Solvency and Financial Condition report as at 31st Dec 2016

Certain information is this report has been subjected to audit by external auditors. The information subjected to audit is defined in the "Orders of the Superintendent of Insurance in relation to the annual audit of the Solvency and Financial Condition Report".

The auditors' opinion has been that the QRTs subjected to review have been prepared, in all material respects, in accordance with the Law, the relevant EU Commission's Delegated Regulations, the relevant EU Commission's Implementing Regulations, as well as the relevant Orders of the Superintendent. The auditors' opinion is that the "Other Information" is not materially inconsistent with the relevant elements of the SFCR, or the auditors' knowledge obtained during the audit and does not otherwise appear to be materially misstated.

PANCYPRIAN INSURANCE

Solvency and Financial Condition report as at 31st Dec 2016

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1 Summary

1.1 Purpose of the report

The purpose of this report is to satisfy the public disclosure requirements under the new, harmonised EU-wide regulatory regime for Insurance Companies (Solvency II) which came into effect on 1 January 2016. The elements of the disclosure relate to business performance, governance, risk profile, solvency and capital management. This document is the first Solvency and Financial Condition Report required to be published by Pancyprian Insurance Ltd.

1.2 Overview of the Company

Pancyprian Insurance Ltd (PIL) was incorporated in Cyprus in 1992. It is the third largest general insurance company in Cyprus in terms of gross written premium. Even though it underwrites a wide-range of insurance products, the company mainly focuses on motor, fire and liability business (comprises of 95% of its portfolio). It underwrites business across all the non-occupied areas of Cyprus. It is regulated by the Superintendent of Insurance of the Republic of Cyprus.

In 2016, the Company has generated net profit of €2.9m, driven by strong underwriting performance.

The Company has established a robust and sound system of governance enabling the prudent and effective control and management of the Company. The ultimate authority is the Board of Directors, supported by its two subcommittees (the Investment, Risk Management and Reserves Committee and the Audit Committee) and the Management of the Company. The governance structure sets out clear accountabilities and responsibilities across all the functions of the Company and in particular the key functions (Actuarial, Compliance, Risk Management and Internal Audit).

The key functions are integrated within the organizational structure and involved in the decision-making of the company ensuring that the business, capital and risk strategies are fully aligned to achieve the strategic objectives set by the Board of Directors whilst ensuring the risk profile of the Company remains within the approved risk tolerance.

Some of functions have been outsourced, however, rigorous checks are performed to ensure that outsourcing providers have the ability and capacity to deliver the required functions and activities to high levels of standards.

As PIL is one of the largest general insurance companies, operating solely in Cyprus, its key sources of risk are underwriting and counterparty default risk. To protect against these risks, strong mitigation techniques are applied. The company assesses its risk and capital requirements using the EIOPA's Solvency II Standard Formula, amongst others.

The Company enjoys a healthy solvency and capital position as demonstrated in the table below (all figures as at 31st Dec 2016 in €m):

	€m
Capital requirement	14,3
Available capital	20,7
Surplus capital	**6,4**
Solvency ratio	**145%**

The Company's reporting currency is Euro.

1.3 Material changes during 2016

There have been no material changes in the underwriting and business profile of the Company in 2016. Continuous efforts to improve the risk profile of the Company have led to increasing investment in better credit quality counterparties.

The system of governance of the Company has been strengthen by the establishment of the key functions as per the Solvency II guidelines and requirements.

There have been no material changes in the processes, tools, bases, methodologies and assumptions applied by the Company to calculate its financial and regulatory requirements, obligations and reporting. Details of any changes can be found in the individual sections.

2 Business and Performance

2.1 Business

2.1.1 Name and legal form of undertaking

Pancyprian Insurance Company Ltd, was initially founded in 1963 in the UK when there was no legislation on insurance companies in Cyprus in place. It used to provide both life and non-life insurance services. In 1992, a company was incorporated in Cyprus under the name "Pancyprian Insurance Limited" (hereafter the "Company") offering only non-life insurance services and took over the UK Company's portfolio.

2.1.2 Name and contact details of the supervisory authority

The Superintendent of Insurance is the competent authority for the supervision of the insurance sector in the Republic of Cyprus and exercises all the powers granted to him/ her by the Law on Insurance and Reinsurance Services and Other Related Issues of 2016 [Law 38(I) 2016] and by the relevant Regulations, for the purpose of protecting the policyholders and the insurance beneficiaries. The supervisor contact details are:

Insurance Companies Control Service
Address: P.O. Box 23364, 1682 Nicosia
Telephone Number: 22602990
Fax Number: 22302938
E-mail: insurance@mof.gov.cy

2.1.3 Name and contact details of the parent company's supervisory authority

The Central Bank of Cyprus
80 John Kennedy Avenue
1076 Nicosia
Cyprus
Telephone: 22714100

2.1.4 Name and contact details of the external auditor

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia, Cyprus
Telephone Number: 22209000

Fax Number: 22513294
E-mail: www.kpmg.com.cy

2.1.5 Holders of qualifying holdings

The Company's shareholders with qualifying holdings are:

- Hellenic Bank Public Company Ltd 99.96%
- Paris Voyazianos 0.04%

2.1.6 Company's position within the Group legal structure

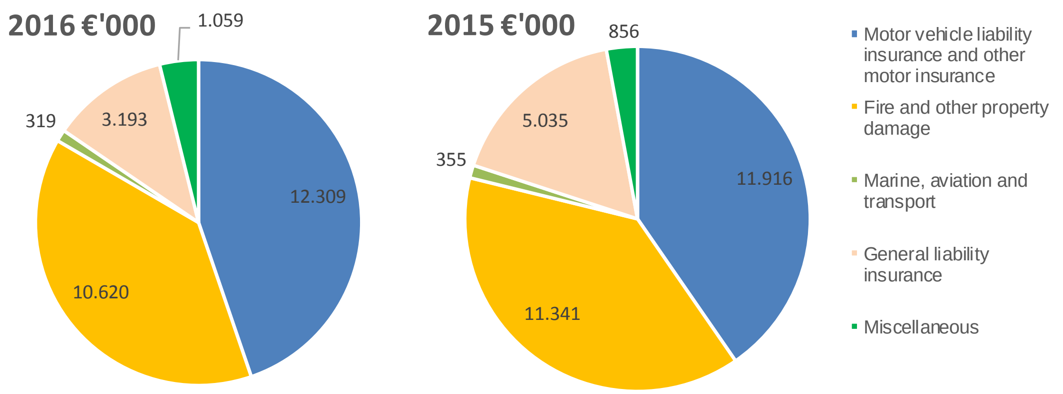
The Company is almost exclusively owned by Hellenic Bank Public Company Ltd since 1999, which owns 99.96%. It is the third largest non-life insurance company in Cyprus holding 7.7% of the market share of the Cypriot general insurance sector (as per 2016 Insurance Association of Cyprus public statistics). The Company's income from insurance services was approximately €27.5 m for the year ended 31.12.2016.

2.1.7 Material lines of business and material geographical areas

Pancyprian Insurance Ltd offers non-life insurance coverage to individuals and commercial/ corporate clients in the following classes of business:

- Motor vehicle liability insurance and other motor insurance;
- Fire and other property damage;
- Marine, aviation and transport;
- General liability insurance; and
- Miscellaneous.

The following charts present 2016 and 2015 Gross Premium Written per class of business:



The Company has presence all over Cyprus through its branches in Nicosia, Limassol, Larnaca, Famagusta and Paphos. In addition to writing business directly, the Company uses an extensive network of insurance intermediaries (agents) and also writes bancassurance through the Hellenic Bank Public Company Limited branch network all over Cyprus.

The company only writes business across the non-occupied areas of Cyprus.

2.1.8 Significant business or other events

No significant business or other events have occurred over the reporting period that have had a material impact on the Company.

2.2 Underwriting Performance

2.2.1 Aggregate level

The underwriting performance information given in this section is on an IFRS basis, as the Company prepares its financial statements in accordance with IFRS.

The Company has generated net revenue from insurance premiums amounting to €17.3m for the year 2016, compared to €17.0m in 2015. The Company's Profit after Tax for the year of €2.9m has increased by 19% compared to 2015 (€2.4m). The increase is mainly attributed to growth in Net Premiums Earned and reduction in net claims incurred for the year.

Underwriting performance has been positive, with technical profits (before the deduction of Administration and Other expenses) reported in all lines of business.

2.2.2 Performance by material line of business

The technical profit (Underwriting Profit before deducting Payroll and Administration expenses) reported for the year ended 31 December 2016 in the management accounts was €9.3m and is analyzed by class of business in the table below:

Class	**2016**	**%**	**2015**
	€'000	**variance**	**€'000**
Motor vehicle liability insurance and other motor insurance	4.484	6%	4.219
Fire and other property damage	3.453	1%	3.417
Marine, aviation and transport	121	-46%	225
General liability insurance	931	-2%	954
Miscellaneous	326	38%	236
	9.315	**3%**	**9.051**

Ratios	**2016**	**2015**
Loss Ratio	(48.7%)	(51.1%)
Combined Ratio	(88.2%)	(92.3%)

2.3 Investment Performance

2.3.1 Income and expenses arising from investments by asset class

The table below sets out the investment portfolio composition by asset class:

	2016 €'000	2015 €'000
Available for sale Investments:		
- European Investment Bank Bonds	4.000	4.014
- Cyprus Government Bonds	1.481	-
- ETFs (Exchange Traded Funds)	1.260	920
Bank Deposits - Fixed Deposits	3.688	18.197
Bank Deposits - Current Accounts	17.981	4.515
Investment Property	1.766	1.229
	30.178	**28.874**

The Company's investment Income and Expenses are shown in the following tables:

Investment Income

	2016 €'000	2015 €'000
Dividends from ETF's	14	
Interest Income from Bonds	8	11
Interest Income from Banks	215	449
	237	**460**

Interest income from Banks in 2016 is lower than 2015 due to lower interest rates offered by banks.

Investment Expenses

	2016 €'000	2015 €'000
Loss on disposal of Shares		122
Impairment of Investment Property	18	63
	18	**185**

2.3.2 Gains and losses recognised directly in equity

Available for Sale Financial Assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences are recognized in other comprehensive income and accumulated in the fair value reserve. The movement in the fair value reserve for 2016 was a gain of €5,6k.

2.3.3 Investments in securitisation

No investments in securitization instruments.

2.4 Performance of other activities

2.4.1 Other material income and expenses

There have been no other significant activities undertaken by the Company other than its insurance and related activities.

2.5 Any other information

There are no other material matters in respect to the business or performance of the Company.

3 System of Governance

3.1 General information on the system of governance

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. The Board of Directors (BoD) has the ultimate responsibility to ensure a prudent governance structure and a robust and sound risk management framework.

The Company's administrative, management and supervisory body ("AMSB") is comprised by the BoD, Senior Management and key functions such as Risk Management, Actuarial, Compliance and Internal Audit.

The Company's corporate governance framework is based on the "three lines of defense model" which supports the implementation of a robust internal control system and is aligned with the 'four eye principle' that the Company is required to comply.

The Company's organizational structure enables changes in strategic objectives, operations, or in business environment within appropriate time period. These are designed to:

- Enable apportionment of responsibilities and clear accountabilities.
- Facilitate prompt transfer of information to all persons who need it.
- Prevent conflicts of interest, in cases where multiple tasks are performed by the same individual or organizational unit.
- Ensure the prudent and effective management of the Company.

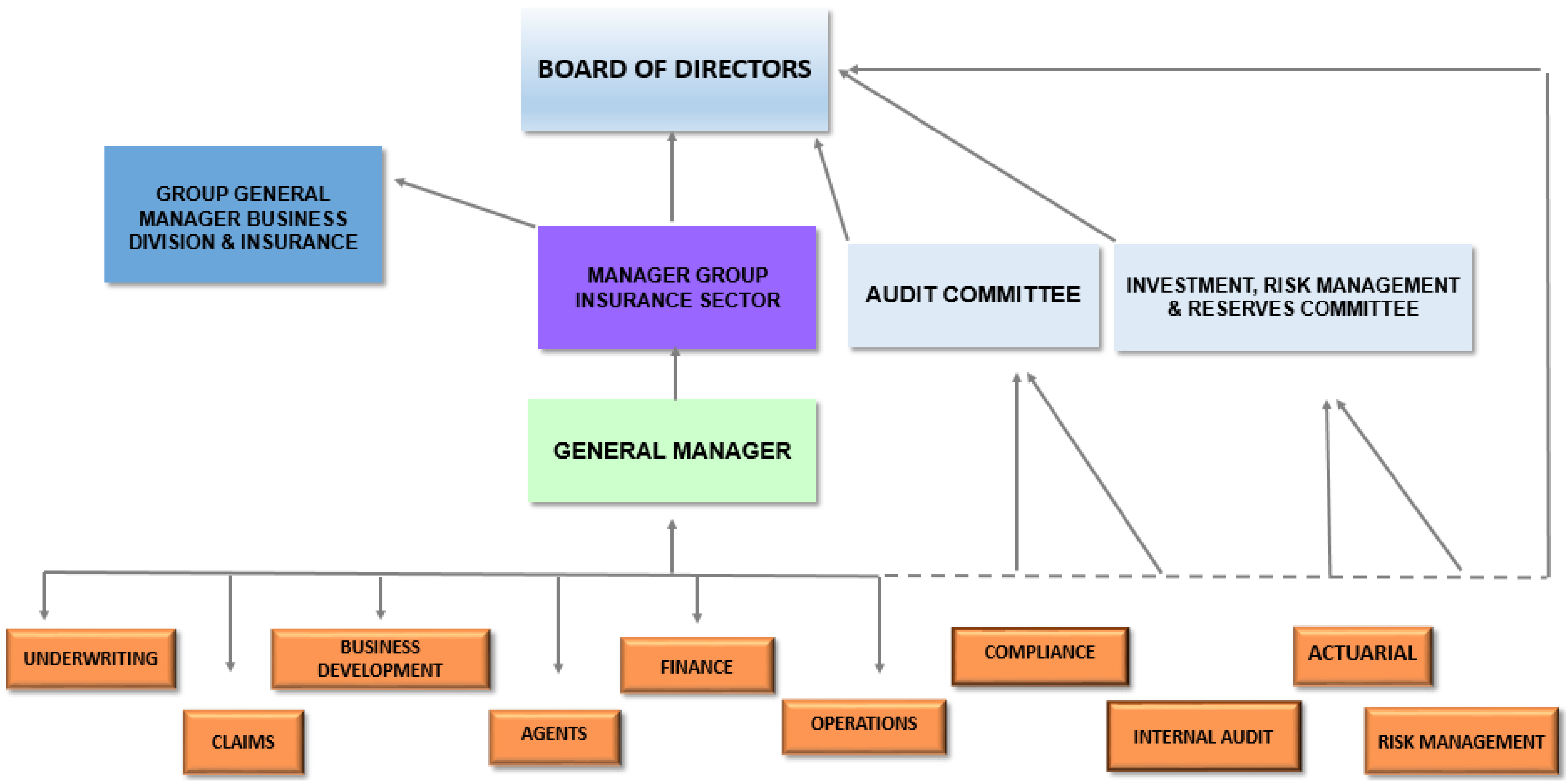
The three lines of defense are embedded within the organizational structure and reporting lines, in order to enforce an effective internal control system.

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

The Business Functions of the Company through their Heads have the responsibility for the implementation of the BoD's strategy in their business functions. They report directly to the General Manager with regards to their day-to-day duties. In order to minimize the possibility of a potential conflict of interest and preserve their operational independence, the key control functions have additional direct reporting lines to the BoD or Board Committees. These additional reporting lines are implemented in order to ensure that these functions have the ability to escalate important issues directly to the BoD. Consequently, the Risk, Compliance and Actuarial Functions have a reporting line to the Investment, Risk Management and Reserves Committee as well as Audit Committee.

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

The organizational structure of the Company is presented in the diagram below:


BOARD OF DIRECTORS
GROUP GENERAL MANAGER BUSINESS DIVISION & INSURANCE
MANAGER GROUP INSURANCE SECTOR
AUDIT COMMITTEE
INVESTMENT, RISK MANAGEMENT & RESERVES COMMITTEE
GENERAL MANAGER
UNDERWRITING
CLAIMS
BUSINESS DEVELOPMENT
AGENTS
FINANCE
OPERATIONS
COMPLIANCE
INTERNAL AUDIT
ACTUARIAL
RISK MANAGEMENT

3.1.1 The structure of the Board of Directors (BoD)

BoD's main roles and responsibilities

The BoD is the ultimate authority for the management of the Company and it maintains responsibility for the prudent management of the Company. The BoD organizes and directs the affairs of the Company in a manner that seeks to protect its policyholders' funds and maximize the value of the Company for the benefit of the shareholders, whilst complying with regulatory requirements and relevant governance standards.

In performing its overall oversight function, the BoD reviews and assesses the Company's strategic and business planning, its solvency position, as well as the Senior Management's approach to addressing significant risks and challenges faced by the Company. As part of its duties, the BoD reviews and discusses reports submitted by the Senior Management with respect to financial and non-financial performance.

The BoD is responsible for setting the appropriate "tone at the top" by providing appropriate organizational values, ethics and priorities and by establishing and embedding an organizational culture that supports the effective operation of the system of governance.

The main responsibilities of the BoD are the following:

- Ultimate supervisory body responsible for ensuring that corporate governance within the Company is sufficient and appropriate.
- Delegate authority to certain Committees to monitor and oversee the main business lines of the Company.
- Regular and robust interaction with the Committees.
- Ensure that all of the BoD members have full knowledge of their responsibilities under corporate governance and appropriate qualification and training in order to discharge their duties.
- Maintains active and open communication with Senior Management.
- Responsible to provide (set) the organizational values, ethics and priorities for an effective system of governance.
- Organizes and directs the affairs of the Company to protect policyholder funds, and maximize the value of the Company.
- Reviews and assesses the Company's strategy, business planning, solvency position and risk management approach.
- Reviews and discusses regular reports with respect to financial and non-financial performance.

Investment, Risk Management and Reserves Committee (IRRC)

The Committee, as an advisory Committee to the BoD, assists with the formulation of the Company's overall investment and risk strategies and policies for managing risks. It is also responsible for designing and implementing the Company's Investment and Risk Management Framework and ensuring the Company's overall system of internal control operates effectively. Further responsibilities include the review of the actuarial reserves and the recommendation for approval by the BoD.

The main responsibilities of the IRRC are to:

- Oversee the development, implementation and maintenance of the overall Investment and Risk Management strategy framework.
- Monitor and review Company's risk profile, risk appetite and risk exposures. In the event of any breaches, it is responsible to review and approve the action plan for the remediation.
- Review actuarial reserves and advise the BoD for the approval of reserves.
- Review and examine Senior Management suggestions for changes in investment strategy, limits and exposures.

Audit Committee

The Committee is accountable to the BoD. It assists the BoD in meeting its responsibilities by ensuring an effective system of internal control and compliance are in place and ensure its external financial reporting obligations are met, including its obligations under applicable laws and regulations. It is directly responsible on behalf of the BoD for the selection, oversight and remuneration of the external auditor.

The main responsibilities of the Audit Committee are to:

- Ensure the effective system of internal control and compliance with external obligations.
- Review the financial statements of the Company with respect to its financial performance.
- Ensure that financial reporting is up-to-date and includes all relevant information.
- Review external auditors' performance, independence, effectiveness and objectivity.
- Meet Internal Audit Function at least once a year.
- Monitor and review Senior Management reports with respect to internal control effectiveness and compliance.

3.1.2 Key functions' main roles and responsibilities

The following section provides a summary of the authority, resources and operational independence of the key functions.

- Internal Audit Function ("IAF") – independent of any other functions which have operational responsibilities. The IAF reports to the BoD through the Audit Committee. The IAF is responsible for the evaluation of the internal control systems (ensuring they are adequate and effective) and other elements of the system of governance.
- Compliance Function – responsible to ensure that both the Company and its employees comply with the applicable laws and regulatory requirements. All internal policies and procedures of the Company must be in line with the Company's compliance policy.
- Actuarial Function – responsible to ensure that the calculation and adequacy of technical provisions, including the assumptions applied, are valid and consistent.
- Risk Management Function ("RMF") – designed with the ability to continuously evolve to respond to changes in the Company's strategic goals, internal circumstances and market conditions. The RMF is responsible for the identification, measurement and management and reporting of the key risks that the Company faces. In order to facilitate the most effective operation and the objectivity of the risk management system, the RMF

is operationally independent of risk-taking functions. The RMF must examine the risks covered under Solvency II calculations as well as other risks not covered in Solvency II.

3.1.3 Material changes in the system of governance over the reporting period

The following key functions have been outsourced to the Group (Hellenic Bank) during the reporting period:

- Internal Audit
- Compliance

The Actuarial Function has also been outsourced to Lux Actuaries & Consultants (Cyprus) Ltd. Mr. Dimitris Dimitriou (Director at Lux Actuaries & Consultants (Cyprus) Ltd) has been appointed as the Company's Certified Actuary.

3.1.4 Remuneration policy and practices for the BoD and employees

The Company adopts the Remuneration policy of the Group (Hellenic Bank). The BoD is responsible for the implementation of the Remuneration Policy and specifically its application to Board, Senior Management and key function holders.

The Group's Remuneration Policy applies to the Company as a whole without exception. A focus is placed on those roles where the individual interests and those of the undertaking are more likely to raise potential conflicts.

Principles of the remuneration policy

The remuneration of all staff employed by the Company complies with the Group's principles:

- Be in line with the Company's business and risk strategy, risk profile, objectives, values, risk management practices and long-term entity wide interests and performance.
- Consider both financial and non-financial performance.
- Comprehensively and properly reflect the individual and the Company's performance.
- Take appropriate account of the material risks including the relevant time horizons.
- It is subject to a central and independent internal review, at least annually, in terms of compliance and implementation.
- It links the amount of reward/ variable remuneration given with measurable performance criteria.

The following general principles also apply:

- The remuneration of employees involved in risk-taking activities such as underwriting, reinsurance ceding or investment management activities, is designed so as not to encourage unauthorized or unwanted risk-taking that exceeds the level of risk tolerated by the Company and is consistent with and promotes sound and effective risk management. It is structured and managed in a way that does not allow any possibility of manipulation.
- The design of the remuneration policy is such that it does not have an adverse effect on the long term interests of the Company and aligns the objectives of the Company and its personnel with a long term view. Hence, the remuneration structure is based on a long-term view of the Company's financial performance rather than on short-term results.

- The remuneration of all employees is based on an assessment of the individual's performance against objectives. The following aspects are also considered:
    - The overall strategy of the Company.
    - The broader performance Management framework of the Company.
    - The compliance culture that is implemented in the Company.
    - The Company's code of ethics.
    - The impact of the remuneration policy and practices on policyholders' beneficiaries.
    - The measures implemented in order to avoid conflicts of interest between the employees and the Company as a whole.

Share options, shares or variable remuneration components

Not applicable.

Supplementary pension or early retirement schemes

Not applicable.

3.1.5 Material transactions with persons of influence

Hellenic Bank (HB)

The key business transactions conducted by PIL and HB are the following:

- Underwriting HB insurance policies
- HB is a tied agent and as such receives commission for its services

Directors and Senior Management

All transactions of Directors and Senior Management with the Company are done in the ordinary course of business. All transactions are done at an arm's length basis.

3.2 Fit and proper requirements

3.2.1 Skills, knowledge and expertise

The Company ensures that all persons who effectively run the Company or have other key functions are fit to provide a sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

3.2.2 Fitness and propriety assessment

Fitness

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

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

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

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

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

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 analysis, i.e. the ability to interpret the Company's financial 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.
- 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 at an adequate level so that the sound and prudent management of the undertaking will continue.

Propriety

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

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

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

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

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

The Company requires a number of criteria to the 'fit and proper' tests to be met. The key criteria are:

- Relevant criminal offences
- Relevant disciplinary or administrative offences
- Current or pending investigations or enforcement actions, the imposition of administrative sanctions for non-compliance with provisions governing banking, financial, securities or insurance activity, securities markets, securities or payment instruments or any financial services legislation.

All individuals under the scope of the Fit and Proper requirement must comply with regulatory requirements, as well as the Company's requirements and policies. Individuals in scope of the fit and proper requirement are required to self-certify to Human Resources on an annual basis their continuing fitness and propriety if any changes occur.

They should promptly inform Human Resources if they think their fitness and propriety has changed adversely. They should also inform Compliance if it is possible they have breached or will breach the Code of Standards or other regulatory requirements.

If they contravene the Company's policies and Code of Standards or requirements of the regulatory regime, they may be subject to disciplinary action by the Company. In addition they may be disciplined by the regulator. In deciding whether an individual is responsible for a breach, the Company will consider whether the action was deliberate, or whether the behaviour was below the standard which would be reasonable in all the circumstances.

3.3 Risk management system (including ORSA)

3.3.1 Risk management system description

3.3.1.1 Strategies

The Company's risk management strategy is clearly defined and well documented. It 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.

The Company's risk management strategy is fully aligned with the overall business strategy set by the BoD.

3.3.1.2 Processes

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

The Risk Management system is effective and well-integrated into the organizational structure and in the decision making process of the Company with proper consideration of the persons who effectively run the Company or have other key functions.
The Risk Management process is comprised of the following stages below:

- Risk identification

- Risk measurement
- Risk monitoring and reporting
- Risk mitigation

3.3.1.3 Reporting procedures

The Risk Management function is an independent function of the Company which means it has a direct reporting line to the Company's IRRC and the BoD.

Risk reporting is performed through three different types of reports:

- Business and management reports (regular communication to the Senior Management for the performance of each type of risk).
- Board and Committee reports (quarterly and annual reporting with respect to the Company's solvency position and risk exposure).
- Disclosure and reporting reports (all regulatory reporting information that must be submitted to the regulator).

3.3.2 Risk management function effectiveness

Risk identification: is the first step of the risk management process which identifies and records all material risk exposures that arise from the Company's activities. All risks identified and reported in the Company's risk register and are also tested during the ORSA process. Risk identification is applicable for both existing and emerging risks.

Risk measurement: is the assessment of the materiality of the Company's risks (i.e. their impact on capital or earnings and whether it is above or below the threshold set by the Company). The Company applies consistent sound principles for the development and maintenance of risk and performance measurement methodologies (which are also guiding principles in the ORSA process). Qualitative assessments are performed based on expert judgements, prior experience, and benchmarking and qualitative estimation of severity and impact of the adverse events. Quantitative assessments refer to the measurement of the risks involved using quantification techniques. In particular for Pillar 1 risks, the Company's quantification techniques focus on Solvency II standard formula, however additional developed methodologies such as stress testing and scenario analysis are also applied to estimate whether the the solvency requirement for Pillar 1 risks is adequate and to quantify the exposure to risks that are not covered under Pillar 1.

Risk monitoring and reporting: is undertaken in the context of the overarching limit structure, and any limit breaches must be quickly and promptly escalated to the required parties. The Risk Management function has the responsibility to ensure that all material risk exposures are monitored on an ongoing basis and that any risks that fall outside the approved risk appetite of the Company are identified and appropriately escalated to the Company's Investments, Risk Management and Reserves Committee.

Risk mitigation: is the development of controls that are used to safeguard the integrity of the processes and systems. The Risk Management evaluates and adopts appropriate risk transfer methods to mitigate its exposure to the identified risks.

3.3.3 Risk management system implementation and integration

The Risk Management as part of the Company's System of Governance, aims at facilitating the implementation of the Risk Management System of the Company. The mission of the Risk Management is the efficient and effective management of risks in accordance with the risk appetite of the Company.

The Risk Management Function and its associated reporting lines are free from influences that may compromise their ability to undertake their duties in an objective, fair and independent manner.

The Risk Function reports to the BoD through the IRRC (Investments, Risk Management and Reserves Committee), through which it is possible to escalate issues and act independently from the management. It also cooperates with other business functions to carry out its role. By adhering to this principle, the management of risks within the Company remains independent from all risk-taking activity.

3.3.4 ORSA process

ORSA is a component of the overall risk management and control system of the Company. This allows the risk management function to take into account all the risks associated with the Company's business strategies and the required level of capital that the Company needs to cover such risks. ORSA policy documents all the steps, processes and procedures employed by the Risk Management function to identify, assess, monitor, manage and report the short and long term risks the Company faces or it is likely to face and determines the own funds necessary to ensure that the Company's solvency position is met at all times.

3.3.4.1 ORSA implementation process

The Company follows the steps below in order to implement ORSA:

1. Identify and classify risks, including governance – The Company identifies all material risks facing the organization. The exercise includes the risks considered in the SCR standard formula as well as other risks which are not captured such as strategic, liquidity and reputational risk.
2. Assessment and measurement of material risks through different approaches including stress testing – The Company collects data, quantifies and aggregates risks using different approaches such as Value at Risk and stress testing.
3. Capital Allocation – According to the risk profile, the Company determines the necessary capital over and above the SCR.
4. Capital Planning for the next 3 years – Based on the capital allocation projections, the Company prepares a capital plan for the following 3 years. These plans depend on the BoD and management's strategic objectives, financial projections and assumptions for future economic growth.
5. Stress testing and scenario analysis – The Company's Risk management function applies stress and scenario analysis to the forward looking capital plan and develops actions that can be taken in unforeseen circumstances in the future.
6. Communication and documentation of results – The Company's Risk management function is responsible to document and present the results of the process to the BoD, and the management before submitting the annual ORSA report to the regulator.

Stress Testing

The Risk management function carries out stress tests (either sensitivity or scenario analysis) that are used as the basis of the ORSA exercise. The stress testing scope and frequency is compatible with the principle of proportionality, taking into account the nature, scale and complexity of the business, the financial condition of the Company and the external environment.

The purpose of these tests is to measure the impact of any change during the Company's normal business process which influence the risk exposure. The Company's Risk management function should take immediate actions in order to monitor, control and mitigate the risk situation and determining any consequences.

The Risk management function in cooperation with other business areas identifies the key areas on which the stress tests will be performed. The identification is performed by considering the Company's exposure to internal, such as a change in business plan, and external factors, such as certain possible events with negative effects or a deterioration of economic conditions. Internal and external factors taken into consideration are clearly described in the ORSA report.

The primary task of the Risk management function is the identification of the key risk factors that should be stressed in order to assess the Company's stressed risk position. Stress tests are defined within the Company's portfolio characteristics and assumed risks (in line with the actual external environment). For each stress test performed the Risk management function assess the adequacy of established mitigating measures as well as additional compensating measures. Based on the Risk management function assessment, the Management and the BoD review the stress testing outcome and develop the short and long term capital management plan allowing for the business strategy and risk tolerance.

As part of the ORSA exercise the Risk management function has to assess whether the data used for the calculation satisfy the data quality standards of:

- Accuracy;
- Completeness; and
- Appropriateness.

To ensure that the data used in the calculation of technical provisions and ORSA report is accurate the following conditions are met:

- Data are free from material errors.
- Data consistency.
- Data are recorded on a timely manner and are consistently over time.

To ensure data completeness the following conditions are satisfied:

- Data are of sufficient granularity and include sufficient historical information to identify trends and assess characteristics of the underlying risk.
  Data satisfying the conditions above are included in the calculation of technical provisions, and SCR calculation.

To ensure data appropriateness the following conditions are met:

- Data are consistent throughout time.
- Amount and nature of data ensure the estimations made do not include a material error.
- Data are consistent with the assumptions underlying the actuarial and statistical techniques.

- Data reflect the risks to which the Company is exposed with respect to insurance obligations.

3.3.4.2 ORSA integration into the organizational structure and decision making processes

The ORSA is fully integrated into the organizational structure and decision making processes of the Company as indicated by the roles and responsibilities of the different bodies and committees. These are described in the table below:

Responsible Body / Function	Responsibility
BoD	- Definition of corporate objectives and risk strategies, definition of the Company's risk profile, which will be used as a significant input to ORSA. - Approval of the budget. - Establishment of a suitable internal control system, especially with regard to the ORSA. - Understanding, review, challenge and approval of the annual ORSA report of the Company.
Investment, Risk Management and Reserves Committee (IRRC)	- Recommendation for improvements of systems, procedures and processes, and adaptation as necessary in accordance with ORSA results. - Review and challenge of the annual ORSA report of the Company and recommendation for approval to the BoD. - Review and challenge of the risk quantification and stress testing performed in the ORSA process. - Review and challenge the results of the Pillar 1 capital calculation and the quality of the data used.
Senior Management	- Dissemination of information on risk strategies and procedures to the employees concerned. - Ensuring that there is adequate expertise and knowledge amongst the employees and officers of the Company to successfully carry out the different tasks required by ORSA. - Understanding of the ORSA of the Company.
Risk Management and Actuarial Function	- Preparation of the Risk Management policies and procedures. - Identification and monitoring of key risks faced by the Company. - Establishment of methods for risk monitoring and measurement. - Coordination of the preparation and implementation of the ORSA. - Quantification and run of the stress test scenarios and analysis of the results. - Recommendation for capital allocation for Pillar 2 and capital projections - Provision of ORSA training to senior manager and staff. - Provision of technical assistance to the ORSA process owners with regards to key technical areas e.g. valuation issues, re-insurance issues, stress testing, etc.
Internal Audit Function	- Independent review of the final ORSA report. - Confirm that the process followed is according to the BoD requirements as set out in the policies and procedures Policies of the Company. - Review the risk assessment, stress testing and capital allocation exercises performed and confirm their compliance with the policies and procedures approved by the BoD. - Review the quality of the data used in the ORSA and its reconciliation with other records.

Responsible Body / Function	Responsibility
Compliance Function	- Ensure that the preparation of the ORSA exercise complies with the Cyprus Insurance Law 2016 and EIOPA guidelines. - Ensure the timely submission of ORSA annual report.
Finance Function	- Preparation of financial projections in accordance with the strategic plan approved by the BoD. - Preparation of Pillar 1 capital planning and projection of own funds based on the planning.
Other Departments	- Compliance and cooperation with the request for collection of data for the implementation of the ORSA and preparation of the ORSA report. - Participation in the risk assessment exercise and support to the Risk Management and Actuarial Function. - Provision of information and adoption of all risk management policies and procedures approved by the BoD. - Provision of timely and accurate data.

3.3.4.3 *ORSA review and approval*

The ORSA report is produced on an annual basis. The document is submitted to the Investment, Risk Management and Reserves committee for review and then to the Board for final approval. The latest ORSA has been submitted to the regulator in December 2016.

3.3.4.4 *Solvency needs determination*

The Company's solvency needs are determined using EIOPA's standard formula. The calculation of the Company's SCR is performed on a quarterly basis which is further submitted to the regulatory authorities.

3.3.4.5 Interaction between capital management activities and risk management system

The Company's solvency needs are determined using EIOPA's standard formula, which allows for the risk mitigation techniques applied, for example reinsurance and the determination of counterparty risk exposure.

In addition, the BoD considered the risk profile when it deciding the capital requirements of the Company.

3.4 Internal control system

3.4.1 Internal control system description

The Company's internal control process is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting and non-financial information.
- Compliance with applicable laws and regulations.
- Achievement of the Company's strategy and objectives.

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

- The BoD is responsible for setting the strategy, tone, culture and values of the Company.
- Senior Management, Risk Management, Actuarial, and Compliance functions 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.

Control Activities

The BoD and Senior Management regularly review actual performance against budgets, forecasts, and prior period results. Senior Management is involved in developing performance plans and targets and measures and reports results against those plans and targets. Head of business units and functions at all business areas review standard performance and exception reports, analyse trends, and measure results against targets on a regular basis.

The Company's Information Security Policy sets the necessary procedure for an effective control of information technology and information security. Key data and programs are appropriately backed up and maintained for business continuity purposes. The Company maintains documented systems operations and has a formal procedure for acquiring and maintaining software programs as per Group IT Policies and procedures. Access to the systems, programs and data is controlled, the systems are maintained in a secure environment and applications are appropriately developed and maintained.

The financial control is subject to annual review of the appropriateness and effectiveness of the controls. The IFRS financial statements are also subject to rigorous controls in the production and review leading up to the publishing. The actuarial liabilities are produced based on the best practice actuarial basis and are subject to the review of the Risk Management function.

3.4.2 Compliance function implementation

The Compliance function is an integral part of the Company's internal control system as it identifies, assesses, monitors and reports the Company's compliance with internal policies and external rules and regulations.

The Compliance function is responsible to:

- Implement the Compliance Policy (including all applicable laws, requirements and procedures).
- Ensure there is a process in place for the appropriate distribution of the Policy.
- Advise the BoD and Senior Management about laws and regulations issued by the Superintendent of Insurance.
- Inform the BoD and Senior Management about deficiencies and weaknesses of internal policies and procedures.
- Submit annual reports to the BoD for the level of the Company's compliance (independence of the Compliance function).
- Provide customers with products and services consistent with the Company's code of conduct.
- Assess the suitability and issue an opinion on Outsourcing agreements of critical or important functions or activities.

- Adherence to the requirements of the Company's and Group's compliance program.
- Cooperate with the regulators and law enforcement agencies as necessary.

3.5 Internal audit function

3.5.1 Internal audit function implementation

The work of the Internal Audit Unit (IAU) is based on its Charter and the Internal Audit Manual approved by the BOD. The IAU authority to unrestricted information, its operating principles, its responsibilities, reporting requirements as well as the Internal Auditors' code of conduct, quality assurance and improvement program, are all laid out in the IAU Charter.

3.5.2 Independence and objectivity

In accordance with the Group Internal audit charter (edition 8, February 2016) as approved by the BOD, the IAU is independent from business and operational units. The Head of Group Internal audit reports directly to the Chair of the Audit Committee and via the Audit Committee to the Board of Directors. According to the charter, the IAU will have direct access to the Audit Committee and its Chairperson and Executive Management regarding matters that the IAU believes are significant to require immediate attention of the Audit Committee and its chairperson and the General Manager.

3.6 Actuarial Function

The Actuarial function reports directly to the BoD through the Investment, Risk Management and Reserves committee. The Actuarial function holder is an internal employee of the Company whereas the Company's Certified Actuary is an external consultant who is responsible to sign off the adequacy of technical reserves.

The Actuarial function is responsible to:

- Calculate the technical provisions on a quarterly basis.
- Ensure the accuracy of the assumptions and methodology applied during the calculation of technical provisions.
- Assess the adequacy and quality of data used during the calculation of technical provisions.
- Compare best estimate with case by case reserves.
- Inform the BoD about the reliability and adequacy of technical provisions.
- Express an opinion for the overall underwriting and reinsurance policy.
- Contribute to the effective implementation of the risk management system.

The Actuarial function produces at least on an annual basis an actuarial report which should cover the responsibilities stated above. The latest actuarial report for the year end 2016 was submitted to the Investment, Risk Management and Reserves committee on February 2017.

3.7 Outsourcing

3.7.1 Outsourcing policy

The Company's outsourcing procedure is in line with the Group's (Hellenic Bank) policies and procedures.

The Company at all times ensures of the "good fame", integrity and adequacy in the provision of the required services of the Service Provider prior to the establishment of any written outsourcing agreement or Service level Agreements (SLA) between the service provider and itself. A confidentiality agreement is always included in the agreements. In case of outsourcing critical or important function(s) (i.e. risk management, actuarial, compliance, internal audit), the Company notifies the regulator in writing of the provisions of the agreement or changes to existing arrangements. Such agreements become effective upon approval by the regulator

When choosing a service provider for any critical or important functions or activities the Company ensures that:

- A detailed examination is performed to ensure that the potential service provider has the ability and capacity and any authorization required by law to deliver the required functions or activities satisfactorily, taking into account the undertaking's objectives and needs.
- The service provider has adopted all means to ensure that no explicit or potential conflict of interests with the Company impairs the needs of the outsourcing undertaking.
- It enters into a written agreement (SLA) with the service provider which clearly allocates the respective rights and obligations of the undertaking and the service provider.
- The general terms and conditions of the outsourcing agreement are authorised and understood by the Company's General Manager (or BoD for critical or important functions or activities).
- The outsourcing does not represent a breach of any data protection regulation or any other laws.
- The service provider is subject to the same provisions on the safety and confidentiality of information relating to the Company or to its policyholders or beneficiaries that are applicable to the Company.

To ensure that the outsourcing of any critical or important functions or activities does not lead to a material impairment of the quality of the Company's governance system:

- The Company ensures that the service provider has in place an adequate risk management and internal control system.
- The outsourced activities are adequately included in the Company's risk management and internal control system.
- The Company establishes a contractual right to information about the outsourced activities and a contractual right to issue instructions concerning the outsourced activities.

3.7.2 Critical or Important operational functions outsourced

The Company employs the services of a specialized road and accident assistance as well as surveyors and loss adjusters for underwriting and claim handling.

3.8 Adequacy of the system of governance

In light of the Company's nature, scale and complexity, the system of governance and in particular the critical functions are considered adequate. It is important that all key persons fulfil the fit and proper requirement tests that have been applied by the Company.

3.9 Any other information

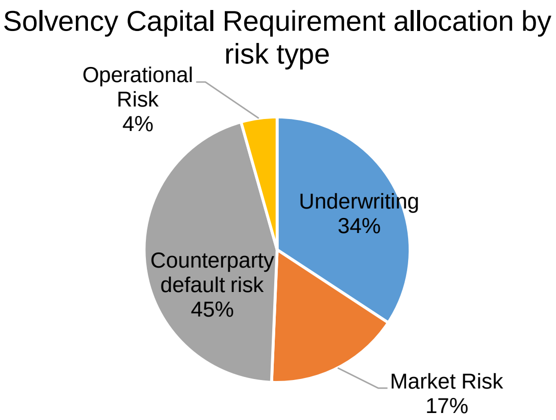
Not applicable.

4 Risk Profile

PIL is one of the largest general insurance companies operating in Cyprus. Its core business is underwriting and as such underwriting risk is one of its key sources of risk. Strong risk mitigation techniques are applied though, thus significantly reducing the impact on the capital requirements.

As it is operating solely in the Cypriot market, PIL holds a significant proportion of its assets in the local market and as such it also has a significant counterparty default risk exposure.

The table below shows the Solvency Capital Requirement (SCR) allocated by risk type as at Q4 2016:



4.1 Underwriting Risk

4.1.1 Risk assessment

The main risk assessment tools used by PIL are the standard formula solvency capital requirement calculation (discussed in more detail in section 6.2), stress and scenario testing (discussed in more detail in section 4.7), the risk register and other quantitative and qualitative assessments. There has been no material change in the tools, parameters or assumptions used since the previous year.

4.1.2 Material exposures/risks

PIL's mainly writes property, motor and liability business (95% of the total portfolio as at 31st Dec 2016). The mix of business written remains broadly similar to previous years, both in terms of lines of business written and also by geographical location. As such, no material changes have been noted in respect of the underwriting profile, but a small increase is noted in respect of the underwriting risk profile reflecting the continued soft rating environment.

4.1.3 Risk Concentration

PIL's book of business is generally well-diversified:

- Geographical split: risks written across Cyprus.
- Distribution channels: business written directly, via a number of agents and using bancassurance, thus accessing a diverse customer base.

- Reinsurance: PIL manages it exposure to any one risk and catastrophic events using reinsurance.

As such, no material risk concentrations have been identified.

4.1.4 Risk Mitigation

1. Portfolio Monitoring

The senior management of the Company receives and reviews:

- Regular reports on the gross written premium, risks written and incurred claims (including large loss claims reserves); and
- Regular detailed profitability analyses and reviews are undertaken both by internal employees and external consultants.

2. Clear delegation of underwriting and claims authorities

There is clear delegation of underwriting and claims authorities within the Company and peer review requirements, with the most complex risks and claims requiring review and sign-off by the General Manager. This ensures that the risks and claims are assessed by personnel of appropriate experience and expertise. It also ensures that the premium charged reflects the characteristics of each risk and appropriate claim provisions are held.

3. Reinsurance

PIL uses reinsurance to protect profit and capital against claims volatility. Each class of business has its own reinsurance treaty and facultative reinsurance is used if a risk falls outside the reinsurance treaties and the Company's risk appetite. A detailed analysis is undertaken on annual basis to assess the most appropriate reinsurance structure in accordance to the business, capital and risk strategies of the Company. Experienced brokers and other external consultants are at times engaged to review the reinsurance structure of the Company and advise on its optimisation and the Actuarial Function issues an opinion on the reinsurance arrangements on an annual basis. The credit rating and the financial condition of the key reinsurance counterparties are reviewed on a quarterly basis (currently "A-"rated or better), so that corrective action is taken in the event of a deterioration in their financial quality.

4. Market and emerging risks/trends monitoring

A number of PIL's senior employees participate in market committees (for example, the IAC, ICPAC and MIF and their subcommittees), thus closely monitoring the market and emerging risks /trends and participating in the discussion to address common market issues faced.

5. Conservative reserving approach and claims management

To protect against the risk of under reserving, the Company, amongst others:

- Adopted a conservative reserving philosophy.
- The management receives and reviews regular reports on incurred claims, particularly large claims and of future premium.
- Sets out clear delegation of claims authorities and peer review (as discussed above).

The continued effectiveness of the risk mitigation techniques and controls is monitored continuously by the Senior Management. In the event of any findings or shortcomings identified, quick action is taken and the risk mitigation techniques are adjusted accordingly.

4.1.5 Risk Sensitivity

Risk sensitivity and Stress and Scenario testing is discussed in section 4.7.

4.1.6 Any other material information

No other material information.

4.2 Market risk

4.2.1 Risk assessment

The main risk assessment tools used by PIL are the standard formula solvency capital requirement calculations (discussed in more detail in section 6.2), stress and scenario testing (discussed in more detail in section 4.7), the risk register and other qualitative assessments. There has been no material change in the tools, parameters or assumptions used since the previous year.

4.2.2 Material exposures/risks

PIL market risk exposures mainly arise from its investments in the banking institutions and its property investments. There has been no major changes in the type of assets invested in or changes in the level of market volatility in 2016. However, following a review of the investment portfolio, PIL has changed its allocation between asset types and counterparties during 2016 leading to a significant improvement in the market risk capital requirements.

The key risks related to market risk are:

- the challenging market environment, particularly the low interest rates and investment returns; and
- the increased uncertainty in the political environment particularly in light of the French and German elections in April and September 2017 respectively and the impact of the UK's EU membership referendum (Brexit).

4.2.3 Risk Concentration

PIL risk concentration has reduced over 2016 and its market risk diversification increased by increasing the number of counterparties and investing outside the local market. Some risk concentration arises in respect of the Hellenic Bank, due to its strategic relationship with the bank. However, the Company invests in ETFs which enables a level of diversification that may not have been possible through direct investments.

4.2.4 Risk Mitigation

Market risk is mitigated through the investment policy adopted by the Company which safeguards against exposure to risky asset classes and ensures minimum diversification limits.

Furthermore, the management of the Company reviews the credit rating and the financial condition of the key counterparties at least quarterly, ready to take action in the event of a deterioration in the credit quality.

The Investment, Risk Management and Reserves Committee reviews investment related information regularly to ensure that the portfolio is invested in line with the investment guidelines and the risk appetite of the Company. Furthermore, external financial advisors are appointed to provide independent investment advice.

The continued effectiveness of the risk mitigation techniques and controls is monitored continuously by the Senior Management. In the event of any findings or shortcomings identified, quick action is taken and the risk mitigation techniques are adjusted accordingly.

4.2.5 Risk Sensitivity

Risk sensitivity and Stress and Scenario testing is discussed in section 4.7.

4.2.6 Prudent Person Principle

The Solvency II regulations require investment of assets in accordance to the “Prudent Person Principle”. In light of this, the Company has aligned its investment policy and framework with this principle.

The Company regularly reviews the financial condition of its investment counterparties and ensures that the currency and duration of assets is appropriate to the duration of its liabilities, avoiding excessive reliance on any one counterparty or asset class or geographical location. In particular, before investing in ETFs, due diligence is performed on the underlying fund holdings and enquiries are made on the availability of data on these holdings on a look through basis. This is to ensure that the Company is satisfied that it will be possible to properly identify, measure, monitor, manage, control and report on their underlying risk and be able to perform the required solvency capital calculations. The Company has not invested in derivatives or other inadmissible financial instruments.

4.2.7 Any other material information

No other material information.

4.3 Credit risk

4.3.1 Risk assessment

The main risk assessment tools used by PIL are the standard formula solvency capital requirement calculations (discussed in more detail in section 6.2), stress and scenario testing (discussed in more detail in section 4.7), the risk register and other qualitative assessments. There has been no material change in the tools, parameters or assumptions used since the previous year.

4.3.2 Material exposures/risks

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

PIL credit risk exposures mainly arise from:

- Premium debt (amounts owed by the broking agents);
- Banking and market risk (invested assets); and
- Reinsurance debt (reinsurance recoverables).

The credit risk relating to banking and market risk has significantly improved since 2015 as, following a review of its investment strategy and assets allocation, the Company has decided to invest in better financial quality counterparties.

There has been no major changes to the reinsurance panel or the premium debt counterparties, their financial rating and the counterparty risk appetite and as such the credit risk profile in respect of these counterparties remains unchanged.

4.3.3 Risk Concentration

Even though, the counterparty default risk is the key contributor to the solvency capital requirement, the Company credit risk concentration is relatively limited. This is because the Company uses a number of counterparties to reduce counterparty concentration risk and also works with counterparties both local and from outside the local market, thus reducing geographical concentration risk. It is worth noting though, that some form of risk concentration remains due to PIL's cash deposits at Hellenic Bank.

4.3.4 Risk Mitigation

The key risk mitigation techniques used are:

- Due diligent on the financial condition of the counterparties before entering into agreement with them;
- Regular reviews of the credit rating and the financial condition of the key counterparties;
- Regular meetings and communication with the premium counterparties and monitoring of premium debt balances;
- Tight contract terms with the premium counterparties, including provisions for termination of services in the event of non-payment;
- A number of reinsurers are used (to ensure credit risk diversification) and all key reinsurance counterparties are reputable and of high financial quality (rated "A-" and higher); and
- The terms and conditions of the reinsurance contracts stipulate exit terms in the event of changes in the financial condition of the counterparties.

The continued effectiveness of the risk mitigation techniques and controls is monitored through the risk register, which is a dynamic list of the risks the Company faces and their controls. The risk register is reviewed and updated continuously as new risks and/or failures in controls are identified.

4.3.5 Risk Sensitivity

Risk sensitivity and Stress and Scenario testing is discussed in section 4.7.

4.3.6 Any other material information

No other material information.

4.4 Liquidity risk

4.4.1 Risk assessment

Stress and scenario testing (discussed in more detail in section 4.7) is used to assess the Company's liquidity in the event of severe or extreme scenarios by considering the impact of the scenarios in the earnings of the Company by financial year. There has been no material change in the tools, parameters or assumptions used since the previous year.

4.4.2 Material exposures/risks

Liquidity risk is defined as the risk that the Company is unable to realize investments and other assets (or realise them at excessive cost) in order to settle its financial obligations when they fall due.

The liquidity risk of the Company is generally very low, with the majority of assets invested in short-terms assets, including cash.

4.4.3 Risk Concentration

No material risk concentration has been identified.

4.4.4 Risk Mitigation

The Company has developed investment guidelines (reviewed and approved by the relevant Board Committee) which, among others:

- Ensure the duration and currency of the invested assets are consistent with the liabilities' profile;
- Investment in illiquid assets is very limited and with restrictions; and
- Appropriate levels of counterparties and asset diversification are in place.

The continued effectiveness of the risk mitigation techniques and controls is monitored continuously by the Senior Management. In the event of any findings or shortcomings identified, quick action is taken and the risk mitigation techniques are adjusted accordingly.

4.4.5 Risk Sensitivity

Risk sensitivity and Stress and Scenario testing is discussed in section 4.7.

4.4.6 Expected profit in future premiums

There are no future premiums cash-flows within the contract boundaries of unexpired policies and therefore there is no expected profit included in future premiums.

4.4.7 Any other material information

No other material information.

4.5 Operational risk

4.5.1 Risk assessment

The main risk assessment tools used by PIL are the standard formula solvency capital requirement calculations (discussed in more detail in section 6.2), stress and scenario testing (discussed in more detail in section 4.7), the risk register, the loss events log and other qualitative assessments. Qualitative assessments are undertaken to track the developments within the risk profile and review the design and operational effectiveness of the control environment across the key processes. There has been no material change in the tools, parameters or assumptions used since the previous year.

4.5.2 Material exposures/risks

The key operational risks that the Company manages are the following:

- Systems risk: the risk of systems and IT infrastructure failure leading to errors in reporting of the data (including pricing) and impacting decision making.

- Cyber/data security: the risk of inadequate systems security leading to financial loss, disruption or damage to the reputation of the Company. It includes hacking of the systems, cyber hostaging and stealing/losing of soft and hard information, amongst others.
- Outsourcing: the risk of outsourced services failing to provide the benefits agreed could lead to reduced profitability, inadequate business processes, regulatory fines, lawsuits and reputational damage.
- Policies and Procedures: Inadequate policies and procedures may lead to the deficiencies in the monitoring or the non-early identification of operational risks such as failures in the systems, breach of outsourcing agreements, amongst others.
- People risks: the risk that inability to attract and recruit employees with appropriate qualifications and competences or failure to provide appropriate training and continuous professional development could lead to lower levels of productivity and profitability and increased levels of errors and mistakes.
- Unintended mis-selling: the risk of causing detriment to customers through sale of products not suited for their needs;
- Legal risk: the risk of failure to properly identify and manage legal exposures; and
- Regulatory risks: the risk of failure to comply with regulatory requirements.

4.5.3 Risk Concentration

In light of the wide-range of processes, systems and people this risk covers, no material concentrations have been identified. The importance of a well-functioning IT system should be mentioned though.

4.5.4 Risk Mitigation

Operational risk covers a wide range of processes, procedures and systems across the Company, thus appropriate risk mitigation techniques are applied depending on the process or system. These include but are not limited to:

- Regular Internal Audit and external consultants reviews or the processes, systems and procedures;
- Policies and procedures are documented and available to all employees;
- Regular reviews of policies and procedures documents adherence;
- Performance management and reviews to ensure employees are satisfied with their work and perform to the best of their abilities;
- Regular attendance to seminars both to further develop the employees knowledge and capabilities (reducing people’s risk) and to ensure the Company keeps abreast of any regulatory or technical developments (reducing regulatory risk);
- Legal advice is sought at the earliest opportunity from specialised lawyers, when required;
- Peer review of material work and appropriate underwriting, claims and other authority limits in place;
- Business continuity and disaster scenario planning; and
- Standard templates/policy wordings.

The continued effectiveness of the risk mitigation techniques and controls is monitored through the risk register. The risk register is reviewed and updated continuously as new risks and/or failures in controls are identified.

4.5.5 Risk Sensitivity

Risk sensitivity and Stress and Scenario testing is discussed in section 4.7.

4.5.6 Any other material information

No other material information.

4.6 Other material risks

No other material risks to mention.

4.7 Risk sensitivity/Stress and scenario testing (all risks)

4.7.1 Methodology and assumptions

Stress and scenario testing considers the financial impact on earnings and capital of a specific event or combination of events. Defining specific events helps to understand and manage the key risks an organization faces and visualize extreme events.

The events were selected by considering the Company's exposure to internal factors, such as a change in business plan, and external factors, such as certain possible events with negative effects or a deterioration of economic conditions.

4.7.2 Outcome of the sensitivity testing

The table below sets a description of the five scenarios and the relative impact on the solvency coverage ratio.

No	Material risk	Scenario	Impact on Solvency coverage ratio		
			2017	2018	2019
1	Underwriting risk	20% reduction of the GWP	9%	-2%	0%
2	Credit risk	Partial reinsurance default	-5%	-3%	0%
3	Market risk	Government Bonds stress	-5%	-5%	-4%
4	Underwriting risk	Change in the distribution channels	16%	-4%	-2%
5	Credit risk	Impact of the UK's withdrawal from the EU	-12%	-10%	-8%
6	Operational risk	Inefficient processes leading to operational losses	-4%	-2%	0%

The results of the testing above indicate that the Company is sufficiently capitalized and able to withstand an extreme event, as in all scenarios the solvency capital ratios are above 130%, well above the minimum of 115% set by the ICCS (Insurance Companies Control Service).

4.8 Any other information

No other material information.

5 Valuation for solvency purposes

5.1 Assets

5.1.1 Value of assets

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

Asset Class	Solvency II Value €	Statutory Accounts Value €
Goodwill		674
Deferred acquisition costs		1,006
Intangible assets		68
Property, plant & equipment held for own use	6,082	6,082
Property (other than for own use)	1,766	1,766
Bonds	5,482	5,482
Collective Investments Undertakings	1,260	1,260
Deposits other than cash equivalents	3,688	3,688
Reinsurance recoverables from Non-Life and Health	5,298	8,720
Insurance and intermediaries receivables	12,022	12,022
Reinsurance receivables	323	323
Cash and cash equivalents	17,981	17,981
Any other assets, not elsewhere shown	793	793
Total assets	**54,696**	**59,866**

5.1.2 Bases, methods and main assumptions

The valuation principles applied to the above assets are consistent with those used in the IFRS accounts.

The differences in valuation between Solvency II and IFRS are the following:

- Goodwill: Goodwill in not recognized as an asset in SII valuation rules.
- Deferred Acquisition Cost: Deferred Acquisition Cost in not recognized as an asset in SII valuation rules.
- Intangible Assets: Intangible Assets are not recognized as assets in SII valuation rules.

- Property Plan and Equipment held for own use: Land and Buildings are carried at fair value, based on valuation by external independent valuers, less accumulated depreciation for buildings. All other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.
- Property (Other than for own use): Investment property is stated at historical cost less depreciation. Depreciation is recognized in profit and loss on a straight line method over the useful life of each item. The value is tested for impairment on a yearly basis using external independent valuations.
- Bonds: Bonds are classified as available for sale financial assets and are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition are measured at fair value, and changes therein , other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve.
- Collective Investment Undertakings: These comprise of ETF's (Exchange Tradeable Funds) and are valued in the same way as bonds above.
- Deposits other than Cash Equivalents: They are measured at fair value which is equivalent to the face value plus accrued interest.
- Reinsurance recoverables from Non-Life and Health: These represent the reinsurance share of unearned premiums reserve and comprises the reinsurer's share of the proportion of gross premiums written which is to be earned in the following or subsequent financial years. The unearned premiums reserve is calculated by apportioning premiums over the period to which they relate on a pro rata basis adjusted to take account of the incidence of risk. Solvency II valuation is described in section 5.2. below.
- Insurance and intermediaries receivables: Insurance and intermediaries receivable balances represent premiums owed from policyholders. Outstanding premiums are measured at fair value and due to the short-term nature of the receivable no adjustments to valuation are required. The value of insurance and intermediaries receivables in the Company's financial statements is the same as for Solvency II.
- Reinsurance receivables: Represent the debit balances with reinsurers and are measured at fair value.
- Cash and Cash Equivalents: They represent mainly bank deposits to current accounts. They are measured at fair value which is equivalent to the face value plus accrued interest.
- Any other Assets not elsewhere shown: They comprise of amounts receivable from Hire Risk Pool, intercompany balance with Hellenic Bank Public Company Ltd and other trade receivables. They are measured at fair value.

5.2 Technical Provisions

5.2.1 Uncertainty in the technical provisions

The highest uncertainty in the outstanding claim reserves exists within the liability classes. Specifically the large motor bodily injury claims (greater than €100k) have a wide range of possible outcomes as a result of the small number of historical claims available for statistical analysis and the unique circumstances and as such, the unique development of each individual claim.

5.2.2 Value of Technical Provisions

The value of technical provisions by Solvency II line of business is presented in the table below:

	Solvency II Value
	€'000
Medical expense insurance	-
Income protection insurance	447
Workers' compensation insurance	-
Motor vehicle liability insurance	16.373
Other motor insurance	1.783
Marine, aviation and transport insurance	125
Fire and other damage to property insurance	4.850
General liability insurance	5.395
Credit and suretyship insurance	-
Legal expenses insurance	-
Assistance	-
Miscellaneous financial loss	132
Total	**29.105**

5.2.3 Technical provisions, Best Estimate and Risk Margin

The table below sets out the best estimate outstanding claims and premium provisions and the corresponding recoverables, as well as the risk margin and the technical provisions by line of business and in aggregate:

	Claims Outstanding		Premium Provision		Risk Margin	Technical Provisions	
	Gross BE	Recoverables	Gross BE	Recoverables	Risk Margin	Gross	Net
Medical expense insurance	-	-	-	-	-	-	-
Income protection insurance	169	31	256	105	22	447	311
Workers' compensation insurance	-	-	-	-	-	-	-
Motor vehicle liability insurance	12.233	281	3.414	-	726	16.373	16.092
Other motor insurance	618	-	1.025	-	140	1.783	1.783
Marine, aviation and transport insurance	43	21	70	30	12	125	74
Fire and other damage to property insurance	2.318	1.531	2.395	847	137	4.850	2.473
General liability insurance	3.795	1.619	1.428	724	171	5.395	3.051
Credit and suretyship insurance	-	-	-	-	-	-	-
Legal expenses insurance	-	-	-	-	-	-	-
Assistance	-	-	-	-	-	-	-
Miscellaneous financial loss	83	68	47	41	2	132	23
Total	**19.259**	**3.551**	**8.635**	**1.747**	**1.210**	**29.105**	**23.807**

5.2.4 Bases, methods and main assumptions used

Premium Provision

The calculation of best estimate of premium provision relates to all future cashflows arising from future events, in relation to unexpired policies. Such cashflows mostly relate to future claims, administration expenses and reinsurance.

Premium provision is determined on a prospective basis taking into account the expected cash inflows and cash outflows as well as the time value of money. The expected cashflows were estimated by applying the combined ratio to the Unearned Premium Reserve. Combined ratio is defined as the sum of expense ratio, claims ratio and reinsurance cost ratio. The conditions rendering this method valid are met, namely:

- it can be expected that the combined ratio remains stable over the run-off period of premium provision

- a reliable estimate of the combined ratio can be made
- the unearned premium provision is an adequate exposure measure for estimating future claims and expenses during the unexpired risk period

Claims Provisions

- IBNER: this reserve captures the expected inadequacy of case estimates of outstanding claims. The methods used to calculate this reserve is Chain Ladder on paid and incurred claims, the Loss Ratio method and the Bornhutter Ferguson method. The methods capture both IBNR and IBNER reserves. The IBNER was established by subtracting the IBNR calculation from the total reserve.
- IBNR: this reserve was determined by applying the Delay method (Average Cost per Claim).
- Risk Margin: designed to ensure that the value of technical provisions is equivalent to the amount that a third party 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 insurance and reinsurance obligations over their lifetime thereof which is determined as the cost-of-capital, as prescribed in method 2 of the Guideline 61 of "EIOPA guidelines on the valuation of technical provisions". The implied risk margin is allocated to the individual lines of business using the simplification outlined in Guideline 63 of "EIOPA guidelines on the valuation of technical provisions".
- ULAE: Unallocated loss adjustment expense reserve (ULAE) has been used and provides the cost of processing and settling outstanding and IBNR claims. ULAE has been calculated using the Classical Paid-to-Paid ratio method. The ratio of ULAE has been estimated separately for each line of business as the ratio of calendar year paid ULAE to calendar year paid losses.

Assumptions

The main assumptions used for solvency valuation purposes are the following:

- Expenses used for the calculation of Premium Provision include expense items, except acquisition costs as allocated to each line of business;
- Large claims transferred to a "Large Loss" pool and treated as "once large always large";
- Large outstanding motor bodily injury claims were added to the calculated reserve at their book value;
- ULAE has been applied to the IBNR and 40% on case reserves and IBNER;
- 60% of ULAE is incurred when new claims set up and 40% is spent upon settlement;
- Cost-of-capital is set to 6%;
- Euro risk free curve (no volatility adjustment) as published by EIOPA has been used for discounting; and
- Claims reserve follows a lognormal distribution and the confidence interval range lies between the 5th and 95th percentile.

5.2.5 Material differences in the bases, methods and main assumptions

The calculation of technical provisions has been conducted in accordance with the actuarial valuation for both the IFRS and Solvency II basis. The difference between IFRS and Solvency

II basis is the allowance for discounting, claims handling and the adjustment for the expected counterparty default in reinsurance recoverables.

5.2.6 Matching and volatility adjustments

No matching or volatility adjustments have been applied in the calculation of Solvency II technical provisions.

5.2.7 Transitional risk-free interest rate-term structure

No transitional risk-free interest rate-term structure has been applied in the calculation of Solvency II technical provisions.

5.2.8 Transitional deductions

No transitional deductions have been applied in the calculation of Solvency II technical provisions.

5.2.9 Recoverables

Reinsurance Recoverables represent the difference between gross and net provisions. For the lines of business with non-proportional reinsurance arrangements the figure is very small and simplified gross-to-net techniques were adopted for the calculation. For fire class of business, which has a quota share and surplus reinsurance arrangement, the valuation for the net and gross claims was carried out. Motor reinsurance is non-proportional with deductible for each individual claim and an aggregate annual deductible for all accident years prior to 2016. Based on the above, an assessment for each individual large claim (over €100k) is performed to determine whether reinsurance recoverable is likely to be received. Finally a reduction of reinsurance recoverables to allow for expected losses due to defaulting of a counterparty has also applied.

5.2.10 Material assumption changes

No material assumption changes have been applied during the reporting period for the calculation of technical provisions.

5.3 Other liabilities

5.3.1 Value of other liabilities

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

Liabilities	Solvency II Value €	Statutory Accounts Value €
Liabilities		
Technical provisions – non-life	29,105	33,094
Technical provisions – non-life (excluding health)	28,658	
Technical provisions calculated as a whole	-	
Best Estimate	27,470	501
Risk margin	1,188	
Technical provisions - health (similar to non-life)	447	
Technical provisions calculated as a whole	-	32,593
Best Estimate	425	
Risk margin	22	
Deferred Commission from RI	-	860
Deferred tax liabilities	180	180
Debts owed to credit institutions	48	48
Insurance & intermediaries payables	1,645	1,645
Reinsurance payables	2,285	2,285
Any other liabilities, not elsewhere shown	760	760
Total liabilities	**34,023**	**38,873**

5.3.2 Material differences in the bases, methods and main assumptions

- **Technical Provisions**

IFRS valuation takes into account the estimated cost of claims incurred but not settled as at the reporting date, including the cost, allocated and unallocated, of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries.

Solvency II valuation is described in section 5.2. above.

- **Deferred Commission from reinsurance**

Not recognized for Solvency II valuation purposes

There are no valuation adjustments for solvency purposes other than the above and all other items are measured at fair value.

5.4 Alternative methods for valuation

No alternative methods for valuation used.

5.5 Any other information

No other material information regarding the valuation of assets and liabilities for solvency purposes.

6 Capital Management

6.1 Own Funds

6.1.1 Objectives, policies and processes

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings of senior management and Board Investment, Risk Management and Reserves Committee, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR are reviewed. The business plan, which forms the basis of the ORSA, contains a three year projection of funding requirements and this helps focus actions for future funding. The capital management is aligned to the requirements of the relevant policy.

6.1.2 Own funds description

The table below presents the structure and amount of own funds as at 31 December 2016.

	Total	Tier 1 - unrestricted
Basic own funds		
Ordinary share capital (gross of own shares)	6.751.000,00	6.751.000,00
Share premium account related to ordinary share capital	2.878.407,83	2.878.407,83
Reconciliation reserve	11.043.708,79	11.043.708,79
Total basic own funds after deductions	20.673.115,83	20.673.115,83
	Total	**Tier 1 - unrestricted**
Total ancillary own funds	.	
Available and eligible own funds		
Total available own funds to meet the SCR	20.673.115,83	20.673.115,83
Total available own funds to meet the MCR	20.673.115,83	20.673.115,83
Total eligible own funds to meet the SCR	20.673.115,83	20.673.115,83
Total eligible own funds to meet the MCR	20.673.115,83	20.673.115,83
SCR	14.250.802,81	
MCR	3.700.000,00	
Ratio of Eligible own funds to SCR	1,45	
Ratio of Eligible own funds to MCR	5,59	

All own funds are Tier 1 unrestricted and eligible to cover MCR and SCR.

Changes from the previous reporting period in Own Funds, relate to the difference in valuation of Assets and Liabilities under IFRS and Solvency II.

6.1.3 IFRS and Solvency II balance sheets

The key material differences between the IFRS and Solvency II balance sheets are mainly attributed to the following:

1. Goodwill is not included in the Solvency II valuation basis

2. DAC and Deferred Reinsurance Commissions are not included in the Solvency II valuation basis
3. The Risk Margin is only allowed for in the Solvency II Technical Provisions.
4. The differences between the Gross and Net of Reinsurance Technical Provisions under the Solvency II and the IFRS valuation arises mainly from the fact that under the Solvency II valuation contrary to IFRS there is :
    a. Recognition of anticipated profits on unearned premiums (UPR is replaced by Premium Provision)
    b. Removal of prudency margins
    c. Allowance for negative reserves

6.1.4 Own funds subjected to transitional arrangements

No own funds are subjected to transitional arrangement.

6.1.5 Ancillary own funds

No ancillary own funds.

6.1.6 Items deducted from own funds

No items are deducted from own funds.

6.1.7 Availability and transferability restrictions of own funds

No restrictions in the availability and transferability of own funds.

6.2 Solvency Capital Requirement and Minimum Capital Requirement

6.2.1 Amounts of SCR and MCR

The Solvency Capital Requirement (SCR) of the Company as at 31th December 2016 is €14.3m and the Minimum Capital Requirement is €3.7m. The SCR has been submitted to the supervisory authorities and the Company awaits for their feedback.

6.2.2 Amount of SCR split by risk modules

The table below shows the amount of the SCR split by standard formula risk modules as at 31st December 2016:

Key Risk	Risk type	Solvency Capital requirements - €'000 2016Q4
Capital at Risk	SCR	14.251
	MCR	3.700
Underwritting risk	**Health Non-life underwriting risk**	**283**
	Non-life underwriting risk	**6.607**
	Premium and reserve risk	6.090
	Lapse risk	1.499
	Non-Life CAT risk	1.052
	Diversification non-life underwriting risk	-2.035
Market risk	**Market Risk**	**3.299**
	Interest rate risk	0
	Equity risk	0
	Property risk	1.929
	Spread risk	310
	Currency risk	0
	Concentration risk	2.542
	Counter-cyclical risk	0
	Diversification market risk	-1.484
Counterparty default risk	**Counterparty default risk**	**9.041**
	Counterparty default risk type 1 exposures	5.720
	Counterparty default risk type 2 exposures	3.921
	Diversification counterparty default risk	-600
Operational risk	Operational Risk	880
Diversification BSCR		-4.275
Adjustment for deferred taxes		-1.583

There has been no material change in the tools, parameters or assumptions used to calculate the SCR since the previous year. The changes in the risk profile of the Company (as discussed in section 4 above), are reflected in the total SCR and within the risk types charges, where they have changed in line with expectations.

6.2.3 Simplifications/specific parameters

The Company uses EIOPA's Solvency II Standard Formula. It does not use Company specific parameters and does not use simplified calculations in its computation.

6.2.4 Information on the inputs used to calculate the MCR

The inputs used to calculate the MCR of the Company are set out in the table below:

Line of business	Net (of reinsurance /SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Income protection insurance and proportional reinsurance	€0.3m	€0.3m
Motor vehicle liability insurance and proportional reinsurance	€15.4m	€9.4m
Other motor insurance and proportional reinsurance	€1.6m	€3.1m
Marine, aviation and transport insurance and proportional reinsurance	€0.1m	€0.1m
Fire and other damage to property insurance and proportional reinsurance	€2.3m	€3.3m
General liability insurance and proportional reinsurance	€2.9m	€1.3m
Miscellaneous financial loss insurance and proportional reinsurance	€0.0m	€0.0m

6.2.5 Material changes to the SCR and MCR

The SCR has significantly reduced during 2016. The key driver of the reduction is the use of better rated financial counterparties for the own funds' investment.

In light of the reduction in SCR, the MCR has also reduced to €3.7m.

6.3 Duration-based equity risk sub-module option

The equity risk sub-module is not used by the Company for the calculation of its Solvency Capital requirements.

6.4 Internal model

An internal model is not used by the Company for the calculation of its Solvency Capital requirements and its Minimum Capital requirements.

6.5 Non-compliance with the MCR and/or SCR

The Company is compliant with both the Solvency Capital Requirement and the Minimum Capital Requirement.

6.6 Any other information

No other material information regarding the capital management of the Company.

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	6,082,197
Investments (other than assets held for index-linked and unit-linked contract	**R0070**	12,196,744
Property (other than for own use)	**R0080**	1,766,385
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	5,481,820
Government Bonds	**R0140**	5,481,820
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	1,260,354
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	3,688,185
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	5,297,951
Non-life and health similar to non-life	**R0280**	5,297,951
Non-life excluding health	**R0290**	5,162,125
Health similar to non-life	**R0300**	135,826
Life and health similar to life, excluding health and index-linked and unit-link	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	12,022,446
Reinsurance receivables	**R0370**	322,581
Receivables (trade, not insurance)	**R0380**	
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	17,981,426
Any other assets, not elsewhere shown	**R0420**	793,065
Total assets	**R0500**	**54,696,410**
		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	29,104,862
Technical provisions – non-life (excluding health)	**R0520**	28,657,555
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	27,469,591
Risk margin	**R0550**	1,187,964
Technical provisions - health (similar to non-life)	**R0560**	447,307
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	424,925
Risk margin	**R0590**	22,382
Technical provisions - life (excluding index-linked and unit-linke	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linke	**R0650**	
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	179,840
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	47,830
Financial liabilities other than debts owed to credit institutio	**R0810**	
Insurance & intermediaries payables	**R0820**	1,645,097
Reinsurance payables	**R0830**	2,285,461
Payables (trade, not insurance)	**R0840**	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	760,203
Total liabilities	**R0900**	**34,023,293**
Excess of assets over liabilities	**R1000**	**20,673,117**

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**		794,927		9,847,716	3,283,114	328,978	10,833,722	3,258,362				279,985					28,626,804
Gross - Proportional reinsurance accepted	**R0120**		3,490		10,218	3,379	-	187,916	904				-					205,907
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**		499,361		460,713	153,571	190,786	7,668,015	1,935,579				280,580					11,188,605
Net	**R0200**		299,056		9,397,221	3,132,922	138,192	3,353,623	1,323,687				- 595					17,644,107
Premiums earned																		
Gross - Direct Business	**R0210**		747,696		9,083,067	3,027,689	269,236	11,011,748	3,537,091				309,273					27,985,800
Gross - Proportional reinsurance accepted	**R0220**		3,357		9,985	3,328	-	192,418	1,136				-					210,224
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**		455,897		458,292	152,764	164,719	8,054,333	2,398,655				302,865					11,987,525
Net	**R0300**		295,156		8,634,760	2,878,253	104,517	3,149,833	1,139,572				6,408					16,208,499
Claims incurred																		
Gross - Direct Business	**R0310**		242,847		4,984,168	1,661,389	77,596	1,509,487	986,940				- 4,583					9,457,843
Gross - Proportional reinsurance accepted	**R0320**																	
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**		196,480		88,459	29,486	51,674	816,352	475,576				11,365					1,669,392
Net	**R0400**		46,367		4,895,709	1,631,903	25,922	693,135	511,364				- 15,949					7,788,451
Changes in other technical provisions																		
Gross - Direct Business	**R0410**																	
Gross - Proportional reinsurance acceptec	**R0420**																	
Gross - Non- proportional reinsurance acceptec	**R0430**																	
Reinsurers' share	**R0440**																	
Net	**R0500**																	
Expenses incurred	**R0550**		225,348		3,498,173	1,166,058	58,918	2,633,838	803,218				30,793					8,416,346
Other expenses	**R1200**																	
Total expenses	**R1300**																	8,416,346

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**									
Net	**R1600**									
Claims incurred										
Gross	**R1610**									
Reinsurers' share	**R1620**									
Net	**R1700**									
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**									
Other expenses	**R2500**									
Total expenses	**R2600**									

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Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	28,626,804						28,626,804
Gross - Proportional reinsurance accepted	R0120	205,907						205,907
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	11,188,605						11,188,605
Net	R0200	17,644,107						17,644,107
Premiums earned								
Gross - Direct Business	R0210	27,985,800						27,985,800
Gross - Proportional reinsurance accepted	R0220	210,224						210,224
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	11,987,525						11,987,525
Net	R0300	16,208,499						16,208,499
Claims incurred								
Gross - Direct Business	R0310	9,457,843						9,457,843
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	1,669,392						1,669,392
Net	R0400	7,788,451						7,788,451
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550	8,416,346						8,416,346
Other expenses	R1200							
Total expenses	R1300	8,416,346						8,416,346

		Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
		C0150	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
	R1400							
		C0220	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**
Premiums written								
Gross	**R1410**							
Reinsurers' share	**R1420**							
Net	**R1500**							
Premiums earned								
Gross	**R1510**							
Reinsurers' share	**R1520**							
Net	**R1600**							
Claims incurred								
Gross	**R1610**							
Reinsurers' share	**R1620**							
Net	**R1700**							
Changes in other technical provisions								
Gross	**R1710**							
Reinsurers' share	**R1720**							
Net	**R1800**							
Expenses incurred	**R1900**							
Other expenses	**R2500**							
Total expenses	**R2600**							

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whol	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**		255,982		3,414,329	1,024,674	69,762	2,395,213	1,428,314				46,788					8,635,063
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty defaul	**R0140**		104,887		-	-	30,140	846,985	723,863				40,960					1,746,835
Net Best Estimate of Premium Provisions	**R0150**		151,095		3,414,329	1,024,674	39,622	1,548,228	704,450				5,828					6,888,228
Claims provisions																		
Gross	**R0160**		168,943		12,232,652	618,002	43,365	2,318,299	3,795,295				82,897					19,259,452
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty defaul	**R0240**		30,939		281,405	-	20,841	1,530,820	1,619,377				67,734					3,551,116
Net Best Estimate of Claims Provisions	**R0250**		138,003		11,951,247	618,002	22,524	787,479	2,175,918				15,163					15,708,336
Total Best estimate - gross	**R0260**		424,925		15,646,982	1,642,677	113,127	4,713,512	5,223,608				129,685					27,894,516
Total Best estimate - net	**R0270**		289,099		15,365,576	1,642,677	62,146	2,335,707	2,880,368				20,991					22,596,564
Risk margin	**R0280**		22,382		725,987	139,887	11,914	136,948	170,971				2,257					1,210,346
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**																	
Best estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**		447,307		16,372,969	1,782,564	125,041	4,850,460	5,394,580				131,942					29,104,862
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - tota	**R0330**		135,826		281,405	-	50,981	2,377,805	2,343,240				108,694					5,297,951
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - tota	**R0340**		311,481		16,091,563	1,782,564	74,060	2,472,654	3,051,339				23,248					23,806,911

Annex I
S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	Accident year [AY]

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

Development year

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10&+**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											14,526
N-9	**R0160**	5,953,620	2,825,113	627,402	186,427	291,157	268,800	307,965	321,186	1,415,442	26,352	
N-8	**R0170**	6,598,415	3,011,742	859,003	169,603	1,006,486	713,518	100,016	330,074	254,970		
N-7	**R0180**	9,185,566	4,317,854	1,147,117	593,549	516,911	116,454	402,587	940,911			
N-6	**R0190**	8,556,363	4,259,961	558,309	694,010	168,480	503,903	83,074				
N-5	**R0200**	8,943,563	4,481,942	937,138	227,258	135,273	184,089					
N-4	**R0210**	9,020,414	4,335,176	304,187	248,228	339,378						
N-3	**R0220**	7,180,930	2,194,130	213,178	199,909							
N-2	**R0230**	5,783,603	2,232,427	266,130								
N-1	**R0240**	5,571,127	2,305,958									
N	**R0250**	5,341,222										

		In Current year	**Sum of years (cumulative)**
		C0170	**C0180**
	R0100	14,526	53,783,703
	R0160	26,352	12,223,464
	R0170	254,970	13,043,828
	R0180	940,911	17,220,951
	R0190	83,074	14,824,100
	R0200	184,089	14,909,263
	R0210	339,378	14,247,383
	R0220	199,909	9,788,147
	R0230	266,130	8,282,160
	R0240	2,305,958	7,877,085
	R0250	5,341,222	5,341,222
Total	**R0260**	9,956,519	171,541,306

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											371,685
N-9	R0160	-	-	-	-	-	-	-	-	-	102,420	
N-8	R0170	-	-	-	-	-	-	-	-	200,757		
N-7	R0180	-	-	-	-	-	-	-	883,957			
N-6	R0190	-	-	-	-	-	-	1,726,932				
N-5	R0200	-	-	-	-	-	1,444,009					
N-4	R0210	-	-	-	-	1,594,182						
N-3	R0220	-	-	-	1,533,281							
N-2	R0230	-	-	1,680,291								
N-1	R0240	-	3,509,775									
N	R0250	5,521,326										

		Year end (discounted data)
		C0360
	R0100	92,712
	R0160	26,407
	R0170	3,300
	R0180	6,133
	R0190	205,977
	R0200	40,410
	R0210	200,464
	R0220	216,730
	R0230	156,354
	R0240	385,483
	R0250	901,444
Total	R0260	2,235,415

Annex I
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	6,751,000	6,751,000			
Share premium account related to ordinary share capital	**R0030**	2,878,408	2,878,408			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	11,043,708	11,043,708			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	20,673,116	20,673,116			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	20,673,116	20,673,116			
Total available own funds to meet the MCR	**R0510**	20,673,116	20,673,116			
Total eligible own funds to meet the SCR	**R0540**	20,673,116	20,673,116			
Total eligible own funds to meet the MCR	**R0550**	20,673,116	20,673,116			
SCR	**R0580**	14,250,803				
MCR	**R0600**	3,700,000				
Ratio of Eligible own funds to SCR	**R0620**	1.451				
Ratio of Eligible own funds to MCR	**R0640**	3.852				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	20,673,116
Own shares (held directly and indirectly)	**R0710**	.
Foreseeable dividends, distributions and charges	**R0720**	.
Other basic own fund items	**R0730**	9,629,408
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	-
Reconciliation reserve	**R0760**	11,043,708
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	3,298,602		
Counterparty default risk	**R0020**	9,040,895		
Life underwriting risk	**R0030**	.		
Health underwriting risk	**R0040**	283,033		
Non-life underwriting risk	**R0050**	6,606,878		
Diversification	**R0060**	- 4,274,954		
Intangible asset risk	**R0070**	-		
Basic Solvency Capital Requirement	**R0100**	14,954,455		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	879,770
Loss-absorbing capacity of technical provisions	**R0140**	
Loss-absorbing capacity of deferred taxes	**R0150**	- 1,583,423
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency Capital Requirement excluding capital add-on	**R0200**	14,250,803
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	14,250,803
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirements for remaining par	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

Annex I
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	3,583,534

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	-	-
Income protection insurance and proportional reinsurance	**R0030**	289,099	306,035
Workers' compensation insurance and proportional reinsurance	**R0040**	-	-
Motor vehicle liability insurance and proportional reinsurance	**R0050**	15,365,576	9,415,626
Other motor insurance and proportional reinsurance	**R0060**	1,642,677	3,138,542
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	62,146	142,565
Fire and other damage to property insurance and proportional reinsurance	**R0080**	2,335,707	3,314,631
General liability insurance and proportional reinsurance	**R0090**	2,880,368	1,327,186
Credit and suretyship insurance and proportional reinsurance	**R0100**	-	-
Legal expenses insurance and proportional reinsurance	**R0110**	-	-
Assistance and proportional reinsurance	**R0120**	-	-
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	20,991	7,850
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	

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

Overall MCR calculation

		C0070
Linear MCR	**R0300**	3,583,534
SCR	**R0310**	14,250,803
MCR cap	**R0320**	6,412,861
MCR floor	**R0330**	3,562,701
Combined MCR	**R0340**	3,583,534
Absolute floor of the MCR	**R0350**	3,700,000
		C0070
Minimum Capital Requirement	**R0400**	3,700,000