinsurers: Munich Re (25%), Swiss Re (35%), XL Re (15%), Hannover Re (12.5%) and MS Amlin (12.5%). This covers losses in excess of €1m, 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 as well as the power to weight ratio are capped and the Company's risk profile in terms of location is diversified. The Company targets drivers in age-groups which are proven to be statistically less likely to report a claim.

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.

#### CAT Risk

Under the non-life underwriting risk module, catastrophe risk is defined as: "the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events."

CAT risks stem from extreme or irregular events that are not sufficiently captured by the capital requirements for premium and reserve risk.

For the Company the non-life CAT risk consists of the man-made catastrophe risk.

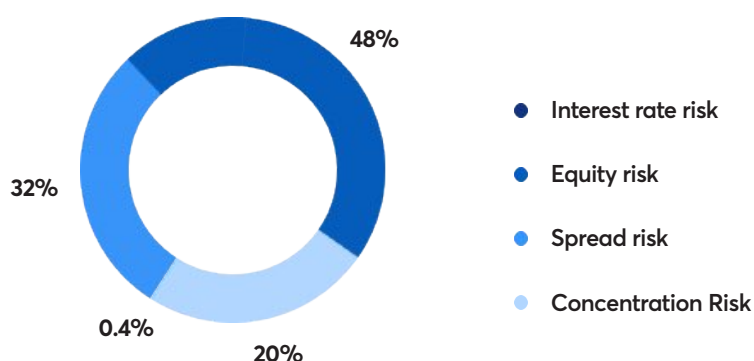
## 3.2

### Market Risk

Market risk arises from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, immovable property prices and exchange rates.

The Company has been successful in limiting its exposure to market risk to a negligible level, representing 4% of the total SCR (before diversification).

#### Market Risk Summary



#### Interest Rate Risk

Interest rate risk exists for all assets and liabilities which are sensitive to changes in the term structure of interest rates or interest rate volatility. The Company is only exposed to reinsurance recoverable amounts arising from the best estimates of technical provisions.

#### Equity Risk

Equity risk arises from the level or volatility of market prices for equities. Exposure to equity risk refers to all assets and liabilities whose value is sensitive to changes in equity prices. The Company's exposure to equity risk is limited.

#### Spread Risk

Spread risk results from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. The Company's exposure to spread risk is limited since there is small exposure in fixed term deposits.

#### Concentration Risk

The scope of the concentration risk sub-module extends to assets considered in the equity, spread risk and property risk sub-modules, and excludes assets covered by the counterparty default risk module in order to avoid any overlap between both elements of the standard calculation of the SCR. Exposure to concentration risk is very low.

#### Other Risks

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 2017, 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. This is in accordance with the limits set in the Company's risk appetite statement. The Company has no exposure to property risk as well.

## 3.3

### Credit Risk

The Credit Risk (counterparty default risk) module reflects possible losses due to unexpected default of the counterparties and debtors of undertakings over the forthcoming twelve months.

The scope of the counterparty default risk module includes risk-mitigating contracts, such as reinsurance arrangements and receivables from intermediaries, as well as any other credit exposures which are not covered in the spread risk sub-module.

Exposures included in the Counterparty default module are analysed as follows:

- Type 1 exposures which include cash deposits at bank and reinsurance recoverable balances.
- Type 2 exposures which include the exposures which are usually diversified and where the counterparty is likely to be unrated.

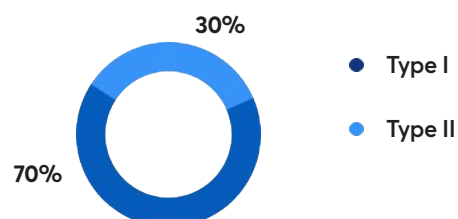
The Company is exposed to a low level of credit risk due to the fact that the majority of its counterparties (banks and reinsurers) have excellent credit ratings.

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.

The summary of the Counterparty risk as at 31 December 2017 was as follows:

#### Counterparty Risk Summary



## 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, the majority 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 some sources of operational risk as detailed below.

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.

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 90%, better than the limit set in the Risk Register of 75%

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.

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 currently unstable, the Company needs to assume a level of operational risk in its pursuit of growth and profits however

## 3.6

### Other Material Risks

#### Solvency risk

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 2017, the company was in compliance with the MCR requirement. In January 2018 the Company raised an additional EUR7m of capital from the issue of share capital. 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.

# 4

## Valuation for Solvency Purposes

### 4.1

#### Assets

The primary objective for valuation requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the risk-based approach of Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

The default reference framework for valuing assets and liabilities, other than technical provisions, should be, unless otherwise stated, the international accounting standards as adopted by the European Commission.

If those standards allow for more than one valuation method, only valuation methods that are consistent with Article 75 of Directive 2009/138/EC shall be used. In most cases those international accounting standards, herein referred to as "IFRSs", are considered to provide a valuation consistent with principles of Solvency II.

Also, the IFRSs' accounting bases, such as the definitions of assets and liabilities as well as the recognition and derecognition criteria, are applicable as the default accounting framework, unless otherwise stated.

On this basis, the following hierarchy of high level principles for valuation of assets and liabilities should be used in the valuation of the Solvency II balance sheet:

- i. Quoted market prices in active markets for the same or similar assets or liabilities.
- ii. Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used.
- iii. If there are no quoted market prices in active markets available, should use mark-to-model techniques, which are alternative valuation techniques that must be benchmarked, extrapolated or otherwise calculated as far as possible from a market input.
- iv. Must make maximum use of relevant observable inputs and market inputs and rely as little as possible on undertaking-specific inputs, minimising the use of unobservable inputs.

#### **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 intangible assets, other than goodwill, 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**

Reinsurance recoverable relate to the amounts recoverable from Company's reinsurance treaties in relation to the Technical Provisions as at 31.12.2017 (see Section D.2 below).



In general, the reinsurance recoverable amounts are recognised on a cash flow basis in the Solvency II balance sheet, where as the valuation basis in Statutory accounts is based on the Share of insurance contracts liabilities as per IFRS 4.

#### Differences in Valuation Bases between IFRS accounting and solvency purposes

SOLVENCY II BALANCE SHEET			FINANCIAL STATEMENTS ("IFRS")	
NAME OF ASSET	VALUE - €	VALUATION METHODOLOGY	VALUE - €	VALUATION METHODOLOGY
Plant and equipment	167.282	Cost less accumulated depreciation. Management assumes cost model to be representative of fair value as at year end.	167.282	Cost less accumulated depreciation.
Intangible assets	-	No active market for asset hence zero value under Solvency II	83.150	Cost less accumulated depreciation.
Financial assets at fair value through profit and loss	4.777	Same as IFRS. Market value listed equities.	4.777	Fair Value (IAS 39)
Investment in subsidiary	1.000	Same as IFRS. Equity method.	1.000	
Investments in fixed term deposits	13.984	Market value - Difference due to reclassification of short term fixed deposits (€13.984) shown in cash and cash equivalents as per IFRS Financial Statements.	-	-
Insurance and intermediaries receivables	571.903	Valuation as per IFRS, some differences in classification	290.705	Amortised cost less impairment (IAS 39)
Trade and other receivables	2.220.530	Valuation as per IFRS, some differences in classification	1.926.928	Amortised cost less impairment (IAS 39)
Loan receivable	-		1.002.264	Amortised cost less impairment (IAS 39)
Reinsurance recoverables	2.535.814	Valuation as per IFRS, some differences in classification	3.225.179	Share of insurance contracts liabilities (IFRS 4)
Loan receivable	-		1.002.264	Amortised cost less impairment (IAS 39)
Cash and cash equivalents	10.054.942	Same as IFRS. Difference due to reclassification of short term fixed deposits (13.984) shown in cash and cash equivalents as per IFRS and due to reclassification of customer c/a (121.206) shown in any other assets, not elsewhere shown as per IFRS.	9.919.752	Fair value (IAS 39)

# 4.2

## Technical Provisions

Technical provisions correspond to the current amount which the Company would have to pay if it were to transfer its insurance obligations immediately to another undertaking. The value of technical provisions is equal to the sum of a best estimate and a risk margin.

The Actuarial Function is responsible for the calculation of Technical provisions according to Solvency II Regulation and Cyprus Insurance Law.

The Company segments the insurance obligations by line of business which represent homogeneous risk groups, when calculating technical provisions.

Technical Provisions consist of the best estimates of claims provisions, the best estimates of premium provisions and the risk margin.

The risk margin is a part of technical provisions in order to ensure that the value of technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

Summary of technical provisions as at 31st December 2017:

### Summary of technical provisions as at 31st December 2017

	GROSS PROVISIONS DISCOUNTED - €	REINSURANCE PROVISIONS DISCOUNTED - €	NET PROVISIONS DISCOUNTED - €	RISK MARGIN - €
"Third Party Liability" Cover	5.222.508	2.262.229	2.960.229	287.312
"Other" Cover	737.559	273.585	463.974	45.302
"Legal" Cover	218.518	-	218.518	21.208
<b>Total</b>	<b>6.178.585</b>	<b>2.535.814</b>	<b>3.642.771</b>	<b>353.552</b>

### 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 - €
<b>Gross Claims Cost</b>	<b>3.414.662</b>	<b>269.520</b>	<b>123.676</b>	<b>3.897.858</b>
- Outstanding claims	3.382.565	257.605	118.209	3.758.379
- IBNR	32.097	11.915	5.467	49.479
<b>ALAE</b>	<b>27.639</b>	<b>2.275</b>	<b>1.044</b>	<b>30.958</b>
- Outstanding claims	27.061	2.061	946	30.067
- IBNR	578	214	98	891
<b>Total</b>	<b>3.442.301</b>	<b>271.795</b>	<b>124.720</b>	<b>3.838.816</b>

**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.

There is some evidence that historically, the initial case reserves over-estimated the eventual settlement amount. However, as the case estimates for the outstanding claims represent the latest estimate for each claim (including adjustments for partial payments, reimbursements and revised reserve estimates. As such, the case estimates were adopted unadjusted in all cases and for all types of claims.

**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 IN-CURRED TRIANGLE - €	AVERAGE COST PER CLAIM - €	PROPORTION OF EARNED PREMIUM* - €	PROPORTION OF PAID CLAIMS* - €
TPL Claims	38.662	32.097	23.717	28.532
Other Claims (including Legal)	-	17.382	16.719	12.386
<b>Total</b>	<b>38.662</b>	<b>49.479</b>	<b>40.436</b>	<b>40.918</b>

\*Based on full year 2014, 2015 and 2016 actual IBNR for each cover, compared to the annual earned premium and paid claims for the applicable 12 month period.

It can be seen from the results of the methods above, that there is some divergence between the assessments under different methods. Historically, the average cost per claim method was adopted.

It is noted that for the valuation as at 31 December 2016, the claims incurred triangle data was used since the Company was still in the process of transforming past claims data as part of the implementation of a new IT claims management system.

After evaluating the different methods, it was decided to adopt the IBNR as calculated using the Average Cost Per Claim approach, resulting in a total IBNR reserve of €49.479.

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

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 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
- Administration expense reimbursement receivable from Friendly Settlement

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.

### 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 the quota share reinsurance partners reimburse 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 but AFTER the allowance for reinsurer default):

	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
<b>Gross Claims Cost</b>	<b>1.706.518</b>	<b>134.720</b>	-	<b>1.841.238</b>
- Outstanding claims	1.690.476	128.764	-	1.819.240
- IBNR	16.042	5.956	-	21.998
<b>ALAE</b>	<b>13.813</b>	<b>1.137</b>	-	<b>14.950</b>
- Outstanding claims	13.524	1.030	-	14.554
- IBNR	289	107	-	396
<b>Total</b>	<b>1.720.331</b>	<b>135.857</b>	-	<b>1.856.188</b>

### 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.

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	1.162.090	322.768	59.963	1.544.821
ALAE	20.918	5.810	1.079	27.807
<b>Total</b>	<b>1.183.008</b>	<b>328.578</b>	<b>61.042</b>	<b>1.572.628</b>

#### Future Claims Cost

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

#### Claims Ratios

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 the Company, since a flexible and dynamic pricing policy is in place to adapt swiftly to market pricing.

#### Future Claims Cost

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

#### Claims Ratios

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 the Company, 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
- Administration expense reimbursement receivable from Friendly Settlement 2.

Based on the historical data, a loading of 1.8% 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 the reinsurer reimburses the Company for half of all claims costs. The only exception is the legal cover, and as of 1st July 2017, the personal accident cover, the risks of which are 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	580.603	161.309	-	741.912
ALAE	10.451	2.904	-	13.355
Excess of Loss Cover	(48.935)	(27.022)	-	(75.957)
<b>Total</b>	<b>542.119</b>	<b>137.191</b>	<b>-</b>	<b>679.310</b>

### Excess of Loss Reinsurance

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

	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
<b>Total Excess of Loss Cost</b>	<b>48.935</b>	<b>27.022</b>	<b>-</b>	<b>75.957</b>

### 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	154.655	12.498	5.735	172.888
Administration	-	-	-	-
Other Claims Handling	170.967	13.494	6.192	190.653
<b>Total</b>	<b>325.622</b>	<b>25.992</b>	<b>11.927</b>	<b>363.541</b>

PREMIUM PROVISION	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
Claims Management	88.319	24.530	4.557	117.406
Administration	125.091	69.076	12.833	207.000
Other Claims Handling	58.184	16.160	3.002	77.346
<b>Total</b>	<b>271.594</b>	<b>109.766</b>	<b>20.392</b>	<b>401.752</b>

## 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 - €
Reinsurance Payables	1.832.303	Same as IFRS. Difference arises due to reclassification of receivable balances from Reinsurers.	2.123.010
Payables	-	Difference arises due to reclassifications.	3.471.211
Any other liabilities, nor elsewhere shown	3.483.626	Same as IFRS. Difference arises due to reclassification of receivable balances from Reinsurers.	-

#### 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

According to Solvency II, Company's capital is defined as 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. Capital of the highest quality is categorised as Tier 1 and capital of lower quality is categorised either as Tier 2 or Tier 3.

The Company has developed a capital planning process which is performed through a 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 assets 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, finance new growth opportunities and protect Company's economic viability.

Total available own funds to meet the Solvency Capital Requirement (SCR) amounted to €3.722.166 as at 31st December 2017.

	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	(12.940.842)	(12.940.842)
Total basic own funds after adjustments	3.722.166	3.722.166
 Total eligible own funds meet the MCR	 3.722.166	
SCR	3.186.520	
MCR	3.700.000	
 Ratio of eligible own funds to MCR	 100,60%	



## 5.2

### **Solvency Capital Requirement and Minimum Capital Requirement**

Total assets according to the Solvency II valuation amounted to € 15.547.776. Cash and cash equivalents and fixed term deposits amounted to € 10.068.926.

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

#### **Capital increase 04/01/2018:**

On 4th January 2018, the Company issued 2.978.724 ordinary shares, raising total additional capital of €7 million. After the completion of this capital raise round the solvency ratio of the Company was approximately 284%.

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:

SOLVENCY II - RISK SUMMARY REPORT	
Reference Date	31/12/2017
RISK TYPE	SOLVENCY CAPITAL REQUIREMENTS - €
Interest Rate Risk	48.691
Equity Risk	81.133
Property Risk	0.00
Spread Risk	1.052
Concentration Risk	120.067
Currency Risk	0.00
Counter-cyclical premium Risk	0.00
Diversification within Market Risk module	(97.651)
<b>TOTAL CAPITAL REQUIREMENT FOR MARKET RISK</b>	<b>153.293</b>
Type I	960.880
Type II	418.864
Diversification within Counterparty Risk Module	(74.962)
<b>TOTAL CAPITAL REQUIREMENT FOR COUNTERPARTY RISK</b>	<b>1.304.782</b>
Non-Life Premium and Reserve Risk	1.783.275
Non-Life Lapse Risk	0.00
Non-Life Catastrophe Risk	500.000
Diversification within Non-Life Risk module	(314.547)
<b>TOTAL CAPITAL REQUIREMENT FOR NON-LIFE RISK</b>	<b>1.968.728</b>
Diversification within modules	(524.819)
Basic Solvency Capital Requirements	2.901.984
Operational Risk	284.535
Total Solvency Capital Requirements	3.186.159
Loss Absorbing Capacity	0
<b>NET SOLVENCY CAPITAL REQUIREMENTS</b>	<b>3.186.519</b>
<b>MINIMUM CAPITAL REQUIREMENTS</b>	<b>3.700.00</b>

SCR RATIO	117%
MCR RATIO	101%

#### 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 2017:

AS AT 31 DECEMBER 2017	AMOUNT (€)
SCR	3.186.519
MCR Cap	1.433.933
MCR Floor	796.629
Combined MCR	796.629
Absolute floor of the MCR	3.700.00
Minimum Capital Requirement	3.700.00

## 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 2017. In January 2018, the Company concluded a share capital increase which resulted in it raising an additional EUR7m of equity capital. This should enable the Company to maintain its solvency for the duration of its business planning period.

## 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.



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

**Assets**

Intangible assets  
Deferred tax assets  
Pension benefit surplus  
Property, plant & equipment held for own use  
Investments (other than assets held for index-linked and unit-linked contracts)  
    Property (other than for own use)  
    Holdings in related undertakings, including participations  
Equities  
    Equities - listed  
    Equities - unlisted  
Bonds  
    Government Bonds  
    Corporate Bonds  
    Structured notes  
    Collateralised securities  
Collective Investments Undertakings  
Derivatives  
Deposits other than cash equivalents  
Other investments  
Assets held for index-linked and unit-linked contracts  
Loans and mortgages  
    Loans on policies  
    Loans and mortgages to individuals  
    Other loans and mortgages  
Reinsurance recoverables from:  
    Non-life and health similar to non-life  
        Non-life excluding health  
        Health similar to non-life  
    Life and health similar to life, excluding health and index-linked and unit-linked

Technical provisions calculated as a whole  
    Best Estimate  
    Risk margin  
Technical provisions – index-linked and unit-linked  
    Technical provisions calculated as a whole  
    Best Estimate  
    Risk margin  
Contingent liabilities  
Provisions other than technical provisions  
Pension benefit obligations  
Deposits from reinsurers  
Deferred tax liabilities  
Derivatives  
Debts owed to credit institutions  
Financial liabilities other than debts owed to credit institutions  
Insurance & intermediaries payables  
Reinsurance payables  
Payables (trade, not insurance)  
Subordinated liabilities  
    Subordinated liabilities not in Basic Own Funds  
    Subordinated liabilities in Basic Own Funds  
Any other liabilities, not elsewhere shown  
**Total liabilities**  
**Excess of assets over liabilities**

	Solvency II value
	C0010
<b>R0030</b>	
<b>R0040</b>	
<b>R0050</b>	
<b>R0060</b>	167,282
<b>R0070</b>	19,762
<b>R0080</b>	
<b>R0090</b>	1,000
<b>R0100</b>	4,777
<b>R0110</b>	4,777
<b>R0120</b>	
<b>R0130</b>	
<b>R0140</b>	
<b>R0150</b>	
<b>R0160</b>	
<b>R0170</b>	
<b>R0180</b>	
<b>R0190</b>	
<b>R0200</b>	13,984
<b>R0210</b>	
<b>R0220</b>	
<b>R0230</b>	
<b>R0240</b>	
<b>R0250</b>	
<b>R0260</b>	
<b>R0270</b>	2,535,814
<b>R0280</b>	2,535,814
<b>R0290</b>	2,535,814
<b>R0300</b>	
<b>R0310</b>	
<b>R0660</b>	
<b>R0670</b>	
<b>R0680</b>	
<b>R0690</b>	
<b>R0700</b>	
<b>R0710</b>	
<b>R0720</b>	
<b>R0740</b>	
<b>R0750</b>	
<b>R0760</b>	
<b>R0770</b>	
<b>R0780</b>	
<b>R0790</b>	
<b>R0800</b>	
<b>R0810</b>	
<b>R0820</b>	
<b>R0830</b>	1,832,303
<b>R0840</b>	
<b>R0850</b>	
<b>R0860</b>	
<b>R0870</b>	
<b>R0880</b>	3,483,626
<b>R0900</b>	11,848,066
<b>R1000</b>	3,722,167



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

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)																	Line of Business for: accepted non-proportional reinsurance					Total
Medical expense insurance C0010	Income protection insurance C0020	Workers' compensation insurance C0030	Motor vehicle liability insurance C0040	Other motor insurance C0050	Marine, aviation and transport insurance C0060	Fire and other damage to property insurance C0070	General liability insurance C0080	Credit and suretyship insurance C0090	Legal expenses insurance C0100	Assistance C0110	Miscellaneous financial loss C0120	accepted										
												Health C0130	Casualty C0140	C0150	Property C0160							
<b>Premiums written</b>																						
	R0110			4,916,374	2,343,710				542,236.76	1,632,915.04							9,435,236					
	R0120																					
	R0130																					
	R0140			2,365,985	1,127,901				0	1,195,270							4,689,155					
	R0200			2,550,390	1,215,809				542,237	437,645							4,746,081					
<b>Premiums earned</b>																						
	R0210			4,748,166	2,114,303				542,237	1,481,690							8,886,395					
	R0220																					
	R0230																					
	R0240			2,312,982	1,029,944				0	1,107,009							4,449,935					
	R0300			2,435,184	1,084,359				542,237	374,681							4,436,461					
<b>Claims incurred</b>																						
	R0310			4,715,224	359,096				164,781	0							5,239,100					
	R0320																					
	R0330																					
	R0340			2,421,422	184,408				0	0							2,605,829					
	R0400			2,293,802	174,688				164,781	0							2,633,271					
<b>Changes in other technical provisions</b>																						
	R0410																					
	R0420																					
	R0430																					
	R0440																					
	R0500																					
	R0550			1,635,995	779,903				180,437	543,376							3,139,711					
<b>Expenses incurred</b>																						
	R1200																					
<b>Total expenses</b>																						
	R1300																					





## Annex I

S.05.02.01

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									
<b>Premiums written</b>									
Gross - Direct Business			9,435,236					9,435,236	
Gross - Proportional reinsurance accepted			0					0	
Gross - Non-proportional reinsurance accepted			0					0	
Reinsurers' share			4,689,155					4,689,155	
Net			4,746,081					4,746,081	
<b>Premiums earned</b>									
Gross - Direct Business			8,886,395					8,886,395	
Gross - Proportional reinsurance accepted			0					0	
Gross - Non-proportional reinsurance accepted			0					0	
Reinsurers' share			4,449,935					4,449,935	
Net			4,436,461					4,436,461	
<b>Claims incurred</b>									
Gross - Direct Business			5,239,100					5,239,100	
Gross - Proportional reinsurance accepted			0					0	
Gross - Non-proportional reinsurance accepted			0					0	
Reinsurers' share			2,605,829					2,605,829	
Net			2,633,271					2,633,271	
<b>Changes in other technical provisions</b>									
Gross - Direct Business									
Gross - Proportional reinsurance accepted									
Gross - Non-proportional reinsurance accepted									
Reinsurers' share									
Net									
<b>Expenses incurred</b>			3,139,711					3,139,711	
<b>Other expenses</b>									
<b>Total expenses</b>			3,139,711					3,139,711	



## Non-life Technical Provisions

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







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

Year	Development year										Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10&+
Prior	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
N-9	R0100										R0100
N-8	R0160										R0160
N-7	R0170										R0170
N-6	R0180										R0180
N-5	R0190										R0190
N-4	R0200	0	0	0	0	0					R0200
N-3	R0210	80,265	0	0	0	0					R0210
N-2	R0220	89,782	3,342	0							R0220
N-1	R0230	135,874	0	4,456							R0230
N	R0240	988,741	13,144								R0240
	R0250	2,452,317									R0250
	Total										R0260
											3,767,921

Annex I  
S.19.01.21  
Non-life insurance claims  
Total Non-Life Business

Accident year / Underwriting year	
Z0010	Other motor insurance

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

Year	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10&+		
Prior	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	R0100	C0170
N-9												R0160	
N-8												R0170	
N-7												R0180	
N-6												R0190	
N-5	0	0	0	0	0	0						R0200	0
N-4	143,265	46,555	-8,233	-397	0							R0210	0
N-3	265,421	100,386	0	-1,100								R0220	-1,100
N-2	446,756	127,196	1,709									R0230	1,709
N-1	867,769	190,310										R0240	190,310
N	767,916											R0250	767,916
												R0260	958,834
												Total	

Total

2,947,551





**Annex I**  
**S.23.01.01**  
**Own funds**

**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)  
Share premium account related to ordinary share capital  
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings  
Subordinated mutual member accounts  
Surplus funds  
Preference shares  
Share premium account related to preference shares  
Reconciliation reserve  
Subordinated liabilities  
An amount equal to the value of net deferred tax assets  
Other own fund items approved by the supervisory authority as basic own funds not specified above

**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

**Deductions**

Deductions for participations in financial and credit institutions

**Total basic own funds after deductions**

**Ancillary own funds**

Unpaid and uncalled ordinary share capital callable on demand  
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand  
Unpaid and uncalled preference shares callable on demand  
A legally binding commitment to subscribe and pay for subordinated liabilities on demand  
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC  
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC  
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

**Total ancillary own funds**

**Available and eligible own funds**

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	1,073,227	1,073,227			
R0030	15,589,781	15,589,781			
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	-12,940,843	-12,940,843			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	3,722,166	3,722,166			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					



## Annex I

### S.25.01.21

#### Solvency Capital Requirement - for undertakings on Standard Formula

Market risk  
Counterparty default risk  
Life underwriting risk  
Health underwriting risk  
Non-life underwriting risk  
Diversification  
Intangible asset risk  
**Basic Solvency Capital Requirement**

#### Calculation of Solvency Capital Requirement

Operational risk  
Loss-absorbing capacity of technical provisions  
Loss-absorbing capacity of deferred taxes  
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC  
**Solvency Capital Requirement excluding capital add-on**

Capital add-on already set

#### Solvency capital requirement

#### Other information on SCR

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

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	153,294		
R0020	1,304,782		
R0030	0		
R0040	0		
R0050	1,968,728		
R0060	-524,820		
R0070	0		
R0100	2,901,984		

	C0100
R0130	284,535
R0140	
R0150	
R0160	
R0200	3,186,520
R0210	
R0220	3,186,520
R0400	
R0410	
R0420	
R0430	
R0440	



## Annex I

### S.28.01.01

#### 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 <sub>NL</sub> Result	R0010	715,024	
		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	2,960,279	2,550,390
Other motor insurance and proportional reinsurance	R0060	463,974	1,215,809
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	218,518	542,237
Assistance and proportional reinsurance	R0120	0	437,645
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 <sub>L</sub> 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
SCR	R0310
MCR cap	R0320
MCR floor	R0330
Combined MCR	R0340
Absolute floor of the MCR	R0350
	C0070
Minimum Capital Requirement	R0400





## *Independent Auditor's Report*

**To the Members of HD Insurance Limited**

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

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#### *Our 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 2017:

- 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 2017 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").

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#### *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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

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.

#### ***Emphasis of Matter***

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

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PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143594). Its registered office is at 3 Themistocles Dervis Street, CY-1066, Nicosia. A list of the company's directors, including for individuals the present and former (if any) name and surname and nationality, if not Cypriot and for legal entities the corporate name, is kept by the Secretary of the company at its registered office. PwC refers to the Cyprus member firm, PricewaterhouseCoopers Ltd and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.





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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.

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### *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.



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### *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.
- Evaluate the overall presentation, structure and content of the Solvency and Financial Condition Report, including the disclosures, and whether the Solvency and Financial Condition Report represents the underlying transactions and events in a manner that achieves a true and fair view.

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.

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### *Other Matter*



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

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

Nicosia, 4 May 2018



HD Insurance Ltd is regulated by the Cyprus Superintendent of Insurance and  
by the Banking Supervision Department of the Bank of Greece.

[www.hellasdirect.gr](http://www.hellasdirect.gr)