

**HELLAS  
DIRECT**

RETHINK INSURANCE

# SFCR

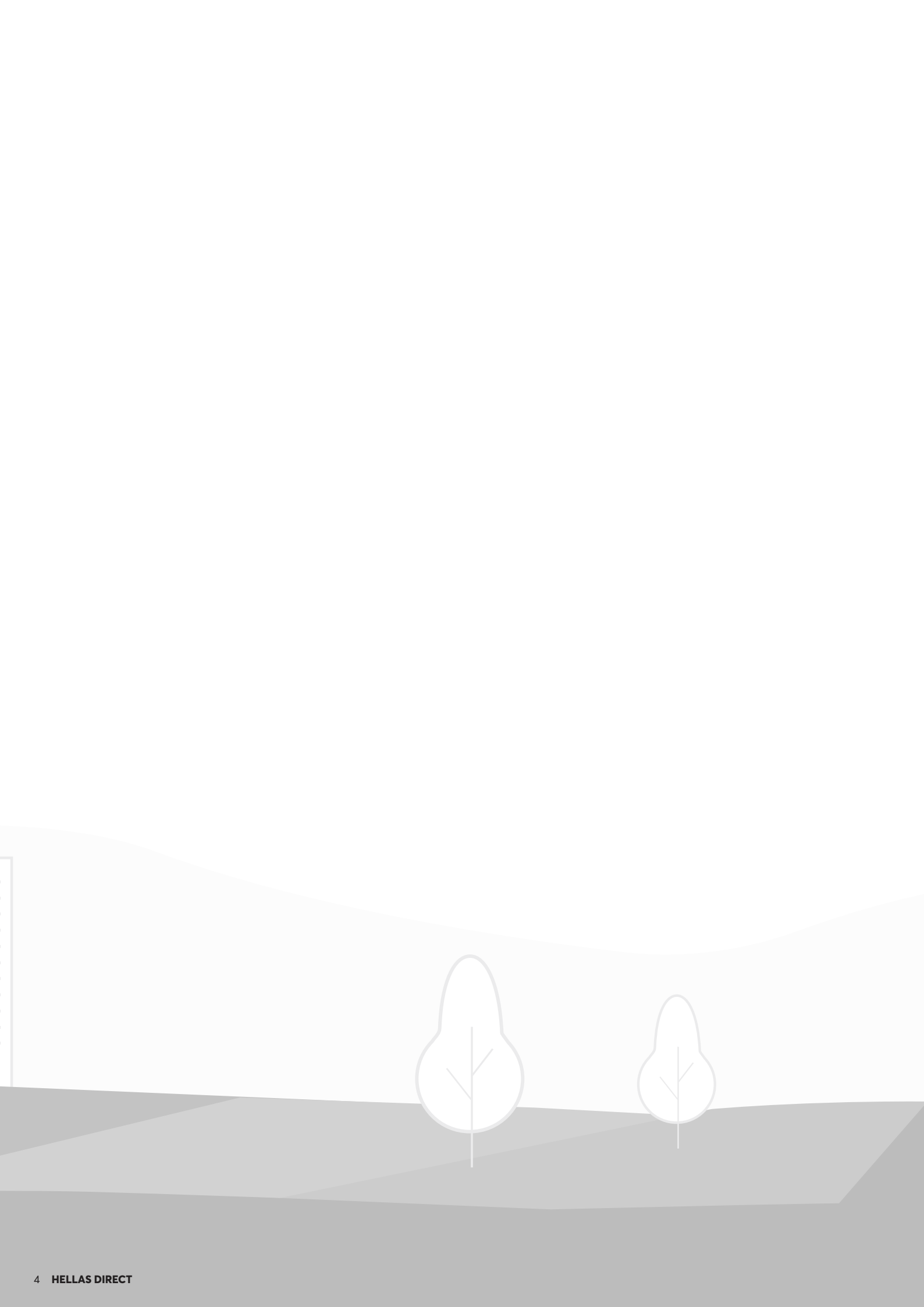
## Solvency and Financial Condition Report

Year ended 31 December 2018





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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. Up until May 2018, the Company specialized in private motor vehicle insurance for all regions in Greece. As of May 2018, the Company also underwrites residential property insurance in both Greece and Cyprus.

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 scale-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. On 31 January 2019, HD 360 Limited acquired 100% of the share capital of a Cypriot road assistance provider, N.T. Rescueline Autoservices Ltd.

The Company finalised a capital raise in January 2018. This added €7m of capital and brought a number of new value-add investors into the Company's shareholder base, including International Finance Corporation, part of the World Bank Group.

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 2018, gross written premiums increased by 29% year on year, and the Company closed the year with a portfolio of over 60,000 cars, representing net portfolio growth of 24%. The loss ratio for the year decreased from 51% to 50%, resulting in a gross profit improvement of 23%.

In May 2018, the Company obtained an extension to its insurance licence and since that date has been underwriting residential property insurance in both Greece and Cyprus.

## **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 2018 regarding the system of governance other than the implementation of various structural and procedural enhancements.

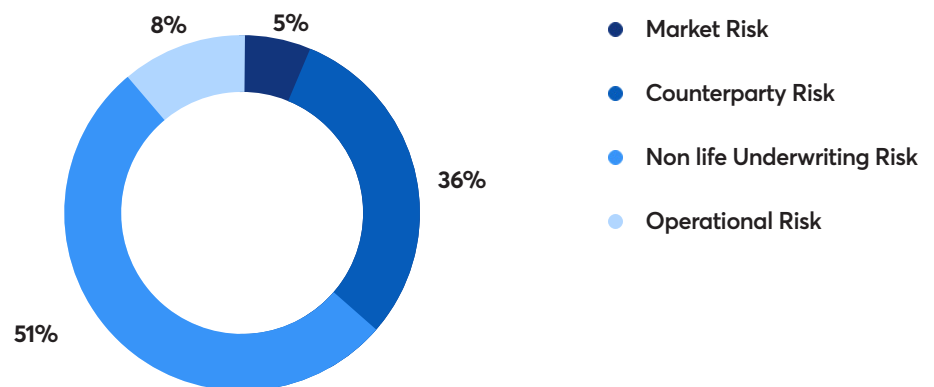
### Risk Profile

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 2018 was as follows:

### SCR Summary 2018



### Capital Management

Effective capital management is essential for the Company to maintain the financial strength necessary to ensure financial stability even in stress scenarios, whilst securing commitments made to policyholders and other stakeholders.

The prudent deployment of capital by the Company must as far as possible meet the diverse expectations of all stakeholders:

- Clients: appropriate capitalisation to ensure client confidence;
- Financial analysts: evaluation of the Company's financial strength;
- Management (internal requirements): appropriate capital allocation to business segments to support strategy/growth; efficient capital structure to minimise cost of capital;
- Regulatory authorities: compliance with Minimum Capital Requirement and Solvency II compliance;
- Shareholders: maximise returns by optimising capital allocation and deployment.

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

# 1

## Business and Performance

### 1.1

#### Business

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

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

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

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

**Sophocles Ioannides**  
sioannides@mof.gov.cy  
+357 22602908

**George Hadjizorzi**  
ghadjizorzi@mof.gov.cy  
+357 22602908

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

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

The entities holding more than 10% of the company's share capital as at 31 December 2018 are detailed below:

NAME	%HOLDING	DESCRIPTION
Third Point Hellenic Recovery Fund, L.P.	16,85%	Institutional investor, Cayman Islands
Moulton Goodies Limited	15,88%	Jon Moulton family office, Guernsey
Adric Holdings Limited	12,61%	Founder co, BVI

Following the January 2018 capital increase, the International Finance Corporation holds a qualifying interest in the Company. Although its shareholding is lower than the 10% threshold at 8,13%, by virtue of the provisions of a Subscription and Shareholder Agreement signed on 20th December 2017, it is considered to exercise a degree of influence over the Company's operations which lead it to be classified as a qualifying interest. The remainder of the shares are widely spread between the remaining shareholders, with no one party holding more than 10%. On 31 January 2019, Third Point Hellenic Recovery Fund, LP transferred its entire shareholding to Portag3 Ventures II International Investments Inc. which as at the date of issue of the SFCR holds 18,02% of the Company's issued share capital. The other shareholdings disclosed above remain unchanged. As the Company's share capital is spread as set out above there is no controlling or ultimate controlling party.

The Company holds a licence to transact 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
Property	Fire and other damage to property

Currently, only the property lines of business are transacted in Cyprus. In Greece, all lines of business are transacted.



# 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:

### Motor Greece

	2015	2016	2017	2018
Number of policies	54,458	93,038	126,613	163,544
GWP (€)	5,416,713	7,405,923	9,435,236	12,141,317
Net written premium(€)	2,247,662	3,718,454	4,746,081	6,649,444
Net Earned Loss ratios	62%	53%	51%	50%
Loss before tax (€)	(2,531,988)	(854,071) <sup>1</sup>	(282,909) <sup>1</sup>	(530,935)

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

### Property (Greece and Cyprus)

2018	TOTAL	GREECE	CYPRUS
Number of policies	549	442	107
GWP (€)	62,086	42,359	19,727
Net written premium (€)	15,745	13,802	1,943
Net Earned Loss ratios	188%	23%	165%
Loss before tax (€)	(252.538)	(74.600)	(177.938)

The Company grew its top line revenue by 29% compared to 2017, and closed the year with an active portfolio of over 60.000 cars and approximately 400 houses. The loss ratio for the full year in motor was 50% - a further drop on the already low 51% experienced in 2017. The property portfolio is too small to draw meaningful conclusions regarding loss ratios. 2018 was a period of investment and consolidation, with the Company diversifying its offering both in terms of product and geography, and the increased loss for the year reflects that investment.

# 1.3

## Investment Performance

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

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

	2015 (€)	2016 (€)	2017 (€)	2018 (€)
Bank balances at year end	8,050,219	6,841,525	9,919,752	13,675,415
Shares held at year end	5,748	5,476	4,777	3,010
Interest income	4,662	(2,407)	17,525	97,724
Fair value movements re shares	(2,641)	(272)	(699)	(1,767)

The Company's investment performance has been negatively affected by extremely low, nonexistent and in some cases, negative, interest rates. The majority of the interest income in 2018 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. As of May 2018, the Company was able to in-source its Accident Care service, thus reducing reinsurance costs as well as enabling the Company to fully own the claims value chain and enhance customer experience.

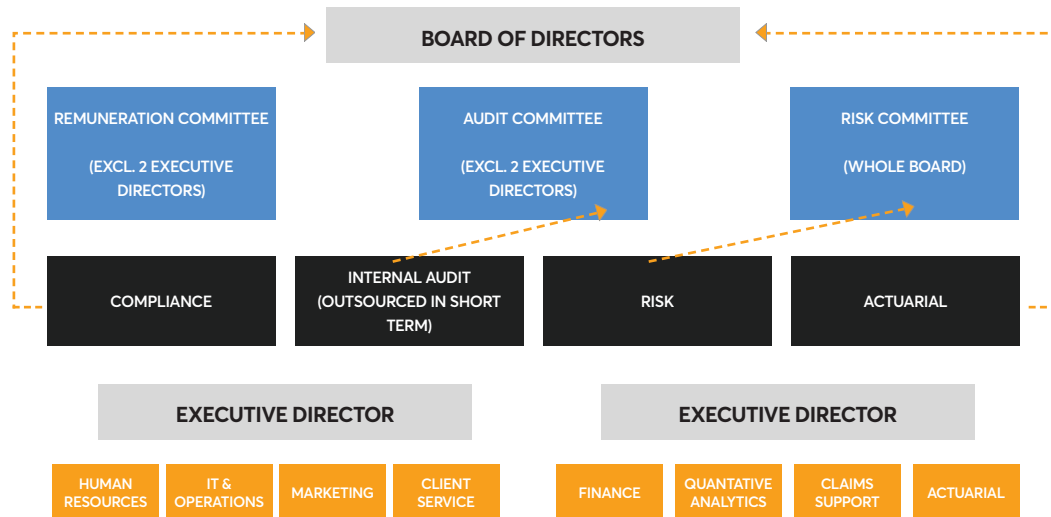
# 2

## 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.

As a result of the capital increase which took place in January 2018, there were some minor changes to the Company's governance structure. The current arrangements are as follows:

- The minimum number of Directors is five.
- There is no maximum number of Directors.
- 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 2018 were as follows:

George P. Leventis (Chairman)  
Emilios Markou  
Alexis Pantazis  
Louis Wang (resigned 1 February 2019)  
Tassos Anastasiou (appointed 15 February 2018)  
James Stanton Smouse (appointed 8 October 2018)  
Efthymios Kyriakopoulos (resigned 15 October 2018)

Following the year end, the following changes took place in the composition of the board of directors:

Louis Wang (resigned 1 February 2019)  
Adam Felesky (appointed 7 February 2019, appointed chairman 7th March 2019)  
Hélène Falchier (appointed 7 February 2019)  
George Leventis (resigned 7th March 2019)  
Jeremy Downward (appointed 7th March 2019)

### **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 nonexecutives. 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 Tassos Anastasiou as of 15th February 2018, 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. The Company is in compliance with this requirement for 2018.

#### **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. Since the resignation of Louis Wang in January 2019, this committee is now headed by Tassos Anastasiou.

#### **Investment Committee**

From 2018 onwards, the responsibilities of the Investment Committee have been subsumed into the Board as a whole, and this committee was therefore disbanded at the beginning of the year.

#### **Risk Committee**

This committee 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.
- The company funds a medical insurance scheme for its employees in both Greece and Cyprus.
- In October 2018, the Group established a provident fund (the HD Provident Fund) for the benefit of its Cyprus-resident employees.
- The two executive directors hold share options in the company.
- The Company adopted new Articles of Association on 20th December 2017 and on the same date signed a Subscription and Shareholder Agreement with its existing shareholders, the International Finance Corporation and its co-investors. Both of these documents were amended by shareholder resolution on 4th January 2019, and provide for the establishment of an Employee Share Option Scheme ("ESOP"). The first shares were granted under the ESOP on 1st February 2019.

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:

- Before a person becomes a holder of a Responsible Person position
- Within 28 days of a person becoming the holder of a Responsible Person position
- Annually for each of the Responsible Person positions

The assessment of whether a person is 'fit' shall:

- 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
- Take account of the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial and management skills of that person
- 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:

- Consider whether they are of good repute and integrity
- 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 fourth ORSA in Q4 2018. 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 17th December 2018.

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 2019. 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.

The company has established a robust system of internal control, comprising appropriate controls around conflict of interest and segregation of duties. Invoice approval limits have been put in place for each function; all invoice and claims payments are made by the finance function following director approval; there is 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. The Compliance function reports directly to the Board.

## 2.4

### Internal Control System

### **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 & 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.

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.

## **2.5**

### **Internal Audit Function**

An internal audit was performed in respect of the year ended 31 December 2017, and an internal audit report was presented to the Audit Committee on 22nd March 2019.

## 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. The outsourced service provider is 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 data protection 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 make other arrangements and either find an alternative service provider or take the function in-house. It is suggested that this notice period should not be shorter than 3 months.

#### **Communication with regulatory authorities and other external stakeholders**

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

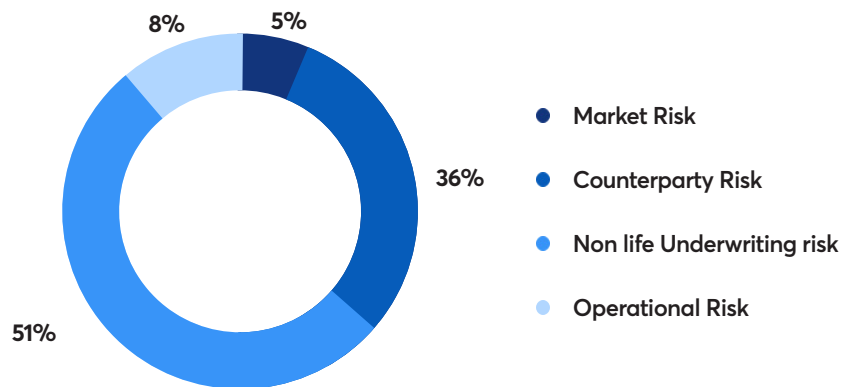
# 3

## 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 2018 was as follows:



## 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 51% of the Company's SCR. Underwriting risk is divided in two sub modules, Premium and Reserve Risk and Catastrophe Risk.

Non-life risk summary as at 31 December 2018 was as follows:



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 main business of the Company continues to be writing private motor vehicle insurance in Greece; from May 2018, the Company also started writing residential property insurance in both Greece and Cyprus.

The Company offers cover for the following risks:

MOTOR INSURANCE	PROPERTY INSURANCE
1. Third Party Liability	1. Fire
2. Collision with uninsured	2. Electrical
3. Accident care	3. Earthquake
4. Road assistance	4. Natural Phenomena
5. Glass	5. Collision Damage
6. Legal protection	6. Malicious Damages
7. Personal accident	7. Third Party Liability
8. Fire	8. Water Damages
9. Natural phenomena	9. Personal Accident
10. Theft	10. Glass Covers
11. Own damages	11. Legal Protection
	12. Home Assistance
	13. Accidental Damages
	14. Theft
	15. Earth Movement
	16. Rent Loss

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 both the motor vehicle and property insurance businesses 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 - Motor

The Company reinsures its entire motor 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.

- Accident Care and Road Assistance were fully reinsured with Mapfre until April 2018. As of 1st April 2018, Accident Care is now managed entirely in-house. Road Assistance continues to be reinsured with Mapfre. A fixed fee is paid per policy and Mapfre assumes the entire risk of claims in this category.

- 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.

### **Reinsurance - Property**

For its property portfolio, the Company has a quota share reinsurance agreement with Swiss Re under which it cedes 85% of premiums for all covers except Legal Protection, Home Assistance, Personal Accident and Earthquake. The Earthquake risk is reinsured under the same treaty, via a tariff of 0.35 per mille for Greece and 0.48 per mille for Cyprus, based on the sum assured. The maximum exposure per claim cannot exceed €225,000 for the reinsured covers. The Company retains only 15% of the losses incurred on the reinsured covers with the reinsurers covering the remaining 85% of all losses. On an aggregate basis, the Company is exposed if its aggregate claims from one natural peril loss event exceed €20 million. The Company is also exposed if its losses in relation to terrorism claims exceed €3 million per event and per year.

### **Excess of loss insurance**

The Company also has excess of loss insurance for its motor portfolio provided by a consortium of four reinsurers: Munich Re (25%), Swiss Re (47%), Hannover Re (12.5%), MS Amlin (10.5%) and Maiden Re (5%). This covers losses in excess of €1m, and is currently paid for via a fixed annual fee.

The Company's management will continuously monitor its exposure to catastrophe risk in its property portfolio, to assess at what point Excess of Loss reinsurance should be purchased for the property line of business.

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 and Switzerland. 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 in the Solvency II Framework Directive (Directive 2009/138/EC) 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."

The Company's assumption is that catastrophic events are exceptionally rare although they can have a major effect on the company mainly as regards liquidity and the operations. For this reason, it maintains reinsurance agreements that reduce the exposure of the Company to €500K per event in motor and to €225K per claim in property (excluding the risk relating to aggregate natural phenomena claims mentioned in the previous section).

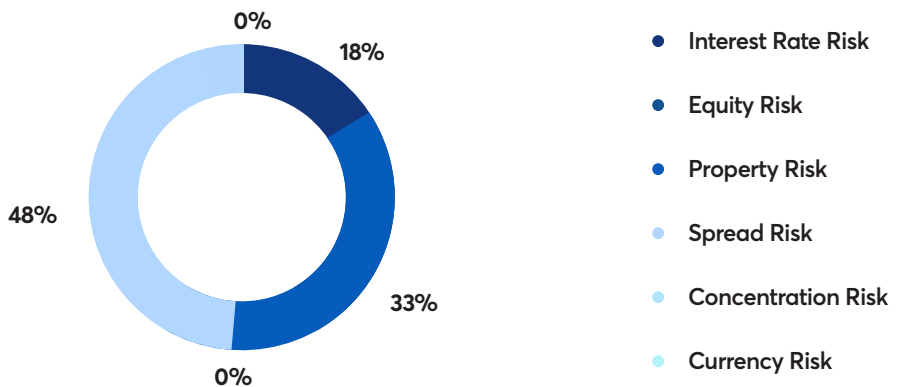
# 3.2

## 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 5% 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.

# 3.3

## Credit Risk

### 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 2018, 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.

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:

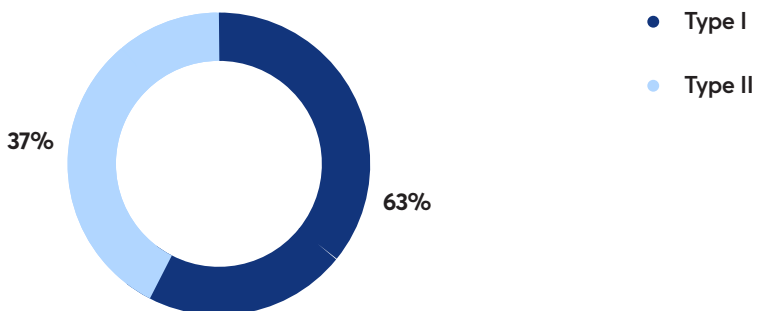
- Type 1 exposures which include cash deposits at bank and reinsurance recoverable balances.
- Type 2 exposures which include the exposures which are usually diversified and where the counterparty is likely to be unrated.

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.

### Counterparty Risk Summary



## 3.4

### Liquidity Risk

Due to the fact that the Company's assets are held almost exclusively in cash with highly creditworthy banks, 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 99.999% of the time (2017: 99.999%), better than the limit set of 98%
- The Company's website has been available 99.999% of the time (2017: 99.999%), better than the limit set of 98%
- The current customer retention rate is 92% (2017: 89%), better than the limit set 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.

## 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 2018, the company was in compliance with the MCR and SCR requirements. 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 breakeven 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.

**Description of valuation bases, methods and main assumptions as at 31 December 2018:**

NAME OF ASSET	SOLVENCY II BALANCE SHEET		FINANCIAL STATEMENTS ("IFRS")	
	VALUE - €	VALUATION METHODOLOGY	VALUE - €	VALUATION METHODOLOGY
Plant and equipment	248,443	Cost less accumulated depreciation. Management assumes cost model to be representative of fair value as at year end.	248,443	Cost less accumulated depreciation.
Intangible assets	-	No active market for asset hence zero value under Solvency II	74,899	Cost less accumulated depreciation.
Financial assets at fair value through profit and loss	3,010	Same as IFRS. Market value listed equities.	3,010	Fair Value (IAS 39)
Investment in subsidiary	1,000	Same as IFRS. Cost less impairment.	1,000	Cost less impairment.
Investments in fixed term deposits	14,043	Market value - Difference due to reclassification of short term fixed deposits (€14.043) shown in cash and cash equivalents as per IFRS Financial Statements.	-	-
Insurance and intermediaries receivables	692,888	Valuation as per IFRS, some differences in classification	134,615	Amortised cost less impairment (IAS 39)
Trade and other receivables	3,941,340	Valuation as per IFRS, some differences in classification. Loan receivable included in this category is included in Loan receivable category in IFRS.	973,775	Amortised cost less impairment (IAS 39)
Loan receivable	-	-	3,850,336	Amortised cost less impairment (IAS 39)
Reinsurance recoverables	3,417,708	Valuation as per IFRS, some differences in classification	4,173,368	Share of insurance contracts liabilities (IFRS 4)
Cash and cash equivalents	13,759,241	Same as IFRS. Difference due to reclassification of short term fixed deposits (€14.043) shown in cash and cash equivalents as per IFRS and due to reclassification of customer c/a (€97.869) shown in any other assets, not elsewhere shown as per IFRS.	13,675,415	Fair value (IAS 39)
Any other assets, not elsewhere shown	40,704	Valuation as per IFRS, some differences in classification		

## 4.2 Technical Provisions

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

#### Intangible Assets

The Company's intangible assets relate to software licenses that have been paid up front. For the IFRS financial statements, these are recorded as assets and amortised over three years.

According to the Solvency II 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 31.12.2018 (see Section 4.2 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.

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 2018:

	GROSS PROVISIONS DISCOUNTED - €	REINSURANCE PROVISIONS DISCOUNTED - €	NET PROVISIONS DISCOUNTED - €
"Third Party Liability" Cover	7,056,983	3,021,577	4,035,406
"Other" Cover	1,052,726	364,926	687,799
"Legal" Cover	181,427	-	181,427
<b>Motor Insurance Total</b>	<b>8,291,136</b>	<b>3,386,503</b>	<b>4,904,633</b>
<b>Property Insurance Total</b>	<b>36,712</b>	<b>31,205</b>	<b>5,507</b>
<b>Total</b>	<b>8,327,848</b>	<b>3,417,708</b>	<b>4,910,140</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.

For motor insurance the above elements are shown for separate types of cover, gross of reinsurance:

- Third Party Liability ("TPL")
- Other Covers ("Other")
- Legal Cover ("Legal")

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

MOTOR INSURANCE	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
<b>Gross Claims Cost</b>	<b>4,698,896</b>	<b>343,709</b>	<b>122,398</b>	<b>5,165,003</b>
- Outstanding claims	4,652,580	327,946	121,852	5,102,378
- IBNR	46,316	15,763	546	62,625
<b>ALAE</b>	<b>417</b>	<b>142</b>	<b>5</b>	<b>564</b>
- Outstanding claims	-	-	-	-
- IBNR	417	142	5	564
<b>Total</b>	<b>4,699,313</b>	<b>343,851</b>	<b>122,403</b>	<b>5,165,567</b>

For property insurance the above elements are shown for separate types of cover, gross of reinsurance:

- Fire & Other ("Fire")
- Liability Covers ("Liability")
- Miscellaneous Covers ("Misc")
- Legal Cover ("Legal")

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

PROPERTY INSURANCE	GREECE - €	CYPRUS - €	TOTAL - €
<b>Gross Claims Cost</b>	<b>4,443</b>	<b>4,538</b>	<b>8,981</b>
- Outstanding claims	2,267	3,600	5,867
- IBNR	2,176	938	3,114
<b>ALAE</b>	<b>666</b>	<b>681</b>	<b>1,347</b>
- Outstanding claims	340	540	880
- IBNR	326	141	467
<b>Total</b>	<b>5,109</b>	<b>5,219</b>	<b>10,328</b>

#### Motor Insurance 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.

#### Property Insurance 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.

Since the inception of the property insurance offer in May 2018, there have only been 13 claims (4 in Cyprus and 9 in Greece) and the case estimate was used.

In order to project the full run-off of claims, the link-ratios implied by the industry claims development from the Statistical Yearbook for Property Insurance 2017 from the Greek Insurance Association showing an 80% run-off after 6 years were assessed. The run-off pattern has been extrapolated by 3 years to imply a full run-off after 9 years.

#### 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	52,311	46,316	37,223	43,521
Other Claims	14,877	15,763	21,939	11,410
Legal Claims	475	546	1,886	4,009
<b>Total</b>	<b>67,663</b>	<b>62,625</b>	<b>61,047</b>	<b>58,941</b>

\*Based on full year 2016 and 2017 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.

After evaluating the different methods, it was decided to adopt the IBNR as calculated using the Average Cost Per Claim approach (as adopted in the previous valuation), resulting in a total IBNR reserve of €62,625.

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

It was assumed that the IBNR claims will be settled using the same settlement pattern discussed in previous sections for "TPL", "Other" and "Legal" above, in respect of claims occurring in Q4 2018.

#### Property Insurance 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

There is no claims history to analyse for the Company for either Greece or Cyprus in respect of property insurance. The Company has referenced the industry claims development from the Statistical Yearbook for Property Insurance 2017 from the Greek Insurance Association showing an implied IBNR of around 13% of earned premium based on 2012 – 2017 data. No similar benchmark was available for Cyprus and given the very low volume of business the same metric was applied for both Greece and Cyprus. This approach will be reviewed at the next valuation.

PROPERTY INSURANCE	GREECE - €	CYPRUS - €	TOTAL - €
Earned Premium 2018	16,739	7,214	23,953
IBNR	2,176	938	3,114

### Motor Insurance Allocated Loss Adjustment Expenses («ALAE»)

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

#### The ALAE for the Company includes:

- Claims assessor fees
- Medical fees
- Other expenses that can be directly attributed to each claim
- Administration expense payable to Friendly Settlement for all «Own Blame» claims
- 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.

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

### Property Insurance Allocated Loss Adjustment Expenses («ALAE»)

The claims provision must include an allowance for ALAE in respect of both outstanding and IBNR claims.

There is limited claims or expense history to analyse for the Company. We have referenced the industry data from the Greek Insurance Association and included a 15% ALAE loading until more data is available.

### Motor Insurance - 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>Claims Cost</b>	<b>2,347,390</b>	<b>171,182</b>	-	<b>2,518,572</b>
- Outstanding claims	2,324,252	163,895	-	2,488,147
- IBNR	23,138	7,287	-	30,425
<b>ALAE</b>	<b>208</b>	<b>66</b>	-	<b>274</b>
- Outstanding claims	-	-	-	-
- IBNR	208	66	-	274
<b>Total</b>	<b>2,347,598</b>	<b>171,248</b>	-	<b>2,518,846</b>

### Property Insurance – Reinsurance Claims Provision

In the case of the reinsurance claims provision, the 85% quota share agreement means that the quota share reinsurance partners reimburse the Company for 85% of most claims costs. The only exception is the legal cover, home assurance and personal accident, which are fully borne by the Company.

Given the limited number of claims and policies in force, the reinsurance claims provision was set equal to 85% of all claims and expenses. This will be refined as the portfolio increases in size.

	GREECE - €	CYPRUS - €	TOTAL - €
<b>Claims Cost</b>	<b>3,777</b>	<b>3,857</b>	<b>7,634</b>
- Outstanding claims	1,927	3,060	4,987
- IBNR	1,850	797	2,647
<b>ALAE</b>	<b>566</b>	<b>579</b>	<b>1,145</b>
- Outstanding claims	289	459	748
- IBNR	277	120	397
<b>Total</b>	<b>4,343</b>	<b>4,436</b>	<b>8,779</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 for motor insurance (before discounting) is shown below.

	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
Future Gross Claims Cost	1,465,922	495,297	25,101	1,986,320
ALAE	13,193	4,458	226	17,877
<b>Total</b>	<b>1,479,115</b>	<b>499,755</b>	<b>25,327</b>	<b>2,004,197</b>

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

	GREECE - €	CYPRUS - €	TOTAL - €
Future Gross Claims Cost	15,173	7,771	22,944
ALAE	2,276	1,165	3,441
<b>Total</b>	<b>17,449</b>	<b>8,936</b>	<b>26,835</b>

### **Motor Insurance - 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.

### **Property Insurance - Future Claims Cost**

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

#### **Claims Ratios**

Industry benchmarks indicate modest claims ratios for property insurance, although this varies greatly by company, and up to 40% for both Cyprus and Greece. The Company's property insurance policies includes an extensive range of covers and the claims ratios may not be directly comparable.

Given the small level of unearned premium as at 31 December 2018 of €45,887, a claims ratio of 50% was applied to establish the future claims cost for both Greece and Cyprus which can be considered prudent and will be reviewed as more Company specific claims experience emerges.

### **Motor Insurance Allocated Loss Adjustment Expenses («ALAE»)**

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

The ALAE for the Company includes:

- Claims assessor fees
- Medical assessment fees
- Other expenses that can be directly attributed to each claim
- Administration expense payable to Friendly Settlement for all «Own Blame» claims
- Administration expense reimbursement receivable from Friendly Settlement

Based on the historical data, a loading of 0,9% of claims cost was applied.

### **Property Insurance Allocated Loss Adjustment Expenses («ALAE»)**

The premium provision must include an allowance for ALAE in respect of both future claims cost.

There is no expense history to analyse for the Company, and as such we have referenced the industry data from the Greek Insurance Association and included a 15% ALAE loading until more data is available.

### **Motor Reinsurance Premium Provision**

In the case of the reinsurance premium 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 and personal accident, which are fully borne by the Company. In order to derive the reinsurance claims provision it is assumed that personal accident is 7,5% of all "other" claims. This proportion was derived from the earned premium for personal accident as a % of the total earned premium for "other" covers.

Since 1 October 2016 in respect of direct claims handling expenses, the reinsurance partners reimbursed the Company a fixed amount of €20 per claim for "factory" claims (routine claims with a reserve of less than €5,000 ). For "firm" claims (bigger claims including deaths and bodily



injury) 50% of the actual claims handling expenses will be reimbursed to the Company by its reinsurance partners.

The €20 per factory claim is broadly in line with the previous policy of sharing the expenses 50% / 50% for routine claims. However, over the last year the claims handling has been expanding to enable the team to deal internally with the assessment of claims, resulting in a substantial reduction in the external cost of allocated loss adjustment expenses.

For the purposes of the calculation, it was assumed that all expenses are shared 50% / 50%. A summary of the net premium provision undiscounted but AFTER allowance for the reinsurance default is shown below.

	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
Future Gross Claims Cost	732,384	228,976	-	961,360
ALAE	6,591	2,061	-	8,652
Excess of Loss Cover	(68,157)	(38,125)	-	(106,282)
<b>Total</b>	<b>670,818</b>	<b>192,912</b>	<b>-</b>	<b>863,730</b>

#### Property Insurance – Reinsurance Premium Provision

In the case of the reinsurance premium provision, the 85% quota share agreement means that the quota share reinsurance partners reimburse the Company for 85% of most claims costs. The only exception is the legal cover, home assurance and personal accident, which are fully borne by the Company.

Given the limited number of claims and policies in force, the reinsurance premium provision was set equal to 85% of all claims and expenses. This will be refined as the portfolio increases in size. Also, it is noted that no excess of loss cover is currently in place for property insurance.

	GREECE - €	CYPRUS - €	TOTAL - €
Future Gross Claims Cost	12,897	6,605	19,502
ALAE	1,934	990	2,924
Excess of Loss Cover	N/A	N/A	N/A
<b>Total</b>	<b>14,831</b>	<b>7,595</b>	<b>22,426</b>

#### Motor Insurance - 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 - €
2019 Q1	41,648	23,296	-	64,944
2019 Q2	17,900	10,012	-	27,912
2019 Q3	6,790	3,798	-	10,588
2019 Q4	1,820	1,018	-	2,838
<b>Total Excess of Loss Cost</b>	<b>68,158</b>	<b>38,124</b>	<b>-</b>	<b>106,282</b>

#### Motor Insurance – Future Claims Cost

The cashflows were derived as 50% of the cashflows calculated in respect of the future claims cashflows in sections above , except for legal cover which is fully borne by the Company.

### Property Insurance – Future Claims Cost

The cashflows were derived as 85% of the cashflows calculated in respect of the future claims cashflows in sections above, except for legal cover, personal accident and home assistance which is fully borne by the Company.

### Motor Insurance - Allocated Loss Adjustment Expenses ("ALAE")

The cashflows were derived as 50% of the cashflows calculated in respect of the ALAE for future claims cost cashflows in sections above, except for legal cover which are fully borne by the Company.

### Property Insurance - Allocated Loss Adjustment Expenses ("ALAE")

The cashflows were derived as 85% of the cashflows calculated in respect of the ALAE for future claims cost cashflows in sections above, except for legal cover which is fully borne by the Company.

### Expenses (Motor Insurance only)

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, acquisition expenses have been excluded altogether from this assessment. In this section, the other expenses are considered. A summary of the undiscounted expense provision is shown below.

MOTOR CLAIMS PROVISION	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
Claims Management	227,122	17,034	5,894	250,050
Administration	-	-	-	-
Other Claims Handling	249,729	13,545	4,751	268,025
<b>Total</b>	<b>476,851</b>	<b>30,579</b>	<b>10,645</b>	<b>518,075</b>

MOTOR PREMIUM PROVISION	TPL - €	OTHER - €	LEGAL - €	TOTAL - €
Claims Management	120,206	40,614	2,058	162,878
Administration	195,994	109,632	19,204	324,830
Other Claims Handling	77,908	26,323	1,334	105,565
<b>Total</b>	<b>394,108</b>	<b>176,569</b>	<b>22,596</b>	<b>593,273</b>

Given the very low premium and claims provisions in respect of the property insurance, all the administration and claims handling expenses were allocated to the motor insurance category. This will be reviewed at the next valuation date.

# 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	1,866,745	Same as IFRS. Difference arises due to reclassification of receivable balances from Reinsurers.	2,001,357
Payables	-	Difference arises due to reclassifications.	1,822,473
Any other liabilities, nor elsewhere shown	1,771,139	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 €9,703,174 as at 31st December 2018.

Total assets according to the Solvency II valuation amounted to €22,118,377. Cash and cash equivalents and fixed term deposits amounted to €13,773,284.

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.

	TOTAL- €	TIER 1- UNRESTRICTED- €
Ordinary share capital	1,281,738	1,281,738
Share premium account related to ordinary share capital	22,245,204	22,245,204
Reconciliation reserve	(13,823,769)	(13,823,769)
Total basic own funds after adjustments	9,703,174	9,703,174
Total eligible own funds meet the MCR	9,703,174	
SCR	3,892,860	
MCR	3,700,000	
Ratio of eligible own funds to SCR	249.26	
Ratio of eligible own funds to MCR	262.25	

## 5.2

### Solvency Capital Requirement and Minimum Capital Requirement

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

On 4th January 2018, the Company issued 2.978.724 ordinary shares, raising total additional capital of €7 million.

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:

RISK TYPE	2018 SOLVENCY CAPITAL REQUIREMENTS	2017 SOLVENCY CAPITAL REQUIREMENTS
Interest Rate Risk	66,573	48,691
Equity Risk	122,840	81,133
Spread Risk	1,054	1,052
Currency Risk	5	-
Concentration Risk	178,700	120,068
Diversification within Market Risk module	(141,903)	(97,651)
<b>TOTAL CAPITAL REQUIREMENT FOR MARKET RISK</b>	<b>227,269</b>	<b>153,292</b>
Type I	1,085,524	960,880
Type II	640,158	418,864
Diversification within Counterparty Risk Module	(103,793)	(74,962)
<b>TOTAL CAPITAL REQUIREMENT FOR COUNTERPARTY RISK</b>	<b>1,621,889</b>	<b>1,304,782</b>
Non-Life Premium and Reserve Risk	2,147,848	1,783,275
Non-Life Lapse Risk	-	-
Non-Life Catastrophe Risk	554,000	500,000
Diversification within Non-Life Risk module	(353,418)	(314,547)
<b>TOTAL CAPITAL REQUIREMENT FOR NON-LIFE RISK</b>	<b>2,348,430</b>	<b>1,968,728</b>
Diversification within modules	(668,090)	(524,819)
Basic Solvency Capital Requirements	3,529,498	2,901,984
Operational Risk	363,362	284,535
Total Solvency Capital Requirements	3,892,860	3,186,569
Loss Absorbing Capacity	-	-

NET SOLVENCY CAPITAL REQUIREMENTS	3,892,860	3,186,519
MINIMUM CAPITAL REQUIREMENTS	3,700,000	3,700,000
TOTAL OWN FUNDS	9,703,174	3,719,429
Total Tier 1 - Unrestricted	9,703,174	3,719,429
Eligible Own Funds for SCR	9,703,174	3,719,429
SCR RATIO (%)	249.26	116.72
MCR RATIO (%)	262.25	100.53

#### 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 2018:

	AS AT 31 DECEMBER 2018 (€)	AS AT 31 DECEMBER 2017 (€)
SCR	3,892,860	3,186,519
MCR Cap	1,751,787	1,433,933
MCR Floor	973,215	796,629
Combined MCR	983,194	796,629
Absolute floor of the MCR	3,700,000	3,700,000
Minimum Capital Requirement	3,700,000	3,700,000

## 5.3

### Differences

#### Differences between the standard formula and any internal model used

The Company uses the standard formula.

## 5.4

### Non-compliance

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

The Company was fully compliant with the Minimum Capital Requirement throughout 2018. 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.





<b>Annex I</b>			
<b>S.02.01.02</b>			
<b>Balance sheet</b>			
		<b>Solvency II value</b>	
		<b>C0010</b>	
<b>Assets</b>			
Intangible assets	<b>R0030</b>		
Deferred tax assets	<b>R0040</b>		
Pension benefit surplus	<b>R0050</b>		
Property, plant & equipment held for own use	<b>R0060</b>	248,443	
Investments (other than assets held for index-linked and unit-linked contracts)	<b>R0070</b>	18,053	
Property (other than for own use)	<b>R0080</b>		
Holdings in related undertakings, including participations	<b>R0090</b>	1,000	
Equities	<b>R0100</b>	3,010	
Equities - listed	<b>R0110</b>	3,010	
Equities - unlisted	<b>R0120</b>		
Bonds	<b>R0130</b>		
Government Bonds	<b>R0140</b>		
Corporate Bonds	<b>R0150</b>		
Structured notes	<b>R0160</b>		
Collateralised securities	<b>R0170</b>		
Collective Investments Undertakings	<b>R0180</b>		
Derivatives	<b>R0190</b>		
Deposits other than cash equivalents	<b>R0200</b>	14,043	
Other investments	<b>R0210</b>		
Assets held for index-linked and unit-linked contracts	<b>R0220</b>		
Loans and mortgages	<b>R0230</b>		
Loans on policies	<b>R0240</b>		
Loans and mortgages to individuals	<b>R0250</b>		
Other loans and mortgages	<b>R0260</b>		
Reinsurance recoverables from:	<b>R0270</b>	3,417,708	
Non-life and health similar to non-life	<b>R0280</b>	3,417,708	
Non-life excluding health	<b>R0290</b>	3,417,708	
Health similar to non-life	<b>R0300</b>		
Life and health similar to life, excluding health and index-linked and unit-linked	<b>R0310</b>		
Health similar to life	<b>R0320</b>		
Life excluding health and index-linked and unit-linked	<b>R0330</b>		
Life index-linked and unit-linked	<b>R0340</b>		
Deposits to cedants	<b>R0350</b>		
Insurance and intermediaries receivables	<b>R0360</b>	692,888	
Reinsurance receivables	<b>R0370</b>		
Receivables (trade, not insurance)	<b>R0380</b>	3,941,340	
Own shares (held directly)	<b>R0390</b>		
	<b>R0400</b>		
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	<b>R0410</b>	13,759,241	
Any other assets, not elsewhere shown	<b>R0420</b>	40,704	
<b>Total assets</b>	<b>R0500</b>	22,118,377	
<b>Liabilities</b>			
Technical provisions – non-life	<b>R0510</b>	8,777,320	
Technical provisions – non-life (excluding health)	<b>R0520</b>	8,777,320	
Technical provisions calculated as a whole	<b>R0530</b>		
Best Estimate	<b>R0540</b>	8,327,848	
Risk margin	<b>R0550</b>	449,472	
Technical provisions - health (similar to non-life)	<b>R0560</b>		
Technical provisions calculated as a whole	<b>R0570</b>		
Best Estimate	<b>R0580</b>		
Risk margin	<b>R0590</b>		
Technical provisions - life (excluding index-linked and unit-linked)	<b>R0600</b>		
Technical provisions - health (similar to life)	<b>R0610</b>		
Technical provisions calculated as a whole	<b>R0620</b>		
Best Estimate	<b>R0630</b>		

Risk margin	<b>R0640</b>		
Technical provisions – life (excluding health and index-linked and unit-linked)	<b>R0650</b>		
Technical provisions calculated as a whole	<b>R0660</b>		
Best Estimate	<b>R0670</b>		
Risk margin	<b>R0680</b>		
Technical provisions – index-linked and unit-linked	<b>R0690</b>		
Technical provisions calculated as a whole	<b>R0700</b>		
Best Estimate	<b>R0710</b>		
Risk margin	<b>R0720</b>		
Contingent liabilities	<b>R0740</b>		
Provisions other than technical provisions	<b>R0750</b>		
Pension benefit obligations	<b>R0760</b>		
Deposits from reinsurers	<b>R0770</b>		
Deferred tax liabilities	<b>R0780</b>		
Derivatives	<b>R0790</b>		
Debts owed to credit institutions	<b>R0800</b>		
Financial liabilities other than debts owed to credit institutions	<b>R0810</b>		
Insurance & intermediaries payables	<b>R0820</b>		
Reinsurance payables	<b>R0830</b>	1,866,745	
Payables (trade, not insurance)	<b>R0840</b>		
Subordinated liabilities	<b>R0850</b>		
Subordinated liabilities not in Basic Own Funds	<b>R0860</b>		
Subordinated liabilities in Basic Own Funds	<b>R0870</b>		
Any other liabilities, not elsewhere shown	<b>R0880</b>	1,771,139	
<b>Total liabilities</b>	<b>R0900</b>	12,415,203	
<b>Excess of assets over liabilities</b>	<b>R1000</b>	9,703,174	



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												
	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 insurance C0070	General liability insurance C0080	Credit and suretyship insurance C0090	Legal expenses insurance C0100	Assistance C0110	Miscellaneous financial loss C0120	Health C0130	Casualty C0140	Marine, aviation, transport C0150	Property C0160	Total C0200									
	R0110	R0120	R0130	R0140	R0200	R0210	R0220	R0230	R0240	R0300	R0310	R0320	R0330	R0340	R0400	R0410	R0420	R0430	R0440	R0500	R0550	R1200	R1300			
<b>Premiums written</b>																										
Gross - Direct Business				6,111,055	3,133,466		55,722	2,017		597,346.82	1,422														12,203,403	
Gross - Proportional reinsurance accepted																										
Gross - Non-proportional reinsurance accepted				2,886,730	1,480,181		43,707	1,515			1,120															5,538,214
Reinsurers' share				3,224,325	1,653,284		12,015	502		597,347	302															6,665,189
<b>Premiums earned</b>																										
Gross - Direct Business				5,763,064	2,928,463		14,671	492		567,555	322															11,387,876
Gross - Proportional reinsurance accepted																										
Gross - Non-proportional reinsurance accepted				2,717,088	1,380,670		14,771	462			322															5,282,227
Reinsurers' share				3,045,976	1,547,793		-101	30		567,555	1															6,105,649
<b>Claims incurred</b>																										
Gross - Direct Business				5,505,534	1,462,343		8,288			82,104																7,058,270
Gross - Proportional reinsurance accepted																										
Gross - Non-proportional reinsurance accepted				2,778,090	750,099		7,078																			3,535,266
Reinsurers' share				2,727,445	712,245		1,211			82,104																3,523,004
<b>Changes in other technical provisions</b>																										
Gross - Direct Business																										
Gross - Proportional reinsurance accepted																										
Gross - Non-proportional reinsurance accepted																										
Reinsurers' share																										
<b>Expenses incurred</b>				2,302,847	1,180,793		20,998	760		225,100	536															4,598,645
<b>Other expenses</b>																										
<b>Total expenses</b>																										



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	C0080	C0090	C0100	C0110	C0120	C0130	C0140		
<b>Premiums written</b>												
Gross - Direct Business			R0110	19,727	12,183,676					12,203,403		
Gross - Proportional reinsurance accepted			R0120									
Gross - Non-proportional reinsurance accepted			R0130									
Reinsurers' share			R0140	17,784	5,520,430					5,538,214		
Net			R0200	1,943	6,663,246					6,665,189		
<b>Premiums earned</b>												
Gross - Direct Business			R0210	4,185	11,383,691					11,387,876		
Gross - Proportional reinsurance accepted			R0220									
Gross - Non-proportional reinsurance accepted			R0230									
Reinsurers' share			R0240	5,594	5,276,633					5,282,227		
Net			R0300	-1,409	6,107,058					6,105,649		
<b>Claims incurred</b>												
Gross - Direct Business			R0310	5,152	7,053,118					7,058,270		
Gross - Proportional reinsurance accepted			R0320									
Gross - Non-proportional reinsurance accepted			R0330									
Reinsurers' share			R0340	4,411	3,530,854					3,535,266		
Net			R0400	740	3,522,263					3,523,004		
<b>Changes in other technical provisions</b>												
Gross - Direct Business			R0410									
Gross - Proportional reinsurance accepted			R0420									
Gross - Non-proportional reinsurance accepted			R0430									
Reinsurers' share			R0440									
Net			R0500									
<b>Expenses incurred</b>			R0550	7,434	4,591,211					4,598,645		
<b>Other expenses</b>			R1200									
<b>Total expenses</b>			R1300	7,434	4,591,211					4,598,645		



		Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance					Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
<b>Annex I</b>																		
<b>S.17.01.02</b>																		
<b>Non-life Technical Provisions</b>																		
<b>Technical provisions calculated as a whole</b>																		
Total Recoverables from reinsurances/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0010																	
Total Recoverables from reinsurances/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050																	
<b>Technical provisions calculated as a sum of BE and RM</b>																		
<b>Best estimate</b>																		
Premium provisions																		
Gross	R0060				1,874,620	677,552		26,384			48,014							2,626,570
Total recoverable from reinsurances/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140				671,156	193,339		22,426										
Net Best Estimate of Premium Provisions	R0150				1,203,464	484,213		3,958			48,014							866,921
<b>Claims provisions</b>																		
Gross	R0160				5,182,363	375,174		10,328			133,413							5,701,277
Total recoverable from reinsurances/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240				2,350,420	171,588		8,779										2,530,787
Net Best Estimate of Claims Provisions	R0250				2,831,942	203,586		1,549			133,413							3,170,490
<b>Total Best estimate - gross</b>	R0260				7,056,983	1,052,726		38,712			181,427							8,327,848
<b>Total Best estimate - net</b>	R0270				4,035,406	687,999		5,507			181,427							4,910,140
<b>Risk margin</b>	R0280				350,594	93,122		528			5,228							449,472
<b>Amount of the transitional on Technical Provisions</b>																		
Technical Provisions calculated as a whole	R0290																	
Best estimate	R0300																	
Risk margin	R0310																	
<b>Technical provisions - total</b>																		
Technical provisions - total	R0320				7,407,576	1,145,848		37,240			186,656							8,777,320
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330				3,021,577	364,926		31,205										3,417,708
Technical provisions minus recoverables from reinsurances/SPV and Finite Re - total	R0340				4,386,000	780,921		6,035			186,656							5,359,612





Annex I															
S.19.01.21															
Non-life insurance claims															
Total Non-Life Business															
Accident year / Underwriting year															
Z0010		Motor vehicle liability insurance													
Gross Claims Paid (non-cumulative)															
(absolute amount)															
		Development year													
Year	0	1	2	3	4	5	6	7	8	9	10&+	In Current year	Sum of years (cumulative)		
Prior	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	R0100	C0180		
N-9												R0160			
N-8												R0170			
N-7												R0180			
N-6	0	0	0	0	0	0	0					R0190			
N-5	160,461	108,977	-12,186	1,858	-1,674	71,196						R0200	328,632		
N-4	929,534	-8,600	179,404	87	17,827							R0210	1,118,251		
N-3	858,048	567,118	11,378	9,904								R0220	1,446,449		
N-2	1,490,573	521,060	390,744									R0230	2,402,376		
N-1	1,829,556	853,968										R0240	2,683,525		
N	2,293,749											R0250	2,293,749		
												Total	10,272,982		

Gross undiscounted Best Estimate Claims Provisions (absolute amount)													Year end (discounted data)		
In Current year	Sum of years (cumulative)	Year	Development year										10.&+ C0300	Year end (discounted data)	
			0	1	2	3	4	5	6	7	8	9			
			C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		
R0100	C0180	Prior	R0100											R0100	C0360
R0160		N-9	R0160											R0160	0
R0170		N-8	R0170											R0170	0
R0180		N-7	R0180											R0180	0
R0190		N-6	R0190	0	0	0	0	0	0					R0190	0
R0200	328,632	N-5	R0200	16,640	0	0	0	0	0					R0200	16,640
R0210	1,118,251	N-4	R0210	51,436	3,338	0	0	0	0					R0210	54,774
R0220	1,446,449	N-3	R0220	100,977	0	4,450	0							R0220	105,427
R0230	2,402,376	N-2	R0230	621,141	583	9,457								R0230	631,180
R0240	2,683,525	N-1	R0240	1,355,755	15,520									R0240	1,371,275
R0250	2,293,749	N	R0250	2,996,867										R0250	2,996,867
R0260	3,637,389													<b>Total</b>	<b>5,176,164</b>

Annex I S.19.01.21 Non-life insurance claims		Accident year / Underwriting year										Sum of years (cumulative)	
Total Non-Life Business		Development year											
		Z0010 Other motor insurance											
Gross Claims Paid (non-cumulative) (absolute amount)													
Year	0	1	2	3	4	5	6	7	8	9	10&+	In Current year	Sum of years (cumulative)
	C'0010	C'0020	C'0030	C'0040	C'0050	C'0060	C'0070	C'0080	C'0090	C'0100	C'0110	C'0170	C'0180
Prior	R0100											R0100	
N-9	R0160											R0160	
N-8	R0170											R0170	
N-7	R0180											R0180	
N-6	R0190											R0190	
N-5	R0200	133,888	45,079									R0200	178,967
N-4	R0210	253,212	106,304									R0210	359,517
N-3	R0220	439,327	123,853	1,709	1,700							R0220	566,588
N-2	R0230	846,499	189,540	-1,480								R0230	1,034,559
N-1	R0240	755,169	193,794									R0240	948,963
N	R0250	1,261,371										R0250	1,261,371
												Total	4,349,966

										Development year										Year end (discounted data)		
										1	2	3	4	5	6	7	8	9	10&+			
										C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
										C0200												R0100
																					R0160	
																					R0170	
																					R0180	
																					R0190	
																					R0200	
										1,598											R0210	
																					R0220	
										15,382	571											R0230
										30,752	685											R0240
										325,442												R0250
																					R0260	
																				Total		
																						374,430

Annex I S.19.01.21 Non-life insurance claims Total Non-Life Business	Accident year / Underwriting year											Sum of years (cumulative)	
	Development year												
	0	1	2	3	4	5	6	7	8	9	10&+		
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	R0100	R0160	R0170	R0180	R0190	R0200	R0210	R0220	R0230	R0240	R0250		
Prior													
N-9													
N-8													
N-7													
N-6													
N-5				211.96		43.4						43	255
N-4													
N-3		968	966	2,005								2,005	3,939
N-2	9,479	23,246	18,310									18,310	51,035
N-1	12,287	35,555										35,555	47,842
N	15,001											15,001	118,073
												Total	

Gross undiscounted Best Estimate Claims Provisions (absolute amount)											Year end (discounted data)	
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	R0100
N-9												R0160
N-8												R0170
N-7												R0180
N-6												R0190
N-5												R0200
N-4												R0210
N-3	2,599	437										R0220
N-2	26,798	546										R0230
N-1	51,386	414										R0240
N	50,867											R0250
												R0260
												Total
												133,047





Gross undiscounted Best Estimate Claims Provisions (absolute amount)												Year end (discounted data)		
Year	Development year										10&+	Total		
	0	1	2	3	4	5	6	7	8	9				
Prior	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		R0100	C0360
N-9													R0160	
N-8													R0170	
N-7													R0180	
N-6													R0190	
N-5													R0200	
N-4													R0210	
N-3													R0220	
N-2													R0230	
N-1													R0240	
N	10,328												R0250	10,328
													R0260	10,328



Annex I						
S.23.01.01						
Own funds						
		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>						
Ordinary share capital (gross of own shares)	R0010	1,281,738	1,281,738			
Share premium account related to ordinary share capital	R0030	22,245,204	22,245,204			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	-13,823,769	-13,823,769			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
<b>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</b>						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
<b>Deductions</b>						
Deductions for participations in financial and credit institutions	R0230					
<b>Total basic own funds after deductions</b>	R0290	9,703,174	9,703,174			
<b>Ancillary own funds</b>						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
<b>Total ancillary own funds</b>	R0400					
<b>Available and eligible own funds</b>						
Total available own funds to meet the SCR	R0500	9,703,174	9,703,174			
Total available own funds to meet the MCR	R0510	9,703,174	9,703,174			
Total eligible own funds to meet the SCR	R0540	9,703,174	9,703,174			
Total eligible own funds to meet the MCR	R0550	9,703,174	9,703,174			
<b>SCR</b>	R0580	3,892,860				
<b>MCR</b>	R0600	3,700,000				
<b>Ratio of Eligible own funds to SCR</b>	R0620	249.26%				
<b>Ratio of Eligible own funds to MCR</b>	R0640	262.25%				
		C0060				
<b>Reconciliation reserve</b>						
Excess of assets over liabilities	R0700	9,703,174				
Own shares (held directly and indirectly)	R0710					
Foreseeable dividends, distributions and charges	R0720					
Other basic own fund items	R0730	23,526,942				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
<b>Reconciliation reserve</b>	R0760	-13,823,769				
<b>Expected profits</b>						
Expected profits included in future premiums (EPIFP) - Life business	R0770					
Expected profits included in future premiums (EPIFP) - Non- life business	R0780					
<b>Total Expected profits included in future premiums (EPIFP)</b>	R0790					



<b>Annex I</b>				
<b>S.25.01.21</b>				
<b>Solvency Capital Requirement - for undertakings on Standard Formula</b>				
		<b>Gross solvency capital requirement</b>	<b>USP</b>	<b>Simplifications</b>
		<b>C0110</b>	<b>C0090</b>	<b>C0100</b>
Market risk	<b>R0010</b>	227,268		
Counterparty default risk	<b>R0020</b>	1,621,889		
Life underwriting risk	<b>R0030</b>			
Health underwriting risk	<b>R0040</b>			
Non-life underwriting risk	<b>R0050</b>	2,348,429		
Diversification	<b>R0060</b>	-668,090		
Intangible asset risk	<b>R0070</b>			
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	3,529,497		
<b>Calculation of Solvency Capital Requirement</b>		<b>C0100</b>		
Operational risk	<b>R0130</b>	363,362		
Loss-absorbing capacity of technical provisions	<b>R0140</b>			
Loss-absorbing capacity of deferred taxes	<b>R0150</b>			
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	<b>R0160</b>			
<b>Solvency Capital Requirement excluding capital add-on</b>	<b>R0200</b>	3,892,860		
Capital add-on already set	<b>R0210</b>			
<b>Solvency capital requirement</b>	<b>R0220</b>	3,892,860		
<b>Other information on SCR</b>				
Capital requirement for duration-based equity risk sub-module	<b>R0400</b>			
Total amount of Notional Solvency Capital Requirements for remaining part	<b>R0410</b>			
Total amount of Notional Solvency Capital Requirements for ring fenced funds	<b>R0420</b>			
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	<b>R0430</b>			
Diversification effects due to RFF nSCR aggregation for article 304	<b>R0440</b>			



<b>Annex I</b>					
<b>S.28.01.01</b>					
<b>Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity</b>					
<b>Linear formula component for non-life insurance and reinsurance obligations</b>					
		<b>C0010</b>			
MCR <sub>NL</sub> Result	<b>R0010</b>	983,194			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				<b>C0020</b>	<b>C0030</b>
Medical expense insurance and proportional reinsurance			<b>R0020</b>		
Income protection insurance and proportional reinsurance			<b>R0030</b>		
Workers' compensation insurance and proportional reinsurance			<b>R0040</b>		
Motor vehicle liability insurance and proportional reinsurance			<b>R0050</b>	4,035,406	3,224,325
Other motor insurance and proportional reinsurance			<b>R0060</b>	687,799	1,653,284
Marine, aviation and transport insurance and proportional reinsurance			<b>R0070</b>		
Fire and other damage to property insurance and proportional reinsurance			<b>R0080</b>	5,507	12,015
General liability insurance and proportional reinsurance			<b>R0090</b>		502
Credit and suretyship insurance and proportional reinsurance			<b>R0100</b>		
Legal expenses insurance and proportional reinsurance			<b>R0110</b>	181,427	597,347
Assistance and proportional reinsurance			<b>R0120</b>		1,177,414
Miscellaneous financial loss insurance and proportional reinsurance			<b>R0130</b>		302.42
Non-proportional health reinsurance			<b>R0140</b>		
Non-proportional casualty reinsurance			<b>R0150</b>		
Non-proportional marine, aviation and transport reinsurance			<b>R0160</b>		
Non-proportional property reinsurance			<b>R0170</b>		
<b>Linear formula component for life insurance and reinsurance obligations</b>					
		<b>C0040</b>			
MCR <sub>L</sub> Result	<b>R0200</b>				
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
				<b>C0050</b>	<b>C0060</b>
Obligations with profit participation - guaranteed benefits			<b>R0210</b>		
Obligations with profit participation - future discretionary benefits			<b>R0220</b>		
Index-linked and unit-linked insurance obligations			<b>R0230</b>		
Other life (re)insurance and health (re)insurance obligations			<b>R0240</b>		
Total capital at risk for all life (re)insurance obligations			<b>R0250</b>		
<b>Overall MCR calculation</b>					
		<b>C0070</b>			
Linear MCR	<b>R0300</b>	983,194			
SCR	<b>R0310</b>	3,892,860			
MCR cap	<b>R0320</b>	1,751,787			
MCR floor	<b>R0330</b>	973,215			
Combined MCR	<b>R0340</b>	983,194			
Absolute floor of the MCR	<b>R0350</b>	3,700,000			
				<b>C0070</b>	
<b>Minimum Capital Requirement</b>	<b>R0400</b>	3,700,000			







## *Independent Auditor's Report*

**To the Board of Directors of HD Insurance Limited**

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

#### *Opinion*

We have audited the following Solvency II Quantitative Reporting Templates (“QRTs”) contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of HD Insurance Limited (the “Company”), prepared as at 31 December 2018:

- 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 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 2018 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the relevant EU Commission’s Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively “the Framework”).

#### *Basis for opinion*

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

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### **Emphasis of Matter**

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

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### *Other information*

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

Narrative sections:

- Business and Performance
- Valuation for Solvency Purposes
- Capital Management

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

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

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

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

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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.

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*

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

Nicosia, 22 April 2019



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