Vera Financial dac

Solvency and Financial Condition Report (SFCR)

Index

Executive summary

The present “Report on solvency and financial condition” (“SFCR”) has been prepared in accordance with the requirements in Chapter 3, Public Disclosure of the European Union (Insurance and Reinsurance) Regulation 2015 (S.I. No. 485 of 2015).

Unless otherwise specified, the data are expressed in thousands of Euros.

Business and Performance

Vera Financial dac (“Vera Financial”, “VF” or the “Company”) is an insurance undertaking, incorporated in Ireland and authorised to carry on Class III life assurance business.

The policyholders assets under management as at the end of the year amounted to €1.64 billion compared to €1.10 billion at the end of the previous year. This was generated through sales of insurance product in the Italian market. The assets under management have increased by 49% as compared to 2018. The Proft, at year end, recognised in equity is € 864 thousand.

System of Governance

The Board of Directors (“the Board”) has the overall responsibility for business decisions and for compliance with the regulatory system. The Board is responsible for the effective, prudent and ethical oversight of the Company, setting its business strategy and ensuring that risk and compliance are properly managed.

The risk management system is the set of processes and tools used to support the risk management strategy of the Company and allows an adequate understanding of the nature and significance of the risks to which the Company is exposed to. Inside of the risk management system, the risk management process is defined, into the following phases:

–identification of risks;
–mitigation of risks,
–Current and prospective evaluation of exposure to risks;
–monitor of exposure to risks and reporting

VF seeks to manage its capital and risk exposures so that it is able to meet all financial commitments to policyholders in full after extreme shocks. The Company also wishes to manage its liquidity alongside the capital and risk appetite and monitors this on an ongoing basis.

The Own Risk and Solvency Assessment (‘ORSA’) is a very important process, providing the Board with a comprehensive picture of the risks the Company is exposed to or could face in the future in order understand these risks and how they translate into capital needs or alternatively require mitigation actions.

Risk Profile

The Company's strategy is to sell insurance policies which doesn't present significant insurance risk for the Company. VF does not write any products with any investment guarantees. Due to the nature of the business written the majority of risks which impact on the value of management charges arising on the business or the loss of the business. A law risk approach is also taken in relation to the management of the shareholder investments, with investment with law market risk.

Valuation for Solvency Purposes

The following table summarises the valuation of assets and liabilities as at 31 December 2019 and the own funds of the Company.

Asset Category	**€ 000**	**Liability Category**	**€ 000**
Property, plant and equipmentown use	3,332	*Best estimate*	1,646,701
Financial Assets Fair value	1,700,742	*Risk margin*	3,340
Cash and equivalent to cash	28,556	Deferred tax liabilities	1,754
All other assets not mentioned elsewhere	28,153	Financial liabilities other than debts owed to credit institutions	3,351
		Insurance and Reinsurance payables	7,595
		All other liabilities not reported elsewhere	14,885
Total assets	**1,760,783**	**Total liabilities**	**1,677,626**
		Surplus of assets over liabilities	**83,157**

The valuation of assets is the same as the valuation for IFRS purposes, except for the removal of the Deferred Acquisition Cost (DAC) and intangible assets.

Capital Management

The following table summarises the Company's capital position as at 31 December 2019 and 31 December 2018 in €millions:

€ 000	**31/12/2019**	**31/12/2018**	**Difference**
Own Funds	83,157	70,554	17.86%
SCR	14,527	7,750	87.45%
Solvency Coverage Ratio	572%	910%	-37.14%

Own funds increase during the year due to the increase in funds under management. The SCR has increased in line with the increase in the Company's Best Estimate Liability.

The Company monitors its capital position on an ongoing basis. The ORSA is a key tool for ensuring that the Company has sufficient understanding of the potential development of its own funds position over time. The ORSA examines the potential development of the capital position over a three year period.

Events since the period end

An emerging risk for the Company is the risk related to the recent coronavirus (COVID-19) outbreak which has been formally declared as a pandemic by the World Health Organization. The numbers presented in this Solvency Financial Condition Report were prepared based on information available as at year-end 2019, and as such they do not take account of COVID-19

The Company's sole geographical area of risk coverage is Italy, which has been adversely impacted by the recent outbreak and it might have an impact on .new business volumes due to the lockdown of the country. In this regard, the Company taking in consideration the extraordinary environment in which we are operating (people cannot leave their home, but the services offered by banks and insurance companies have not been suspended) is analysing with the group companies and the distributor the possibility to implement a non face-to-face sales procedure.
Vera Financial is actively monitoring the coronavirus (COVID-19) outbreak and has existing procedures in place such as business continuity plans to mitigate the Company against possible future impacts arising from the pandemic. The Company continue to closely monitor recommended practices around this developing situation to ensure the safety and wellbeing of both our staff and our customers, whom we envisage will continue receiving the highest possible level of service. The company has not experienced any material loss of operational capability – it has maintained its call centres operational, and retained continuous access to key systems and data sources required for pricing, underwriting, reserving, claims management and asset valuation.

The Company will continue to monitor the situation and ensure any variations in the Company's risk profile are appropriately allowed for within the risk management framework.

Some of the key considerations other than operational aspects for the Company include; mortality risk, market risk and lapse risk.

There is a limited amount of death benefit attached to the Company's products, which limits the mortality exposure. The Company also continues to monitor the claims experience of the business in light of possible changes to lapse profiles arising from the outbreak. It is unclear whether lapse experience will be impacted by the virus. There is no evidence to indicate a change in lapse assumptions is required, or that this would be a long-term rather than short-term impact.

There may be market movements, some extreme, linked to the pandemic. The Company does not have any guaranteed products and the policyholders bear all the financial risk. The Company would have a secondary exposure to large market movements , if there are losses to policyholder funds this will reduce the fund margins available to the Company in the future.

The Company did not carry out specific analysis following the outbreak of COVID-19 however during the ORSA process the Compay analysed several scenarios that demonstrate that even in challenging situations Vera Financial continues to have strong solvency coverage. As examples, that is in no way intended to reflect an estimate of the possible impact of COVID-19 on Vera Financial's assets under management, the Company assumed:

- an immediate 25% fall on the unit funds
- an adverse scenario relating to the Italian economy

In both cases the solvency position of Vera Financial remains healthy over the projection time horizon

The Company will monitor developments and ensure any variations in the Company's risk profile are appropriately allowed for within the risk management framework.

A. Business and Performance

A.1 Business

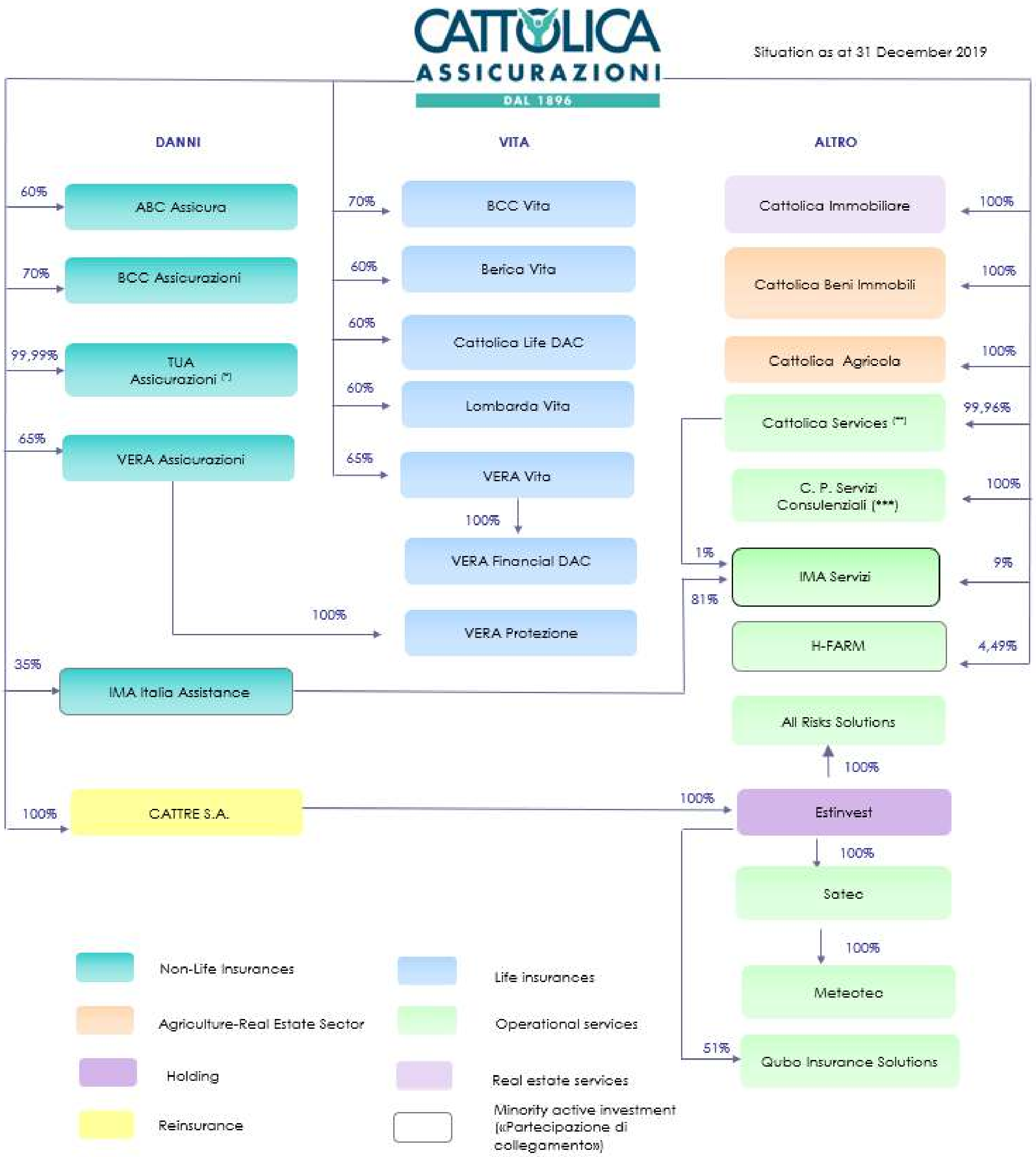
Company information

Vera Financial dac ("Vera Financial", "VF" or the "Company") is authorised by the Central Bank of Ireland to transact cross-border life assurance business in the European Union under the Third Life Directive, as introduced into domestic Irish legislation by the European Communities (Life Assurance) Framework Regulations, 1994 as amended by the European Union (Insurance and Reinsurance) Regulations 2015. The Company as at the 31st December 2019 is part of Cattolica Assicurazioni Group ("Cattolica Group") registered in the Italian Insurance Group Register c/o the Italian Regulator with no 019.
The Ultimate Parent Company Cattolica Assicurazioni, is a leading Italian company based in Verona, with over 100 years of experience in the insurance sector, has been one of the pioneers of bancassurance and is now a major player on the Italian market.

The Company is subject to supervision by the Central Bank of Ireland, responsible for the prudential supervision of the undertaking.

The External Auditor of the Company is Deloitte Ireland LLP, with registered office in Deloitte & Touche House, Earlsfort Terrace in Dublin 2.

The table below shows the corporate structure of the Cattolica Group with evidence of the position occupied by the Company within the group itself as at the 31st December 2019.



(*) TUA Assicurazioni holds the 100% of TUA Retail.
(**) The 0,005% of the capital is held individually by ABC Assicura, BCC Assicurazioni, BCC Vita, Berica Vita, Lombarda Vita and C.P. Servizi Consulenziali, and the 0,01% by TUA Assicurazioni.
(***) Merged by incorporation in Cattolica Immobiliare with effect 1° gennaio 2020.

Holders of the Company's Equity

As at the 31st December 2019 the immediate parent undertaking and controlling party of the Company is Vera Vita S.p.A (formerly known as "Popolare Vita"), incorporated in Italy. Vera Vita S.p.A is owned 65% by Società Cattolica di Assicurazione – Società Cooperativa ("Cattolica Assicurazioni") and the remaining 35% by the Banco BPM. Cattolica Assicurazioni, incorporated in Italy, consolidates these financial statements in its group report. The consolidated financial statements are available from the Company Secretary, Cattolica Assicurazioni S.p.A., Lungadige Cangrande, 16, 37126 Verona (VR), Italy.

Vera Vita, with registered office in Via Carlo Ederle, 45 in Verona (VR), Italy, has been authorised to transact business in Italy by ISVAP on 21st December 2000 with authorisation no. 1762 (O.J. no. 1 2nd January 2001). Vera Vita is part of the Cattolica Group with a listed number in the Italian Group Register c/o the Italian Regulator of 019.

Areas of Activities

Vera Financial is authorised to sell Life Insurance products and operates in the Line of Business or "LoB" *Index-linked and unit-linked insurance* as defined in Annex I of the Commission Delegated Regulation (EU) 2015/35:

The Company is authorised to sell life insurance products in some European countries and operates mainly in the Italian territory in a Freedom of Services regime. Please refer to the paragraph concerning the underwriting results for the distribution of the same in terms of the area of activity and in terms of geographical areas.

Significant events during the year 2019

The policyholders assets under management as at the end of the year amounted to €1.64 billion (2018: €1.10 billion). This was generated through sales primarily in the Italian market. The assets under management have incresed by 49% as compared to 2018. The primary reason for this increase is related to the launch of seven products sold to new policyholders through the Banco BPM during 2019 and to the volume of claims experienced in the same period.

Total gross premiums written in the year were €785 million, all classified as insurance products, compared with the corresponding premiums of €67.3 million written in 2018.

A.2 Underwriting results

This section covers the qualitative and quantitative results of the company subscriptions, at an aggregate level as well as for the areas of substantive activities (“Line of business” or “Lob”) and substantial geographical areas where the activity takes place during the reporting period considered.

Areas of activities

The table below shows the amount of gross premiums written, premiums earned, claims incurred, changes in other technical provisions and expenses, broken down by LoB, where the Company operates, in line with the QRT Report S.05.01.02. (“Premiums claims and expenses by LoB”) included in the annexes of this report.

In order to better clarify the methods of calculating the “Underwriting Result” with respect to the amounts at financial statements level, it should be noted as follows:

−The “Gross written premiums” contain the values recorded in the reporting period;
−The “Earned premiums” include the premiums;
−The “Claims” include all charges relating to claims;
−The “Change in other Technical Provisions” includes all other reserves not included in previous items including the changes in other technical provisions for the gross direct business;
−The “Expenditures” include all expenses of the period directly linked to specific LoB such as commissions and any other acquisition charges, collection commissions, administrative expenses, operating expenses of investments, insurance expenses for qualified nature as costs and to settlement costs and the variation of the corresponding reserve for expenses as indicated by the relevant legislation.

Table 1 - Life underwriting results

Areas of activities – Business Life		2019 Insurance linked to indices and shares	2018 Insurance linked to indices and shares	Comparative
Gross written premiums	**(a)**	785,261	67,286	1067%
Earned Premiums	**(b)**	785,261	67,289	1067%
Charges for claims	**(c)**	280,474	528,976	-47%
Changes in other technical reserves	**(d)**	539,204	-524,868	-203%
Expenditures	**(e)**	42,189	16,867	150%
Underwriting result	**(g)=(b)-(c)-(d)-(e)-**	**-76,606**	**46,314**	**-265%**

The change in the underwriting result respect to the previous year is mainly due to the higher amount of premiums collected respect to the previous year (1067%) compared to the amount of claim (-47%). The changes in the other elements of the table above are directly related to premiums and claims volume.

The life insurances include 61,868 policies . The Investment results below show the gains made by the LoB. When the gain in the investment results is added to the Life Underwriting result (see above) the net result of the underwriting for this LoB is €-1.7 million

Geographical areas

With reference to the geographical location of the activities during the year 2019, the Company wrote premium only in Italy on a Freedom of Service basis. The amount of assumed premiums, written gross premiums, claims paid and expenses, broken down by geographic area, as per the QRT Report S.05.02.01 annexed.

A.3 Investment results

This section shows the results of the Company's investments, broken down by asset class and type of income or expense in the period, as reported in the financial statements.

Details of income and assets and financial liabilities, profits and losses from trading and the investment recoveries and adjustments are reported in the following tables, with separate disclosure of income and expenses related to investments for the benefit of policyholders who bear risk (class III).

Table 2 - Investment income

In thousands of Euros	**2019**	**2018**	**comp. %**
Financial income and ordinary capital			
Bonds	891	858	4%
Cash and equivalent to cash	0	0	
Total (a)	**891**	**858**	4%
Profits on gains			
Bonds	0	0	0%
Total (b)	**0**	**0**	0%
Total (a + b)	**891**	**858**	4%
Proceeds of policyholders investments			
investment funds and market indices	74,873	-48,579	-254%
Total Class III	**74,873**	**-48,579**	-254%
TOTAL	**75,764**	**-47,721**	-259%

Table 3 - Investment charges

In thousands of Euros	2019	2018	comp. %
Losses			
Bonds	852	817	4%
TOTAL	**852**	**817**	**4%**

The Profit recognised in equity is € 864.

A.4 Results of other activities

Below are details of other significant income and expenses, which have not already been included in previous sections A.2 and A.3, that the company has supported in the period.

Other income

In thousands of Euros	2019	2018	comp. %
Other income	2,719	1,351	101%
Total other income	**2,719**	**1,351**	**101%**

Other expenses

In thousands of Euros	2019	2018	comp. %
Other technical charges	36	847	96%
Total other expense	**36**	**847**	**96%**
Current taxes	134	-428	131%
Deferred taxes	-8	0	-2%
Income tax charges Total	**126**	**-428**	**129%**

The item “Other technical charges” includes the charge for deferring the acquisition costs on Investment contracts business.

A.5 Other information

There are no other relevant information regarding the business and performance of the Company.

B Governance System

B.1 General information on the Governance System

B.1.1 Role and Responsibilities of the Board

Pursuant to the provisions of the Companies Acts 2014 and the Memorandum and Articles of Association of the Company, the Directors are mindful of their obligations to act honestly and in good faith in the best interests of the Company and to exercise care, diligence and skill in the discharge of their duties.

As the Board has overall plenary power, the following is not intended to limit the powers of the Board, but to assist the Board in the exercise of its powers and the fulfilment of its duties.

The role of the Board is to carry out its duties and obligations as set out in the constitution documents and company law.

In performing this role the Board shall provide strategic guidance for the Company and effective oversight of management.

The Board shall always retain ultimate authority over management of the Company.

The responsibilities of the Board include (but are not limited to):

a) Setting the direction, strategies and financial objectives of the Company, supported by professional business advisors such as lawyers, tax advisers and actuaries;

b) Oversight of the Company, including its control and accountability systems;

c) Monitoring compliance with statutory and regulatory requirements;

d) Reviewing and ratifying systems of risk management and internal control;

e) Approval of Financial Statements and Report of the Directors;

   The Directors are responsible for preparing the periodic financial statements of the Company in accordance with applicable laws and regulations.

   Company law requires the Directors to prepare annual audited financial statements. The Directors are also required to prepare a Directors' report that complies with the requirements of the Companies Acts 2014. The Directors have elected to prepare the Company's financial statements in accordance with applicable law and International Accounting Principles (IFRS).

   The financial statements are required by law and IFRS's, as adopted by the EU, to present a true and fair view of the financial position and performance of the Company. The Companies Acts 2014 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to the financial statements achieving a fair presentation.

   The Directors are responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 2014. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

f) Approval of Budget;

The Directors are responsible for approving the annual budget of the Company.

g) Returns to the Central Bank of Ireland;

To the extent that an insurance undertaking is obliged under the Requirements to submit returns, statements and information to the Central Bank, such information and returns shall also be required under, Section 16 of the Insurance Act 1989 and Regulation 34 of the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015), as applicable.

In addition to the annual quantitative template, the Directors are obliged pursuant to Regulation 36 of the Regulations to annex a directors' accuracy certificate attesting the accuracy of the information submitted in the templates and to annex to each ORSA and each regular supervisory report or annual summary of the regular supervisory report, a directors certificate attesting the accuracy of the information submitted in the reports. These Directors' accuracy certificate should be completed in accordance with the Central Bank's "Guideline for Solvency II (Re)Insurance Undertakings on Directors' Certifications" which took effect on 1 January 2016.

h) Election of Directors;

Pursuant to the Articles of Association of the Company, the Directors have the power at any time and from time to time to appoint any person to be a director either to fill a casual vacancy or as an addition to the existing Directors.

i) Approval of Appointments;

The Directors are responsible for ensuring that any proposed appointment to Director or to senior management meets the Central Bank's "fitness and probity" regime and that an approval letter is received in advance from the Central Bank.

j) Monitoring senior management's performance and their implementation of strategies, policies and budgets;

k) Ensuring appropriate resources are available for the Company in the pursuit of its objectives;

l) Formal approval of principal Company Procedures;

The Directors are responsible for approving the principal Company Procedures such as procedures relating to the Company's pricing policy, investment policy and asset management policy;

m) Approval of investment strategy;

The Directors are responsible for ensuring the Company has sufficient assets to cover technical provisions and a required solvency margin. In order to ensure that the Company can meet its contractual liabilities to policyholders, such assets must be managed in a sound and prudent manner taking account of the profile of the liabilities held by the Company and the complete risk return profile. In this regard, the Directors are responsible for the formulation and approval of the strategic investment policy, taking account of the asset/liability relationship, its long term risk-return requirements, its liquidity requirements and its solvency position and any related reinsurance requirements.

The Directors must always retain ultimate responsibility for the Company's investment policy and procedures, regardless of the extent to which associated activities and functions are delegated or outsourced.

The Directors must ensure that adequate reporting and internal control systems are in place, designed to monitor that assets are being managed in accordance with the investment policy and mandate(s), and legal and regulatory requirements.

n) Approval of investment strategy regarding new product developments and any significant changes thereto;

The director's responsibilities in this regard are outlined in paragraph (m) above.

o) Approval of key strategic decisions such as:

- Renewal of principal third party contracts,
- New proposed territories/markets,
- Mergers and Acquisitions, sale and purchase of shareholdings, etc.

In performing its functions, the Board may delegate any of its powers to a Board Committee or to other persons in accordance with the Articles of Association of the Company and these Terms of Reference, however the Board remains responsible for the oversight of any such powers delegated by it.

The Board shall agree from time to time to the delegation of executive powers to be exercised by sub-committees. The Board has established four committees namely the Audit Committee, the Risk Committee, the Investment Committee, the Nominations and Remuneration Committees. The constitution and terms of reference of the committees and their specific powers shall be approved by the Board of Directors and duly minutised. These constitutions and terms of reference are detailed in the Corporate Governance Manual of the Company under the heading Committees.

B.1.2 Transactions with related parties

During 2018, the Company entered into transactions both with Società Cattolica di Assicurazione - Società Cooperativa and Banco BPM S.p.A.

Società Cattolica di Assicurazione - Società Cooperativa, incorporated in Italy, consolidates these financial statements in its group report. The consolidated financial statements are available from the Company Secretary, Lungadige Cangrande, 16 - 37126 Verona (VR), Italy.

Distribution commission of €23.4 million (2018: 1.7 million) was incurred during 2019, in relation to the distribution agreement signed with Banco BPM S.p.A in 2018.

At the year end investments for the benefit of life assurance Policyholders who bear the investment risk were held for a total amount of €1.64 billion (2018: €1.10 billion) of which €476.5 million (2017: €4 million) are represented by bonds issued by Banco BPM S.p.A.

The Company at the 31st December had a credit line with the Banco BPM of €42 million (2018: €42million), which is yet to be drawn down.

B.1.3 Role and responsibilities of the core functions

The following core functions are established in the Company:

- Internal Audit, which is responsible for assessing the completeness, functionality, reliability and adequacy of the internal control system and risk management, checking, both on an ongoing basis and in relation to specific needs and respecting the international standards, the operation and the suitability, through an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks;
- Risk Management, which has the responsibility to identify, measure, assess and monitor on an ongoing basis the current and future risks at the individual level and aggregate to which the Company is or could be exposed, and their interdependencies;
- Compliance and Anti-Money Laundering Department, which is responsible for assessing, according to a risk-based approach, the adequacy of the procedures, processes, policies and internal organisation in order to prevent the risk of non-compliance, or the risk of incurring legal or regulatory sanctions, material financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations, the Supervisory Authority rulings) and self-regulation (for instance statutes, codes of conduct, codes of corporate governance, internal policies and corporate communication documents);
- Actuarial Function, which has the main task to verify - based on the principles of Solvency II - the adequacy of technical reserves, ensure appropriateness of the methodologies, underlying models and assumptions used in calculation of Technical Provisions, assess the sufficiency and quality of data used in calculation of Technical Provisions, compare best estimates against experience, inform on the reliability and adequacy of the calculation of Technical Provisions, express an opinion on the overall underwriting policy, on the adequacy of reinsurance arrangements and contribute to the effective implementation of the risk management system.

As part of the internal control system and risk management, it is essential to ensure the interaction between corporate control functions, as well as regular information flow between these functions and the governing bodies.

The corporate control functions shall report annually to the Board of Directors a plan of activities and also inform the Board of Directors on the activities carried out and the main elements of weaknesses found, and on any proposed interventions. In addition, in the performance of consulting support and proposals relating to the internal control and risk management system, the Audit and Risk Committee and the Audit Committee receive a plan and periodic updates by the control functions regarding its activities.

The Actuarial function reports directly to the Board of Directors and has the necessary independence and separation in the performance of their duties in order to avoid conflicts of interest.

In order to allow the activities to be carried out, the Actuarial Function has unrestricted access to business data and to all relevant information.

The Actuarial Function produces at least annually a written report for the Board of Directors, which documents all the tasks carried out by the same and the relative results, clearly identifying any significant deficiencies, including those relating to data quality, and making recommendations on how to remedy them, also in order to increase the quality and quantity of available data. The Actuarial function also report promptly to the Board about any findings of the activity that can have a significant impact on the financial position of the Company.

B.1.4 Remuneration policy

The primary objective of the remuneration policy is to ensure fair remuneration, appropriate to the role, responsibility, level of professionalism and individual capacities. In accordance with the legal and regulatory provisions, the Company's remuneration policies ensure consistency between the remuneration of the recipient and sustainable performance requirements, in accordance with a healthy and prudent risk management policy in line with strategic objectives, profitability and the balance of the Company and the Group in the long term. The Company avoids remuneration policies based exclusively or predominantly on short-term results, such as to encourage excessive risk exposure.

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in the Company and professional activity as well as market practice.

The five remuneration components are

- fixed remuneration;
- performance-based remuneration;
- defined contribution pension schemes;
- other benefits;
- severance payment.

The fixed remuneration is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions.

The performance-based remuneration motivates and rewards high performers who perform beyond expectations, generate quality for customers and shareholder value. The Company agreed on each employment contract a pre-defined performance based amount. That amount is defined in a way so as not to promote excessive risk taking.

Pension schemes guarantee employees a basic cover in the event of illness or death, and a suitable pension payment on retirement.

Other benefits may be awarded on the basis of individual employment contracts.

Severance payments may be payable on the basis of individual negotiations (i.e. a certain number of months' salary on dismissal).

Performance-based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking. This is done by ensuring:

- an appropriate balance between fixed and performance-based components;
- that the fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible;
- that the performance-based component is based on the achievement of pre-agreed KPIs, which reflect the risk appetite of the Company and the nature of the role being undertaken.

Performance-based remuneration is based on an assessment of the Company's budget performance and a number of KPIs reflecting the trend in the Company's focus areas. The KPIs cover the following:

- profit before tax compared with budget;
- cost trend;
- compliance with the Company's framework of control as documented in the internal business procedures.

Performance-based pay is granted to employees with particular influence on the Company results and the operation of sound management and to reflect the individual employee's performance as well as Company results.

Members of the Board of Directors receive a fixed fee. Board members are not covered by incentive programmes and do not receive performance-based remuneration. The basic fee of a Board member is set at a level that is on par with the rest of the market and reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of board meetings. No pension contributions are payable on Board members' fees.

Directors, who are also employees of the Company, or other Companies related to it, are not compensated for their services as Directors.

From time to time the Board will review the amount of compensation paid to Directors and committee members. In this regard, the Board may request that management report to it periodically on the status of the Board's compensation in relation to other similarly situated companies. The Company believes that an alignment of director interests with those of shareholders is important. The remuneration of the Directors has to be ratified by the Annual General Meeting.

B.2 Fit and proper requirements

The Board of Directors has adopted, at its meeting on 10th December 2014, in accordance with the Central Bank Reform Act 2010 and the Guidance for (Re)Insurance Undertakings on the Fitness and Probity, the policy on the eligibility requirements for the position (the "Fitness and Probity Policy"). The Policy describes, inter alia, the procedures for assessing the eligibility requirements for the position, in terms of integrity, professionalism and independence, as well as the absence of impediments, of suspension and of incompatibility, of the key function under Solvency II. This policy came into effect on 1st January 2015 and it is reviewed annually. The last review of the policy has been approved by the Board of Directors on 10th December 2019.

With regard to the independence requirements of its members, the Board carries out its assessments having regard to the provisions set out in the regulation mentioned above, with particular consideration to the following:

– any financial or other obligation the individual may have to the Company or its Directors;

– whether the individual has been employed by the Company or a group undertaking in the past and if so, in what capacity;

– any additional remuneration received in addition to the director's fee, related Directorships or shareholdings in the Company; and

– any close business or personal relationship with any of the directors or senior employees of the Company.

The Board shall state its reasons if it determines that a director is independent notwithstanding the existence of relationships.

The Company must ensure that a person carrying out a PCF/CF is competent and capable. The person shall have the qualifications, experience, competence and capability appropriate to the relevant function. The person shall also have a sound knowledge of the business, of the specific responsibilities that are to be undertaken and a clear and comprehensive understanding of the regulatory and legal environment appropriate to the function.

The Company must ensure that a person carrying out a PCF/CF has the appropriate qualifications, professional or otherwise and has the necessary experience and skills to undertake the relevant function and has to carry out due diligence in accordance with the Guidance which includes obtaining and keeping:

– Evidence of professional qualification(s).

- Evidence of CPD Self-Certification, where relevant.
- Record of interview and application.
- Record of previous experience.
- Details of concurrent responsibilities (Directorships/employment conflicts).

Individuals proposed for CFs or PCFs must be honest, diligent and independent-minded and must act ethically and with integrity. Probity may also include individuals ensuring that they act without conflicts of interest. The person must be able to demonstrate that his/her ability to perform the relevant function is not adversely affected to a material degree by any of the circumstances (the Circumstances) listed in the Guidance.

The Company is required to carry out due diligence in accordance with the Guidance to assess a person's probity to perform a CF(s).

Such due diligence will include;

- Obtain signed written confirmation from the person performing or proposing to perform a CF as to whether or not any of the Circumstances apply to that person. If any of the Circumstances apply, the person must demonstrate that his or her ability to perform the CF(s) is not adversely affected to a material degree by that matter(s); the Company should require from the person the underlying documents related to the matter and make an assessment, to be documented, as to whether the matter is material to the performance of the CF. It is not required to remove or suspend a person from acting in a CF solely on the basis that one of the Circumstances may have occurred;
- Central Bank's website search (and those of other regulatory authorities, where available) to confirm that the person has not been the subject of sanctions or other regulatory actions;
- Check Companies Registration Office records for restrictions or disqualifications from acting as Company Director;
- Require those performing CFs to confirm whether, to the best of their knowledge, the person or any business in which the person held a position of responsibility or influence has been or is being, in any jurisdiction, investigated, disciplined, censured, suspended or criticised by a regulatory or professional body, a court or tribunal or any similar body, whether publicly or privately;
- Check against publicly available sources, if the person is or has been the subject of a bankruptcy petition, whether in the State or elsewhere. If the person has lived outside the State for more than six months in the previous five years, the Company should request that the person provides a check from a publicly available source in relation to judgement debts from that other jurisdiction(s);
- Check for convictions for criminal offences that could be relevant to the person's ability to perform the relevant function. The Company must ensure that it is satisfied that the person is fit and proper having regard to any conviction for a "relevant" offence; in assessing the impact of the conviction the Company shall consider the

circumstances surrounding the conviction, the length of time since the conviction, the explanation offered by the convicted person and any evidence of the individual's rehabilitation.

Record of persons performing CFs and PCFs must be maintained and all the due diligence undertaken documented having regard to the obligations under Data Protection law including ensuring that the information is held securely and in an appropriate manner. These records should be made available for review by the Central Bank at his request. The Company must maintain all information collected for the duration during which the person performs CF or PCF as required by the regulation.

Performing due diligence for persons in CFs and PCFs roles is not a one off obligation; the Company shall require persons performing CFs to notify the Company of any material changes in respect of initial due diligence carried out while the Company shall carry out an audit on an annual basis asking persons in CFs and PCFs to confirm whether they are aware of any material developments in relation to their compliance with the Standards of which the Company ought to be aware.

Where the PCF/CF is outsourced to a regulated third party service provider (which includes entities authorised in any country by an authority that performs functions comparable to those performed by the Central Bank) and the function is performed according to a written outsourcing agreement, the Standards will not apply.

However, where a PCF/CF is outsourced to an unregulated third party service provider the Standards will apply. A written agreement must be in place between the Company and the unregulated third party service provider and this agreement must identify the individual in the service provider who is responsible for the performance of the PCF/CF.

The unregulated third party service provider is required to assess whether the person performing the PCF/CF is compliant with the Standards and they must obtain that person's agreement to abide by the Standards. Where the Company enters into an outsourcing arrangement with an unregulated third party service provider it remains responsible for compliance obligations.

The Board of Directors on annual basis assesses the requirements, according to the principles and criteria set in the policy.

B.3 Risk management system, including internal assessment of risk and solvency

B.3.1 Risk Management System

The risk management system is the set of processes and tools used to support the risk management strategy of the Company and allows an adequate understanding of the nature and significance of the risks to which the Company is exposed to. The risk management system allows to have a unique perspective and a holistic approach to risk management, which is an integral part of running the business. Inside of the risk management system, the risk management process is defined, into the following phases:

–identification of risks, which is the identification of significant risks, for instance those risks whose consequences may threaten the solvency or reputation of the Company or constitute a serious obstacle to achieving its strategic objectives;
–Current and prospective evaluation of exposure to risks (Own Risk Solvency Assessment, “ORSA”), which is carried out through the use of methodologies provided by regulations and best practices with regard to the risks for which the measurement is not regulated or defined by high-level principles;
–monitor of exposure to risks and reporting, implemented system - based on the principles of completeness, timeliness and effectiveness of the information - in order to ensure an early and continuous monitoring of the evolution of the risk profile and compliance with the defined Risk Appetite. This system ensures that the quality and quantity of the information provided are commensurate with the needs of different audiences and complexity of managed business, in order to be used as a strategic and operational tool for the evaluation of the possible impacts of decisions on the risk profile and solvency;
–mitigation of risks, which consists in identifying and proposing actions and interventions necessary and / or useful to mitigate the risk levels present or prospective that are not in line with the risk objectives defined within the company.

The processes of identification, evaluation and monitoring of risks are carried out on an ongoing basis, considering both the changes in the nature and size of the business and the market environment, and in the occurrence of new risks or change of existing ones.

The risk management system is based on the logic of Enterprise Risk Management (“ERM”), which is based on an integrated perspective of all current and future risks which the Company is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives.

To pursue these high-level goals, the approach takes into account the need to balance multiple instances from key stakeholders. In particular,

the risk management system is designed to reflect:

- the need to safeguard the net worth and reputation;
- the safety and solvency requirements;
- the need to diversify risks and to ensure sufficient liquidity.

The basis of these principles and to pursue the objectives assigned, the risk management system is based on a fundamental element: the Risk Appetite. The Risk Appetite is formalised through the Risk Appetite Statement, indicating the risk that the Company intends to take or avoid, setting the limits in terms of quantity as well as quality criteria to be considered for the management of not quantified risks.

The Risk Appetite can be fixed as a single measure (target) or as a range of possible values (range) and is divided into quantitative and qualitative elements.

The determination of the risk appetite is divided, in quantitative terms, according to the following elements:

- risk capital;
- capital adequacy;
- liquidity.

These are defined as objectives in terms of quality with regard to non-compliance risk, strategic risks, reputational and emerging risks and operational risk.

The Risk Appetite fits within a frame of reference, the Risk Appetite Framework ("RAF"). The RAF is defined strictly in line, and in a timely connection with the business model, the strategic plan, the process called ORSA, the budget, the organisation and the internal control system. The RAF defines the Risk Appetite and other components that allow the management, both in normal conditions, and under stress conditions. These components are:

- the Risk Capacity;
- the Risk Tolerance;
- the Risk Limit (or risk operating limits);
- Risk Profile.

The definition of the RAF components is dynamic over time and reflects the management objectives of the risks related to the Strategic Plan objectives. Annually, it proceeds to verification as part of the process of assigning budget targets. Further analysis for the purposes of preventive control of the Risk Appetite, and in particular capital adequacy, are carried out on the occasion of the study of extraordinary transactions (mergers, acquisitions, sales, etc.).

The RAF is divided into different sizes of analysis with the aim of ensuring the continuous monitoring of the risk dynamics.

The Risk Management System is formalised by the Risk Management Policy, adopted by the Board of Directors and subjected to periodic updates, the last of which occurred on the 10th December 2019, which defines, in reference to the perimeter of competence, the appropriate guidelines for identification, evaluation, monitoring and mitigation of risks and operational limits consistent with the defined Risk Appetite. The parent company ensures that the Risk Management Policy is implemented in a manner consistent and continuous within the entire Group, taking into account the risks of each company inside the perimeter of the supplementary supervision as well as the mutual interdependencies.

The principles and processes of the Risk Management System as a whole are also regulated in the following policies: "Risk Management Policy" and "Operational Risk Management policy".

In the Risk Management System, the Risk Management Department has the responsibility to identify, measure, assess and monitor on an ongoing basis the current and future risks at the individual level and aggregate to which the Company is or could be exposed, and their interdependencies. The Risk Management Department is responsible for the design, implementation, development and maintenance of systems for assessing and controlling risks.

B.3.2 Internal assessment of risk and solvency

The process for conducting the current and prospective risk assessment is outlined in the current Own Risk and Solvency Assessment Policy (ORSA Policy), adopted by the Board of Directors and subject to periodic updates, the latest of which took place on 4th March 2020, and which defines tasks, roles and responsibilities of the function involved.

Through internal assessment of risk and solvency, the Company intends to pursue the following objectives:

- highlight the link between the business strategy, the process of capital allocation and risk profile;
- a general overview of all the risks faced by the Company, or that might impact the Company in the future, and its solvency position, current and future;
- provide the Board of Directors and top management feedback on the design and effectiveness of the risk management system and also highlighting any shortcomings and suggesting mitigation actions.

In particular, with reference to the current evaluation, the achievement of these objectives is through:

- the measurement of Solvency II capital requirement;
- the assessment of the capital adequacy of the company.

With reference to the valuation perspective, the above objectives are pursued through the ORSA, which allows the analysis of the risk profile of the Company on the strategy, the market scenarios and developments in the business.

When setting the ORSA process, the Company was guided by the following principles:

- the evaluation of the risks for the Company;
- the ORSA, apart from being a regulatory requirement, supports operational and strategic decisions; the ORSA and strategic planning processes are closely linked;
- the estimates taken as reference for the development of the Strategic Plan are at the basis of ORSA prospective evaluation;
- the same ORSA evaluation is a support to the preparation/revision of the Strategic Plan;
- the ORSA process takes into account all the risks that can lead to a significant reduction in the Own Funds or have impact on the ability to meet commitments towards the policyholders, in line with the risk management policy. For risks not included in the calculation of capital requirements under the first Pillar of Solvency II, the Company provides a qualitative assessment. Therefore, the assessment of these risks is carried out, rather than to quantify the possible loss, to verify the effectiveness of control measures in place and the proper functioning of the management and monitoring processes.

- the ORSA process is carried out in compliance with the standards provided by the Data Quality Management Policy in force, also adopted by the Board of Directors and subject to periodic updates, the latest of which took place on the 10th December 2019.

The current evaluation monitors the indicators defined in the Risk Appetite Statement and is carried out on at least a quarterly basis and, whenever circumstances that could significantly alter the risk profile. Such circumstances are primarily attributable to events such concentrations, or other extraordinary events, that provide evidence of the need to perform additional ORSA assessment compared with the standard schedule.

The preparation of ORSA and the reporting activities starts after the closing of the reporting period and terminated within timelines set out by the regulations.

The ORSA process is an integral part of the risk management system and decision-making of the Company and therefore has points of contact with other core business processes such as:

- strategic planning and capital allocation;
- definition of Risk Appetite;
- monitoring and mitigation of risks.

As described above, the present evaluation, carried out on a quarterly basis at least, provides for the monitoring of the defined indicators in the Risk Appetite Statement. The Company ORSA forms part of the overall Group ORSA which is submitted to the Group Supervisory Authority IVASS and the Company's supervisory authority the CBI.

The ORSA process goes through a strict governance process involving all aspects of the Company including the business planning process, the risk management process and the capital management process. The Risk Committee plays a key part in setting and approving the material risks which form the basis of the company specific scenarios in the ORSA. The ORSA is approved by the Board of Directors where all parts of the ORSA are considered before approval including the need for any management actions.

B.4 Internal Control System

The system of internal control and risk management is a key element of the corporate governance system; it consists of a set of rules, procedures and organisational structures which aim to ensure:

- the effectiveness and efficiency of business processes;
- the proper containment of current and future risks;

- prevention of the risk that the company is involved, even unintentionally, in illegal activities, especially those related to money laundering, usury and the financing of terrorism;
- prevention and proper management of potential conflicts of interest with Related Parties and Connected Persons, as identified by the relevant regulations;
- verifying the implementation of corporate strategies and policies;
- safeguarding the company's assets, even in the medium to long term, and the good management of those held on behalf of customers;
- the reliability and integrity of information provided to corporate bodies and the market and IT systems;
- the adequacy and timeliness of the business information reporting system;
- the compliance of the company and of the operations carried out on behalf of customers with the law, supervisory regulations, self-regulatory standards and internal rules.

The Company implements an articulated and efficient internal control system and risk management, taking into account the different applicable regulations and of the various fields of activity, consistent with the guidelines provided by the parent, with the aim of ensuring that the main risks relating to its activities are properly identified, measured, managed and controlled, and are compatible with a healthy and fair management.

The system of internal control and risk management is an integral part of the Company and must spread through all its areas and functions, involving every resource, each for their own level of competence and responsibilities, so as to ensure steady and effective risk management.

The system of internal control and risk management is defined in the policy adopted by the Company's Board of Directors and subject to periodic updates, the last of which took place on the 10th December 2019.

The Board of Directors is responsible for the internal control system and risk management, which, in accordance with the policy, periodically checks the adequacy and effective functioning. It approves the policy for the evaluation of the current and perspective risks and risk management that are the basis of the internal control system and the same risk management. Also it ensures that the main business risks are identified, evaluated, prospectively and adequately controlled. The Board must also approve an organisational structure that guarantees the separation of roles in the performance of the process activities, the traceability and visibility of the operations and the transparency of the decision-making processes involved in each operating processes.

The internal control system and risk management is set according to the guidelines outlined below:

- *separation of duties and responsibilities*: the skills and responsibilities are allocated among the corporate bodies and structures clearly, in order to avoid gaps or overlaps that may affect the business functionality;

- *formalisation:* the work of the same administrative bodies should always be documented in order to allow control over the management and the decisions taken;
- *integrity, completeness and correctness of the data stored*: the data recording system and the related reporting procedures must ensure that they have adequate information about the elements that can affect the risk profile of the company and on its solvency;
- *independence of the controls*: the necessary independence of the inspection structures with respect to the operating units must be ensured.

The system of internal control and risk management is regularly subjected to evaluation and review in relation to development of the business and the reference context.

The internal control system and risk management are divided up into several levels:

i. line controls ("first level controls"), aimed at ensuring the proper conduct of operations. They are carried out by the operational structures (for instance hierarchical controls, systematic and random), even across different units which report to the heads of operational structures or executed as part of the back-office; as far as possible, they are incorporated in IT procedures. The business units are the first responsible for the risk management process and must ensure compliance with the procedures adopted and compliance with the tolerance level established at risk;

ii. controls on risk and compliance ("second level controls"), which have the aim of ensuring the correct implementation of the risk management process, the implementation of activities entrusted to them by the risk management process, respect the operational limits for the various functions and compliance with corporate operations standards. The business functions assigned to these controls are distinct from operational ones; they contribute to the definition of government policies of risks and of the risk management process;

iii. internal audit ("third level controls"), checks on completeness, functionality and adequacy of the internal control system and risk management (including the first and second level) as well as the consistency with company operations thereto.

As part of the internal control system and risk management, the task of assessing the organisation and its internal procedures are adequate to prevent the risk of non-compliance – i.e. the risk of incurring legal or administrative sanctions, financial losses and reputational damage as a result of violations of laws, regulations or supervisory authority measures or self-regulation - is attributed to the Compliance function. The compliance operational process is divided into the following phases:

- regulatory analysis;
- assessment of risk;
- identification of adjustment actions;

- monitoring;
- reporting.

The approach adopted by the Compliance Department, according to the assessment: (i) is related to the enactment of new regulations, new projects, products or processes; (ii) relates to provisions external regulations or self-regulation in force.

Evaluations of the first type (ex-ante evaluations) are primarily designed to support senior management in the activity of adaptation in the face of new projects / products / processes / regulations, while those of the second type (ex-post evaluations) are designed to represent the level of compliance of the procedures, processes, policies and internal organisation of the Group Companies to the applicable law, as well as the risk of non-compliance.

Ex-ante evaluations

Ex-ante evaluations, as anticipated, are carried out for: i) external events, such as the enactment of new regulations applicable to undertakings by the European Legislator National Supervisory Authorities, etc. or ii) for internal events, such as the proposal made by the management of new projects, new products or the development of new operating processes.

These evaluations are usually provided as part of the annual planning of the Compliance Function and scope of intervention is chosen on a basis of priority that aims to favour mainly the significance and nature of impacts (including reputational) of the regulations (or process innovations or product provided) with respect to the organisation and to the company’s business model. Ex-ante evaluations may also be undertaken in the face of extraordinary requests from the Supervisory Authority, the governing bodies or management.

Ex-post evaluations

The ex-post evaluations may concern business processes (“process assessment”) or external supervisory regulations and self-regulation. These valuations are usually provided as part of the annual planning function, according to a criterion of priority that aims to focus on:

- the need to “cover” all business processes;
- the results of previous ex-ante and ex-post evaluations;
- the need to “cover” the supervisory regulations, in consideration of the importance and complexity of the same;
- risk assessment in relation to regulations which are the subject of particular attention by regulators and supervisory authorities, or that could be subject to sanction;
- the time elapsed since the last analysis carried out by the Compliance and Anti-Money Laundering Control Function and other functions in relation to the relevance of the legislation in question;
- data on complaints received and sanctions, if any.

The ex-post checks can be initiated to cover extraordinary claims by the Supervisory Authority, the governing bodies or management.

B.5 Internal Audit Function

The Internal Audit Function is an independent and objective assurance and consulting activity designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit Function is established by the Audit Committee, a sub-committee of the Board of Directors. The ongoing monitoring, reporting and control of the Internal Audit Function within the Company are the responsibility of the Head of Internal Audit who reports to the Board of Directors through the Audit Committee. At each individual audit, the Internal Audit Function should:

- draw up the audit objectives to be conducted on the process being audited
- where necessary, hold a kick-off meeting with the process owner(s) for the audited process
- carry out process mapping work and the relevant tests
- draw up the draft Audit Report
- where necessary, hold an exit meeting with the process owner(s) for the audited process in order to discuss any findings which have come to light and to ask management to commit to fixing deficiencies detected, indicating due dates and the responsible person(s)
- send the official Audit Report to the process owner(s)
- periodically monitor the status of the arrangements to which management has committed
- carry out relevant follow-up and report progress to each audit committee meeting of the intervening audit in order to check that the corrective actions have actually been implemented

The Internal Audit Function will remain free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgment. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. The Head of Internal Audit will confirm to the Board of Directors through the Audit Committee, at least annually, the independence of Internal Audit Function.

B.6 Actuarial Function

The Company has appointed an Actuary employed by Willis Towers Watson, working in the capacity of external actuarial consultant and Actuarial Function Holder for Vera Financial dac

The Solvency II requirements of the Actuarial Function, as specified in Article 48 of the Solvency II Directive, are as follows:

- Coordinate the calculation of the Technical Provisions;
- Ensure appropriateness of the methodologies, underlying models and assumptions used in calculation of Technical Provisions;
- Assess the sufficiency and quality of data used in calculation of Technical Provisions;
- Compare best estimates against experience;
- Inform on the reliability and adequacy of the calculation of Technical Provisions;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements; and
- Contribute to the effective implementation of the risk management system.

The additional major tasks carried out by the Vera Financial Actuarial Function are:

- Carrying out financial projections included in the ORSA;
- Contributing to new product development;

The Delegated Regulations require that the Actuarial Function should prepare a report for the Board, at least annually, documenting the tasks, and their results, carried out by the Actuarial Function.

In addition, the Central Bank of Ireland requires that the Actuarial Function should provide an opinion to the Board of the Company regarding:

- The reliability and adequacy of the calculation of Technical Provisions
- The sufficiency and quality, including appropriateness, completeness and accuracy, of data used in the calculation of Technical Provisions
- The appropriateness of the methodologies, models and assumptions used in the calculation of Technical Provisions.

The Actuarial Function from Q1 2019 also performed the calculation of the Solvency Capital Requirement ("SCR"), the Minimum Capital Requirement ("MCR") and the Risk Margin on an outsourced basis.

B.7 Outsourcing

The guidelines for outsourcing are defined in the policy on outsourcing ("Outsourcing Policy") of the Company, adopted by the Board of Directors and subject to periodic updates, the last of which took place on the 7th November 2019. The policy rules the decision making, the responsibilities, the tasks and controls expected in terms of outsourcing of activities and business functions.

The policy specifically states:

- criteria for the identification of activities to outsource;
- criteria for the qualification of activities as essential or important and important operational functions;
- burden on outsourcing;
- the selection criteria of the Outsourcer;
- the decision-making process to outsource functions or company's processes;
- the minimum content of the outsourcing contracts and the criteria to define service levels of outsourced activities;
- internal information flows to ensure that the various functions have full knowledge and governance of risk factors related to the outsourced functions;
- guidelines to follow in case the service providers do not comply with the agreement, including guidance on contingency plans and exit strategies in case of outsourcing of essential or important activities;
- Supervisory Authority notification.

Essential or important functions or activities are those that meet at least one of the following conditions:

i) an anomaly in their execution or their failed execution may severely damage:

- the financial results, the solidity of the Company or the continuation and the quality of the provided services;
  or
- the ability of the Company to continue to comply with the requirements for keeping its authorisation for carrying out its activity or with the requirements set by the applicable supervisory rules;

ii) concern operational processes of the corporate supervisory functions or have a significant impact on the management of the company's risks.

For the purpose of the qualification of the activities or functions as essential or important, the economic activity importance and the volumes of the same compared to the total volumes and the degree of autonomy of the supplier in the performance of activities included in the outsourcing contract can be taken into account as additional elements for assessment.

The Company may enter into outsourcing agreements provided that the nature and quantity of activities to outsource, as well as the conditions of the assignment do not;-

- result in the Company being drained of activity.
- delegate its responsibility or liability of corporate bodies;
- compromise the quality of the internal supervisory and governance systems of the Company;
- outsource corporate control functions outside the Cattolica Group;
- modify the relationship and obligations towards customers;
- jeopardizing its ability to fulfil its obligations under the regulatory provisions or be in a position to violate the reservations of activities provided by law;
- impede the supervision of the Company;
- outsource the underwriting of risks.

The outsourcing of critical and important functions, identified according to the criteria mentioned above, must be previously notified to the Supervisory Authority.

The table below gives information related to the essential or important functions or activities outsourced and the jurisdiction in which the suppliers of those functions or activities are located.

	Outsourced essential or important activities	Name of the provider	Legal Office
1	Third Party Administrator	I.P.S.I.	Lower Abbey Street, Dublin 1, Ireland
2	Actuarial Function	Willis Towers Watson	Elm Park Business Campus, Merrion Road, Dublin D04 P231, Ireland
3	Company Secretary	Mason Hayes & Curran	South Bank House, Barrow Street, Dublin 4, Ireland
4	IT Network Administrator	IT Force Limited	Trinity House Charleston Road, Ranelagh, Dublin 6, D06C8X4, Ireland
5	Asset Management	Anima SGR S.p.A.	Corso Garibaldi 99, Milano, Italy
6	Policy Administration	SoftCo	South Country Business Park, Leopardstown, Dublin 18, Ireland
7	IT Disaster Recovery	Savenet Solutions LTD	Unit 1A, Hume Centre, Park west Industrial Estate, Dublin 12, Ireland
8	Services	Società Cattolica di Assicurazione Società Cooperativa	Lungadige Cangrande, 16, Verona, Italy
9	Front End Services	Cattolica Services S.C.p.A.	Via Carlo Ederle, 45, Verona, Italy

B.8 Other Information

The Board of Directors examined the adequacy of the organisational, administrative and accounting structures and, in particular, the Internal Control System and the Company’s risk management, based on the periodic reports of the management. The board and committees pack are usually made available to the Directors in the days before the meetings, with appropriate highlighting of the main contents on the agenda (Executive Summary), except in cases of urgency and / or precautionary confidentiality requirements. Such documentation is made available in computer readable form which, in addition to allowing a more efficient management both in terms of saving time and high standards of confidentiality.

C Risk Profile

C.1 Underwriting risk

Life Insurance Technical Risks

The underwriting risk for life insurance is the risk arising from life insurance obligations, taking into consideration the covered events and the processes used in the activity.

The portfolio of the Company consists exclusively of Life Unit-Linked products and the total Best Estimate as at the 31st December 2019 are €1.6 billion.

The Company's portfolio is exposed to the following risk factors:
- **mortality risk**: linked to an unfavourable deviation in the demographic bases resulting from experience (over-mortality) with respect to what was used in the determination of the pricing;
- **longevity risk**: linked to an unfavourable deviation in the demographic bases resulting from experience (under-mortality) with respect to what was used in the determination of the pricing;
- **lapse risk**: linked to adverse changes in the level or volatility of the incidence of lapses, withdrawals, early surrenders and terminations in the payment of premiums;
- **expense risk**: linked to adverse changes in the value of expenses related to insurance policies with respect to what was used in the determination of the pricing;
- **catastrophe risk**: resulting from an unforeseeable event that consequentially strikes multiple people, producing a number of claims significantly higher than expected.

The Company evaluates the solvency capital requirement using the Standard Formula approach. With reference to the year end 31st December 2019 you may find below the details of the individual sub-modules of the SCR of the Insurance technical risk.

Table 1- SCR – Risk Sub-Modules

Risk Sub-Modules	**2019**	**2018**	
Mortality Risk	175	54	*224%*
LongevityRrisk	0	0	
Disability-Morbidity Risk	0	0	
Lapse Risk	7,227	1,128	*541%*
Expenses Risk	2,525	1,868	*35%*
Revision Risk	0	0	
Catastrophic Risk	149	51	*192%*
Total Sub-Modules	**10,076**	**3,101**	*225%*
Diversification Effect	-1,252	-454	*176%*
Total Life SCR	**8,824**	**2,647**	*233%*

In thousands of Euro

The data reveal that the main source of risk is Lapse Risk, which accounts for 72% of the non-diversified Life Insurance Risk. In comparison with previous year the main change in the sub module is represented by the Lapse Risk and it is related to the significant volumes of new business that were written during 2019.

Risk mitigation techniques

The company has a limited appetite for mortality risk, the terms of which are set out in the policy documentation. These are based on age and an overall limit per individual. The mortality risk within the products is reviewed by the Actuarial Function and Board and mortality assumptions included as part of product pricing are based on actuarial data. In addition the company reinsures part of this risk. This limits the mortality risk to the Company for any one policy and any one policyholder.

C.2 Market risk

Market risk refers to all the risks which result in impairment of financial investments or real estate as a result of adverse developments of the relevant market variables:

- Interest rate risk, or the risk of a loss in value of a financial asset in the portfolio in relation to movements in market interest rates;
- Equity risk, is the risk linked to losses due to movements in share prices;
- Exchange rate risk, is the risk of possible losses on foreign currency positions in the portfolio due to changes in exchange rates;
- Spread Risk, is the risk associated to a possible increase of spreads required by the market to a debtor;
- Concentration risk: additional risk due to limited diversification of financial asset portfolio by high exposure to default risk from individual financial instruments issuers;and

- Real estate risk, is the risk linked to losses due to adverse movement in the prices of assets classified as property.

The Policyholder financial portfolio at 31st December 2019 is made up of 33% bonds, 0% of which is government bonds, the investment in Undertakings for the Collective Investment of Transferable Securities is 60% of the portfolio with the balance of 7% in cash.

Table 2 – Financial Portfolio Composition

	Solvency II Value 31/12/2019	**% Exposure to PTF Total**	**Solvency II Value 31/12/2018**	**% Exposure to PTF Total**	**Difference**
Property, Plant & Equipment held for own use	3,332	0.20%	180	0.02%	36%
Bonds	59,064	3.47%	64,399	5.52%	-40%
Government Bonds	59,064	0	64,399	0	-40%
Investments for the benefit of policyholders who bear risk (class III)	**1,641,678**	**96.33%**	**1,102,897**	**94.47%**	**32%**
Total	**1,704,074**	**100.00%**	**1,167,476**	**100.00%**	**30%**

In thousands of Euro

All assets, in particular those covering the Minimum Capital Requirement and the Solvency Capital Requirement, shall be invested so as to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

Given the composition of the financial portfolio the Market Risk is calculated with the Standard Formula.
With reference to the year end 31st December 2019 you may find below the details of the individual sub-modules of the SCR of the market risk.

Table 3 –Standard Formula Market SCR – Risk Sub-Modules Contribution

Risk Sub-Modules	**2019**	**2018**	**Difference**
Interest Rate	*732*	*920*	*-20%*
Equity Risk	*3,214*	*3,406*	*-6%*
Real Estate Risk	*11*	*0*	
Spread	1,789	284	*530%*
Exchange	*820*	*0*	
Concentration			
Total Sub-Modules	**6,566**	**4,609**	*42%*
Diversification Effect	-1,488	-872	*71%*
Total Market SCR	**5,078**	**3,738**	*36%*

In thousands of Euro

In summary, the market risk component of the SCR is due primarily to the impact of market stresses on the unit-linked portfolios. The difference between 2019 and 2018 is mainly due to:

- An in increase in the spread risk sub-module driven by the significant volumes of new business that were written during 2019 combined with an increase in corporate bonds being held in policyholder funds.
- Availability of more granular lookthrough data which lead to the introduction of exchange rate risk within the calculation of the SCR.

Mitigation risk techniques

The Company does not have any appetite for market risk linked to policyholders assets other than the indirect exposure via the the link between the level of assets under management and the annual management fees received by the Company. The market risk associated with the unit linked assets is borne by the policyholders and the policyholders' documentation sets this out in detail. The Company does not have any appetite for providing guarantees within the product that pass this market risk on to the Company. The Company also has no appetite for products that have inherent guarantees such as variable annuities.

The products documentation specifically outlines that the policyholders are subject to any movements in the value of the asset and therefore are subject to the market risk.

C.3 Credit risk

The Credit Risk (Counterparty Default Risk) identifies the risk that a debtor or guarantor fails to comply, fully or partially, to its financial obligation accrued to the Company. Credit risk thus reflects the potential loss due to an unexpected default of the counterparties and debtors of insurance and reinsurance companies in the next 12 months.

The methodology adopted to assess the risk of default is the Solvency II Standard Formula. The portfolio exposed to the Counterparty Default Risk at 31/12/2019 consists almost exclusively of cash deposited with banks.

Below is the value of the Solvency Capital Requirement in relation to credit risk as at 31/12/2019:

Table 4 Standard Formula Credit SCR

	2019			2018			
Exposure Type	**Exposure**	**SCR**	**% Total TPF**	**Exposure**	**SCR**	**% Total TPF**	**Difference**
Type 1	32,625	2,913	91%	12,586	1,339	84%	118%
Type 2	3,181	477	9%	2,377	356	16%	34%
Total	**35,806**	**3,286**	**100%**	**14,963**	**1,624**[1]	**100%**	

In thousands of Euro

The contingency plan to manage risk of counterparty default includes diversification of the counterparties used.

C.4 Liquidity risk

Liquidity risk represents the risk of not having the liquid resources needed to meet the financial obligations without having to suffer economic losses from forced asset sales in the event of adverse scenarios.

The Company faces liquidity risk in two specific scenarios, lack of sufficient liquid assets to meet day to day operational liabilities and payment of the Italian substitute tax where the Company does not generate sufficient liquidity through new business and profits on existing business to ensure payment of the tax.

The Company does not seek to take on liquidity risk as a strategic risk. The liquidity risk faced by the firm is in the normal course of its activities as a cross border life assurance undertaking.

The Company strives to maintain liquidity levels to meet the cash requirements arising from day to day trading activity and to meet the cash requirements that arise from the payment of the Italian substitute tax.

The main mitigation in relation to the payment of day to day expenditure such as corporation tax, exit tax payments, salaries etc is matching of the bond portfolio with the liabilities as they fall due.

There is also a line of credit in place which ensures that this risk is further mitigated and alleviated. However, the main mitigation is holding sufficient levels of liquid assets to pay the liabilities as they fall due as the use of the line of credit is an expensive form of mitigating the risk. The exposure to the liquidity risk associated with the Italian substitute tax is mitigated by a binding agreement in place with Group which ensures

[1] The 2018 SFCR reported a value of 1,696 (sum between the Credit SCR for Exposures of Type 1 and Type 2), while the credit risk considering the diversification effect is 1,624 as reported in the present document

that if there is any shortfall in the exit tax due from policyholders then the Group will meet this shortfall.

The time horizon of the liquidity risk can be split into two main areas i) the short term ongoing potential delay in bank settlements where the counterparty is not able to settle the trade in the agreed timeframe and ii) the longer term payment of the Italian substitute tax where the Company does not generate sufficient liquidity through new business and profits emergin on existing business to ensure payment of the tax.

Gains expected in future premiums

The expected profit included in future premium in accordance with Article 260, paragraph 2 of the Delegated Regulation (EU) 2015/35 is not calculated as the Company does not have policies with regular premium.

C.5 Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events such as fraud or the activities of service providers. Part of the operational risks, in terms of the identification and quantitative assessment, are the legal risk, the risk of non-compliance and IT risk, while strategic risk and reputational risk are not included.

As part of the Internal Control System and risk management, the operational risk management system facilitates the achievement of the following high-level goals:
– Preservation of the capital of the Company;
– Improvement of the overall efficiency of the processes ensuring that the potential operational risk is identified, measured, controlled and managed in accordance with methodologies defined and consistent within the Group.

The Company calculates the capital requirement for operational risk through the use of the standard formula as reported in the Delegated Regulation (EU) 2015/35.

Below shows the capital requirement for operational risk calculated through the use of Standard Formula for the year 2019.

Table 5 - Operational Standard Formula SCR

Risk module	2019 Operational SCR	2018 Operational SCR	Difference
Operational SCR	3,966	3,048	30%

In thousands of Euro

The identification of operational risk is based on the collection of information on potential events or actual events from all relevant sources of information and classified in a coherent and coordinated way in order to represent a continuous overall database on operational risk.

The identification activity consists in gathering as much information as possible about the event risk, its possible causes and effects. This activity aims at increasing the knowledge of risk exposure of the different business areas, at assessing the adequacy of controls and at identifying the best solutions for the management of any critical situations.

The process of collection of *business expert opinion*, carried out through the Risk Self-Assessment (RSA) method, is based on interviews with management in order to identify and assess the potential operational risk events that can occur, as well as to assess the adequacy of the control system and to identify the best solutions to manage potential critical situations.

The data collected include the impact of the estimated risk event and the estimate of the expected frequency of the occurrence of events considered on an annual basis.
The information collected on operational risk events is divided according to the concept of cause - event - effect, in order to accurately describe the chain of events that caused the economic impact due to event risk.

In summary the phases in which the operational risk identification activities can be divided are the following:

- Analysis of processes, verification of the applicable regulations and collection of the information derived from previous analysis or analysis performed by the controlling functions;

- Identification of possible operational risks, the possible causes and the existing controls;

- Verification of the completeness of the analysis with respect to the model of the event type;

- Validation of the collected data and control of the quality of the performed analysis.

As part of the operational risk, the evaluation of the impacts resulting from the interruption of business processes following the occurrence of a disastrous event (i.e. risk of continuity) is significant.

For this purpose the Company has a Business Continuity process, with the aim to minimize the impact of disastrous events on the relevant services, whether they are caused by events of sectoral, corporate, local or extended scope (Business Continuity Management).

The Company will manage operational risk to an acceptable level through a combination of sound corporate and risk governance, strong systems and controls and, where applicable, limit and tolerance structures. Regular updating of the risk register is one of the primary methods of mitigating the operational risk and ensuring that operational risks are recognised, measured and reported to the Board of Directors.

C.6 Other substantial risks

As for other risks, the Company identifies as significant the following risks:

- Reputational risk: the current or prospective risk to affect income or capital arising from a negative perception of the company by its major stakeholders.
- Strategic risk: the current or future risk of a decline in profits or capital due to external factors such as changes in the operating environment and / or lack of responsiveness to changes in the competitive environment, or internal factors such as adverse business decisions and / or inadequate decisions. The Board of Directors is monitoring these risks with a pro-active approach to anticipate the trend to prevent emerging risks and take advantage of future business opportunities.
- Risk of belonging to a Group: the risk related to belonging to the Group or risk of "contagion" is the risk that as a result of the interlinked nature of the Group's other entities, difficult situations that arise in an entity of the same group can spread with negative effects on the solvency itself; it also includes the risk of conflict of interests.
- Risk of non-compliance: the risk of incurring in legal or regulatory sanctions, material financial losses or reputational damages as a result of violations of mandatory rules (laws, regulations) or self-regulations (i.e. statutes, codes of conduct, codes of self-regulation); it may also derive from unfavorable changes in the regulatory framework or legal guidelines. The Compliance Function evaluates the adequacy of the organisation and internal procedures for the prevention of such risk and determines their level.

Sensitivity analysis

In order to monitor the sensitivity of the Company’s solvency position to risks and material events, the Company has prepared sensitivity analysis. This analysis investigates the sensitivity of the the Company’s solvency ratio to a selection of key risk exposures.

Below is the table of the sensitivity analysis carried out and their descriptions.

Table 6 Sensitivity analysis

Code	Sensitivity	Description	Shock Type
Sensi_1	Lapse Rates	This scenario assesses the impact of a reduction of 50% in the rate of policyholder lapses on the solvency coverage	Demographic
Sensi_2	Unit Liability	This scenario assesses the impact of an instantaneous 25% reduction in the value of the policyholder assets on the solvency coverage	Market/Financial
Sensi_3	Administration Expense Base	This scenario assesses the impact on solvency coverage of a permenant increase of 20% to the administration expense base	Life underwriting

Sensitivity 1 – Lapse Rates

To analyse the impact of a reduction in the lapse rates, the Best Estimate Liability and Solvency Capital Requirements were re-calculated under a scenario whereby lapse rates are reduced by 50%.

Sensitivity 2 – Policyholder funds under management

To analyse the impact of an instantaneous reduction in the policyholder funds under management, the Best Estimate Liability and Solvency Capital Requirements were re-calculated under a scenario whereby market movements lead to an instantaneous reduction in the value of policyholder funds under managment of 25%. The Company's solvency position is exposed to a reduction in the funds under management because its future income is a function of the funds under management. The Company's insurance related mortality costs and fund related expenses are also a function of the funds under management.

Sensitivity 3 – Administration Expense Base

To analyse the impact of an increase in the expenses of the company, the Best Estimate Liability and Solvency Capital Requirements were re-calculated under a scenario whereby the permenant administration expense base is increased by 20%. An increase in expenses will erode future profits that are recognised on the solvency II balance sheet and as a result reduce solvency coverage.

Results of the sensitivities

Scenario	Impact on the cental scenario	Impact % on Solvency II VIF (i.e future profits)	Impact % on SCR
Demographic risk - Lapse rates	- 50%	11% increase in VIF	12% increase in SCR
Market risk – Unit liability	Instantaneous reduction of 25%	66% decrease in VIF	19% reduction in SCR
Life underwriting risk – Administration expense base	+20%	39% decrease in VIF	5% decrease in SCR

Sensitivity 1 – Lapse Rates

Under a scenario where lapses rates are reduced by 50%, there is an increase in the Company's SCR. The increase in SCR is primarily as a result of the increase in the future expected profits. The reduction in lapse rates leads to policies remaining in force longer. This results in increased AMC income, but also increased fund related expenses. Surrender penalty income reduces given that lapses are lower. The increased SCR is driven primarily by the greater exposure of the Company to expenses, given that policies are expected to remain in force longer. The equity and lapse stresses (the most material stresses to the Company's SCR) also increase as the Company has a greater level of expected future profits.

Sensitivity 2 – Policyholder funds under management

Under a scenario where market movements lead to an instantaneous reduction in the value of policyholder funds under management of 25%, there is a reduction in the Company's SCR. This reduction in SCR is primarily due to the reduction in the Company's projected future profits (driven by the reduction in policyholder funds under management). This results in reduced AMC and surrender penalty income, offset somewhat by reduced fund related expenses. The reduced projected future income drives reductions in the equity and lapse stresses (the most material stresses to the Company's SCR).

Sensitivity 3 – Administration Expense Base

Under a scenario where the permanent administration expense base is increased by 20%, there is a reduction in the Company's SCR. This reduction in SCR is primarily due to the reduction in the Company's projected future profits (driven by the reduction in policyholder funds under management). This drives reductions in the equity and lapse stresses (the most material stresses to the Company's SCR). However, this is partly offset by an increase in the expense stress.

D Evaluation for solvency purposes

The calculation of the solvency requirement laid down in the Directive is determined as economic capital that insurance and reinsurance undertakings must hold to ensure that the event "worst case" does not occur more than once in 200 cases or, alternatively, that the undertakings in question will still be able, with a probability of at least 99.5%, to meet their obligations towards policyholders and beneficiaries over the following twelve months. The capital is evaluated with a balance sheet prepared on the basis of "*Market Consistent*" criteria, specifically identified in the Regulation. These criteria are generally based on the *fair value* evaluation as defined by international accounting standards (IFRS 13), to be determined on the basis of the following hierarchy:

i) quoted prices in active markets for the same assets and liabilities;

ii) quoted prices in active markets for similar assets and liabilities, suitably adjusted to take account of the differences with the assets and liabilities listed;

iii) evaluations derived from internal valuation models ("*Mark to Model*"). The data used in these models must derive as far as possible from information implicit in the market valuations of the previous points.

Consequently, the preparation of the Market Consistent Balance Sheet (MCBS) of the Company was made through the following phases:

- restatement of the individual assets and liabilities of the Company on the basis of the classification criteria for compiling the QRT S.02.01 (Balance Sheet);
- evaluation of individual assets and liabilities under the criteria of the Regulations, in accordance, where applicable, with the assessments set out on the purpose of the consolidated financial statements prepared in accordance with IAS / IFRS principles.

Below is the content of the QRT S.02.01.02 (MCBS) prepared with reference to 31/12/2019, which contains a valuation of the assets and liabilities of the Company to market consistent values (Solvency II Value) and a consistent evaluation with that adopted by the Company to prepare its financial statements (Statutory Account).

Table 6 - Market Consistent Balance Sheet (MCBS): Assets

	Solvency II Value	**Statutory Account Value**
Goodwill		
Deferred acquisition costs		3,921
Intangible assets	-	-
Deferred tax assets	-	8
Property, plant and equipment held for own use	3,332	3,332
Investments (other than assets held for contracts index-linked and unit-linked)	59,064	59,064
Bonds	59,064	59,064
Government bonds	59,064	59,064
Assets held for contracts index-linked and unit-linked	1,641,678	1,641,678
Insurance and intermediaries receivables		
Credits reinsurance		
Cash and equivalent to cash	28,556	28,556
All other assets not mentioned elsewhere	28,153	28,153
Total assets	**1,760,783**	**1,764,712**

In thousands of Euro

Table 7 - Market Consistent Balance Sheet (MCBS): Liabilities

	Solvency Value II	Statutory Account Value
Technical provisions - index-linked and unit-linked	1,650,041	1,662,097
Technical provisions calculated as a whole		
Best estimate	1,646,701	
Risk margin	3,340	0
Deferred tax liabilities	1,754	117
Financial liabilities other than debts owed to credit institutions	3,351	3,351
Insurance payables and to intermediaries	7,562	7,562
Reinsurance payables	33	33
All other liabilities not reported elsewhere	14,885	19,907
Total liabilities	**1,677,626**	**1,693,067**

In thousands of Euro

Comments on the main differences between the two evaluations are given in the following paragraphs.

D.1 Assets

D.1.1 Evaluation criteria

In this section the criteria, methods and models used by the Company for the detection and measurement of assets in MCBS are illustrated.

Financial assets and liabilities (excluding equity investment) and properties

The financial assets and liabilities are measured at fair value within the hierarchy illustrated in the Regulation. Below you may find the valuation principles of the fair value as it has been adopted by the Company in accordance with IFRS 13.

The table below summarizes the methods for determining the fair value for the different macro categories of financial instruments, loans and properties; these methods are identified and in accordance with the Group.

As per IFRS 13 we use the below Fair Value measurement criteria

- defines the fair value;
- groups into a single accounting standard the rules for measuring fair value;
- enriches financial statement information.

The standard defines fair value as the sale price of an asset based on an ordinary transaction or the transfer price of a liability between market participants at the measurement date and under market conditions (exit price).

The fair value is a market measurement and not an entity-specific measurement; as such, the valuations must be made on the basis of the assumptions and models mainly used by market participants, including assumptions about the risk of the asset or liability being measured. When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

Deferred Taxes

The calculation of deferred taxes recognised in MCBS was made by applying the criteria identified by the International Accounting Standards (IAS 12).

Other activities

For all other activities not included in the categories set out above, in view of its characteristics, the book value in the MCBS is consistent with the value of the specified purposes of the consolidated financial statements prepared and then by applying the relative IAS / IFRS.

D.1.2 Quantitative information on the valuation of assets

Intangible assets

The Company, in line with the regulatory requirements of the Directive, for solvency purposes, does not attribute value to goodwill, deferred acquisition cost or other intangible assets, as a quotation on an active market for similar assets is not available.

Table 8 - Intangible Assets

	Value	Value	Difference
	Solvency II	**Financial statements**	
Goodwill			
Deferred acquisition costs	-	3,921	-3,921
Intangible assets			
Total	-	**3,921**	**-3,921**

In thousands of Euro

Following the adjustments required in MCBS for the items above, the Company recorded a decrease in equity resulting from the statutory financial statements of €3,921 gross of the related tax effects.

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Table 9 -Tangible Assets

	Value	Value	Difference
	Solvency II	**Financial statements**	
Property, plants and equipment held for own use	3,332	3,332	-
Total	**3,332**	**3,332**	-

In thousands of Euro

Note that, in respect of other tangible assets (eg. Equipment, plant, Leases, cars, etc. ..), the book value in the MCBS is consistent with the carrying value in the financial statements, which, given the nature and significance of those assets, it has been considered adequately representing the fair value.

MCBS requires that "*Assets held for index-linked and unit-linked funds"* includes all financial assets recognised in the class "Financial assets at fair value through profit or loss" of the statutory balance sheet, corresponding to the financial assets for which the investment risk is borne by policyholders (Unit-linked and index-linked).

Table 10 - Financial Assets with Investment Risk borne by Policyholders

	Value	Value	Difference
	Solvency II	**Financial statements**	
Assets held for contracts on an index-linked and unit-linked	1,641,678	1,641,678	-
Total	**1,641,678**	**1,641,678**	-

In thousands of Euro

These assets are valued at fair value also in the financial statements, consequently there are no differences compared to the corresponding values recorded in the MCBS.

Table 11 - Other Financial Investments

	Value	Value	Difference
	Solvency II	**Financial statements**	
Government bonds	59,064	59,064	-
Total	**59,064**	**59,964**	-

In thousands of Euro

These assets are valued at fair value also in the financial statements, consequently there are no differences compared to the corresponding values recorded in the MCBS.

Deferred Taxes

The calculation of deferred taxes recognised in MCBS was made by applying the criteria identified by the International Accounting Standards (IAS 12).

Deferred tax is provided on temporary differences between the carrying value of assets and liabilities in the MCBS and their value for tax purposes.

Table 12 - Deferred Tax Assets and Liabilities

	Value	Value	Difference
	Solvency II	**Financial statements**	
Deferred tax assets	0	8	8
Deferred tax liabilities	1,754	117	1,637
Net total	**-1,754**	**-109**	**-1,645**

In thousands of Euro

The differences compared to the figure recorded in the financial statements, are related to the deferred tax effect of temporary differences arising from adjustments of assets and liabilities valuations commented in paragraphs D.1, D.2 and D.3.

Below there is a table summarizing the composition of assets and liabilities for deferred taxes recorded in the MCBS to the nature of the temporary difference that has determined the detection and a time horizon indication provided for the reversal of the temporary differences themselves.

At the reference date, there are no tax losses or unused tax credits for which the corresponding deferred tax asset were not recognised.

Table 13

Assets / (Liabilities) detail Deferred Tax recognised in the MCBS by temporary differences	Corporate Tax	Timeframes required for the reversal of temporary differences
Intangible assets (other intangible assets)	-	This entry consists in intangible assets subject to elimination in MCBS. The cancellation of the temporary difference, barring any early replacement, is related to the amortisation of intangible assets, the amortisation of which is on average expected in 3-5 years.
Technical reserves net life (IFRS adjustments and SII)	-1,507	Temporary differences arising from adjustments between statutory account and MCBS
Other assets and liabilities	-138	Deferred income and expense which is reasonable to assume a period of repayment of up to 5/6 years.
Total	**-1,645**	

In thousands of Euro

D.2 Technical Reserves

D.2.1 Evaluation criteria

Technical reserves Life

Technical provisions for each material line of business

The Best Estimate and the Risk Margin as at the 31st December 2019 are respectively €1.6 billion (2018: €1.1 billion) and €3.3million (2018: €1.2million).

Methodology

In accordance with what is defined in the Directive, the technical provisions are determined as the sum of a best estimate (Best Estimate of Liability or BEL) and a margin of risk (Risk Margin).

The best estimate liability is made up of two following components:

- the policyholder value of best estimate liabilities (i.e. the unit liabilities)
- the value of future profits on the in-force business (i.e. the non-unit liability)

The technical provisions within the Quantitative Reporting Templates (QRTs) also include all pending policyholder claims.

The policyholder unit liabilities are the sum of the value of the unit liabilities for each policy. The value of the unit liability is calculated as the product of the number of units deemed allocated at the valuation date to each policy and the valuation price per unit. The technical provisions also include all pending policyholder claims. This amounts to €17 million.

The value of future profits is calculated as the expected future shareholder income less outgo discounted using the relevant term structure of risk free interest rates**.** The income is the annual management charge and surrender penalties arising from policyholder lapses. The outgo comprises management expenses, investment costs that are met by the shareholder, and cost of mortality claims. There is assumed to be no cost of future Italian tax prepayments. This is consistent with the valuation of the tax asset at face value on the Solvency II balance sheet.

The risk margin component of technical provisions is calculated using a cost of capital approach where the cost of capital each year is set at 6% of the capital requirement. The risk margin is equal to the sum of the discounted costs of capital. The capital requirement is the Solvency Capital Requirement.

The Risk Margin is calculated based on the following input data:

- SCR for operational risk;
- SCR relative to credit risks;
- SCR relative to Technical Life Insurance risks quantified according to the different methods of risk assessment;
- estimation of the projected run-off of the above SCR components;
- the risk-free yield curve.

The SCR for market risk is excluded from the calculation as it is assumed that the market risk is hedgeable when calculating the risk margin.
Vera Financial has not developed an internal model. All Solvency II calculations are based on the standard formula approach.

Main assumptions

The key assumptions influencing the technical provisions are:

- Expenses
- Lapses/partial encashments
- Projection term

Mortality assumptions are also used in the calculation of the technical provisions but given the product design mortality is not a key assumption.

Expenses:

Expense assumptions are set according to the Company’s expense budget and are split into maintenance related and acquisition related expenses. Maintenance expenses are further divided into expenses that relate to the size of funds under management and those that are not fund related. Fund related expenses are allowed for as a percentage of the funds under management. The balance of the maintenance expenses are allocated at an individual policy level basis with some expenses been allocated at an aggregrate basis.

Expense inflation takes into account the market forecast for inflation based on the spread between fixed interest and index linked bonds with a margin for salary inflation.

Lapses/partial encashments:

The lapse and partial surrender experience over prior years is analysed by the Actuarial Function and Vera Financial management and the results of this analysis are used in determining best estimate future assumptions.

Mortality:

Mortality is not a material assumption in the context of calculating the technical provisions. Standard mortality tables are used in determining mortality assumptions for the purpose for calculating the technical provisions.

Projection term:

The projection term is set at the term of each product for fixed term policies.

For those products with an open ended term the projection term is set by the company based on its best estimate view of the duration of this business.

The company has also sold a number of whole of life products which move into a liquidity fund after 5, 6 or 7 years depending on the product specifications. For these products the calculation of the technical provisions assumes a lapse rate of 100% once funds move to this liquidity fund.

Level of uncertainty

Uncertainty relates primarily to how actual experience will differ from best estimate assumptions used to calculate technical provisions. The key areas where expert judgements have been used and therefore where there is a level of uncertainty in setting the assumptions relates to setting the lapse assumptions and expenses. Whilst historic lapse experience has been analysed in setting the assumptions there are various historic factors that may have impacted historic lapse experience, including economic environment and product design, that may not necessarily be repeated in the future. As mentioned above the breakdown between acquisition and maintenance expenses and the determination of the expenses applied at an individual policy level has also relied on the application of expert judgement. The assumptions are regularly monitored to ensure they remain appropriate and to ensure that the areas of uncertainty are understood and appropriately reflected in the technical provisions.

However, the technical provisions included in this report were calculated based on data available as at 31 December 2019. COVID-19, and its potential impact on technical provisions, is therefore a material post balance sheet event that leads to a greater level of uncertainty in the technical provisions than would otherwise be the case. The impact of recent market falls is that there is much greater uncertainty as to the value attributed to future income in the technical provisions calculation. In addition, there may be greater than expected lapse experience in the near future which may result in material uncertainty regarding both the allowances for expenses and the value attributed to future income in the technical provisions. Assumed future rates of mortality, especially at the older age categories, in respect of the near future may also be understated.

Solvency II and IFRS valuation differences of technical provisions

The IFRS technical provisions differ from the Solvency II technical provisions for the purposes of the returns to the Central Bank of Ireland. The key points of difference are the following:

– Solvency II assumptions are best estimate assumptions whereas IFRS assumptions have some margins for adverse deviation.

– Solvency II recognises all expected future profits on the balance sheet whereas under IFRS where the reserve is negative, i.e. for 'profitable' policies where the future income expect ed from the policy exceeds the expected expense outgo, then this negative reserve is set to zero for the purpose of calculating the technical provisions included within the financial statements.

– There is no requirement to hold a risk margin within the financial statements.

– The Solvency II results include some project related expenses that are expected to be incurred in 2020.

Other comments

The technical provisions do not include an allowance for the matching adjustment, volatility adjustment (which would reduce the value of guaranteed liabilities) or any transitional measures (used by some companies to reduce the initial impact from moving to Solvency II).

Reinsurance

Vera Financial currently uses reinsurance in relation to the mortality risk exposures on its in-force business. The risk is reinsured by 2 reinsurers, 50% each to RGA and Cattolica. Taking account of the short duration of the business, the duration of the reinsurance contract and the low levels of mortality risk, reinsurance has not been allowed for within the actuarial models on the grounds of materiality.

D.2.2 Quantitative information on the valuation of assets

Technical Reserves Life

The value recorded in the MCBS of the technical reserves of Life corresponds to their *fair value* determined on the basis of the described methods.

Below a*re the values of the technical reserves Life divided in LoB (Line of Business).*

The main difference is due to the increase in the reserve due to the amount of new business written being higher than the claims experienced.

Table 14 - Segmentation in LoB of reserves relative to Life business

	2019			2018			
	Direct business	Insurance linked to index-linked and unit-linked	**Total**	Direct business	Insurance linked to index-linked and unit-linked	**Total**	**Difference**
Technical reserves calculated as a single element	-	-	**-**	-	-	-	-
Best Gross Estimate	-	1,646,701	**1,646,701**	-	1,116,631	**1,116,631**	**47%**
Risk Margin	-	3,340	**3,340**	-	1,220	**1,220**	**174%**
Amounts recoverable from reinsurance	-	-	**-**	-	-	**-**	-
Total	-	1,650,041	**1,650,041**	-	1,117,851	**1,117,851**	**48%**

In thousands of Euro

The table below summarizes the differences found between the value measured in accordance with Solvency II and the evaluation for the purposes of the financial statements of the Company for the technical reserves Life (direct and indirect business gross of reinsurance).

Table 15 - Technical Reserves Life

	Value	**Value**	**Difference**
	Solvency II	**Financial statements**	
Technical Provisions – Index linked and unit linked	1,650,041	1,662,097	12,056
Total	**1,650,041**	**1,662,097**	**12,056**

In thousands of Euro

D.2.3 Information on the the volatility adjustment.

The Company does not apply the volatility adjustment.

D.3 Other Liabilities

D.3.1 Evaluation Criteria

Financial Liabilities

The fair value of other financial liabilities (non-technical) is determined by considering the merit of credit due to the time of issue (*at inception*) and not considering any subsequent changes in the merit of enterprise credit.

Other liabilities

For all other liabilities not included in the categories set out in the previous paragraphs, taking into account its characteristics, the entry value in the MCBS is consistent with the value of the same determined for the purposes of the Financial Statement prepared in accordance with the International Financial Reporting Standards (IFRS) and the Group's consolidated financial statements.

D.3.2 Quantitative information on the valuation of liabilities other than technical reserves

The following table shows the differences between other liabilities reported in the MCBS and the corresponding evaluations of the same in the balance sheet.

Table 16 - Other liabilities

	Value	Value	Difference
	Solvency II	Financial statements	
All other liabilities not reported elsewhere	14,885	19,907	5,022
Total	**14,885**	**19,907**	**5,022**

In thousands of Euro

The differences recorded under the following items:

- other liabilities (*Any other liabilities, not elsewhere shown*);

it results from disparities between the quantification on the basis of the accounting standards and the identification and evaluation of the same under Solvency II.

D.4 Alternative evaluation methods

No alternative methods of evaluation have been used for the Assets and Liabilities.

D.5 Other Information

Other relevant information on the assessment for the solvency position of the insurance may be found below.

E Capital Management

E.1 Own funds

E.1.1 Scope

Own Funds (the “Own Funds” or “OF”) represent the financial resources permanently acquired by the Company and available to absorb losses and to address the risks generated by the business.

The process of calculation of own funds eligible to cover the capital requirements (SCR and MCR) develops primarily in the determination of available own funds. These are then restated according to the eligibility criteria laid down in the Regulations, in order to get eligible own funds.

The Directive divides the Own Funds available in Basic Own Fund and Ancillary Own Fund.

The basic OF are constituted by the excess of assets over liabilities, both measured at fair value in accordance with art. 75 of the Directive. The constituent elements are classified into 3 levels (Tier 1, Tier 2, Tier 3) based on their technical characteristics with the aim of stability and absorption losses.

The reconciliation reserve, within Tier 1, is equal to the amount which is the total surplus of assets over liabilities, reduced by the value:

- of the own shares of the Company;
- of expected dividends;
- of Own Funds of Tier 2 and Tier 3;
- of the elements of Tier 1 different from the reconciliation reserve itself;
- of surplus of Own Funds on the notional SCR of Ring Fenced Funds.

The Company does not have any Ring Fenced Fund.

Ancillary Own Funds (which the Company does not have as at 31/12/2019) are based on elements, which can be called up to absorb losses.

Within this category are included:

- share capital or initial fund unpaid and uncalled;
- letters of credit and guarantees;
- any other legally binding commitments received by the Company.

Such elements, whose inclusion is subject to approval by the supervisory authority, cannot be computed in the Tier 1 and are not eligible to cover the MCR.

The eligibility limits used are those established by art. 82 of the Regulations, which provides the following criteria to satisfy the solvency capital requirement (SCR):

- the proportion of Tier 1 must be at least equal to 50% of the SCR;
- the amount of the elements belonging to Tier 3 must be less than 15% of the SCR;
- the sum of the elements of Tier 2 and Tier 3 cannot be higher than 50% of the SCR.

In order to cover the minimum solvency capital requirement (MCR), art. 82 of the Regulation provides for more restrictive requirements. In particular:

–the share of Tier 1 capital must be at least equal to 80% of the MCR;
–the amount of the elements belonging to the Tier 2 must be less than 20% of the MCR;

The elements of Tier 3 and Ancillary Own Funds are not allowed to cover the MCR. Within the limits of the above, subordinated liabilities belonging to Tier 1 (defined as "Tier 1 restricted") may not exceed the limit of 20% of the total of the elements of Tier 1. The elements that should be included in higher Tier levels, but more than limits referred to above, they can be classified in the lower levels.

E.1.2 Capital management policy

The Company's capital management policy approved by the Board of Directors sets out the Company's aim to hold own funds to meet its capital requirement on an ongoing basis. The Capital planning process sets out the main needs of capital management, the sources of Capital management if required and the role and responsibilities in the capital management process for the three years of the planning period. There have been no been material changes on over the reporting period.

Based on the evaluations carried out for Solvency purposes, the following tables represents the structure and the amounts of own funds to cover the SCR and the MCR determined for 2019.

E.1.3 Information on Company's Own Funds

Annual Movements of own funds of the Company

The table below summarises the situation of the basic and eligible own funds in the Company, according to the tier level, between the date of the 01/01/2019 and the situation at 31/12/2019.

Table 17

	Situation at 01/01/2019	**Issues**	**Refunds**	**Adjustments for valuation movements**	**Adjustments for regulatory interventions**	**Situation at 31/12/2019**
Total own funds	**70,554**			**12,603**		**83,157**
Of which Tier 1 unrestricted	*70,536*	-	-	*12,621*		*83,157*
Total eligible own funds to cover the SCR	**70,554**	**-**	**-**	**12,603**	**-**	**83,157**
Of which Tier 1 unrestricted	*70,536*	-	-	*12,621*		*83,157*

In thousands of Euro

The table below summarises the situation of the basic and eligible own funds in the Company, according to the tier level, between the date of the 01/01/2018 and the situation at 31/12/2018

Table 18

	Situation at 01/01/2018	Issues	Refunds	Adjustments for valuation movements	Adjustments for regulatory interventions	Situation at 31/12/2018
Total own funds	**75,135**	**-**	**-**	**-4,581**	**-**	**70,554**
Of which Tier 1 unrestricted	*75,135*	-	-	*-4,581*	-18	*70,536*
Total eligible own funds to cover the SCR	**75,135**	**-**	**-**	**-4,581**	**-**	**70,554**
Of which Tier 1 unrestricted	*75,135*	-	-	*-4,581*	-18	*70,536*

In thousands of Euro

The following table shows in detail the annual movement of the core capital of the Company during 2019 divided by type:

Table 19

	Situation at 01/01/2019	Issues	Refunds	Adjustments for valuation movements	Adjustments for regulatory interventions	Situation at 31/12/2019
Ordinary share capital paid	*803*	-	-	-	-	*803*
Reconciliation reserve	*7,955*	-	-	*12,621*		*20,576*
Other elements of own funds approved by the supervisory authority	*61,778*	-	-	-	-	*61,778*
Total "Tier 1 unrestricted"	***70,536***	**-**	**-**	***12,621***		***83,157***
Total own funds	***70,536***	**-**	**-**	***12,621***		***83,157***

In thousands of Euro

The changes during the period are derived exclusively from adjustments to valuation movements. During year 2019 no own funds were issued or refunded.

Composition and characteristics of the Company Own Funds

The following are the substantive conditions underlying the individual elements of the own funds of the Company.

The ordinary share capital corresponds to the amount paid by the shareholders of the Company which, in the right level of stability of the same and the capacity to absorb losses, qualify as equity-type "Tier 1 unrestricted".

The reconciliation reserve, based on the provisions of art. 69 of the Regulations, is the residual amount of own funds of the Company that qualifies as an element of own funds Type "Tier 1 unrestricted". The reconciliation reserve is determined by making some deductions to the amount of the difference between assets and liabilities resulting from MCBS. The table below shows the detail of the calculation of the reconciliation reserve.

Table 20 - Reconciliation Reserve

	2019 Tier 1 unrestricted	2018 Tier 1 unrestricted	Difference
Surplus of assets over liabilities (A)	83,157	70,557	17.86%
Own Shares (held directly and indirectly) (B)	-	-	-
Dividends, distributions and predictable costs (C)	-	-	
Other elements of core capital (D)	62,581	62,599	-0,03%
Adjustments for items of their limited funds in relation to portfolios subject to adjustment of fairness and equity separated (E)	-	-	-
Reconciliation reserve (A-B-C-D-E)	**20,576**	**7,955**	**159%**

In thousands of Euro

In 2019 there was no distribution of dividend.

As part of the entry that includes the other elements of the original own funds ("Other basic own fund items") are included the amount of the paid up share capital and the share premium reserve classified as "Tier 1 unrestricted" (0.8 Million Euro), and the amount of Other elements of own funds approved by the supervisory authority (61.8 Million Euro).

Further valuation allowances of reconciliation reserves are:

- the amount of own shares held directly and indirectly by the Company;
- the amount of expected dividends;

Additional deductions, other than those disclosed in the calculation of reserves of reconciliation, to operate to the core capital in the face of significant restrictions that affect the availability and transferability of own funds within the Company at the date were not identified.

Own funds eligible

In the following table are shown the structures and the importance of the OF to cover the SCR and the MCR, determined for 2019:

Table 21 - Own funds available and eligible for coverage of the SCR

	2019			2018	
	Own funds available ("available")	**Adjustments for eligibility**	**Own funds eligible** ("eligible")	**Own funds eligible** ("eligible")	**Difference**
Tier 1 unrestricted	83,157		83,157	70,536	17.89%
Tier 1 restricted				0	
Tier 2				0	
Tier 3			0	0	
Total OF	**83,157**		**83,157**	**70,554**	**17.86%**
Total SCR	**14,527**		**14,527**	**7,750**	**87.45%**
Surplus / (deficiency)	**68,630**		**68,630**	**62,804**	**9.28%**

In thousand of euros

Table 22 - Own funds available and eligible for coverage of the MCR

	2019			2018	
	Own funds available *("available")*	**Adjustments for eligibility**	**Own funds eligible** *("eligible")*	**Own funds eligible** *("eligible")*	**Difference**
Tier 1 unrestricted	83,157		83,157	70,536	17.89%
Tier 1 restricted					
Tier 2					
Total OF	**83,157**	**0**	**83,157**	**70,536**	**17.89%**
Total MCR	**6,537**		**6,537**	**3,700**	**76.68%**
Surplus / (deficiency)	**76,620**		**76,620**	**66,836**	**14.64%**

In thousand of euros

Reconciliation with the equity from financial statements

The MCBS as of 31/12/2019 closed with a surplus of assets over liabilities, amounting to € 11,512 compared to shareholders' equity in the financial statements of the Company on that date (the "Financial Statements"). This difference is due to the different evaluation of the equity components, as evidenced by the following statement of reconciliation:

Table 23 - Reconciliation of equity -financial statements and MCBS

A	**Equity from financial statements**	**71,645**
	Adjustments for type assets or liabilities	
1	Intangible assets	0
2	Properties and tangible assets for its own use and for investment	
3	Other financial investments	
4	Reinsurance Reserves Non Life	
5	Non Life Reserves	
6	Life Reserves	12,056
7	Reinsurance Reserves Life	
8	Financial liabilities	
9	Other activities	1,101
10	Provisions	
11	Other liabilities	
12	Deferred taxes	-1,645
	Total adjustments	**11,512**
B	**Equity from MCBS**	**83,157**

In thousands of Euro

Section D sets out the evaluation criteria adopted for the purposes of preparing the MCBS, as well as quantitative information of greater detail about the comparison with the balance of values.

E.2 Solvency Capital Requirement and the Minimum Capital Requirement

The amount of the Company's SCR and MCR at the end of the reporting period are €14,527 and €6,537 respectively (2018: €7,750 and €3,487 respectively) and no material change over the reporting period noted.

SCR - Standard Formula

Risk Modules	***2019***	***2018***	***Difference***
Technical Risks Insurance Life	8,824	2,647	233%
Market Risks	5,078	3,738	36%
Credit Risk	3,286	1,624	102%
Benefit of diversification	*-4,551*	*-2,200*	107%
BSCR	**12,637**	**5,809**	118%
Operational Risk	3,966	3,048	30%
ALAC TP	0	0	0%
ALAC DT	-2,076	-1,107	87%
SCR - Standard Formula	**14,527**	**7,750**	**87%**

In thousands of Euro

The most material change in the SCR is related to the sub module *Risk Insurance Life* (Lapse risk) and it is related to the significant volumes of new business written by Vera Financial during 2019. Other modules have also increased driven by predominatly the same reason.

The MCR is calculated according to article 248 of the of the Commission Delegated Regulation (EU) 2015/35 and it is equal to 45% of the SCR.

E.3 Use of the equity risk sub-module based on the length in the calculation of the Solvency Capital Requirement

The company is not using the sub module on the equity risk sub art. 304 for the calculation of the SCR.

E.4 Differences between the standard formula and internal model used

The company calculates its Solvency Capital Requirement by Standard Formula only.

E.5 Non-compliance with the minimum capital requirements and non-compliance with the Solvency Capital Requirement

During the year, there were no periods in which the Company has not covered its Solvency Capital Requirement, or its minimum capital.

E. 6 Other information

There has been no additional material information on the company's capital management.

Attachments

Balance Sheet (S.02.01.02)

Premiums, claims and expenses for LoB (S.05.01.02)

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

Life and Health STL Technical Reserves (S.12.01.02)

Own funds (S.23.01.01)

SCR - Undertakings for using the formula (S.25.01.21 standard)

MCR - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

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**	3,333
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	59,064
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	59,064
Government Bonds	**R0140**	59,064
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	1,641,678
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
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**	28,556
Any other assets, not elsewhere shown	**R0420**	28,153
Total assets	**R0500**	1,760,783

Annex I
S.02.01.02
Balance sheet

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions – index-linked and unit-linked	**R0690**	1,650,041
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	1,646,701
Risk margin	**R0720**	3,340
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	1,753
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	3,351
Insurance & intermediaries payables	**R0820**	7,562
Reinsurance payables	**R0830**	33
Payables (trade, not insurance)	**R0840**	
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	14,885
Total liabilities	**R0900**	1,677,626
Excess of assets over liabilities	**R1000**	83,157

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of business for:				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**																	
Gross - Proportional reinsurance accepted	**R0120**																	
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**																	
Net	**R0200**																	
Premiums earned																		
Gross - Direct Business	**R0210**																	
Gross - Proportional reinsurance accepted	**R0220**																	
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**																	
Net	**R0300**																	
Claims incurred																		
Gross - Direct Business	**R0310**																	
Gross - Proportional reinsurance accepted	**R0320**																	
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**																	
Net	**R0400**																	
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**																	
Other expenses	**R1200**																	
Total expenses	**R1300**																	

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

		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	Health reinsurance	Life-reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**			785,297						785,297
Reinsurers' share	**R1420**			36						36
Net	**R1500**			785,261						785,261
Premiums earned										
Gross	**R1510**			785,301						785,301
Reinsurers' share	**R1520**			36						36
Net	**R1600**			785,264						785,264
Claims incurred										
Gross	**R1610**			280,474						280,474
Reinsurers' share	**R1620**									
Net	**R1700**			280,474						280,474
Changes in other technical provisions										
Gross	**R1710**			539,203						539,203
Reinsurers' share	**R1720**									
Net	**R1800**			539,203						539,203
Expenses incurred	**R1900**			42,189						42,189
Other expenses	**R2500**									
Total expenses	**R2600**									42,189

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

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140							
Net	R0200							
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240							
Net	R0300							
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340							
Net	R0400							
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							
Other expenses	R1200							
Total expenses	R1300							

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

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

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		IT					
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410		785,297					785,297
Reinsurers' share	R1420		36					36
Net	R1500		785,261					785,261
Premiums earned								
Gross	R1510		785,301					785,301
Reinsurers' share	R1520		36					36
Net	R1600		785,264					785,264
Claims incurred								
Gross	R1610		280,474					280,474
Reinsurers' share	R1620							
Net	R1700		280,474					280,474
Changes in other technical provisions								
Gross	R1710		539,203					539,203
Reinsurers' share	R1720							
Net	R1800		539,203					539,203
Expenses incurred	R1900	3,220	38,969					42,189
Other expenses	R2500							
Total expenses	R2600							42,189

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
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 as a whole	**R0020**																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**			1,646,701							1,646,701						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**																
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**			1,646,701							1,646,701						
Risk Margin	**R0100**		3,340								3,340						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	**R0110**																
Best estimate	**R0120**																
Risk margin	**R0130**																
Technical provisions - total	**R0200**		1,650,041								1,650,041						

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 (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	803	803			
Share premium account related to ordinary share capital	**R0030**					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	20,576	20,576			
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**	61,778	61,778			
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**	83,157	83,157			
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**					

Annex I

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	83,157	83,157			
Total available own funds to meet the MCR	**R0510**	83,157	83,157			
Total eligible own funds to meet the SCR	**R0540**	83,157	83,157			
Total eligible own funds to meet the MCR	**R0550**	83,157	83,157			
SCR	**R0580**	14,527				
MCR	**R0600**	6,537				
Ratio of Eligible own funds to SCR	**R0620**	572.42%				
Ratio of Eligible own funds to MCR	**R0640**	1272.03%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	83,157	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	62,581	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	20,576	
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**	**C0120**
Market risk	**R0010**	5,078		
Counterparty default risk	**R0020**	3,286		
Life underwriting risk	**R0030**	8,824		
Health underwriting risk	**R0040**			
Non-life underwriting risk	**R0050**			
Diversification	**R0060**	-4,551		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	12,637		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	3,966
Loss-absorbing capacity of technical provisions	**R0140**	
Loss-absorbing capacity of deferred taxes	**R0150**	-2,075
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency capital requirement excluding capital add-on	**R0200**	14,527
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	14,527
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

		Yes/No
Approach to tax rate		**C0109**
Approach based on average tax rate	**R0590**	1 - Yes

		LAC DT
Calculation of loss absorbing capacity of deferred taxes		**C0130**
LAC DT	**R0640**	-2,075
LAC DT justified by reversion of deferred tax liabilities	**R0650**	
LAC DT justified by reference to probable future taxable economic profit	**R0660**	-2,075
LAC DT justified by carry back, current year	**R0670**	
LAC DT justified by carry back, future years	**R0680**	
Maximum LAC DT	**R0690**	

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	

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

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	11,603

		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	1,646,701	
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		108,916

Overall MCR calculation

		C0070
Linear MCR	R0300	11,603
SCR	R0310	14,527
MCR cap	R0320	6,537
MCR floor	R0330	3,632
Combined MCR	R0340	6,537
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	6,537