



HYDRA INSURANCE COMPANY LTD

# Solvency and Financial Condition Report (SFCR)

Reference Date: 31/12/2019  
Submission Date: June 2020

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# 1 Executive Summary

## 1.1 Overview

Hydra Insurance Company Limited, (hereafter also referred to as “Hydra”, “Hydra Insurance” or the “Company”) was established in Cyprus in 2001. The Company operates in the Non-Life Insurance field.

This document, namely the Solvency and Financial Condition Report (SFCR), has been prepared in accordance to the Commission Delegated Regulation (EU) 2015/35 of October 2014, supplementing the Directive 2009/138/EC of the European Parliament and of the Council. This is a publicly available document that provides information regarding the Company’s performance for the year ended 31<sup>st</sup> of December 2019.

The management has made an assessment of the Company’s ability to continue as a going concern and they are satisfied that the going concern basis of accounting is appropriate.

The SFCR report has been approved by the Board of Directors of Hydra Insurance and has also been audited and approved by the Company’s external auditors.

## 1.2 Business and Performance

Hydra Insurance operates only in Cyprus. The table below, provides an analysis of the underwriting profit of the Company as at the valuation date and shows that the most important line of the Company’s business is Motor that represents almost the 73,44% of the total underwriting profit.

Underwriting performance	2019 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Net earned premiums	463	10.002	20	495	647	0	11.627
Other net insurance income	62	1.648	4	384	86	0	2.183
Net Claims incurred	-10	-6.233	0	-182	-310	0	-6.735
Net Commissions and Acquisition Costs	-114	-2.298	-3	-274	-140	0	-2.829
Underwriting Profit	401	3.119	22	422	283	0	4.247
Administrative Expenses	-139	-3.084	-17	-487	-230	0	-3.958
Underwriting Profit after administrative expenses	261	35	4	-64	53	0	289

Table 1: Executive Summary – Underwriting Profit YE 2019 (figures rounded to the nearest thousand)

The investment portfolio is presented in the table below (in comparison to the previous reporting period):

Investment Portfolio	2019	2018	Evolution
Asset Class	(€ 000)	(€ 000)	%
Shares	215	191	12,32%
Cash in Bank	14.374	14.842	-3,15%
Bonds	1.162	-	100%
Investment Properties	3.132	3.083	1,59%
<b>Total</b>	<b>18.883</b>	<b>18.117</b>	<b>4,23%</b>

Table 2: Executive Summary – Investments Performance evolution (figures are rounded to the nearest thousand)

### 1.3 System of Governance

The Board of Directors (BoD) is the oversight body of Hydra Insurance. It 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 Executive Committee, Risk and Reserving Committee, Audit Committee and Investment Committee have been set up by the BoD for monitoring and overseeing specific aspects of the Company's business. The Company has also established the Risk Management, Compliance, Internal Audit and Actuarial function to ensure effective oversight of its operations.

## 1.4 Risk Profile

As at the reference date the company is exposed mainly to Non – Life Underwriting risk, Market risk and Counterparty risk. The table below summarizes the capital requirement as at 31<sup>st</sup> of December 2019:

Type of Risk	31/12/2019 € 000
<i>Interest rate</i>	0
<i>Equity risk</i>	84
<i>Property risk</i>	751
<i>Spread risk</i>	265
<i>Concentration risk</i>	924
<i>Currency risk</i>	0
<i>Counter - Cyclical Premium</i>	0
<i>Diversification Market Risk</i>	-674
<b>Market Risk</b>	<b>1.349</b>
<b>Counterparty risk</b>	<b>2.371</b>
<b>Health Non-SLT Underwriting</b>	<b>202</b>
<b>Non-life Underwriting</b>	<b>3.612</b>
<b>Life Underwriting</b>	<b>0</b>
<i>Diversification BSCR</i>	-1.746
<b>BSCR</b>	<b>5.788</b>
<b>Operational Risk</b>	<b>432</b>
<b>Tax adjustment</b>	<b>-205</b>
<b>SCR Total</b>	<b>6.016</b>
<b>Available Capital</b>	<b>10.867</b>
<b>SCR (%)</b>	<b>180,65%</b>

Table 3: Executive Summary – Risk Profile (figures rounded to the nearest thousand)

## 1.5 Valuation for solvency purposes

As at 31 December 2019, the Company had the following liabilities:

Liabilities	Solvency II Value € 000	Statutory Accounts Value € 000
Gross technical provisions – non-life (excluding health)	9.671	10.643
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	8.934	-
Risk margin	737	-
Gross technical provisions - health (similar to non-life)	244	-
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	220	-
Risk margin	24	-
(Re)insurance accounts payable	620	620
Insurance & Intermediaries Payables	693	693
Deferred tax liabilities	392	392
Amounts owed to credit institutions	28	28
Payables (trade, not insurance)	265	265
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	565	565
<b>Total Liabilities</b>	<b>12.478</b>	<b>13.206</b>

Table 4: Executive Summary – Liabilities (figures rounded to the nearest thousand)

## 1.6 Capital Management

As at 31<sup>st</sup> of December 2019, the Company's own funds amounted to €10,87m and are mainly comprised of ordinary share capital and reserves. The total Own Funds represent 293,7% of the MCR and 180,65% of the SCR.

Key Risk	Risk Type	Solvency Capital Requirements € 000
	<b>Total Non - Life Underwriting Risk</b>	<b>3.612</b>
Non - Life Underwriting Risk	Non - Life premium and reserve risk	3.446
	Non - Life Lapse Risk	-
	Non - Life CAT Risk	521
	Diversification effects	-355
	<b>Total Market Risk</b>	<b>1.349</b>
Market Risk	Interest rate risk	-
	Equity risk	84
	Property risk	751
	Spread risk	265
	Currency risk	-
	Concentration risk	924
	Illiquidity premium risk	-
	Diversification effects	-674
	<b>Counterparty Default Risk</b>	<b>2.371</b>
Counterparty Default Risk	Counterparty default risk of type 1 exposures	1.840
	Counterparty default risk of type 2 exposures	656
	Diversification effects	- 124
	<b>Health Underwriting Risk</b>	<b>202</b>
Health Underwriting Risk	Non-SLT Health (similar to non-life technique)	141
	Health CAT	114
	Diversification effects	-53
Basic Solvency Capital Requirement (BSCR) pre diversification		7.534
Diversification Effect		-1.746
Basic Solvency Capital Requirement (BSCR)		5.788
Operational Risk		432
Adjustment for Deferred taxes		-205
Capital at Risk	SCR	6.016
	MCR	3.700

Table 5: Executive Summary – SCR and MCR (figures rounded to the nearest thousand)

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

## 1.7 Post Valuation Events

Following the year-end, in light of the fast-moving developments regarding the COVID-19 outbreak the Company monitors the situation closely and its priority is to keep its clients and shareholder informed, and its personnel safe.

The Company has ensured its business continuity during the difficult times. The Company's SCR coverage ratio of the date of publication of the report is well above, the minimum threshold set in the company risk appetite statement.

The short- and medium-term financial risk, as a result of the volatility prevailing in the capital markets, is actively monitored as well as the company ensures liquidity presentation.

The overall impact from COVID-19 is set to be critically assessed and where needed the necessary impairment to be made.

## 2 Business and Performance

### 2.1 Business

#### 2.1.1 Company Information

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: 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 €14.8 m in 2019 surpassing other insurance companies, transacting general business with longer presence in the market.

The address of the Company's registered office and of its external auditors are shown below:

Registered Office	External Auditors
Hydra Insurance Co Ltd	CosmoCo Ltd
11 Strovolou Avenue, SEK Building, 5th Floor	6 Neoptoleμου Street
2018 Strovolos, P.O Box 24653 – 1302, Nicosia, Cyprus	1087 Nicosia Cyprus
Tel: +357 22 454700	+357 22100192
Fax: +357 22 454704	+357 22100193
<a href="http://www.hydrainsurance.com">www.hydrainsurance.com</a>	<a href="http://www.cosmoco.com.cy">www.cosmoco.com.cy</a>

Table 6: Registered Office and External Auditors

#### 2.1.2 Supervisory authority responsible for financial supervision

The insurance Companies Control Service is the supervisory authority responsible for the financial supervision of Hydra Insurance.

The address and contact details of the supervisory authority is shown below:

Supervisory authority
Insurance Companies Control Service
P.O. Box 23364, 1628 Nicosia
Tel: +357 22602990
Fax: +357 22302938
<a href="mailto:insurance@mof.gov.cy">insurance@mof.gov.cy</a>

Table 7: Supervisory authority

### 2.1.3 Qualifying holdings

The shareholders of the company with more than 25% holding through direct and indirect shareholding are Mr. Polys Kleanthous and Mr. Kleanthis Kleanthous.

### 2.1.4 Position within the legal structure of the Group

Hydra Insurance does not belong to a group

### 2.1.5 Material Lines of Business by Operating Segment, Solvency II and geographical areas

Hydra Insurance carries out its business only in Cyprus and maintains offices in Nicosia, Larnaca, Kiti and Paralimni. It offers the following lines of business:

- Motor Insurance including Third Party and Comprehensive Coverage.
- Fire and other damage to property.
- Accident and Health insurance.
- Marine, aviation and transport.

The table below indicates the level of the Written/Earned premiums by Solvency II line of business.

YE 2019 LoB	Gross (€ 000) *		Ceded (€ 000)		Net (€ 000)	
	Written	Earned	Written	Earned	Written	Earned
Health & Accident	521	514	5	5	516	509
Motor	11.579	11.353	272	275	11.318	11.078
Marine	43	56	35	31	38	25
Fire	1.770	1.698	1.139	1.107	642	590
General Liability	843	790	104	84	739	706
Misc.	0	0	0	0	0	0
<b>Total</b>	<b>14.757</b>	<b>14.411</b>	<b>1.555</b>	<b>1.503</b>	<b>13.254</b>	<b>12.908</b>

\* Gross data include policy fees

Table 8: Written/Earned Premiums YE 2019 (figures rounded to the nearest thousand)

For comparison purposes, the Written/Earned premiums of the previous valuation date are presented below:

YE 2018 LoB	Gross (€ 000) *		Ceded (€ 000)		Net (€ 000)	
	Written	Earned	Written	Earned	Written	Earned
Health & Accident	530	530	5	5	526	526
Motor	10.998	10.819	267	258	10.740	10.561
Marine	36	36	26	5	32	32
Fire	1.581	1.581	1.051	1.031	550	550
General Liability	710	710	54	54	656	656
Misc.	0	0	0	0	0	0
<b>Total</b>	<b>13.855</b>	<b>13.676</b>	<b>1.403</b>	<b>1.353</b>	<b>12.503</b>	<b>12.323</b>

\* Gross data include policy fees

Table 9: Written/Earned Premiums YE 2018 (figures rounded to the nearest thousand)

### 2.1.6 Significant Events during the reporting period and up to the date of the report

The Company experienced a growth in its net written premiums including policy fees of 6% compared to 2018. In accordance with the latest statistics published by the Insurance Association in Cyprus, the Company has a market share of about 2,64% of the Cypriot general insurance business.

With regards to Solvency II, the Company in 2018 has established certain targets as part of its Investment strategy. The target of this strategy was to reduce the Company's Solvency Capital Requirement and to increase its Solvency Ratio.

In 2019, the Company specifically invested into corporate bonds in order to reduce its counterparty default and concentration risk through the diversification of its investments.

The decision of the new investment split is also supported when necessary by the advice of specialized external consultants.

Furthermore, the Company reduced the Counterparty risk by reducing the collection of receivables. The Company has introduced a number of measures which improves recoverability of insurance income from intermediaries due to the Orders issued by the Superintendent on the collection of premiums applicable as from 1<sup>st</sup> January 2018. By reducing the collection of receivables could also be an important development that could enhance the Company's Available Capital and thus its Solvency position. In addition, the Company has in place policies in relation to the collection of outstanding amounts from other debtors that are being strictly followed throughout the Company so as outstanding amounts to be kept at lowest possible levels.

### 2.1.7 Distribution channel and Customer Service

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

The Company's mission is to put the customer at the center of all its operations by constantly seeking to develop innovative solutions that exceed the customer's needs. 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 Underwriting

In 2019, Hydra Insurance reached an Underwriting Profit of €0,3m, with the main contributor being the Motor business as follows:

Underwriting performance	2019 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Net earned premiums	463	10.002	20	495	647	0	11.627
Other net insurance income	62	1.648	4	384	86	0	2.183
Net Claims incurred	-10	-6.233	0	-182	-310	0	-6.735
Net Commissions and Acquisition Costs	-114	-2.298	-3	-274	-140	0	-2.829
Underwriting Profit	401	3.119	22	422	283	0	4.247
Administrative Expenses	-139	-3.084	-17	-487	-230	0	-3.958
Underwriting Profit after administrative expenses	261	35	4	-64	53	0	289

Table 10: Underwriting profit 2019 (figures rounded to the nearest thousand)

The Company's Net written premiums during the year were €11.63m compared to €11,09m for the year 2018; mainly driven by the increase in the Net written premiums of the Motor line of business. Also, the net claims incurred amounted to €6,7m during the year compared to €6,2m for the year 2018. The administrative expenses from insurance activities net of any profit from investing activities increased to €4m from €3,9m. As a result, the underwriting profit is reduced compared to 2018 by €0,5m.

The table below, provide an analysis of the underwriting profit of the Company as at the previous valuation date:

Underwriting performance	2018 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Net earned premiums	497	9.580	9	428	578	0	11.092
Other net insurance income	56	1.676	2	419	73	0	2.226
Net Claims incurred	-134	-5.669	0	-127	-263	0	-6.194
Net Commissions and Acquisition Costs	-117	-2.054	-1	-225	-118	0	-2.514
Underwriting Profit	302	3.534	10	495	269	0	4.611
Administrative Expenses	148	3.048	11	461	201	0	3.869
Underwriting Profit after administrative expenses	255	485	-1	33	69	0	741

Table 11: Underwriting profit 2018 (figures rounded to the nearest thousand)

## 2.3 Investment Performance

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

Investment Portfolio	2019	2018	Evolution
Asset Class	(€ 000)	(€ 000)	%
Shares	215	191	12,32%
Cash in Bank	14.374	14.842	-3,15%
Bonds	1.162	-	100%
Investment Properties	3.132	3.083	1,59%
Total	18.883	18.117	4,23%

Table 12: Investments Performance evolution (figures rounded to the nearest thousand)

The investment income decreased to €81K in 2019 from €90K in 2018. The company has invested the amount of €1.16m in bonds this year with the aim to reduce the concentration risk and to increase the available capital.

### 2.3.1 Gains and Losses Recognized in Equity

The change in fair value of the available for sale financial assets amounted to €24K in 2019 compared to €23K in 2018.

### 2.3.2 Investments in Securitization

The company does not hold any investments in securitization instruments.

## 2.4 Performance of other Activities

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

## 2.5 Any other disclosures

There are no other material issues to be disclosed.

## 3 System of Governance

### 3.1 General Information on the System of Governance

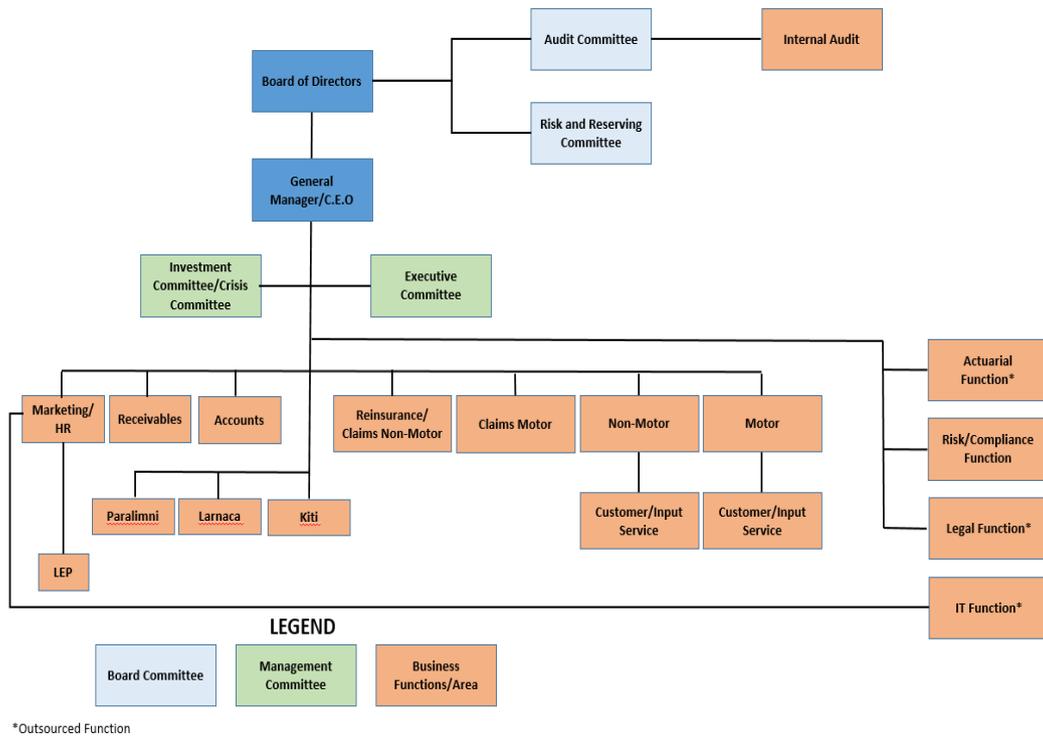
#### 3.1.1 Structure of Administrative and Management Body

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 and a set of corporate values 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 organizational structure of the Company is presented in the diagram below:



The Branches report also to the Managers of each Function/Area for the matters concerning each Function/Area.

Figure 1: Organizational Structure

The positions of key function holders are the following:

Name	Role
<b>Pavlos Kleanthous</b>	General Manager
<b>Georgios Athanasiou</b>	Head of Risk & Compliance
<b>Ioannis Kleanthous</b>	Marketing Manager
<b>Costas Savvides</b>	Financial Controller

Table 13: Key function holders

The Company's actuarial and internal audit function have been outsourced to external professionals.

### 3.1.1.1 Board of Directors

This refers to the controlling body of Hydra Insurance Company, i.e. the BoD which 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 BoD may delegate authority to certain Committees in order that they monitor and oversee specific aspects of the business. Delegating to specialized Committees does not in any way release the BoD from collectively discharging its duties and responsibilities. Specifically, the BoD has regular and robust interaction with the Committees it establishes, requesting information from them proactively and challenging it when necessary.

#### 3.1.1.1.1 Composition of the Board

The Board of Directors of the Company is structured as follows:

Name	Role
<b>Charis Solomonides</b>	Chairman
<b>Pavlos Kleanthous</b>	Member
<b>Polys Kleanthous</b>	Member
<b>Ioannis Kleanthous</b>	Member
<b>Andreas Magos</b>	Member
<b>Andreas Kamilaris</b>	Member
<b>Chrysanthos Chrysanthou</b>	Member

Table 14: Composition of the Board

#### 3.1.1.2 Board Committees / Executive Committees

For its more effective operation, the BoD has established the following Committees with oversight responsibility over key functions. The ultimate responsibility and approval of relevant issues remains with the BoD.

##### **Audit Committee**

The Committee is accountable to the BoD and shall assist the BoD in meeting its responsibilities in ensuring an effective system of internal control and compliance and for meeting its external financial reporting obligations, including its obligations under applicable

laws and regulations and shall be directly responsible on behalf of the BoD for the selection, oversight and remuneration of the external auditor.

The Composition of the Audit Committee is the following:

Name	Role
<b>Chrysanthos Chrysantou</b>	Chairman
<b>Andreas Magos</b>	Member
<b>Charis Solomonides</b>	Member

Table 15: Composition of the Audit Committee

The Committee has the following responsibilities, powers, authorities and discretions:

- Monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them.
- Monitor and review the effectiveness of the Internal Audit Function.
- Ensure co-ordination between the internal and external auditors and shall approve the appointment and removal of the head of internal audit.
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.
- Develop and implement policy on the engagement of the external auditor to supply non-audit services.
- Ensure a timely response is provided to the issues raised in the external auditor's Management letter.
- Ensure the effectiveness of the Company's internal control systems and procedures for compliance with the Company's compliance Manual.
- Meet with the external auditor and with the head of internal audit at least once each year to ensure that there are no unresolved issues or concerns.

### **Risk and Reserving Committee**

The Committee as an advisory Committee to the BoD assists with the formulation of the Company's overall risk strategies and policies for managing significant business risks and is responsible for designing and implementing the Company's Risk Management Framework. In addition, the Committee ensures that the Company's overall system of internal control operates effectively and monitors and reviews risk exposures and breaches while also monitoring and approving the Reserves.

The Composition of the Risk and Reserving Committee is the following:

Name	Role
Pavlos Kleanthous	Chairman
Charis Solomonides	Member
Polys Kleanthous	Member
Ioannis Kleanthous	Member
Andreas Magos	Member
Andreas Kamilaris	Member
Chrysanthos Chrysantou	Member

Table 16: Composition of the Risk and Reserving Committee

The duties of the Committee are:

- Oversee the development, implementation and maintenance of the Company's overall Risk Management Strategy and Framework and system of internal control.
- Monitor the development and approval of detailed risk policies across the Company, ensuring that these are consistent with the Company's risk appetite and policies.
- Ensure the key risks of the Company are managed cost effectively and within the Company's risk appetite, tolerances and strategies set out in policies approved by the BoD.
- Monitor the volume and value of errors over time, including error trends within a specific area of the business.
- Monitor and review the performance of the Company's RMF.
- Review Management, internal audit and external advisors reports on the effectiveness and integrity of risk management systems.
- Review and challenge actuarial reserves and advises the BoD on their approval.

### Investment Committee

The Committee as an advisory Committee to the BoD assists with the formulation of the Company's overall investment strategy and policy, oversees and reports on the implementation of the investment strategy, and recommends any material changes to such strategy to the BoD.

The composition of the Investment Committee is the following:

Name	Role
<b>Georgios Athanasiou</b>	Member
<b>Costas Savvides</b>	Member
<b>Pavlos Kleanthous</b>	Member
<b>Ioannis Kleanthous</b>	Member

*Table 17: Composition of the Investment Committee*

The duties of the Committee are:

- Formulate and recommend to the BoD an overall Investment policy.
- Review the appointment and remuneration of external investment managers and custodians.
- Recommend to the BoD relevant performance benchmarks.
- Monitor performance of investment managers against the benchmarks and against the Investment policy on at least a quarterly basis, ensuring compliance with the Investment policy.
- Monitor as far as possible performance against industry peers.
- Receive and review regular reports from the external investment managers.
- Ensure that the Committee takes a proactive approach to risk management and keeps abreast of emerging trends and concepts.
- Support and/or challenge the work being carried out by the ExCo and the CFO is to ensure that it is appropriate and effective.

### **Executive Committee**

In accordance with best practice and in order to promote the effective operation of management, the Senior Management has set up an Executive Committee (ExCo).

The Executive Committee enables the coordination of all internal business areas and functions within the Company and discusses the Company's strategic decisions. In addition, the Executive Committee is responsible for the regular review of the Company's performance, Company's strategy, objectives, business plans and budgets and ensures that any necessary corrective action is taken.

The Committee consists of the key members of the Senior Management team. The Company's Management Committees are proportionate to the Company's size, nature of business and complexity.

### 3.1.1.3 Key Functions, Roles and Responsibilities (risk-management, compliance, internal audit, actuarial)

In accordance with articles 44, 46, 47 and 48 of Solvency II, the Company has established the following functions to ensure effective oversight of its operations:

- Risk Management
- Compliance
- Internal Audit
- Actuarial

#### **Risk Management**

The RMF is responsible for the identification, measurement, management and reporting of the key risks that the Company faces.

It reports to the General Manager. It also has a direct reporting line to the BoD through the Risk and Reserve Committee in order to ensure its operational independence and safeguard its ability to escalate important issues. The RMF is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its control procedures.

The responsibilities of the function are governed by the Risk Management Manual. The Risk Management Manual is approved by the BoD and reviewed annually.

#### **Compliance**

The Compliance Function reports to the General Manager.

The main function of the Compliance Function is the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance of the Company with the existing legal and regulatory framework. The activities and responsibilities of the Function are governed by the Compliance Manual, which is approved by the BoD and reviewed annually.

The function is subject to audit by the Internal Audit Function.

## Internal Audit

The Internal Audit function of the Company is administratively independent of any functions which have operational responsibilities and carry out its assignments with impartiality. The Internal Audit function reports to the BoD through the Audit Committee. It does not subordinate to any other operational function of the Company; however, all its reports are communicated to the Company's Senior Management.

The Internal Audit Function is responsible for evaluating the adequacy and effectiveness of the internal control system and other elements of the system of governance. The responsibilities of this function are governed by the Internal Audit Manual, which is approved by the BoD and reviewed annually.

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 Committee.

The Internal Audit Function has the following responsibilities:

- Ensures that the IAF staff is sufficient in number and appropriately trained.
- Ensures that all auditing methodology (including audit objectives, programmes and procedures), is documented by the Internal Audit staff.
- Ensures compliance with recommendations is verified with the follow-up procedures.
- Monitors the performance and effectiveness of the Internal Control System.
- Conducts general or sample ex-post audits of the functions and transactions of the Company.
- Evaluates compliance with and the efficiency of risk control / management procedures.
- Evaluates the efficiency of the Company's accounting and information systems.
- Evaluates the efficiency of the organizational structure and reporting lines.
- Evaluates the adequacy of mechanisms set by the BoD.
- Carries out special investigations and special audits in situations where it is possible to relate with suspected fraud.
- Prepares, at least on an annual basis, a risk assessment and audit plan.
- Assesses, at least on an annual basis, the need to operate in jurisdictions or through complex structures that reduce transparency.
- Assesses the risk management procedures.
- Assesses 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.
- Assesses the compliance procedures followed by the Company.

- Assesses the Internal Governance System, as well as the Company's Business Continuity and Disaster Recovery Plans.

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 Committee.

### **Actuarial**

The Actuarial function reports to the General Manager and to the Risk and Compliance Function. It is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its procedures. It 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. Additionally, it is responsible for the technical pricing of products within the scope defined by the BoD. The responsibilities of the Actuarial Function are governed by the Actuarial Function Manual.

The duties and responsibilities of the Actuarial Function were assigned to an external firm, which reports to the General Manager, Risk and Compliance Function and where necessary, cooperates with other functions to carry out its role.

### **3.1.2 Three Lines of Defense model**

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.

#### **1<sup>st</sup> 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.

**2<sup>nd</sup> 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.

**3<sup>rd</sup> 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 Committee.

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

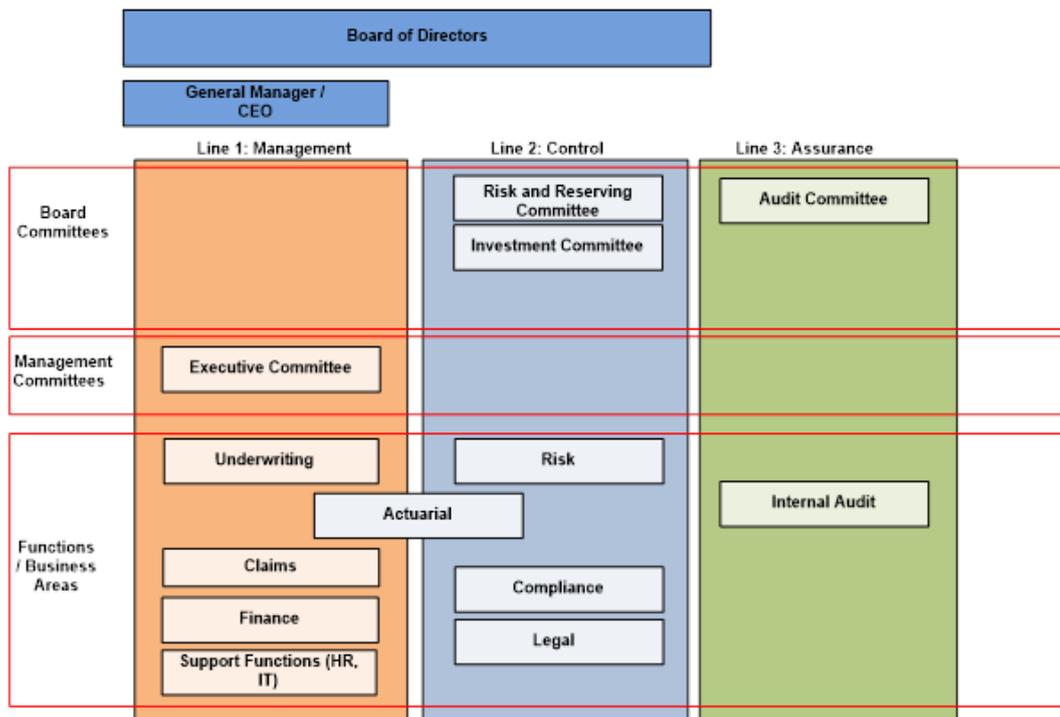


Figure 2: Three lines of defense

**3.1.3 Other Material transactions**

No other material transaction has taken place during the reporting period.

## 3.2 Fit and Proper Requirements

In accordance with the 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 Conduct and achieve competence.

### 3.2.1.1 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 as to whether the person is competent, and demonstrates, through experience and training that is 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.

### 3.2.1.2 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.

## 3.3 Risk Management System

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.

### 3.3.1 Risk Management framework

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 (i.e. information systems and software programs which facilitate the management and measurement of risks). At the same time, a proper and user-friendly infrastructure enables the Company's 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.

### 3.4 Own Risk and Solvency Assessment

Hydra Insurance 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.

#### 3.4.1 Process

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 31<sup>st</sup> December 2018.

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 the following:

- Enhancing the BoD and Senior Management's ability to understand the risks faced and set the appetite;
- Analysing 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.

### 3.5 Internal Control System

Internal Control is an important aspect of corporate governance which is run by the Risk and Compliance department and is fundamental to the safe and sound management of the Company. Notably, effective internal controls can:

- Protect and enhance the shareholders' value.
- Reduce the possibility of unexpected losses or damage to its reputation.
- Reduce the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

The internal control system is people-dependent and for this reason every member of the Company has a significant role for its effective execution since its strength depends on peoples' attitude toward internal control and their attention to it. More specifically:

- 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 three lines of defense model for assessing its internal control system as this is described in section 3.1.2.

### 3.6 Outsourcing Arrangements

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

The main activities outsourced by the Company are the following:

- Actuarial Function.
- Internal Audit Function.
- Motor Assistance.
- IT services.
- 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. For any critical or important functions or activities approval is required from the BoD.

## 4 Risk Profile

According to the Solvency directive, the Company is required to maintain enough capital in order to cover its Underwriting, Market, Credit and Operational risks. The Solvency Capital Requirement (SCR) is the amount of capital that the Company has to hold in order to be able to meet its obligations to both its policyholder and shareholders over the next year with a confidence level of 99,5%.

For the purposes of estimating risk exposure, the Pillar 1 methodology (Standard formula) under Solvency II Directive is used to quantify the key risks and assign capital. Based on the results of the Pillar 1 exercise as at 31<sup>st</sup> December 2019, the Company has allocated capital to various risks and has achieved a Solvency Coverage Ratio of 180,65% which is well above the Company's target.

The table below summarizes the capital requirement as at the valuation date:

Type of Risk	31/12/2019
	€ 000
<i>Interest rate</i>	0
<i>Equity risk</i>	84
<i>Property risk</i>	751
<i>Spread risk</i>	265
<i>Concentration risk</i>	924
<i>Currency risk</i>	0
<i>Counter - Cyclical Premium</i>	0
<i>Diversification Market Risk</i>	-674
<b>Market Risk</b>	<b>1.349</b>
<b>Counterparty risk</b>	<b>2.371</b>
<b>Health Non-SLT Underwriting</b>	<b>202</b>
<b>Non-life Underwriting</b>	<b>3.612</b>
<b>Life Underwriting</b>	<b>0</b>
<i>Diversification BSCR</i>	-1.746
<b>BSCR</b>	<b>5.788</b>
<b>Operational Risk</b>	<b>432</b>
<b>Tax adjustment</b>	<b>-205</b>
<b>SCR Total</b>	<b>6.016</b>
<b>Available Capital</b>	<b>10.867</b>
<b>SCR (%)</b>	<b>180,65%</b>

#### 4.1 *Table 18: Risk Type – Capital Requirement (figures rounded to the nearest thousand)* Insurance (Underwriting) Risk

The Company is exposed to various insurance risks that arise from its underwritings activities. The main types of insurance risks that the Company is exposed to are non-life risk and health risk.

A standardised approach in line with the EIOPA specifications was used by the Company for calculating the Solvency Capital Requirement for non-life and health underwriting risks.

Based on the results of the Pillar 1 exercise for Year 2019, the total diversified Non-Life underwriting risk is €3,61m out of which €3,45m derives from Premium and Reserve Risk and €0,52m derives from Catastrophic Risk (including the diversification effect), while the total diversified Health underwriting risk is €-0,2 m

Underwriting Risk	Capital Requirement 31/12/2019
	€ 000
<b>Health Risk</b>	
Premium & Reserves Risk	141
Health Catastrophe	114
Diversification effect	-53
<b>Total Health Diversified</b>	<b>202</b>
<b>Non-Life Risk</b>	
Premium & Reserves Risk	3.446
Catastrophe Risk	521
Diversification effect	-355
<b>Total Non-Life Risk Diversified</b>	<b>3.612</b>

*Table 19: Underwriting risk – Diversified Capital Requirement (figures rounded to the nearest thousand)*

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 (as indicated in the figure below).

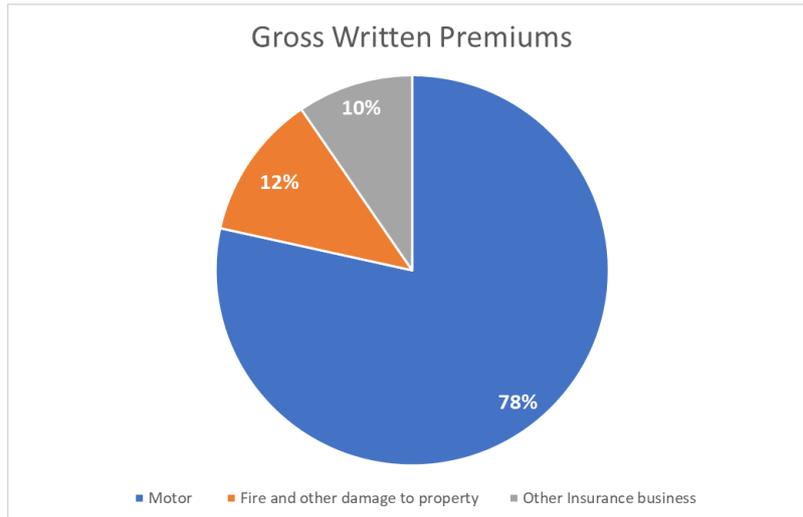


Figure 3: Total Gross Written Premiums

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.

#### 4.1.1 Insurance Risk Mitigation Techniques

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 price 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 2019 is approximately €1,35m while the non-diversified Capital Requirement of the Market risk's components is detailed below:

Market Risk	Capital Requirement 31/12/2019
	<b>€ 000</b>
Interest rate risk	-
Equity risk	84
Property risk	751
Spread risk	265
Currency risk	-
Concentration risk	924
Diversification effect	- 674
<b>Total Market Diversified</b>	<b>1.349</b>

Table 20: Market Risk – Diversified Capital Requirement (figures rounded to the nearest thousand) Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of insurance and reinsurance undertakings.

The total Concentration Risk Capital Requirement for Hydra Insurance as at 31<sup>st</sup> of December 2019, is approximately €0,9m.

The main impact of concentration risk is high due to the high concentration of assets in Hellenic Bank, Eurobank, Alpha Bank, Russian Commercial Bank, Societe Generale Cyprus Ltd and investment properties (Ref:21/53w1/4/5070, 21/53w1/4/5073).

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 total Property Risk Capital Requirement for Hydra Insurance as at 31<sup>st</sup> of December 2019, is approximately €0,75m.

#### 4.2.1 Mitigation Techniques

Overall, the Company management has adopted the following policies and controls to mitigate its exposure to concentration risk.

To mitigate the risk of single counterparty default and reduce the impact high concentrations have on the Company’s Solvency II capital requirements, the Executive Committee has set a limit to the maximum acceptable exposures, in line with the Company’s investment policy. Part of the Company’s risk appetite includes the following:

- Total deposits placed in approved banks should not exceed 50-75% of Company’s Total Assets.
- The aggregate exposures to individual banks should not exceed €1,5m.

The Company's policy with regards to liaising with intermediaries has also become stricter in the light of the current economic situation.

Investments in financial assets and equities are monitored by the Investment Committee and approved by the BoD and are in line with the Company's Investment Policy. Equity participations are in line with pre-determined limits.

Investments in properties are also closely monitored by the Investment Committee and approved by the BoD and are in line with the Company's Investment Policy. The Company has no plans to increase its property assets and aims at maintaining a low level of property risk.

### 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 poorly rated or unrated 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 high concentration of its assets to Cypriot Banks and due to the outstanding balances with its intermediaries.

The Company's exposure to credit risk with regards to counterparty default risk has also been quantified using the Pillar 1 methodology which is based on Delegated Regulation (EU) 2015/35 released on the 10<sup>th</sup> October 2014. For 2019, based on the results of the Pillar 1, the total diversified Counterparty Default risk under Solvency II is estimated to be €2,37m.

Counterparty Default Risk	Capital Requirement 31/12/2019
	<b>€ 000</b>
Counterparty default risk of type 1 exposures	1.840
Counterparty default risk of type 2 exposures	656
Diversification effect	- 124
<b>Total Counterparty Default Risk</b>	<b>2.371</b>

*Table 21: Counterparty Default Risk – Capital Requirement (figures rounded to the nearest thousand)* The class of type 1 exposures cover the exposures which are not-diversifiable and where the counterparty is usually rated e.g. reinsurance arrangements, securitizations and derivatives, cash at bank etc.

The Company is exposed to Counterparty default type 1 exposures through its deposits in Banks and reinsurance arrangements.

The class of type 2 exposures covers the exposures which are usually diversified and where the counterparty is unrated e.g. receivables from intermediaries, policyholder debtors etc.

The Company is exposed to Counterparty default type 2 exposures through its receivables from policyholders and intermediaries.

#### 4.3.1 Credit Risk Mitigation Techniques

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 €3,5m.

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 the following 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:

- Engagement exclusively with counterparties that have a long-term rating of at least CCC (or equivalent) in Cyprus and A- abroad with a recognized external credit rating agency. Exposures to unrated counterparties should not exceed 15% of the Company's overall counterparty exposure and meet capital requirements.
- Cover is placed through reputable, professional reinsurance providers with minimum long-term credit ratings of A-, and exposures to single name reinsurer should not exceed the predetermined large exposure limit.

- The Company's exposures are only placed with banks with credit rating no worse than CCC in Cyprus and A- abroad, and the total deposits placed in pre-approved banks shall not exceed set threshold of the Company's Total Assets or €3,5m.
- With regards to its intermediaries, management has formed strict policies and procedures in order to reduce and monitor intermediaries' exposures in the future through monitoring of receivables in accordance with the guidelines issued by the Company's Collection Department, Escalation procedures for BoD notification, etc.
- In 2018 based on the above policy, the company has taken action and has transferred cash to the following 3 banks: a) Julius Baer (Credit Rating AA2), b) EFG (Credit Rating A1) and c) Erste (Credit Rating A2).

In addition to the above, the Company's Risk and Compliance Function is closely monitoring customers and intermediaries with a deteriorating financial standing.

## 4.4 Liquidity Risk

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

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.

### 4.4.1 Liquidity Risk Mitigation Techniques

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 high 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 2019, Capital Requirements for Operational risk amounted to €0,43 m.

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 and Risk 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 centered 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.

#### 4.5.1 Operational Risk Mitigation Techniques

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 Risk Sensitivities

A stress is an adverse development of an individual risk factor or event. It demonstrates its effect on corresponding key performance indicators and gives an insight of the company's exposure or vulnerabilities based on these exceptional adverse but possible developments.

In the insurance sector, stress testing is used to demonstrate the effect of such rare events on key financial performance indicators such as the solvency ratio, earnings, liquidity, etc.

#### 4.6.1 Stress Tests and Sensitivities

The following stress scenarios were performed as part of the Company's 2018 Own Solvency Risk Assessment (ORSA):

- **Scenario 1** assumes an increase in loss ratio in motor insurance by 8% for the years 2019, 2020, 2021 and 2022. As a result, there is a reduction in the Company's Available Capital accompanied by an increase in SCR from the increased requirement for Non- Life Underwriting risk coming from the increase of outstanding claims. The Company's Solvency Coverage Ratio is therefore reduced from an average of 210,9% to an average of 177,4% for the forecasted period.

- **Scenario 2** assumes that the Company will experience an increase of expenses by 7% for all lines of business for all years. As a result, there is a reduction in the Company's operating profits accompanied by the reduction in Available Capital. Also, the Company's SCR is slightly decreased compared to the basic scenario due to the net decrease in capital requirement which is constituted mainly by the reduction in current deposits. The Company's Solvency Coverage Ratio is therefore reduced from an average of 210,9% to an average of 191,6% for the forecasted period.
- **Scenario 3** assumes that 95% of the outstanding receivables from the Company's Debtors are to be non-recoverable and essentially written-off. As a result of this scenario, the Company's Available Capital is reduced by the impairment suffered on the Company's Assets from the write off of the debtor receivables net of the decrease in the risk margin. In addition, the Company's SCR requirement is also reduced. The Company's Solvency Coverage Ratio is therefore reduced from an average of 210,9% to an average of 153,8% for the forecasted period.
- **Scenario 4** assumes the default of Russian Commercial Bank in 2019. Consequently, Hydra needs to impair its financial assets held with this counterparty by 20%. As a result, there is a reduction in the Company's Available Capital accompanied by a reduction in SCR from lower concentration and spread risk coming from the reduction in the Company's term deposits. The Company's Solvency Coverage Ratio is therefore reduced from an average of 210,9% to an average of 208,8% for the forecasted period.
- **Scenario 5** is a reverse stress test. Since the previous stress tests do not have a material impact on Hydra as they do not affect its Solvency position dramatically, Hydra has built a reverse stress test scenario with the purpose of examining what needs to happen in order for the Company's Solvency ratio to drop below the Minimum Capital Requirement. Under this scenario, it was assumed that all of the following extreme scenarios happen at once:
  - Default of all the Company's financial counterparties in which case the Company has to impair all its bank deposits by 20%.
  - 95% of all receivables will not be received and therefore are written off.
  - The Company will experience a decrease in sales by 15% over the forecast horizon.

As a result of this scenario, there is a reduction in the Company's Available Capital accompanied by a reduction in SCR. The Company's Solvency Coverage Ratio is therefore reduced from an average of 210,9% to an average of 72% for the forecasted period.

The table below indicates the impact on the Solvency Coverage Ratio and the Minimum Coverage Ratio of the above scenarios:

Solvency II Capital Coverage (%)								
	2019		2020		2021		2022	
	SCR(%)	MCR(%)	SCR(%)	MCR(%)	SCR(%)	MCR(%)	SCR(%)	MCR(%)
<b>Base Scenario</b>	203,6%	341,9%	200,8%	377,6%	217,1%	431,0%	222,0%	468,4%
<b>Scenario 1</b>	182,2%	311,4%	170,2%	322,1%	179,1%	350,6%	177,8%	362,9%
<b>Scenario 2</b>	190,0%	317,7%	183,4%	340,4%	195,6%	379,2%	197,6%	402,8%
<b>Scenario 3</b>	137,0%	200,9%	143,9%	233,3%	162,9%	279,2%	171,3%	314,3%
<b>Scenario 4</b>	201,3%	335,1%	198,7%	370,8%	215,1%	424,2%	220,2%	461,6%
<b>Scenario 5</b>	74,2%	90,1%	68,1%	88,1%	73,4%	96,6%	72,3%	96,1%

Table 22: Stress scenarios as part of the YE2018 ORSA

## 4.7 Other Material Risks

### 4.7.1 Regulatory Risk

Regulatory risk is the risk of adverse effects resulting from non-compliance with the statutory and other legislation and regulations in place.

Based on the risk assessment exercise, post-mitigation exposure to this risk is considered to be low. The Company always strives to comply with the authority’s requirements and the regulator’s guidelines. Where additional advice in relation to compliance with the laws and regulations, the Company is also acquiring professional advice from external consultants.

### 4.7.2 Political Risk

Political risk is the risk of unfavorable 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.

#### 4.7.3 Business and Reputational Risk

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 services sector. Adverse events like dissatisfied customers or conduct of unauthorized 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 has set up a Customer Services department which operates in line with the Company policies and deals with any potential customer complaints in accordance with the Complaints handling manual.

## 5 Regulatory Balance Sheet (Valuation for Solvency purposes)

### 5.1 Assets

As at 31 December 2019, the company held the following Assets:

Assets	Solvency II Value € 000	Statutory Accounts Value € 000
Goodwill	-	-
Other intangible assets	-	47
Property, plant & equipment held for own use	499	499
Investments (other than assets held for unit-linked funds)	6.999	6.999
Reinsurance recoverables	163	632
Intermediaries recoverables	221	221
Insurance recoverables (excluding Intermediaries)	3.331	3.331
Deferred acquisition costs	-	1.257
Receivables (trade, not insurance)	188	188
Cash and cash equivalents	32	32
Short term bank deposits	11.884	11.884
Any other assets, not elsewhere shown	28	28
<b>Total Assets</b>	<b>23.345</b>	<b>25.119</b>

Table 23: Assets (figures rounded to the nearest thousand)

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

## 5.2 Technical Provisions

### 5.2.1 Summary of 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 € 000	Claims Provisions € 000	Gross Best Estimate € 000	Risk Margin € 000	Gross Technical Provisions € 000
Accident	173	47	220	24	244
Motor vehicle liability	2.566	2.993	5.558	451	6.009
Other motor	1.153	1.082	2.235	116	2.351
Marine, aviation and transport	4	-	4	7	10
Fire and other damage to property	363	76	439	81	520
General liability	334	365	698	83	781
Miscellaneous financial loss	-	-	-	-	-
<b>Total (Solvency II)</b>	<b>4.591</b>	<b>4.562</b>	<b>9.153</b>	<b>762</b>	<b>9.915</b>

Table 24: Technical Provisions (figures rounded to the nearest thousand)

### 5.2.2 Valuation Basis, Methods and Main Assumptions

The Company is calculating the Technical Provisions 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

### 5.2.3 Comparison between the Solvency II and the IFRS valuation

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

- Different bases
- Discounting of future cash flows

The table below summarizes the Technical provisions under Solvency II and IFRS.

Gross Technical Provisions	Solvency II Value € 000	Statutory Accounts Value € 000
Gross technical provisions – non-life (excluding health)	9.671	10.643
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	8.934	-
Risk margin	737	-
Gross technical provisions - health (similar to non-life)	244	-
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	220	-
Risk margin	24	-
<b>Total Technical Provisions</b>	<b>9.915</b>	<b>10.643</b>

Table 25: Technical Provisions under Solvency II and IFRS (figures rounded to the nearest thousand)

#### 5.2.4 Transitional measures: Matching Adjustment

Not applicable.

#### 5.2.5 Transitional Measures: Volatility Adjustment

Not applicable.

#### 5.2.6 Transitional measures: Risk Free Interest Rate

Not applicable.

#### 5.2.7 Transitional measures: Impact

Not applicable.

#### 5.2.8 Reinsurance Recoveries

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 € 000
Accident	1
Motor vehicle liability	56
Other motor	2
Marine, aviation and transport	-
Fire and other damage to property	90
General liability	15
Miscellaneous financial loss	-
<b>Total</b>	<b>163</b>

Table 26: Reinsurance Recoverables (figures rounded to the nearest thousand)

### 5.2.9 Risk Margin

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 3 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.

## 5.3 Other Liabilities

### 5.3.1 Summary of the valuation of Other Liabilities

As at 31 December 2019, the Company held the following liabilities:

Liabilities	Solvency II Value € 000	Statutory Accounts Value € 000
Gross technical provisions – non-life (excluding health)	9.671	10.643
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	8.934	-
Risk margin	737	-
Gross technical provisions - health (similar to non-life)	244	-
TP calculated as a whole (Best estimate + Risk margin)	-	-
Best Estimate	220	-
Risk margin	24	-
(Re)insurance accounts payable	620	620
Insurance & Intermediaries Payables	693	693
Deferred tax liabilities	392	392
Amounts owed to credit institutions	28	28
Payables (trade, not insurance)	265	265
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	565	565
<b>Total Liabilities</b>	<b>12.478</b>	<b>13.206</b>

### 5.4 *Table 27: Liabilities (figures rounded to the nearest thousand)* Alternative Valuation Method

The Company does not use any alternative methods for valuation.

### 5.5 Any other disclosures

None.

## 6 Capital Management – Annex – Quantitative Reporting Templates S (QRTs)

### 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 31/12/2019, the Company's own funds amounted to €10,87m and are mainly comprised of ordinary share capital and reserves. The total Own Funds represent 293,7% of the MCR and 180,65% of the SCR.

Basic Own Funds	Total € 000	Tier 1 – unrestricted € 000
<b>Basic Own Funds</b>		
Ordinary share capital (gross of own shares)	2.565	2.565
Surplus funds	-	-
Reconciliation reserve	8.302	8.302
Subordinated liabilities	-	
<b>Total basic own funds after deductions</b>	10.867	10.867
<b>Ancillary own funds</b>		
<b>Available and eligible own funds</b>		
Total available own funds to meet the SCR	10.867	10.867
Total available own funds to meet the MCR	10.867	10.867
Total eligible own funds to meet the SCR	10.867	10.867
Total eligible own funds to meet the MCR	10.867	10.867
<b>SCR</b>	6.016	
<b>MCR</b>	3.700	
<b>Ratio of Eligible own funds to SCR</b>	180,65%	
<b>Ratio of Eligible own funds to MCR</b>	293,71%	

Table 28: Own Funds (figures rounded to the nearest thousand)

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 Solvency Capital Requirements and Minimum Capital Requirement

The Company's Solvency Capital Requirement is €6,0m and its Minimum Capital Requirement is €3,7m.

Key Risk	Risk Type	Solvency Capital Requirements
		€ 000
	<b>Total Non - Life Underwriting Risk</b>	<b>3.612</b>
Non - Life Underwriting Risk	Non - Life premium and reserve risk	3.446
	Non - Life Lapse Risk	-
	Non - Life CAT Risk	521
	Diversification effects	- 355
	<b>Total Market Risk</b>	<b>1.349</b>
Market Risk	Interest rate risk	-
	Equity risk	84
	Property risk	751
	Spread risk	265
	Currency risk	-
	Concentration risk	924
	Illiquidity premium risk	-
	Diversification effects	- 674
	<b>Counterparty Default Risk</b>	<b>2.371</b>
Counterparty Default Risk	Counterparty default risk of type 1 exposures	1.840
	Counterparty default risk of type 2 exposures	656
	Diversification effects	- 124
	<b>Health Underwriting Risk</b>	<b>202</b>
Health Underwriting Risk	Non-SLT Health (similar to non-life technique)	141
	Health CAT	114
	Diversification effects	- 53
	Basic Solvency Capital Requirement (BSCR) pre diversification	7.534
	Diversification Effect	- 1.746
	Basic Solvency Capital Requirement (BSCR)	5.788
	Operational Risk	432
	Adjustment for Deferred taxes	-205
Capital at Risk	SCR	6.016
	MCR	3.700

Table 29: SCR and MCR (figures rounded to the nearest thousand)

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

### 6.3 Use of Duration-based Equity Risk Sub-Module in the Calculation of the SCR

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

### 6.4 Differences between the 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 the MCR and Non-Compliance with the SCR

The Company complies with both the SCR and the MCR.

### 6.6 Any other disclosures

None.

## Appendix A – Balance Sheet (S.02.01.02)

		<b>Solvency II value</b>
<b>Assets</b>		<b>C0010</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>	499.408
Investments (other than assets held for index-linked and unit-linked contracts)	<b>R0070</b>	6.999.027
Property (other than for own use)	<b>R0080</b>	3.132.000
Holdings in related undertakings, including participations	<b>R0090</b>	-
Equities	<b>R0100</b>	214.778
Equities - listed	<b>R0110</b>	214.778
Equities - unlisted	<b>R0120</b>	-
Bonds	<b>R0130</b>	1.162.376
Government Bonds	<b>R0140</b>	-
Corporate Bonds	<b>R0150</b>	1.162.376
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>	2.489.873
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>	162.872
Non-life and health similar to non-life	<b>R0280</b>	162.872
Non-life excluding health	<b>R0290</b>	161.926
Health similar to non-life	<b>R0300</b>	946
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>	3.551.502
Reinsurance receivables	<b>R0370</b>	-
Receivables (trade, not insurance)	<b>R0380</b>	188.291
Own shares (held directly)	<b>R0390</b>	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	<b>R0400</b>	-
Cash and cash equivalents	<b>R0410</b>	11.915.971
Any other assets, not elsewhere shown	<b>R0420</b>	28.415
<b>Total assets</b>	<b>R0500</b>	23.345.486

		<b>Solvency II value</b>
<b>Liabilities</b>		<b>C0010</b>
Technical provisions – non-life	<b>R0510</b>	9.915.114
Technical provisions – non-life (excluding health)	<b>R0520</b>	9.671.103
Technical provisions calculated as a whole	<b>R0530</b>	-
Best Estimate	<b>R0540</b>	8.933.678
Risk margin	<b>R0550</b>	737.425
Technical provisions - health (similar to non-life)	<b>R0560</b>	244.011
Technical provisions calculated as a whole	<b>R0570</b>	-
Best Estimate	<b>R0580</b>	219.626
Risk margin	<b>R0590</b>	24.385
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>	391.827
Derivatives	<b>R0790</b>	-
Debts owed to credit institutions	<b>R0800</b>	28.071
Financial liabilities other than debts owed to credit institutions	<b>R0810</b>	-
Insurance & intermediaries payables	<b>R0820</b>	692.981
Reinsurance payables	<b>R0830</b>	619.823
Payables (trade, not insurance)	<b>R0840</b>	265.103
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>	565.309
<b>Total liabilities</b>	<b>R0900</b>	12.478.228
<b>Excess of assets over liabilities</b>	<b>R1000</b>	10.867.258

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

		Line of Business for: <b>non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)</b>						Total
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		<b>C0020</b>	<b>C0040</b>	<b>C0050</b>	<b>C0060</b>	<b>C0070</b>	<b>C0080</b>	<b>C0200</b>
<b>Premiums written</b>								
Gross - Direct Business	<b>R0110</b>	520,978	9,263,462	2,315,865	43,427	1,769,670	843,400	14,756,802
Gross - Proportional reinsurance accepted	<b>R0120</b>	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	<b>R0130</b>							
Reinsurers' share	<b>R0140</b>	4,932	184,813	86,971	35,130	1,139,132	103,925	1,554,903
Net	<b>R0200</b>	516,046	9,078,649	2,228,894	8,297	630,538	739,475	13,201,899
<b>Premiums earned</b>								
Gross - Direct Business	<b>R0210</b>	513,699	9,082,616	2,270,653	56,378	1,697,806	789,792	14,410,944
Gross - Proportional reinsurance accepted	<b>R0220</b>	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	<b>R0230</b>							
Reinsurers' share	<b>R0240</b>	4,816	220,399	55,100	31,415	1,107,374	83,822	1,502,926
Net	<b>R0300</b>	508,883	8,862,217	2,215,553	24,963	590,432	705,970	12,908,018
<b>Claims incurred</b>								
Gross - Direct Business	<b>R0310</b>	11,392	4,273,095	2,010,868	-	566,578	314,609	7,176,542
Gross - Proportional reinsurance accepted	<b>R0320</b>	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	<b>R0330</b>							
Reinsurers' share	<b>R0340</b>	1,305	34,911	16,428	-	384,155	4,949	441,748
Net	<b>R0400</b>	10,087	4,238,184	1,994,440	-	182,423	309,660	6,734,794
<b>Changes in other technical provisions</b>								
Gross - Direct Business	<b>R0410</b>	-	-	-	-	-	-	-
Gross - Proportional reinsurance accepted	<b>R0420</b>	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	<b>R0430</b>							
Reinsurers' share	<b>R0440</b>	-	-	-	-	-	-	-



Net	<b>R0500</b>	-	-	-	-	-	-	-
<b>Expenses incurred</b>	<b>R0550</b>	487,594	3,469,176	1,348,188	30,238	828,256	622,965	6,786,417
<b>Other expenses</b>	<b>R1200</b>							-
<b>Total expenses</b>	<b>R1300</b>							6,786,417

## 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
		<del>C0010</del>	<del>C0020</del>	<del>C0030</del>	<del>C0040</del>	<del>C0050</del>	<del>C0060</del>	<del>C0070</del>
	<del>R0010</del>							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>								
Gross - Direct Business	R0110	14,756,802						14,756,802
Gross - Proportional reinsurance accepted	R0120	-						-
Gross - Non-proportional reinsurance accepted	R0130	-						-
Reinsurers' share	R0140	1,554,903						1,554,903
Net	R0200	13,201,899						13,201,899
<b>Premiums earned</b>								
Gross - Direct Business	R0210	14,410,944						14,410,944
Gross - Proportional reinsurance accepted	R0220	-						-
Gross - Non-proportional reinsurance accepted	R0230	-						-
Reinsurers' share	R0240	1,502,926						1,502,926
Net	R0300	12,908,018						12,908,018
<b>Claims incurred</b>								
Gross - Direct Business	R0310	7,176,542						7,176,542
Gross - Proportional reinsurance accepted	R0320	-						-
Gross - Non-proportional reinsurance accepted	R0330	-						-
Reinsurers' share	R0340	441,748						441,748
Net	R0400	6,734,794						6,734,794
<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>	<b>R0550</b>	6,786,417						6,786,417



<b>Other expenses</b>	<b>R1200</b>									-
<b>Total expenses</b>	<b>R1300</b>									6,786,417

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

		Direct business and accepted proportional reinsurance							Total Non-Life obligation
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Miscellaneous financial loss	
		C0030	C0050	C0060	C0070	C0080	C0090	C0130	C0180
<b>Technical provisions calculated as a whole</b>	<b>R0010</b>	-	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	<b>R0050</b>	-	-	-	-	-	-	-	-
<b>Technical provisions calculated as a sum of BE and RM</b>									
<b>Best estimate</b>									
Premium provisions									
Gross	<b>R0060</b>	172.594	2.565.610	1.152.666	3.870	362.805	333.612	-	4.591.157
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	<b>R0140</b>	740	3.975	1.786	-	27.817	12.187	-	46.504
Net Best Estimate of Premium Provisions	<b>R0150</b>	171.854	2.561.635	1.150.880	3.870	334.988	321.426	-	4.544.653
<b>Claims provisions</b>									
Gross	<b>R0160</b>	47.032	2.992.631	1.082.056	-	75.748	364.680	-	4.562.147
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	<b>R0240</b>	206	51.638	-	-	61.987	2.537	-	116.368
Net Best Estimate of Claims Provisions	<b>R0250</b>	46.826	2.940.993	1.082.056	-	13.761	362.143	-	4.445.779
<b>Total Best estimate - gross</b>	<b>R0260</b>	219.626	5.558.241	2.234.722	3.870	438.553	698.292	-	9.153.305
<b>Total Best estimate - net</b>	<b>R0270</b>	218.680	5.502.628	2.232.936	3.870	348.749	683.569	-	8.990.433
<b>Risk margin</b>	<b>R0280</b>	24.385	450.844	115.889	6.623	81.450	82.619	-	761.809
<b>Amount of the transitional on Technical Provisions</b>									
Technical Provisions calculated as a whole	<b>R0290</b>	-	-	-	-	-	-	-	-
Best estimate	<b>R0300</b>	-	-	-	-	-	-	-	-
Risk margin	<b>R0310</b>	-	-	-	-	-	-	-	-
<b>Technical provisions - total</b>									
Technical provisions - total	<b>R0320</b>	244.011	6.009.085	2.350.611	10.492	520.003	780.912	-	9.915.144



Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	<b>R0330</b>	946	55.613	1.786	-	89.803	14.724	-	162.872
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	<b>R0340</b>	243.065	5.953.472	2.348.825	10.492	430.199	766.188	-	9.752.242

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

				Accident year / Underwriting year	Z0010	Accident year [AY]									
<b>Gross Claims Paid (non-cumulative)</b>															
(absolute amount)															
<b>Development year</b>															
Year		0	1	2	3	4	5	6	7	8	9	10&+			In Current year
		<b>C0010</b>	<b>C0020</b>	<b>C0030</b>	<b>C0040</b>	<b>C0050</b>	<b>C0060</b>	<b>C0070</b>	<b>C0080</b>	<b>C0090</b>	<b>C0100</b>	<b>C0110</b>			<b>C0170</b>
Prior	<b>R0100</b>											4046,00		<b>R0100</b>	4.046
N-9	<b>R0160</b>	3.984.474	833.117	147.319	111.348	-285	308.553	174.334	65.740	8.760	25.308			<b>R0160</b>	25.308
N-8	<b>R0170</b>	4.257.273	887.774	37.140	16.582	19.428	6.598	15.126	122.217	-2.007				<b>R0170</b>	-2.007
N-7	<b>R0180</b>	4.244.832	686.404	111.538	111.340	17.848	-865	398	150.264					<b>R0180</b>	150.264
N-6	<b>R0190</b>	3.852.175	748.264	96.304	12.432	-2.639	-	-						<b>R0190</b>	-
N-5	<b>R0200</b>	4.222.396	1.201.723	124.687	133.507	95.879	177.365							<b>R0200</b>	177.365
N-4	<b>R0210</b>	3.883.993	936.290	184.473	397.124	26.905								<b>R0210</b>	26.905
N-3	<b>R0220</b>	4.112.473	1.384.533	167.954	220.113									<b>R0220</b>	220.113
N-2	<b>R0230</b>	3.998.059	1.183.673	282.720										<b>R0230</b>	282.720
N-1	<b>R0240</b>	4.436.908	1.605.382											<b>R0240</b>	1.605.382
N	<b>R0250</b>	4.932.631												<b>R0250</b>	4.932.631
													<b>Total</b>	<b>R0260</b>	7.422.727



## 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&+		Year end (discounted data)	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360	
Prior	R0100												41.566	R0100	41.818
N-9	R0160	-	-	-	-	-	-	251.470	139.965	136.618	95.352			R0160	95.933
N-8	R0170	-	-	-	-	-	301.684	252.736	77.621	89.477				R0170	90.020
N-7	R0180	-	-	-	-	199.189	145.881	174.904	64.928					R0180	65.320
N-6	R0190	-	-	-	110.293	91.572	94.983	92.071						R0190	92.632
N-5	R0200	-	-	513.139	384.972	251.133	119.959							R0200	120.691
N-4	R0210	-	866.403	703.609	156.409	127.580								R0210	128.358
N-3	R0220	2.141.919	785.488	382.989	88.891									R0220	89.432
N-2	R0230	2.338.269	757.669	299.671										R0230	301.496
N-1	R0240	2.878.765	774.755											R0240	779.471
N	R0250	2.740.360												R0250	2.756.978
													Total	R0260	4.562.147

## Appendix F – Own Funds and Reconciliation Reserve

### (S.23.01.01)

		Total	Tier 1 - unrestricted
		C0010	C0020
<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>		<del> </del>	<del> </del>
Ordinary share capital (gross of own shares)	<b>R0010</b>	2.565.000	2.565.000
Share premium account related to ordinary share capital	<b>R0030</b>	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	<b>R0040</b>	-	-
Subordinated mutual member accounts	<b>R0050</b>	-	<del> </del>
Surplus funds	<b>R0070</b>	-	-
Preference shares	<b>R0090</b>	-	<del> </del>
Share premium account related to preference shares	<b>R0110</b>	-	<del> </del>
Reconciliation reserve	<b>R0130</b>	8.302.258	8.302.258
Subordinated liabilities	<b>R0140</b>	-	<del> </del>
An amount equal to the value of net deferred tax assets	<b>R0160</b>	-	<del> </del>
Other own fund items approved by the supervisory authority as basic own funds not specified above	<b>R0180</b>	-	-
<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>		<del> </del>	<del> </del>
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>R0220</b>	-	<del> </del>
<b>Deductions</b>		<del> </del>	<del> </del>
Deductions for participations in financial and credit institutions	<b>R0230</b>	-	-
<b>Total basic own funds after deductions</b>	<b>R0290</b>	10.867.258	10.867.258
<b>Ancillary own funds</b>		<del> </del>	<del> </del>
Unpaid and uncalled ordinary share capital callable on demand	<b>R0300</b>	<del> </del>	<del> </del>
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	<b>R0310</b>	-	<del> </del>
Unpaid and uncalled preference shares callable on demand	<b>R0320</b>	-	<del> </del>
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	<b>R0330</b>	-	<del> </del>
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	<b>R0340</b>	-	<del> </del>
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	<b>R0350</b>	-	<del> </del>
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	<b>R0360</b>	-	<del> </del>
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	<b>R0370</b>	-	<del> </del>
Other ancillary own funds	<b>R0390</b>	-	<del> </del>
<b>Total ancillary own funds</b>	<b>R0400</b>	-	<del> </del>
<b>Available and eligible own funds</b>		<del> </del>	<del> </del>
Total available own funds to meet the SCR	<b>R0500</b>	10.867.258	10.867.258
Total available own funds to meet the MCR	<b>R0510</b>	10.867.258	10.867.258
Total eligible own funds to meet the SCR	<b>R0540</b>	10.867.258	10.867.258
Total eligible own funds to meet the MCR	<b>R0550</b>	10.867.258	10.867.258
<b>SCR</b>	<b>R0580</b>	6.015.742	<del> </del>
<b>MCR</b>	<b>R0600</b>	3.700.000	<del> </del>
<b>Ratio of Eligible own funds to SCR</b>	<b>R0620</b>	180,65%	<del> </del>
<b>Ratio of Eligible own funds to MCR</b>	<b>R0640</b>	293,71%	<del> </del>

		C0060	
<b>Reconciliation reserve</b>			
Excess of assets over liabilities	<b>R0700</b>	10.867.258	
Own shares (held directly and indirectly)	<b>R0710</b>	-	
Foreseeable dividends, distributions and charges	<b>R0720</b>	-	
Other basic own fund items	<b>R0730</b>	2.565.000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	<b>R0740</b>	-	
<b>Reconciliation reserve</b>	<b>R0760</b>	8.302.258	
<b>Expected profits</b>			
Expected profits included in future premiums (EPIFP) - Life business	<b>R0770</b>	-	
Expected profits included in future premiums (EPIFP) - Non- life business	<b>R0780</b>	-	
<b>Total Expected profits included in future premiums (EPIFP)</b>	<b>R0790</b>	-	

## 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	<b>R0010</b>	1.349.328		
Counterparty default risk	<b>R0020</b>	2.371.490		
Life underwriting risk	<b>R0030</b>	-		
Health underwriting risk	<b>R0040</b>	201.751		
Non-life underwriting risk	<b>R0050</b>	3.611.594		
Diversification	<b>R0060</b>	-1.745.749		
Intangible asset risk	<b>R0070</b>	-		
<b>Basic Solvency Capital Requirement</b>	<b>R0100</b>	5.788.414		

Calculation of Solvency Capital Requirement		C0100
Operational risk	<b>R0130</b>	432.328
Loss-absorbing capacity of technical provisions	<b>R0140</b>	-
Loss-absorbing capacity of deferred taxes	<b>R0150</b>	-205.000
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>	6.015.742
Capital add-on already set	<b>R0210</b>	-
<b>Solvency capital requirement</b>	<b>R0220</b>	6.015.742
<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>	-

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

<b>Linear formula component for non-life insurance and reinsurance obligations</b>				
		<b>C0010</b>		
MCR <sub>NL</sub> Result	<b>R0010</b>	1.977.176		
			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>	218.680
Workers' compensation insurance and proportional reinsurance			<b>R0040</b>	-
Motor vehicle liability insurance and proportional reinsurance			<b>R0050</b>	5.502.628
Other motor insurance and proportional reinsurance			<b>R0060</b>	2.232.936
Marine, aviation and transport insurance and proportional reinsurance			<b>R0070</b>	3.870
Fire and other damage to property insurance and proportional reinsurance			<b>R0080</b>	348.749
General liability insurance and proportional reinsurance			<b>R0090</b>	683.569
Credit and suretyship insurance and proportional reinsurance			<b>R0100</b>	-
Legal expenses insurance and proportional reinsurance			<b>R0110</b>	-
Assistance and proportional reinsurance			<b>R0120</b>	-
Miscellaneous financial loss insurance and proportional reinsurance			<b>R0130</b>	-
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>	1.977.176		
SCR	<b>R0310</b>	6.015.742		
MCR cap	<b>R0320</b>	2.707.084		
MCR floor	<b>R0330</b>	1.503.936		
Combined MCR	<b>R0340</b>	1.977.176		
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		

