HYDRA INSURANCE COMPANY LTD

Solvency and Financial Condition Report (SFCR)

Reference Date: 31/12/2016

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1 Executive Summary

1.1 Introduction

Solvency II, the new harmonised EU-wide regulatory regime for insurance companies, requires new reporting and public disclosures arrangements to be carried out by the insurers.

This document is the first Solvency and Financial Condition Report ("SFCR") published by Hydra Insurance Co Ltd ("Hydra" or "Company") and which provides an insight to the company's capital position. More specifically, SFCR's disclosures relate to the company's business background and performance, governance, risk profile, valuation of solvency purposes and capital management.

1.2 Overview of the company

Hydra Insurance Company Limited was established in 2001, as a natural development of the successful presence of its founders in the Cyprus Insurance Market for more than 50 years, based on their long standing commitment to customer service, customer satisfaction and customer trust.

The Company specializes in general insurance business, providing a full range of innovative insurance products. The Company has a significant market share, with a premium income of € 11.7 m surpassing other insurance companies, transacting general business with longer presence in the market.

The name and contact details of the supervisory authority responsible for financial supervision of the company are:

Superintendent of Insurance,

Postal Address: P.O. BOX 23364, 1682, Nicosia.

Tel:22602990

Fax: 22302938

Email: insurance@mof.gov.cy

The external auditors of the company are:

APO Audit Services Ltd

31, Evagorou Ave.,

Evagoras Complex,

Off. 32,

1066 Nicosia, Cyprus.

1.3 Governance overview

The Corporate Governance framework for the Company is based on the 'three lines of defense model which supports the implementation of a robust internal control system and is aligned with the 'four eye principle' that the Company is required to comply in accordance with the regulatory requirements.

Risk is inherent in the Company's business activities and is linked to strategic and capital decisions. The Company aims through appropriate risk management, to achieve the Company's business and financial strategy without exceeding set risk tolerances and by considering internal constraints (solvency, liquidity) and external constraints set by regulators and other stakeholders.

1.4 Risk Profile

The Company defines key risk categories for mapping risk events into meaningful groups. The risk categories align with regulatory requirements, and with the Company's risk profile and activities and are the following:

- Underwriting risk and Reserving Risk
- Credit risk
- Investment (Market) risk
- Operational risk (includes legal and compliance risk)
- Asset Liability risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputational risk

1.5 Capital Management

The Company's own funds amounted to €10.8m and are mainly comprised of ordinary share capital and retained earnings. This capital is sufficiently covering both the Minimum Capital Requirement (293%) as well as the Solvency Capital Requirement (184%).

2 Business Background

2.1 Overview of the company

Hydra Insurance Co Limited was established in 2001, as a natural development of the successful presence of its founders in the Cyprus Insurance Market for more than 50 years, based on their long standing commitment to customer service, customer satisfaction and customer trust.

The Company specializes in general insurance business, providing a full range of innovative insurance products: Personal Insurances, catering for the needs of individuals and Commercial Insurances catering for the needs of the business community. Over these years, and notwithstanding the highly competitive local insurance environment, Hydra Insurance has managed to grow into a large organization, with a consistent superior performance both in terms of business development as well as profitability.

The Company has a significant market share, with a premium income of € 11.7 m surpassing other insurance companies, transacting general business with longer presence in the market.

The Company conducts its business in the republic of Cyprus.

2.2 Main Business Activities

2.2.1 Key Products

The Company operates in the Non-Life field and offers a wide range of insurance products in the General Business. The main business lines are the following:

- Motor Insurance including Third Party and Comprehensive.
- Fire and other damage to property.
- Accident and Health insurance.
- Marine, aviation and transport.
- Liability Insurance including professional, employers' and public liability.

2.2.2 Distribution channels

Hydra Insurance offers insurance services both directly and through its intermediaries.

2.2.3 Vision

The Company aims to be the insurance company of choice for customers, agents and all other associates, with innovative insurance solutions to satisfy clients' needs with exemplary personalized service.

2.2.4 Macroeconomic Environment

The Company operates in the Cyprus economy and therefore the risks associated to the macroeconomic environment affects its business and strategy. During 2013 and 2014 the economic environment in Cyprus remained challenging as in March 2013, Cyprus had entered into an arrangement with international lenders (EU, ECB, IMF or "the Troika") and had to fulfil its obligations under the Economic Adjustment Program. The continuous improvement of the Cypriot economy during 2015 and 2016 and the successful exit from the Economic Adjustment Program, shows that Cyprus has embarked on a sustainable growth path.

In 2015 Cyprus emerged from the deep recession, with real GDP growth reaching 1,78% which improved even further in 2016 reaching the 2,84%. GDP growth of the country for the year 2018 is provisionally estimated at 2,28% compared to -5,95% in 2013 and -1,53% in 2014. This is driven by a better functioning banking system which provides some support to domestic activity, an improvement in overall confidence and the resilience shown by the tourism and professional services sectors.

Macroeconomic Indicator	2010	2011	2012	2013	2014	2015	2016	2017*	2018*
GDP constant prices (% change)	1,32%	0,32%	-3,16%	-5,95%	-1,53%	1,78%	2,84%	2,55%	2,28%
Consumer Price inflation (av., % change)	2,56%	3,48%	3,09%	0,38%	-0,27%	-1,54%	-1,22%	1,50%	1,40%
Unemployment rate (% of total labor force)	6,28%	7,93%	11,90%	15,92%	16,17%	14,89%	12,91%	11,32%	10,23%
Current account balance (% of GDP)	-11,27%	-4,11%	-5,97%	-4,94%	-4,33%	-2,91%	-2,43%	-2,48%	-2,49%

Figure 1 – Macroeconomic Forecasts

*Source: International Monetary Fund, World Economic Outlook Database, April 2017 (*Forecasts)*

2.2.5 Cyprus Insurance Industry

In 2016, the Cypriot insurance sector is comprised of more than 25 insurance undertakings which are domestically based and transact the majority of their operations in Cyprus. The majority of the sector operates in non-Life.

The three largest life insurance companies controlled 64% of the total life premiums, whilst the largest three non-life insurance companies controlled almost 30% of the total non-life premiums.

As noted, the last three years have been exceptionally difficult for the Cypriot economy in general and the industry sector in particular. The adverse economic environment had a serious impact on the industry's results. However, in 2015, Cyprus emerged from the deep recession and both Life and Non – Life sectors returned to positive growth rates.

In accordance with the latest statistics published by the Insurance Association in Cyprus, the total Gross Premium Written (GPWs) in 2016 were increased to €764m as compared to €745m in 2015, showing an increase of 2,6%. More specifically the non-life insurance segment's GPWs were increased by 4% (from €425m to €442m in 2016). Motor insurance remains, by far, the biggest non-life class with total premium income in 2016 reaching €165m (excluding Cyprus Hire Risks pool and OSEDA). In the life insurance segment, total Gross Premiums Written were increased by 0.7% to €322m from €320m in 2015.

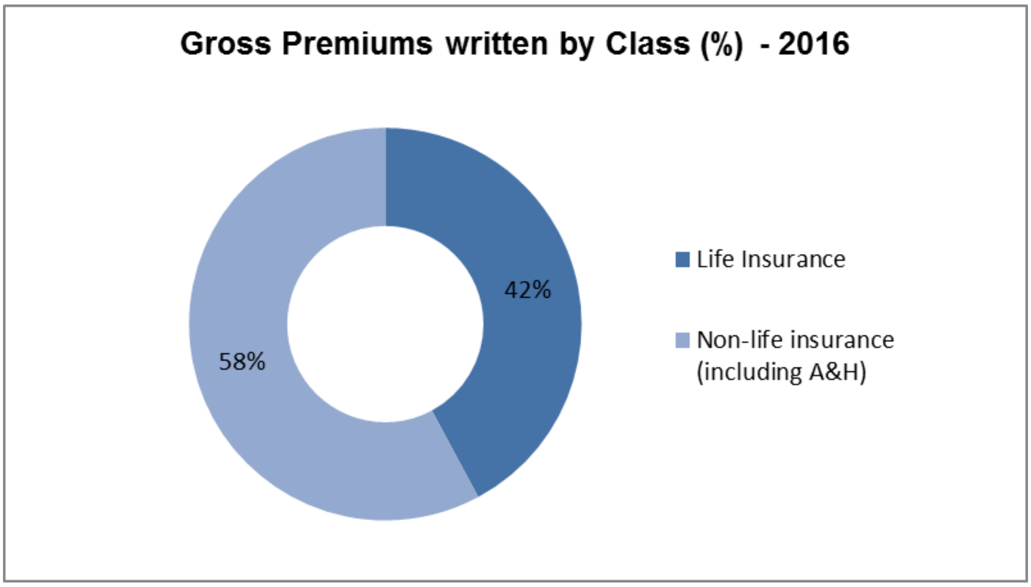

Figure 2 – Gross Premiums Written by class (%) – 2016

In addition to the huge challenge imposed by the financial crisis in the previous years, the insurance sector has to face the all – increasing regulatory requirements stemming from the EU – legislation. One of the biggest regulatory changes, Solvency II, was transposed into national law, and as from 2016 all insurance companies are operating in a Solvency II environment.

2.3 Hydra's Recent Financial Performance

During the period 2014 to 2016, the Company has remained profitable with a Net profit after tax of €0.3m in 2014, €1m in 2015 and €0.9m in 2016. The low profitability in 2014 was due to the adverse economic conditions in Cyprus which had affected Hydra's financial performance.

Net Claims decreased in 2015 compared to the previous year, while an increase of 3% drove the net claims to €5.4m in 2016. From an operational stand point Hydra's performance has significantly improved as operating profits have increased compared to 2014. The graph below illustrates Hydra's historical Profitability Analysis.

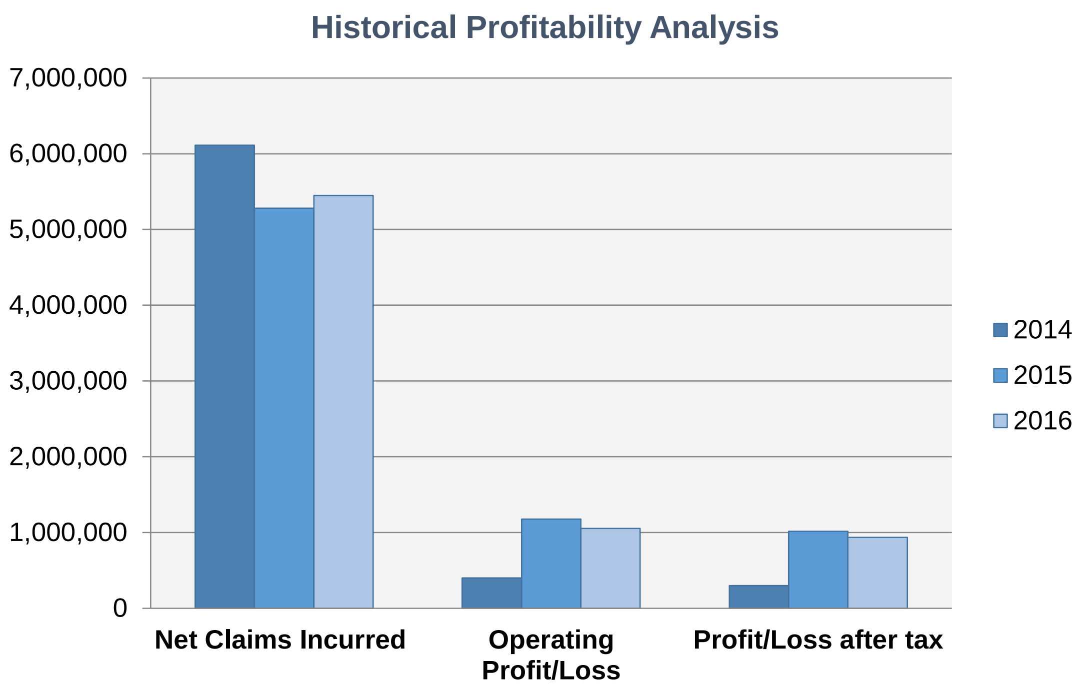

Figure 3 – Historical Profitability Analysis

The graph below illustrates Hydra's historical financial position

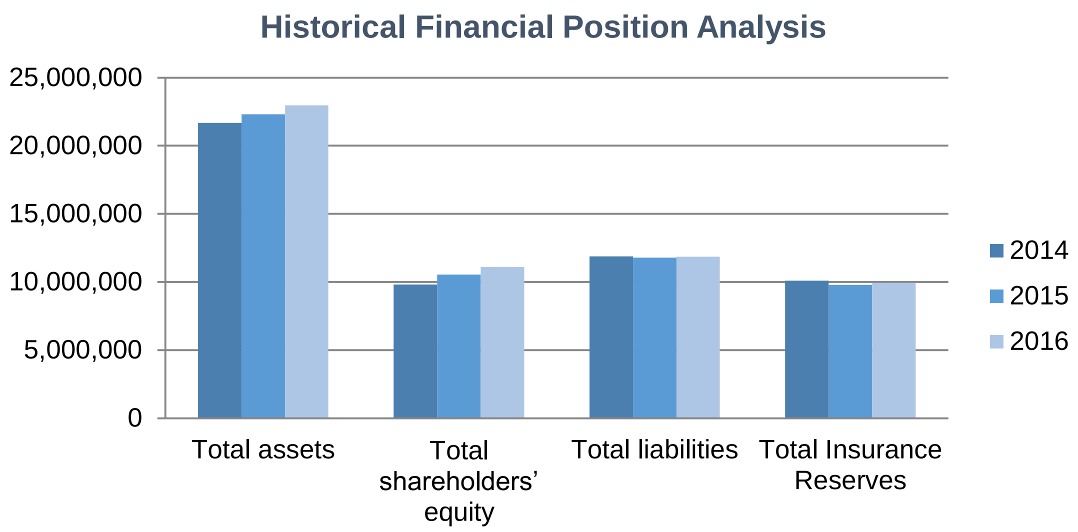

Figure 4 – Historical Financial position

The total assets of the Company have increased to €23m in 2016, from €22.3m in 2015 and €21.7m in 2014. The Shareholder's equity increased from 2015 (by €600k) while the insurance reserves have increased to €9.9m in 2016, from €9.8m in 2015.

2.4 Performance of underwriting activities

The earned premiums generated by the Company in 2016 amounted to €12.9m which corresponds to an increase of 2.9% compared to the 2015 figure. As the table below indicates, all the individual lines of business generated more premiums in 2016 compared to the previous year.

Gross Earned Premiums (Including Policy Fees)			
LoB	**2015** €	**2016** €	**Evolution**
Health & Accident	465.998	513.626	10%
Motor	10.256.939	10.427.301	2%
Marine	22.569	29.405	30%
Fire	1.326.598	1.407.847	6%
General Liability	465.988	472.597	1%
Misc.	22.659	73.472	224%
Total	12.560.751	12.924.248	2,9%

Figure 5 – Gross Earned Premiums

The company's Loss Ratio as at 31/12/2016 was 45%.

2.5 Performance of investment activities

The table below indicates the Company's Investment portfolio by asset class.

Investment Portfolio			
Asset class	**2015** €	**2016** €	**Evolution**
Shares	112.589	99.678	-11%
Bank Deposits - Term Deposits	7.112.233	8.262.620	16%
Bank Deposits - Cash Deposits	3.663.878	4.083.338	11%
Investment Properties	3.128.715	3.115.000	0%
Total	14.017.415	15.560.636	11,0%

Figure 6 – Investment portfolio by asset class

The investment income reached the €61k in 2016, a decrease of 74pp compared to the corresponding figure of 2015.

2.6 Performance of other activities

The Company does not carry out any other significant activities other than its insurance and related activities.

3 System of Governance

3.1 Governance Structure

Corporate governance is essential in reinforcing the BoD's oversight role and its independence in making decisions and in the production of transparent and timely information. The Company is committed to implementing a sound governance framework through which objectives are set and the means of attaining these objectives and monitoring performance is determined.

To achieve this, the Company operates within a set of corporate governance principles. These principles require that the Company has:

- Established strategic objectives that are communicated throughout the Company
- Set and enforced clear lines of responsibility and accountability throughout the Company
- Ensured that BoD members and Senior Management are qualified for their positions, have a clear understanding of their role in corporate governance and are able to exercise sound independent judgment about the affairs of the Company and that Fit and Proper requirements are met
- Ensured that there is appropriate oversight of the Company's activities by Senior Management
- Effectively utilized the work conducted by internal and external auditors, as well as other control functions, given their critical contribution to sound corporate governance
- Ensured that compensation policies and practices are consistent with the Company's ethical values, objectives, strategy and control environment
- Conducted corporate governance in a transparent manner
- Maintained an understanding of the Company's operational structure, including when operating in jurisdictions, or through structures, that impede transparency
- Continued to balance the needs of its shareholders.

The three lines of Defense

The Corporate Governance framework for the Company is based on the 'three lines of defense model'. The " three lines of defense" model supports the implementation of a robust internal control system and is aligned with the 'four eye principle' that the Company is required to comply with under Article 41 (1) of Level 1 text of Solvency II i.e. the Company is effectively run by at least two persons. In practice, there is sufficient control and challenge at all levels of the organization.

1st line of defense:

Origination and primary risk management. This refers to the control activities carried out by business line management (i.e. controls within the risk-taking functions, operations, HR, IT etc). These control activities will usually be built into policies, systems, processes and procedures of the specific business.

2nd line of defense:

Challenge and risk control. This refers to the bodies that provide challenge and oversight over the activities of the 1st line of defense. These include Risk Management, Actuarial and Compliance Functions which, together with Internal Audit (3rd Line of defense) comprise the Company's key control functions.

3rd line of defense:

Assurance. This refers to bodies that provide independent and objective assurance of the effectiveness of the Company's systems of internal control established by the first and second lines of defense. In practice this is the Company's Internal Audit Function and ultimately the Audit, Risk and Reserving Committee.

Governing Body:

This refers to the controlling body of Hydra Insurance Company, i.e. the BoD. The Governing Body bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business.

The three lines of defence, as implemented in the Company, are presented in the diagram below:

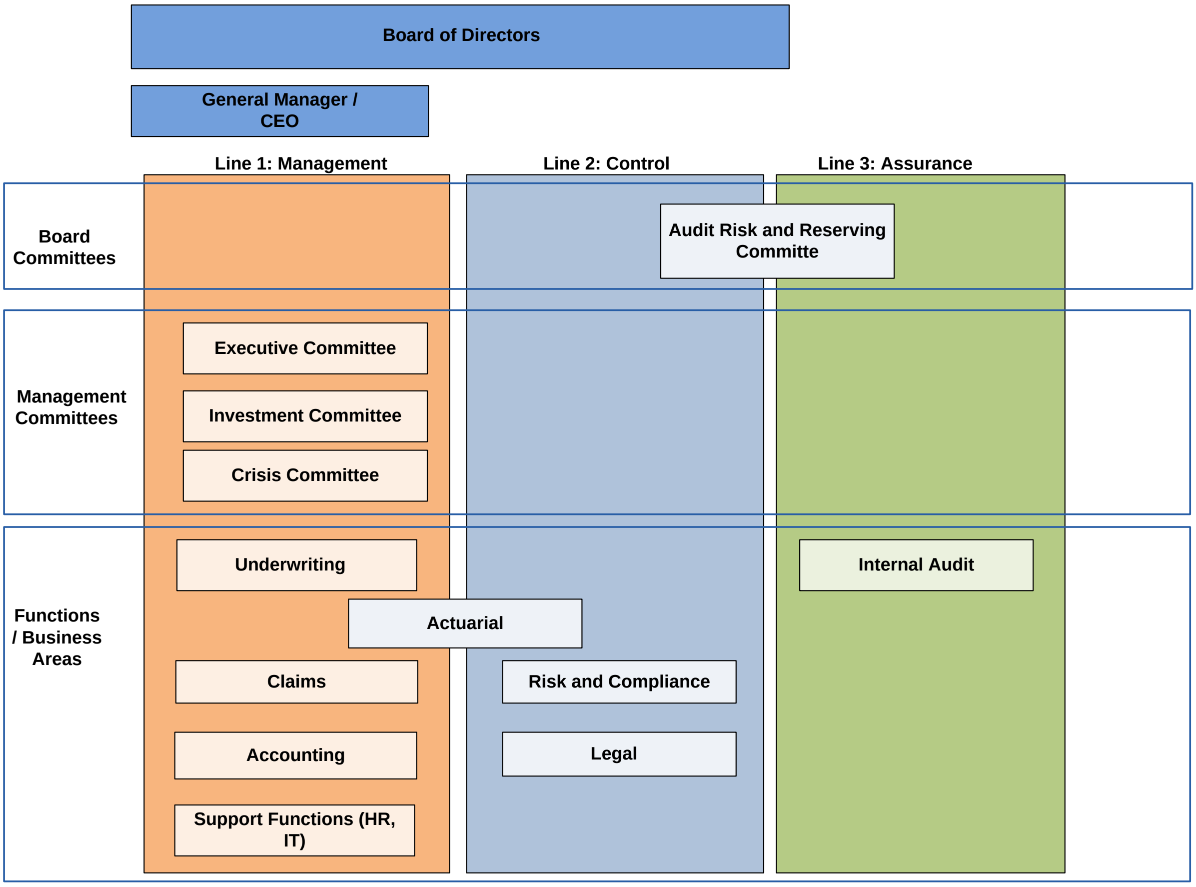

Figure 7 – Governance: Three lines of defence

Organizational Structure and Reporting Lines

The organizational structure and reporting lines of the Company are designed to:

- Enable apportionment of responsibilities and clear accountabilities and responsibilities
- Facilitate prompt transfer of information to all persons who need it
- Prevent conflicts of interest, in cases where multiple tasks are performed by the same individual or organizational unit
- Ensure the prudent and effective management of the Company
- The three lines of defense are embedded within the organizational structure and reporting lines, in order to enforce an effective internal control system.

The Company's ultimate supervisory body is the BoD. The composition operation and responsibilities of the BoD are documented in detail in the Terms of Reference of the BoD.

The Senior Management, through the General Manager has the day to day responsibility for the implementation of the BoD's approved strategy and reports to the BoD. Reporting to the BoD is both structured, through planned meetings and regular reporting and ad hoc as required.

The Business Functions of the Company through their Head / Senior Managers have the responsibility for the implementation of the BoD's strategy in their business functions. They report directly to the General Manager with regards to their day-to-day duties.

The Company's internal audit provides independent assurance to the BoD. The Head of Internal Audit reports to the Audit, Risk and Reserving Committee and to the BoD. The Internal Audit function is administratively independent from all other functions and activities of the Company.

3.2 Fit and proper requirements

In accordance with supervisory requirements, the Company requires that all the persons who effectively run the Company and the holders of key functions to be fit and proper, to adhere to the Principles and Code of Ethics and Conduct and achieve competence.

Fitness

In assessing the fitness of a person his/hers professional competence and capability are considered.

The assessment of professional competence covers the assessment of the competence in terms of Senior Management and in the area of business activities carried out by the Company (technical competence).

This assessment is based on the person's previous experience, knowledge, and professional qualifications and should demonstrate due skill, care, diligence and compliance with the relevant standards for the area sector they have worked in.

The Company will have regard to whether the person is competent, and demonstrate, through experience and training; they are able to perform the key functions. Any previous dismissal or suspensions from employment, including for drug or alcohol abuses, may also be considered.

All individuals must maintain their competence for the role they fulfil. The HR function is responsible for ensuring that all individuals receive appropriate training for maintaining their competence.

Professional qualifications applicable to each key function are in line with the supervisory authority's requirements.

With regards to the BoD, the collective knowledge, competence and experience of its members, should at a minimum include:

- Market knowledge, i.e. an awareness and understanding of the wider business, economic and market environment in which the Company operates
- Business strategy and business model, i.e. an appropriately detailed understanding of the Company's business strategy and model.

- System of governance, i.e. the awareness and understanding of the risks the Company is facing and the capability of managing them. Furthermore the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business
- Financial and actuarial analysis, i.e. the ability to interpret the Company's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information
- Regulatory framework and requirements, i.e. an awareness and understanding of the regulatory framework in which the Company operates, and the regulatory requirements and expectations relevant to it and the capacity to adapt to changes which stem from the regulatory framework without delay
    - By collective knowledge the members of the BoD are not each expected to possess expert knowledge, competence and experience within all areas of the undertaking. However, the collective knowledge, competence and experience of the BoD as a whole has to provide for a sound and prudent management of the undertaking
    - When changes occur within the BoD, e.g. replacement of one of its members, the undertaking is expected to be able to demonstrate that the collective knowledge of the members of the BoD is maintained on an adequate level so that the sound and prudent management of the undertaking will continue

Propriety

In assessing the propriety of a person the Company assesses its honesty, integrity, reputation and financial soundness.

The Company may take into account convictions for criminal offences, adverse findings in civil proceedings, or disciplinary actions by regulators in Cyprus or abroad.

The criteria include an assessment of reasons to believe from past conduct that the person may not discharge their duties in line with applicable rules, regulations and guidelines. Such reasons may arise from criminal antecedents, financial antecedents, and supervisory experience with that person or past business conduct. This approach does not imply that all previous infringements will automatically result in a failure to meet the requirements, but rather than they will be assessed on a case by case basis by the Company before an appointment and application to the supervisory authority is made.

At application, criminal records checks will be performed for approved persons, and other selected roles. Annual criminal records checks of approved persons will not be conducted. Approved persons will self-certify that they remain proper.

The Company will also consider whether the person has a debt that remains outstanding or was not paid within a reasonable period and/or has been involved in bankruptcy proceedings or other insolvency arrangements.

Code of standards for individuals under the Fit and Proper requirements

The Company requires all employees to comply with the Company's Code of Conduct and Ethics and policies. Additionally persons under the fit and proper requirement must adhere to the behaviours associated with the Code of Standards described below.

- The individual(s) must act with integrity in carrying out their responsibilities.
- The individual(s) must act with due skill, care and diligence in carrying out their responsibilities
- The individual must observe proper standards of market conduct in carrying out their controlled function.
- The individual(s) must deal with the Company and the regulators in an open and co-operative way and must disclose appropriately any information of which the Company or the regulator would reasonably expect notice
- The individual(s) performing a key function must take reasonable steps to ensure that the business for which they are responsible is organized so that it can be controlled effectively
- The individual(s) performing key function must exercise due skill, care and diligence in managing the business for which they are responsible in their function
- The individual(s) performing a key function must take reasonable steps to ensure that the business for which they are responsible in his key function complies with the relevant requirements and standards of the regulatory system

3.3 Risk Management system (incl. ORSA)

The System of Risk Management

Risk is inherent in the Company's business activities and is linked to strategic and capital decisions. The Company aims through appropriate risk management, to achieve the Company's business and financial strategy without exceeding set risk tolerances and by considering internal constraints (solvency, liquidity) and external constraints set by regulators and other stakeholders.

The Company Risk management framework objectives are, to provide:

- A clearly defined and well documented risk management strategy that:

  - Sets the Company's risk management objectives, key risk management principles, overall risk appetite and assignment of responsibilities for Risk across all the activities of the Company
  - Is consistent with the Company's overall business strategy

- Adequate written policies that:
  - Include a definition and categorization of the material risks faced by the Company, by type, and the levels of acceptable risk limits for each risk type
  - Implement the Company's risk strategy
  - Facilitate control mechanisms
  - Take into account the nature, scope and time horizon of the business and the risks associated with it

- Appropriate processes and procedures which enable the Company to identify, assess, manage, monitor and report the risks it is or might be exposed to.

The Company's risk management framework is an embedded part of the business and fully interacts with the strategic planning and the capital management process and is the guiding framework for the implementation of the ORSA process.

The risk management framework establishes the mechanism and strategy through which the Company manages risk, taking into account its business objectives and vision, as well as its overall risk appetite. In this way, the risk strategy sets the principles for risk governance, which in turn feed into the Company's organisational structure for the forming of business functions and Committees, the assignment of roles and responsibilities and the definition of lines of reporting.

Acting on their responsibilities, the relevant functions then prepare or contribute to the preparation of the policies and procedures for the identification, measurement, monitoring and mitigating of the Company's risks, which is achieved through the establishment of the appropriate infrastructure. At the same time, a proper and user-friendly infrastructure enables Company Senior Management and staff to comply with the set policies and procedures, responding to their duties and responsibilities defined under the organisational structure, and meeting the goals of the Company's risk strategy.

To cascade the strategic framework the Company has developed specific risk frameworks for each risk category which include the principles, risk appetite, limits and policies for its management. The guiding methodology for these risk processes is documented in the key risks section of this Manual and, in more detail, in the dedicated risk Manuals as stated earlier.

The Company defines key risk categories for mapping risk events into meaningful groups. The risk categories align with regulatory requirements, and with the Company's risk profile and activities and are the following:

- Underwriting risk and Reserving Risk
- Credit risk
- Investment (Market) risk
- Operational risk (includes legal and compliance risk)
- Asset Liability risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputational risk

The Company's risk categories are further broken into sub-categories of risks that are precise, specific and mutually exclusive. These sub-categories are used for identifying and assessing existing and emerging risk exposures as part in the risk management process and are registered in the Company's risk register. The aggregation of risk exposures into the above categories creates the risk profile of the Company.

ORSA

Hydra Insurance Company Ltd ("Hydra Insurance" or "Hydra" or "the Company") has, as an integrated part of its business strategy, a regular practice of assessing the Company's overall solvency needs with a view to its specific risk profile (Own-risk and Solvency Assessment or ORSA).

Other than fulfilling a potential requirement of Solvency II, Hydra Insurance is also performing the ORSA exercise in order to comply with the requests of the Cyprus Insurance Services Control Department.

The strategies and practices shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company.

What is ORSA

ORSA can be defined as the entirety of the processes and procedures employed by Hydra Insurance to identify, assess, monitor, manage, and report the short and long term risks which the Company faces or may face in the future, and to determine the own funds necessary to ensure that its overall solvency needs are met at all times.

This last ORSA of Hydra Insurance performed had reference date the 31st December 2015.

The ORSA process and report is clearly owned and approved by the Board of Directors of Hydra Insurance.

From the Company's perspective, the benefits from implementing the ORSA are:

- enhancing the BoD and Senior Management's ability to understand the risks faced and set the appetite;
- analyzing how its risk situation may change according to external factors or its own business plans in the longer term;
- identifying the major issues affecting its overall solvency needs;
- enabling the Company to understand impact on capital under different stress testing scenarios;
- enhancing the linkage between strategy, risk and capital e.g. through capital planning and stress testing; and
- strengthening the Company's ability to evaluate and document its risks and substantiate appropriate capital allocation.

3.4 Internal Control system

Internal Control is an important aspect of corporate governance since a system of effective internal controls is fundamental to the safe and sound management of the Company. Effective internal controls help the Company protect and enhance shareholders' value and reduce the possibility of unexpected losses or damage to its reputation. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

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

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

In accordance with the standardized framework for internal control used by COSO, there are five interrelated components of effective internal control, which are discussed in the following sections:

- Control Environment
- Risk Assessment
- Control Activities
- Reporting
- Monitoring

The Company has established the necessary tools for assessing its internal control system.

Role of the BoD and Senior Management

The BoD has ultimate responsibility for the prudent and effective operation of the business whereas the Senior Management has day to day responsibilities for implementing the BoD's strategy. The role of the BoD and Senior Management in maintaining an effective internal control system is outlined in the Governance Manual.

Role of Internal Audit

The Internal Audit function provides reasonable assurance to Senior Management and the BoD about its adequacy and effectiveness through independent audits and consultations designed to evaluate and promote the systems of internal control.

The role and responsibilities of the Internal Audit are described in the Company's Internal Audit function Manual.

Role of Risk and Compliance

The RCF supports and oversees the establishment of an effective internal control framework within the Company and it identifies, assesses, monitors and reports the Company's compliance with internal policies and external rules and regulations. The role and responsibilities of the RCF are described in the Company's governance and Risk Compliance function Manuals.

Role of Actuarial

The Actuarial function provides specialist support in the establishment of an effective internal control framework within the Company. The role and responsibilities of the Actuarial function are described in the Company Actuarial function Manual.

3.5 Internal audit function

The Internal Audit is independent from the organizational activities audited and carry out its assignments with impartiality. The duties and responsibilities of the Internal Audit Function were assigned to an external audit firm, which reports significant findings and any other matters in an Internal Audit reporting format deemed appropriate to both Senior Management and the Audit, Risk and Reserving Committee.

The Internal Audit Function has the following responsibilities:

- The IAF develops an annual audit plan prioritizing high risk audit areas.
- The IAF staff is sufficient in number and appropriately trained
- All auditing methodology (including audit objectives, programmes and procedures), is documented by the Internal Audit staff
- Compliance with recommendations is verified with the follow-up procedures
- To monitor the performance and effectiveness of the Internal Control System
- To conduct general or sample ex-post audits of the functions and transactions of the Company
- To evaluate compliance with and the efficiency of risk control / management procedures
- To evaluate the efficiency of the Company's accounting and information systems
- To evaluate the efficiency of the organizational structure and reporting lines
- To evaluate the adequacy of mechanisms set by the BoD
- To carry out special investigations and special audits in situations where it is possible to relate with suspected fraud.
- To prepare, at least on an annual basis, a risk assessment and audit plan
- To assess, at least on an annual basis, the need to operate in jurisdictions or through complex structures that reduce transparency
- To assess the risk management procedures
- To assess the data upon which the Company has calculated its Pillar 1 and Pillar 2 solvency requirements as well as the data that the actuarial function has used for the valuation of the technical provisions
- To assess the compliance procedures followed by the Company
- To assess the Internal Governance System, as well as the Company's Business Continuity and Disaster Recovery Plans
- To review and provide an independent opinion on the Own Risk and Solvency Assessment (ORSA)

Senior Management is responsible for risk management and the operation and enhancement of internal control. This includes responsibility for implementing the action plans as endorsed by the Audit, Risk and Reserving Committee.

3.6 Actuarial function

The Actuarial Function is part of the System of Governance of the Company and must therefore undertake its duties in an objective, fair and independent manner. The Actuarial function advises the Senior Management and the BoD of the Company on the valuation of the technical provisions, the overall underwriting policy and the reinsurance arrangements and contributes to the effective implementation of the risk-management system.

The duties and responsibilities of the Actuarial Function were assigned to an external firm, which reports to the General Manager, and where necessary, cooperates with other functions to carry out its role. In addition, the Actuarial Function has a reporting line to the BoD, through the Audit. Risk and Reserving Committee.

3.7 Outsourcing

The Company has a documented framework for the management and monitoring of outsourcing activities.

The main activities outsourced by the Company are the following: (a) Actuarial Function, (b) Internal Audit Function, (c) Motor Assistance, (d) IT services and (e) Legal services.

In order to get the final approval of the outsourcing service, a detailed examination is performed to allow the Company to understand the main risks that might arise from the outsourcing and identify the most suitable strategies for the mitigation / management of these risks and ensure that the service provider has the ability, capacity and any authorisation required by law to perform the outsourced activities reliably and professionally.

4 Risk Profile

4.1 Underwriting risk

Insurance risk is comprised of the Premium & Reserve risk, the Catastrophic risk and the Lapse risk.

Based on the results of the Pillar 1 exercise for Year 2016, the total diversified Non-Life underwriting risk is € 3.05 m out of which € 2.90 m derives from Premium and Reserve Risk and € 0.47 m derives from Catastrophic Risk (including the diversification effect).

Premium risk is the risk resulting from fluctuations in the timing, frequency and severity of insured events. It relates to policies to be written (including renewals) during the period, and to unexpired risk on existing contracts. Hydra's exposure to premium risk mainly comes from its dependency on Motor and to a smaller extend to Fire insurance, which both together contribute by more than 90% to the Company's premium income.

Dependency to motor insurance also increases the risk of low profitability due to the Claims Ratios observed with motor insurance.

Reserve risk is the risk that results in fluctuation in the timing and amount of claims settlements. Hydra Insurance, as all other insurance undertakings, is also exposed to Reserve risk mainly due to the nature of the industry, which increases the risk for the correct quantification and development of claims.

The Company's exposure to Catastrophe Risk stems from extreme or irregular events that are not sufficiently captured by the capital requirements for premium and reserve risk. The total diversified gross catastrophe risk consists of Natural Catastrophes and Man-made Catastrophes. In Cyprus the only peril with regards to natural catastrophes is earthquake.

The total diversified gross catastrophe risk, based on the Pillar 1 results for Year 2016, is € 21.88 m out of which approximately € 21.41 m are covered by the reinsurers of the Company. The total retained diversified catastrophe risk, after reinsurance, is approximately € 0.47 m.

To mitigate its exposure to Insurance risk to less material levels, Hydra Insurance performs the Claims management and Reserving tasks in cooperation with expert external professionals, who evaluate reserves and claims provisions, taking into consideration the Company's risk profile, policies and procedures.

In addition, the Company's management together with other staff with underwriting responsibilities, determine the Company's pricing policy, taking into consideration exposure to underwriting risk.

The Company transfers its exposure to catastrophic risk using reinsurance arrangements with reputable providers.

4.2 Market Risk

Market Risk is the risk of loss or of adverse change in the Financial situation, resulting directly or indirectly from fluctuations in the level and in the volatility of market prior of assets, liabilities and financial instruments.

With regards to Market Risk, the Company is mainly exposed to Concentration Risk, Equity, Property and Spread risk.

The total diversified Market Risk Capital Requirement, as per the results of the Pillar 1 for Year 2016 is approximately € 2.68 m.

Property risk is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate.

The Company aims at maintaining a low level of property risk.

Investments in properties and other assets are closely monitored by the Investment Committee and approved by the BoD, and are in line with the Company's Investment Policy.

4.3 Credit Risk

Credit risk is the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.

Based on the risk assessment exercise, the Company has the following exposures with respect to credit risk:

- Exposure to counterparties including financial institutions, intermediaries and reinsurance providers.
- Concentration of financial assets to financial institutions.

The counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of the counterparties and debtors of the Company. Counterparty risk includes the exposures with the Company's:

- Intermediaries (agents and brokers)
- Reinsurance providers
- Other debtors (clients and other balances)

The Company's exposure to Counterparty Default Risk is mainly due to the concentration of its assets to Cypriot Banks and due to outstanding balances.

For year 2016, based on the results of the Pillar 1, the total diversified Counterparty Risk under Solvency II is estimated to be € 1.97 m.

The Company manages its counterparty exposures such that the expected loss in the event of a single counterparty default does not exceed the highest of 30% of Own Funds or € 3.5 m.

Counterparty exposures are usually monitored taking into consideration the credit rating of each counterparty.

In order to deal with the Company's exposure to Counterparty Risk, the management has adopted a specific risk appetite and policies and controls set by the Company's management, and approved by the BoD, to mitigate its exposure to credit counterparty risk, and ensure compliance with the Company's risk appetite.

With regards to its intermediaries, management has formed strict policies and procedures in order to reduce and monitor intermediaries' exposures in the future. The monitoring of receivables is in accordance with the guidelines issued by the company's collection Department, Escalation procedures for BOD notification, e.t.c.

4.4 Liquidity Risk

Liquidity Risk is the risk that the Company will be unable to realise investments and other assets in order to settle its financial obligations when they fall due.

In this context, liquidity risk arises if there are circumstances where the Company has insufficient liquid or readily realizable assets to meet its commitments and is forced to rely on assets that cannot be realized at short notice at a reasonable value. Liquidity risk arises from both the assets (source of liquidity) and the liabilities (use of liquidity) of the Company.

To control and maintain its exposure to Liquidity risk at its current low levels, the Company takes the following mitigating steps:

- It maintains a pool of liquid assets sufficient enough to meet short term liquidity demands of up to 3 months, as well as a buffer for unexpected cash demands.
- Its liquid assets consist primarily of liquidity instruments in the form of Cash and Term deposits. The size and composition of the liquid asset portfolio is determined by the Company's management and is approved by the Company's Investment Committee in order to be in line with the Company's Investment Policy.
- Lastly its liquid assets are regularly reviewed and it is ensured that the value of the liquid asset buffer is stable under normal and stressed market conditions.

4.5 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

As per Pillar 1 results for year 2016, Capital Requirements for Operation risk amounted to €0.38m.

The Board bears ultimate responsibility for setting the operational risk appetite and strategy and for the management of operational risk, while the overall oversight of the operational risk policy lies with the Company's Audit, Risk and Reserving Committee. Maintenance of the operational risk policy and day to day monitoring of compliance with the limits determined within the Company's overall risk framework, lies with the Risk and Compliance Function.

Operational Risk management in Hydra is focused on a measurement and control system. The objective is to manage the operational risk that the Company is exposed to in order to ensure minimization of losses, through monitoring, early identification and assessment of exposure to operational risk.

Hydra's post-mitigation exposure to operational risk is considered to exist through possible vulnerabilities in the Company's Systems and through possible vulnerabilities in the Company's Processes, People and External Events.

To mitigate exposure to Operational Risk, the Company's management in cooperation with the Risk and Compliance Function have formed procedures to deal with such as adequately and effectively as possible.

The Company's Internal Audit function has assessed the effectiveness and suitability of the Company's processes and has made suggestions in the case where problematic areas and trigger events were increasing the Company's exposure to Operational Risk.

4.6 Other Material Risks

Business and Reputational Risks

The Company's exposure to Business Risk comes mainly from a capital perspective and relates to inability of the Company in raising capital when unexpectedly required, during microeconomic depression.

Exposure to Business Risk is considered significant also due to the Reputational Risk that is faced by all insurance and other undertakings in the financial service sector. The happening of adverse events like dissatisfied customers or conduct of unauthorised activities could harm Hydra's perception as a reputable insurance provider.

The management is continuously monitoring the Company's solvency position and capital availability which is at the moment above the required level and it is keeping capital buffers in case of any unexpected event.

To mitigate exposure to Reputational Risk, the Company's management has created and enforced strict codes of conduct and Company policies which are implemented throughout the organization.

In addition, the Company's management have set up a Customer Services department which operates in line with the Company policies and deals any potential customer complaints in accordance with the Complaints handling manual.

Political and Regulatory Risks

Political risk is the risk of unfavourable political conditions, new legislation / taxation, terrorism, or other political problems. Regulatory risk is the risk of adverse effects resulting from non-compliance with the statutory and other legislation and regulations in place.

The Company's financial performance is indirectly linked to political conditions. For example, government decisions and legislations may have an impact on the potential for new business income for the Company.

Political instability is a factor which none can influence in advance, and the Company cannot have any controls in place to protect itself from it. However, the political environment in Cyprus is currently undergoing through a reform and is more closely regulated by the European authorities and hopefully any risks of political instability will be reduced.

5 Valuation of solvency purposes

5.1 Assets

As at 31 December 2016, the company held the following Assets:

Assets	Solvency II Value €	Statutory Accounts Value €
Goodwill	-	-
Other intangible assets	-	25.313
Property, plant & equipment held for own use	212.255	212.255
Investments (other than assets held for unit-linked funds)	11.477.298	11.477.298
Reinsurance recoverables	359.871	647.758
Intermediaries recoverables	3.093.906	3.093.906
Insurance recoverables (excluding Intermediaries)	2.249.004	2.249.004
Deferred acquisition costs	-	1.069.213
Receivables (trade, not insurance)	39.322	39.322
Cash and cash equivalents	19.175	19.175
Short term bank deposits	4.064.163	4.0164.163
Any other assets, not elsewhere shown	68.262	68.262
Total Assets	21.583.256	22.965.669

Figure 8 – Assets

As the table above indicates, the goodwill and the other intangible assets are not recognised as an asset in the Solvency II valuation rules.

5.2 Technical Provisions

The table below illustrates the premium and claim provision for the calculation of the Gross Best Estimate as well as the Risk margin for the calculation of the Gross technical provision:

Gross Technical Provisions	Premiums provisions €	Claims Provisions €	Gross Best Estimate €	Risk Margin €	Gross Technical Provisions €
Accident	97.704	98.674	196.378	18.570	214.948
Motor vehicle liability	668.134	817.640	1.485.774	79.417	1.565.191
Other motor	2.672.539	3.270.565	5.943.104	275.942	6.219.046
Marine, aviation and transport	768	-	768	1.676	2.445
Fire and other damage to property	148.697	68.940	217.637	23.047	240.685
General liability	307.046	357.308	664.354	24.229	688.583
Miscellaneous financial loss	-	-	-	3.360	3.360
Total	3.894.888	4.613.127	8.508.015	426.242	8.934.257

Figure 9 – Technical provisions

The Company in 2016 moved from using simplification methods in calculating the Technical Provisions to using Actuarial techniques and full cash flow models as per Solvency II requirements. Specifically:

- Actuarial Chain Ladder methods have been incorporated in calculating the Incurred But Not Reported and Incurred but Not Enough reported Claim amounts
- An Unallocated Loss Adjustment Expense calculation has been carried out in order to reserve for the expense that will be incurred until the outstanding and IBNR claims are paid out
- Premium Provisions have been calculated on a Policy by Policy level. For each policy the cash inflows and cash outflows have been calculated and then discounted using the EIOPA provided risk free rates

The risk margin, (in accordance with the Solvency II framework) is designed to ensure that the value of technical provisions is equivalent to the amount that a third undertaking would be expected to require in order to take over and meet the Company's insurance obligations.

The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company's reinsurance obligations over their lifetime thereof. This rate, called the cost-of-capital, is prescribed at 6%.

The method used is method 2 as specified in Guideline 61 of the "EIOPA guidelines on the valuation of technical provisions". More specifically, for each future year we have used a proportional method (based on the development of the best estimate) to estimate the future SCRs.

The risk margin is allocated to the individual lines of business using the simplification outlined in Guideline 63 of the EIOPA guidelines on the valuation of technical provisions.

5.2.1 Recoverables

The table below indicates the reinsurance recoverables by line of business. These represent the difference between the gross and net provisions.

Line of Business	Reinsurance Recoverables €
Accident	-1.478
Motor vehicle liability	33.399
Other motor	133.600
Marine, aviation and transport	-
Fire and other damage to property	39.399
General liability	155.053
Miscellaneous financial loss	-
Total	359.973

Figure 10 – Reinsurance recoverables

5.2.2 Differences in IFRS and the Solvency II

The difference between the IFRS and the Solvency II technical provisions is due to:

- Different bases
- Discounting of future cash flows
- Unallocated Loss Adjustment Expenses

5.2.3 Main Assumptions

The main assumption followed for the calculations of the technical provisions are the following:

- For the calculation of the Best Estimate, the chain ladder method used explicitly assumes that the development of the historical claims reflects the future claims developments.
- No matching or volatility adjustments have been applied.
- No transitional risk-free interest rate term structure not the transitional deduction has been applied.
- No assumptions regarding management actions or policyholder behaviour has been taken into consideration.

5.3 Other liabilities

As at 31 December 2016, the Company held the following liabilities:

Liabilities	Solvency II Value €	Statutory Accounts Value €
Gross technical provisions – non-life (excluding health)	8.934.257	10.056.610
TP calculated as a whole (Best estimate + Risk margin)	-	10.056.610
Best Estimate	8.508.015	-
Risk margin	426.242	-
(Re)insurance accounts payable	-	-
Insurance & Intermediaries Payables	730.447	730.447
Deferred tax liabilities	392.695	392.695
Amounts owed to credit institutions	264.765	264.765
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	407.750	407.750
Total Liabilities	10.729.914	11.852.267

Figure 11 – Liabilities

The differences between the Solvency II and the IFRS liabilities are solely based on the technical provisions (as described in the Section 5.2).

5.4 Alternative methods for valuation

The Company does not use any alternative methods for valuation.

6 Capital Management

6.1 Own Funds

The objective of the Company is to maintain at all times sufficient own funds to cover the Minimum Capital Requirement and the Solvency Capital Requirement. As at 31/12/2016, the Company's own funds amounted to €10.8m and are mainly comprised of ordinary share capital, retained earnings and revaluation reserves. The total Own Funds represent 293% of the MCR and 184% of the SCR.

Basic Own Funds	Total €	Tier 1 – unrestricted €
Basic Own Funds		
Ordinary share capital (gross of own shares)	2.565.000	2.565.000
Surplus funds	8.548.402	8.548.402
Reconciliation reserve	-260.060	-260.060
Subordinated liabilities	-	
Total basic own funds after deductions	10.853.342	10.853.342
Ancillary own funds		
Available and eligible own funds		
Total available own funds to meet the SCR	10.853.342	10.853.342
Total available own funds to meet the MCR	10.853.342	10.853.342
Total eligible own funds to meet the SCR	10.853.342	10.853.342
Total eligible own funds to meet the MCR	10.853.342	10.853.342
SCR	5.897.194	
MCR	3.700.000	
Ratio of Eligible own funds to SCR	184%	
Ratio of Eligible own funds to MCR	293%	

Figure 12 – Own Funds

The Company's Own Funds are not subject to transitional arrangements and as the table above indicates, the Company has no ancillary Own Funds. Furthermore, no deductions are applied to the Own Funds and no material restrictions affect their transferability and availability.

6.2 SCR and MCR

The Company's Solvency Capital Requirement is €5,897,194 and its Minimum Capital Requirement is €3,700,000.

Key Risk	Risk Type	Solvency Capital Requirements
Non Life Underwriting Risk	**Total Non Life Underwriting Risk**	**3.047.174**
	Non-Life premium and reserve risk	2.897.189
	Non Life Lapse Risk	-
	Non-Life CAT Risk	465.731
	Diversification effects	- 315.747
Market Risk	**Total Market Risk**	**2.682.933**
	Interest rate risk	-
	Equity risk	131.383
	Property risk	778.750
	Spread risk	490.871
	Currency risk	-
	Concentration risk	2.387.674
	Illiquidity premium risk	-
	Diversification effects	- 1.105.745
Counterparty Default Risk	**Total Counterparty Default Risk**	**1.968.988**
	Diversification effects	-133.150,23
Health Underwriting Risk	**Total Health Underwriting Risk**	**240.632**
	Diversification effects	- 63.728
Basic Solvency Capital Requirement (BSCR) pre diversification		7.939.726
Diversification Effect		- 2.133.973
Basic Solvency Capital Requirement (BSCR)		5.805.753
Operational Risk		387.727
Adjustment for Deffered taxes		- 296.287
Capital at Risk	SCR	5.897.194
	MCR	3.700.000

Figure 13 – SCR and MCR

For the calculation of the SCR and the MCR the Company uses EIOPA's Solvency II Standard Formula.

6.3 Use of duration based quality risk sub-module in calculation of SCR

The Company does not use the equity risk sub-module for the calculation of the SCR.

6.4 Differences between standard formula and any internal model used

The Company does not use an internal model for the calculations of the SCR and its MCR.

6.5 Non-compliance with SCR and MCR

The Company complies with both the SCR and the MCR.

Appendix A – Balance Sheet (S.02.01.02)

ASSETS

Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	-
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	212.255
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	11.477.298
Property (other than for own use)	**R0080**	3.115.000
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	99.678
Equities - listed	**R0110**	99.678
Equities - unlisted	**R0120**	-
Bonds	**R0130**	-
Government Bonds	**R0140**	-
Corporate Bonds	**R0150**	-
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	-
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	8.262.620
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	-
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	-
Reinsurance recoverables from:	**R0270**	359.871
Non-life and health similar to non-life	**R0280**	359.871
Non-life excluding health	**R0290**	359.871
Health similar to non-life	**R0300**	-
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-
Health similar to life	**R0320**	-
Life excluding health and index-linked and unit-linked	**R0330**	-
Life index-linked and unit-linked	**R0340**	-
Deposits to cedants	**R0350**	-
Insurance and intermediaries receivables	**R0360**	5.342.910
Reinsurance receivables	**R0370**	-
Receivables (trade, not insurance)	**R0380**	39.322
Own shares (held directly)	**R0390**	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	-
Cash and cash equivalents	**R0410**	4.083.338
Any other assets, not elsewhere shown	**R0420**	68.262
Total assets	**R0500**	21.583.256

Liabilities

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	8.934.257
Technical provisions – non-life (excluding health)	R0520	8.719.309
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	8.311.637
Risk margin	R0550	407.672
Technical provisions - health (similar to non-life)	R0560	214.948
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	196.378
Risk margin	R0590	18.570
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	392.695
Derivatives	R0790	-
Debts owed to credit institutions	R0800	264.765
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	730.447
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	-
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	407.750
Total liabilities	R0900	10.729.914
Excess of assets over liabilities	R1000	10.853.343

Appendix B – Premiums, Claims and Expenses by Line of Business (S.05.01.02)

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional**				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	-	508.843	-	2.275.128	8.147.390	24.622	1.403.064	467.814	-	-	-	68.687					12.895.548
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0130**													-	-	-	-	-
Reinsurers' share	**R0140**	-	8.515	-	96.591	228.487	1.823	817.563	15.698	-	-	-	1.253	-	-	-	-	1.169.930
Net	**R0200**	-	500.328	-	2.178.537	7.918.903	22.799	585.501	452.116	-	-	-	67.434	-	-	-	-	11.725.618
Premiums earned																		
Gross - Direct Business	**R0210**	-	513.626	-	2.263.340	8.163.961	29.405	1.407.847	472.597	-	-	-	73.472					12.924.248
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0230**													-	-	-	-	-
Reinsurers' share	**R0240**	-	8.513	-	95.896	228.202	1.723	817.262	14.879	-	-	-	1.153	-	-	-	-	1.167.628
Net	**R0300**	-	505.113	-	2.167.444	7.935.759	27.682	590.585	457.718	-	-	-	72.319	-	-	-	-	11.756.620
Claims incurred																		
Gross - Direct Business	**R0310**	-	116.705	-	4.078.405	962.586	-	253.259	129.014	-	-	-	18.663					5.558.632
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	**R0330**													-	-	-	-	-
Reinsurers' share	**R0340**	-	-	-	3.062	2.739	-	94.657	-	-	-	-	9.326	-	-	-	-	109.784
Net	**R0400**	-	116.705	-	4.075.343	959.847	-	158.602	129.014	-	-	-	9.337	-	-	-	-	5.448.848
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Proportional reinsurance accepted	**R0420**	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	**R0430**													-	-	-	-	-
Reinsurers' share	**R0440**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	**R0500**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses incurred	**R0550**	-	35.582	-	829.715	45.678	11.139	35.862	52.474	-	-	-	15.679	-	-	-	-	1.026.129
Other expenses	**R1200**																	-
Total expenses	**R1300**																	1.026.129

Appendix C – Premiums, claims and expenses by country (S.05.02.01)

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	12.895.548						12.895.548
Gross - Proportional reinsurance accepted	**R0120**	0						0
Gross - Non-proportional reinsurance accepted	**R0130**	0						0
Reinsurers' share	**R0140**	1.169.930						1.169.930
Net	**R0200**	11.725.618						11.725.618
Premiums earned								
Gross - Direct Business	**R0210**	12.924.248						12.924.248
Gross - Proportional reinsurance accepted	**R0220**	0						0
Gross - Non-proportional reinsurance accepted	**R0230**	0						0
Reinsurers' share	**R0240**	1.167.628						1.167.628
Net	**R0300**	11.756.620						11.756.620
Claims incurred								
Gross - Direct Business	**R0310**	5.558.632						5.558.632
Gross - Proportional reinsurance accepted	**R0320**	0						0
Gross - Non-proportional reinsurance accepted	**R0330**	0						0
Reinsurers' share	**R0340**	109.784						109.784
Net	**R0400**	5.448.848						5.448.848
Changes in other technical provisions								
Gross - Direct Business	**R0410**	0						0
Gross - Proportional reinsurance accepted	**R0420**	0						0
Gross - Non- proportional reinsurance accepted	**R0430**	0						0
Reinsurers' share	**R0440**	0						0
Net	**R0500**	0						0
Expenses incurred	**R0550**	1.026.129						1.026.129
Other expenses	**R1200**							0

Total expenses	**R1300**							1.026.129

Appendix D – Non-Life Technical Provisions (S.17.01.02)

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	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	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated	**R0050**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**	0	97.704	0	668.134	2.672.539	768	148.697	307.046	0	0	0	0	0	0	0	0	3.894.888
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	524	0	1.546	6.185	0	6.714	19.596	0	0	0	0	0	0	0	0	34.565
Net Best Estimate of Premium Provisions	**R0150**	0	97.180	0	666.588	2.666.354	768	141.983	287.450	0	0	0	0	0	0	0	0	3.860.324
Claims provisions																		
Gross	**R0160**	0	98.674	0	817.640	3.270.565	0	68.940	357.308	0	0	0	0	0	0	0	0	4.613.127
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	-2.002	0	31.844	127.378	0	32.674	135.413	0	0	0	0	0	0	0	0	325.307
Net Best Estimate of Claims Provisions	**R0250**	0	100.676	0	785.796	3.143.187	0	36.266	221.895	0	0	0	0	0	0	0	0	4.287.820
Total Best estimate - gross	**R0260**	0	196.378	0	1.485.774	5.943.104	768	217.637	664.354	0	0	0	0	0	0	0	0	8.508.015
Total Best estimate - net	**R0270**	0	197.856	0	1.452.385	5.809.541	768	178.250	509.344	0	0	0	0	0	0	0	0	8.148.144
Risk margin	**R0280**	0	18.570	0	79.417	275.942	1.676	23.047	24.229	0	0	0	3.360	0	0	0	0	426.242
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total																		
Technical provisions - total	**R0320**	0	214.948	0	1.565.191	6.219.046	2.445	240.685	688.583	0	0	0	3.360	0	0	0	0	8.934.257
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	-1.478	0	33.389	133.563	0	39.388	155.009	0	0	0	0	0	0	0	0	359.871
Technical provisions minus recoverables from reinsurance/SPV and	**R0340**	0	216.426	0	1.531.802	6.085.483	2.445	201.297	533.574	0	0	0	3.360	0	0	0	0	8.574.386

Appendix E – Non-life insurance claims (S.19.01.21)

Accident year / Underwriting year	**Z0010**	Accident Year

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

Development year

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10&+**		**In Current year**	**Sum of years (cumulative)**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
Prior	**R0100**											0	**R0100**	0	0
N-9	**R0160**	3.851.572	796.484	132.499	178.534	25.908	122.300	0	1.340	38.628	55.405		**R0160**	55.405	5.202.670
N-8	**R0170**	4.440.787	1.095.799	375.686	128.195	210.290	189.818	1.500	0	285			**R0170**	285	6.442.359
N-7	**R0180**	4.133.203	803.323	436.355	70.250	621	156.590	87.280	0				**R0180**	0	5.687.621
N-6	**R0190**	3.927.812	890.073	155.623	114.698	1.315	309.387	174.334					**R0190**	174.334	5.573.241
N-5	**R0200**	4.189.841	943.952	64.227	36.701	19.428	6.598						**R0200**	6.598	5.260.748
N-4	**R0210**	4.180.488	759.229	130.948	111.340	17.848							**R0210**	17.848	5.199.853
N-3	**R0220**	3.742.616	800.671	118.697	12.432								**R0220**	12.432	4.674.416
N-2	**R0230**	4.125.252	1.250.905	129.697									**R0230**	129.697	5.505.854
N-1	**R0240**	3.808.346	980.977										**R0240**	980.977	4.789.324
N	**R0250**	4.063.366											**R0250**	4.063.366	4.063.366
												Total	**R0260**	5.440.941	52.399.451

Appendix E – Non-life insurance claims (S.19.01.21)

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Development year

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10&+**
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**
Prior	**R0100**											7.891
N-9	**R0160**	0	0	0	0	0	0	0	0	0	9.102	
N-8	**R0170**	0	0	0	0	0	0	0	0	170.646		
N-7	**R0180**	0	0	0	0	0	0	0	17.674			
N-6	**R0190**	0	0	0	0	0	0	251.470				
N-5	**R0200**	0	0	0	0	0	301.684					
N-4	**R0210**	0	0	0	0	199.189						
N-3	**R0220**	0	0	0	110.293							
N-2	**R0230**	0	0	513.139								
N-1	**R0240**	0	866.403									
N	**R0250**	2.141.919										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	9.138
	R0170	171.545
	R0180	17.768
	R0190	252.811
	R0200	303.261
	R0210	200.138
	R0220	110.883
	R0230	515.700
	R0240	870.842
	R0250	2.153.143
Total	**R0260**	4.613.127

Appendix F – Own Funds and Reconciliation Reserve (S.23.01.01)

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	2.565.000	2.565.000		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	
Surplus funds	**R0070**	8.548.402	8.548.402			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	-260.060	-260.060			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	
Total basic own funds after deductions	**R0290**	10.853.343	10.853.343	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	10.853.343	10.853.343	0	0	
Total available own funds to meet the MCR	R0510	10.853.343	10.853.343	0	0	
Total eligible own funds to meet the SCR	R0540	10.853.343	10.853.343	0	0	
Total eligible own funds to meet the MCR	R0550	10.853.343	10.853.343	0	0	
SCR	R0580	5.897.194				
MCR	R0600	3.700.000				
Ratio of Eligible own funds to SCR	R0620	184,04%				
Ratio of Eligible own funds to MCR	R0640	293,33%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	10.853.343	
Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	11.113.402	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Reconciliation reserve	R0760	-260.060	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	0	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	
Total Expected profits included in future premiums (EPIFP)	R0790	0	

Appendix G – Solvency Capital Requirement - for undertakings on Standard Formula (S.25.01.21)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	**R0010**	2.682.933	-	-
Counterparty default risk	**R0020**	1.968.988	-	-
Life underwriting risk	**R0030**	0		-
Health underwriting risk	**R0040**	240.632		-
Non-life underwriting risk	**R0050**	3.047.174		-
Diversification	**R0060**	-2.133.973	-	-
Intangible asset risk	**R0070**	0	-	-
Basic Solvency Capital Requirement	**R0100**	5.805.753	-	-

Calculation of Solvency Capital Requirement		C0100
Operational risk	**R0130**	387.727
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-296.287
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency Capital Requirement excluding capital add-on	**R0200**	5.897.194
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	5.897.194
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

Appendix H – Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	1.610.162

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	197.856	500.328
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	1.452.385	2.178.537
Other motor insurance and proportional reinsurance	R0060	5.809.541	7.918.903
Marine, aviation and transport insurance and proportional reinsurance	R0070	768	22.799
Fire and other damage to property insurance and proportional reinsurance	R0080	178.250	585.501
General liability insurance and proportional reinsurance	R0090	509.344	452.116
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	67.434
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	

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

Overall MCR calculation

		C0070
Linear MCR	R0300	1.610.162
SCR	R0310	5.897.194
MCR cap	R0320	2.653.737
MCR floor	R0330	1.474.298
Combined MCR	R0340	1.610.162
Absolute floor of the MCR	R0350	3.700.000
		C0070
Minimum Capital Requirement	R0400	3.700.000