HYDRA INSURANCE COMPANY LTD

Solvency and Financial Condition Report (SFCR)

Reference Date: 31/12/2020
Submission Date: April 2021

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1 Executive Summary

1.1 Overview

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

This document, namely the Solvency and Financial Condition Report (SFCR), has been prepared in accordance to the Commission Delegated Regulation (EU) 2015/35 of October 2014, supplementing the Directive 2009/138/EC of the European Parliament and of the Council. This is a publicly available document that provides information regarding the Company's performance for the year ending in 31 December 2020.

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

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

1.2 Business and Performance

Hydra Insurance operates only in Cyprus. The table below, provides an analysis of the underwriting profit of the Company as at the valuation date and shows that the Motor is the most important line of business, representing almost the 67% of the total underwriting profit.

Underwriting performance	2020 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Net earned premiums	421	9.748	24	537	685	0	11.416
Other net insurance income	65	1.743	7	643	110	0	2.568
Net Claims incurred	104	-5.961	-1	-134	-118	0	-6.318
Net Commissions and Acquisition Costs	-132	-2.973	-9	-470	-240	0	-3.823
Underwriting Profit	250	2.557	21	577	438	0	3.844
Administrative Expenses	-56	-1.605	-7	-277	-136	0	-2.082
Underwriting Profit after administrative expenses	194	952	14	300	302	0	1.762

Table 1: Executive Summary – Underwriting Profit YE 2020 (figures rounded to the nearest thousand)

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

Investment Portfolio	2020	2019	Evolution
Asset Class	(€ 000)	(€ 000)	%
Shares	176	215	-18,14%
Cash in Bank	16.062	14.374	11,74%
Bonds	1.155	1.162	-0,61%
Investment Properties	3.005	3.132	-4,05%
Total	20.399	18.883	8,03%

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

1.3 System of Governance

The Board of Directors is the oversight body of Hydra Insurance. It bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business.

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

1.4 Risk Profile

As at the reference date the company is exposed mainly to Non – Life Underwriting risk, Market risk and Counterparty risk. The table below summarizes the capital requirement as at the end of 2020:

Type of Risk	31/12/2020 € 000
Interest rate	0
Equity risk	182
Property risk	601
Spread risk	156
Concentration risk	673
Currency risk	0
Counter - Cyclical Premium	0
Diversification Market Risk	-529
Market Risk	**1.082**
Counterparty risk	**2.463**
Health Non-SLT Underwriting	**133**
Non-life Underwriting	**3.253**
Life Underwriting	**0**
Diversification BSCR	-1.529
BSCR	**5.401**
Operational Risk	**428**
Tax adjustment	**-330**

SCR Total	**5.500**
Available Capital	**12.092**
SCR (%)	**219,86%**

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

1.5 Valuation for solvency purposes

As at 31 December 2020, the Company had the following liabilities:

Liabilities	Solvency II Value € 000	Statutory Accounts Value € 000
Gross technical provisions – non-life (excluding health)	9.553	10.321
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	8.978	0
Risk margin	575	0
Gross technical provisions - health (similar to non-life)	189	224
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	169	0
Risk margin	20	0
(Re)insurance accounts payable	428	428
Insurance & Intermediaries Payables	639	639
Deferred tax liabilities	371	371
Amounts owed to credit institutions	108	108
Payables (trade, not insurance)	298	298
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	830	830
Total Liabilities	**12.417**	**13.220**

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

1.6 Capital Management

As at 31/12/2020, the Company's own funds amounted to €12,09m and are mainly comprised of ordinary share capital and reserves. The total Own Funds represent 326,8% of the MCR and 219,9% of the SCR.

Key Risk	Risk Type	Solvency Capital Requirements € 000
Non - Life Underwriting Risk	**Total Non - Life Underwriting Risk**	**3.253**
	Non - Life premium and reserve risk	3.040
	Non - Life Lapse Risk	402
	Non - Life CAT Risk	566
	Diversification effects	-754
Market Risk	**Total Market Risk**	**1.082**
	Interest rate risk	0
	Equity risk	182
	Property risk	601
	Spread risk	156
	Currency risk	0
	Concentration risk	673
	Illiquidity premium risk	0
	Diversification effects	-529
Counterparty Default Risk	**Counterparty Default Risk**	**2.463**
	Counterparty default risk of type 1 exposures	2.079
	Counterparty default risk of type 2 exposures	483
	Diversification effects	-100
Health Underwriting Risk	**Health Underwriting Risk**	**133**
	Non-SLT Health (similar to non-life technique)	133
	Health CAT	1
	Diversification effects	0
Basic Solvency Capital Requirement (BSCR) pre diversification		6.931
Diversification Effect		-1.529
Basic Solvency Capital Requirement (BSCR)		5.401
Operational Risk		428
Adjustment for Deferred taxes		-330
Capital at Risk	SCR	5.500
	MCR	3.700

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

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

1.7 Post Valuation Events

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

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

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

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

2 Business and Performance

2.1 Business

2.1.1 Company Information

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

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

The Company has a significant market share, with a premium income of €13m in 2020 surpassing other insurance companies, transacting general business with longer presence in the market.

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

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

Table 6: Registered Office and External Auditors

2.1.2 Supervisory authority responsible for financial supervision

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

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

Supervisory authority
Insurance Companies Control Service
P.O. Box 23364, 1628 Nicosia
Tel: +357 22602990
Fax: +357 22302938
insurance@mof.gov.cy

Table 7: Supervisory authority

2.1.3 Qualifying holdings

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

2.1.4 Position within the legal structure of the Group

Hydra Insurance does not belong to a group.

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

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

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

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

YE 2020	Gross (€ 000)*		Ceded (€ 000)		Net (€ 000)	
LoB	Written	Earned	Written	Earned	Written	Earned
Health & Accident	399	469	3	3	396	465
Motor	11.157	11.087	262	262	10.895	10.825
Marine	47	54	23	28	24	25
Fire	1.848	1.811	1.191	1.166	657	645
General Liability	919	854	135	104	784	750
Misc.	0	0	0	0	0	0
Total	**14.370**	**14.275**	**1.614**	**1.564**	**12.756**	**12.711**

** Gross data include policy fees*

Table 8: Written/Earned Premiums YE 2020 (figures rounded to the nearest thousand)

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

YE 2019	Gross (€ 000) *		Ceded (€ 000)		Net (€ 000)	
LoB	Written	Earned	Written	Earned	Written	Earned
Health & Accident	521	514	5	5	516	509
Motor	11.579	11.353	272	272	11.308	11.081
Marine	60	56	35	35	25	21
Fire	1.753	1.698	1.139	1.107	614	590
General Liability	843	790	104	84	739	706
Misc.	0	0	0	0	0	0
Total	**14.757**	**14.411**	**1.555**	**1.503**	**13.202**	**12.908**

** Gross data include policy fees*

Table 9: Written/Earned Premiums YE 2019 (figures rounded to the nearest thousand)

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

The coronavirus pandemic represents a very large shock for the global and EU economies, with very severe economic and social consequences. The progressive spread of the virus earlier this year prompted authorities around the world to implement restrictions on mobility and public health measures in a bid to flatten the curve of infections and prevent healthcare systems from being overloaded.

Motor claims have also been affected as various lockdown measures have resulted in an unprecedented drop in the number of road users, leading to a drastic fall in the number of motor claims from accidents.

The Company has given emphasis to implement successful and robust business continuity plans in order to ensure that it will continue to operate efficiently and effectively in the future.
Even if it is a challenging period for all the market, the Company managed to have strong capital structure, good fundamentals and solid continuity plans that allow the Company to sustain its financial and solvency position at a healthy level.

2.1.7 Distribution channel and Customer Service

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

The Company's mission is to put the customer at the center of all its operations by constantly seeking to develop innovative solutions that exceed the customer's needs. The Company aims to be the insurance company of choice for customers, agents and all other associates, with innovative insurance solutions to satisfy clients' needs with exemplary personalized service.

2.2 Underwriting

In 2020, Hydra Insurance reached an Underwriting Profit of €1,7m, with the main contributors being the Motor and Fire Business.

Underwriting performance	2020 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Net earned premiums	421	9.748	24	537	685	0	11.416
Other net insurance income	65	1.743	7	643	110	0	2.568
Net Claims incurred	-104	-5.961	-1	-134	-118	0	-6.318
Net Commissions and Acquisition Costs	-132	-2.973	-9	-470	-240	0	-3.823
Underwriting Profit	250	2.557	21	577	438	0	3.844
Administrative Expenses	-56	-1.605	-7	-277	-136	0	-2.082
Underwriting Profit after administrative expenses	194	952	14	300	302	0	1.762

Table 10: Underwriting profit 2020 (figures rounded to the nearest thousand)

The Company's net earned premiums during the year were €11,4m compared to €11,6m for the year 2019; mainly driven by the decrease in the net earned premiums of the Motor line of business. Also, the net claims incurred amounted to €6,3m during the year compared to €7,6m for the year 2019. The administrative expenses from insurance activities net of any profit from investing activities decreased to €2,1m from €2,3m. As a result, the underwriting profit has increased compared to 2019 by €1,5m.

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

Underwriting performance	2019 (€ 000)						
	Health & Accident	Motor	Marine	Fire	General Liability	Misc.	Total
Net earned premiums	463	10.002	20	495	647	0	11.627
Other net insurance income	62	1.648	4	384	86	0	2.183
Net Claims incurred	-60	-6.906	0	-224	-430	0	-7.621
Net Commissions and Acquisition Costs	-225	-2.752	-14	-455	-200	0	-3.647
Underwriting Profit	239	1.992	10	200	103	0	2.543
Administrative Expenses	-212	-1.392	-16	-332	-303	0	-2.254
Underwriting Profit after administrative expenses	27	600	-6	-132	-199	0	289

Table 11: Underwriting profit 2019(figures rounded to the nearest thousand)

2.3 Investment Performance

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

Investment Portfolio	2020	2019	Evolution
Asset Class	(€ 000)	(€ 000)	%
Shares	176	215	-18,14%
Cash in Bank	16.062	14.374	11,74%
Bonds	1.155	1.162	-0,61%
Investment Properties	3.005	3.132	-4,05%
Total	20.399	18.883	8,03%

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

The investment income decreased to €26K in 2020 from €81K in 2019. In 2019, the Company has invested the amount of €1,16m in bonds with the aim to reduce the concentration risk and increase the available capital.

2.3.1 Gains and Losses Recognized in Equity

The change in fair value of the available for sale financial assets amounted to €38K in 2020 compared to €24K in 2019.

2.3.2 Investments in Securitization

The Company does not hold any investments in securitization instruments.

2.4 Performance of other Activities

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

2.5 Any other disclosures

There are no other material issues to be disclosed.

3 System of Governance

3.1 General Information on the System of Governance

3.1.1 Structure of Administrative and Management Body

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

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

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

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

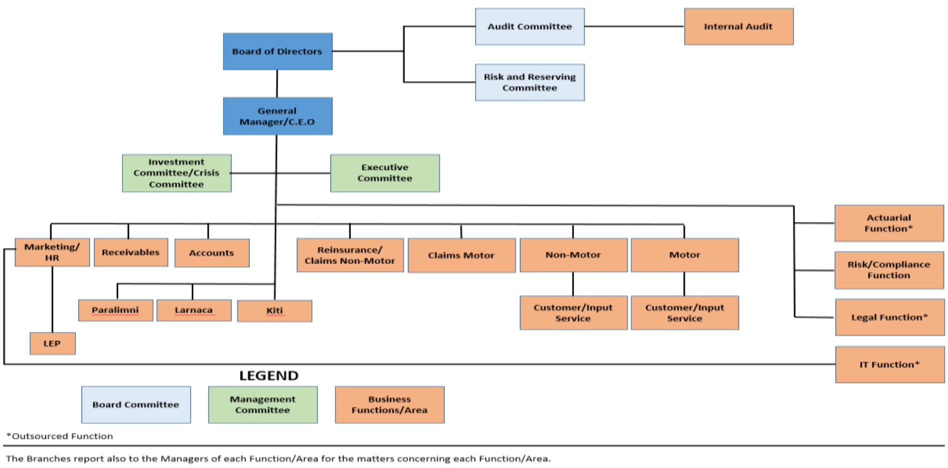

Figure 1: Organizational Structure

The positions of key function holders are the following:

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

Table 13: Key function holders

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

3.1.1.1 Board of Directors

This refers to the controlling body of Hydra Insurance Company, i.e. the BoD which bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business. The BoD may delegate authority to certain Committees in order that they monitor and oversee specific aspects of the business. Delegating to specialized Committees does not in any way release the BoD from collectively discharging its duties and responsibilities. Specifically, the BoD has regular and robust interaction with the Committees it establishes, requesting information from them proactively and challenging it when necessary.

3.1.1.1.1 Composition of the Board

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

Name	Role
Chrysanthos Chrysanthou	Chairman
Pavlos Kleanthous	Member
Ioannis Kleanthous	Member
Kleanthis Kleanthous	Member
Polys Kleanthous	Member
Andreas Kamilaris	Member
Haris Boyadjis	Member
Alexis Nicolaou	Member

Table 14: Composition of the Board

3.1.1.2 Board Committees / Executive Committees

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

Audit Committee

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

The Composition of the Audit Committee is the following:

Name	Role
Chrysanthos Chrysanthou	Chairman
Haris Boyadjis	Member
Alexis Nicolaou	Member

Table 15: Composition of the Audit Committee

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

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

Risk and Reserving Committee

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

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

Name	Role
Pavlos Kleanthous	Chairman
Chrysanthos Chrysanthou	Member
Ioannis Kleanthous	Member
Kleanthis Kleanthous	Member
Polys Kleanthous	Member
Andreas Kamilaris	Member
Haris Poyadjis	Member
Alexis Nicolaou	Member

Table 16: Composition of the Risk and Reserving Committee

The duties of the Committee are:

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

Investment Committee

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

The composition of the Investment Committee is the following:

Name	Role
Pavlos Kleanthous	Chairman
Ioannis Kleanthous	Member
Costas Savvides	Member
George Athanasiou	Member

Table 17: Composition of the Investment Committee

The duties of the Committee are:

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

Executive Committee

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

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

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

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

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

- Risk Management
- Compliance

- Internal Audit
- Actuarial

Risk Management

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

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

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

Compliance

The Compliance Function reports to the General Manager.

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

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

Internal Audit

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

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

The duties and responsibilities of the Internal Audit Function were assigned to an external audit firm, which reports significant findings and any other matters in an Internal Audit reporting format deemed appropriate to both Senior Management and the Audit Committee.

The Internal Audit Function has the following responsibilities:

- Ensure that the IAF staff is sufficient in number and appropriately trained.
- Ensure that all auditing methodology (including audit objectives, programmes and procedures), is documented by the Internal Audit staff.
- Compliance with recommendations is verified with the follow-up procedures.
- Monitor the performance and effectiveness of the Internal Control System.

- Conduct general or sample ex-post audits of the functions and transactions of the Company.
- Evaluate compliance with and the efficiency of risk control / management procedures.
- Evaluate the efficiency of the Company's accounting and information systems.
- Evaluate the efficiency of the organizational structure and reporting lines.
- Evaluate the adequacy of mechanisms set by the BoD.
- Carry out special investigations and special audits in situations where it is possible to relate with suspected fraud.
- Prepare, at least on an annual basis, a risk assessment and audit plan.
- Assess, at least on an annual basis, the need to operate in jurisdictions or through complex structures that reduce transparency.
- Assess the risk management procedures.
- Assess the data upon which the Company has calculated its Pillar 1 and Pillar 2 solvency requirements as well as the data that the actuarial function has used for the valuation of the technical provisions.
- Assess the compliance procedures followed by the Company.
- Assess the Internal Governance System, as well as the Company's Business. Continuity and Disaster Recovery Plans.

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

Actuarial

The Actuarial function reports to the General Manager and to the Risk and Compliance Function. It is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its procedures. It is part of the System of Governance of the Company and must therefore undertake its duties in an objective, fair and independent manner.

The Actuarial function advises the Senior Management and the BoD of the Company on the valuation of the technical provisions, the overall underwriting policy and the reinsurance arrangements and contributes to the effective implementation of the risk-management system. Additionally, it is responsible for the technical pricing of products within the scope defined by the BoD. The responsibilities of the Actuarial Function are governed by the Actuarial Function Manual.

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

3.1.2 Three Lines of Defense model

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

1st line of defense:

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

2nd line of defense:

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

3rd line of defense:

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

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

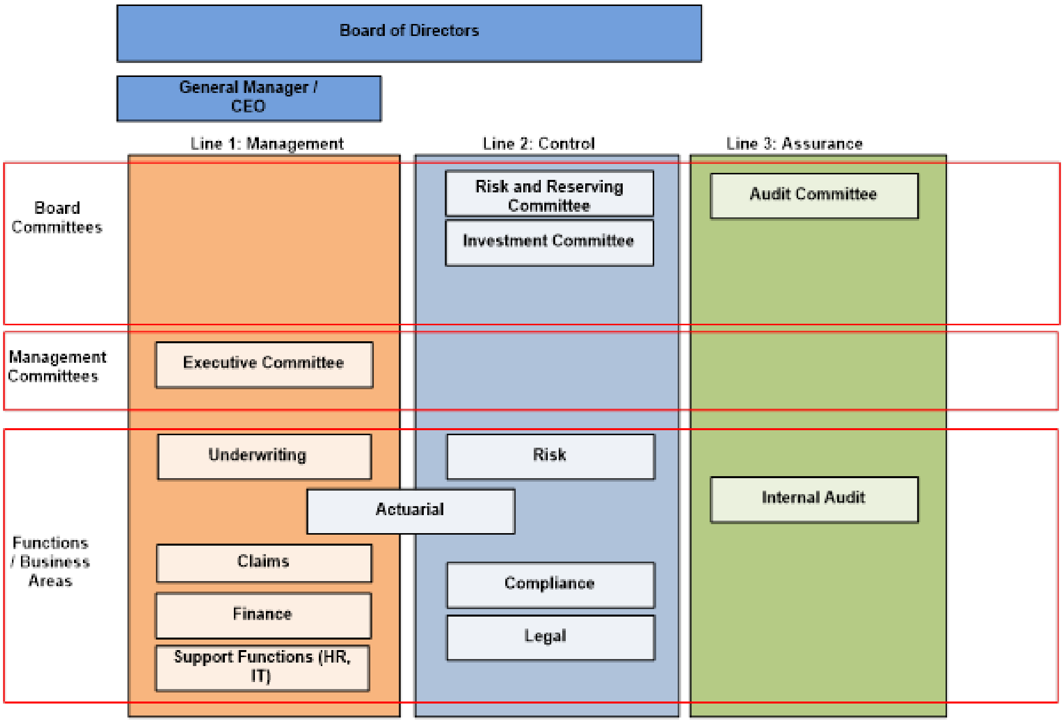

Figure 2: Three lines of defense

3.1.3 Other Material transactions

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

3.2 Fit and Proper Requirements

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

3.2.1.1 Fitness

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

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

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

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

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

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

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

- Market knowledge, i.e. an awareness and understanding of the wider business, economic and market environment in which the Company operates.
- Business strategy and business model, i.e. an appropriately detailed understanding of the Company's business strategy and model.
- System of governance, i.e. the awareness and understanding of the risks the Company is facing and the capability of managing them. Furthermore, the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business.
- Financial and actuarial analysis, i.e. the ability to interpret the Company's financial and actuarial information, identify key issues, put in place appropriate controls and take necessary measures based on this information.
- Regulatory framework and requirements, i.e. an awareness and understanding of the the regulatory framework in which the Company operates, and the regulatory requirements and expectations relevant to it and the capacity to adapt to changes which stem from the regulatory framework without delay.

- By collective knowledge the members of the BoD are not each expected to possess expert knowledge, competence and experience within all areas of the undertaking. However, the collective knowledge, competence and experience of the BoD as a whole has to provide for a sound and prudent management of the undertaking.
- When changes occur within the BoD, e.g. replacement of one of its members, the undertaking is expected to be able to demonstrate that the collective knowledge of the members of the BoD is maintained on an adequate level so that the sound and prudent management of the undertaking will continue.

3.2.1.2 Propriety

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

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

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

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

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

3.3 Risk Management System

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

3.3.1 Risk Management framework

The Company Risk management framework objectives are, to provide:

- A clearly defined and well documented risk management strategy that:
  - Sets the Company's risk management objectives, key risk management principles, overall risk appetite and assignment of responsibilities for Risk across all the activities of the Company.
  - Is consistent with the Company's overall business strategy.
- Adequate written policies that:
  - Include a definition and categorization of the material risks faced by the Company, by type, and the levels of acceptable risk limits for each risk type.

- Implement the Company's risk strategy.
- Facilitate control mechanisms.
- Take into account the nature, scope and time horizon of the business and the risks associated with it.

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

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

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

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

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

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

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

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

3.4 Own Risk and Solvency Assessment

Hydra Insurance has as an integrated part of its business strategy, a regular practice of assessing the Company's overall solvency needs with a view to its specific risk profile (Own-risk and Solvency Assessment or ORSA). Other than fulfilling a potential requirement of Solvency II, Hydra Insurance is also performing the ORSA exercise in order to comply with the requests of the Cyprus Insurance Services Control Department.

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

3.4.1 Process

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

This last ORSA of Hydra Insurance performed had reference date the 31st of December 2019.

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

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

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

3.5 Internal Control System

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

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

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

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

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

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

The Company has established three lines of defense model for assessing its internal control system as this is described in section 3.1.2.

3.6 Outsourcing Arrangements

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

The main activities outsourced by the Company are the following:

- Actuarial Function.
- Internal Audit Function.
- Motor Assistance.
- IT services.
- Legal services.

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

4 Risk Profile

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

For the purposes of estimating risk exposure, the Pillar 1 methodology (Standard formula) under Solvency II Directive is used to quantify the key risks and assign capital. Based on the results of the Pillar 1 exercise as at 31st December 2020, the Company has allocated capital to various risks and has achieved a Solvency Coverage Ratio of 219,86% which is well above the Company's target.

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

Type of Risk	31/12/2020 € 000
Interest rate	0
Equity risk	182
Property risk	601
Spread risk	156
Concentration risk	673
Currency risk	0
Counter - Cyclical Premium	0
Diversification Market Risk	-529
Market Risk	**1.082**
Counterparty risk	**2.463**
Health Non-SLT Underwriting	**133**
Non-life Underwriting	**3.253**
Life Underwriting	**0**
Diversification BSCR	-1.529
BSCR	**5.401**
Operational Risk	**428**
Tax adjustment	**-330**
SCR Total	**5.500**
Available Capital	**12.092**
SCR (%)	**219,86%**

Table 18: Risk Type – Capital Requirement (figures rounded to the nearest thousand)

4.1 Insurance (Underwriting) Risk

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

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

Based on the results of the Pillar 1 exercise for Year 2020, the total diversified Non-Life underwriting risk is €3,25m out of which €3m derives from Premium and Reserve Risk, €0,40m derives from Lapse Risk and €0,56m derives from Catastrophic Risk (excluding the diversification effect), while the total diversified Health underwriting risk is €0,13m.

Underwriting Risk	Capital Requirement 31/12/2020
	€ 000
Health Risk	
Premium & Reserves Risk	133
Health Catastrophe	1
Diversification effect	0
Total Health Diversified	**133**
Non-Life Risk	
Premium & Reserves Risk	3.040
Lapse Risk	402
Catastrophe Risk	566
Diversification effect	-754
Total Non-Life Risk Diversified	**3.253**

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

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

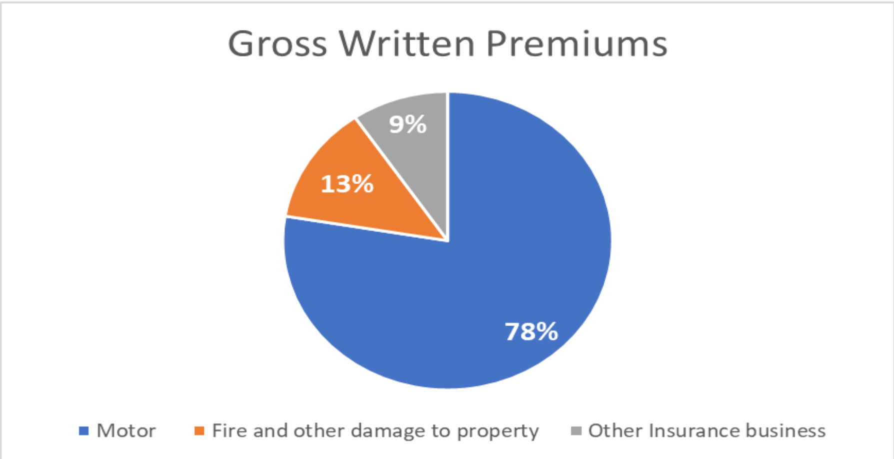

Figure 3: Total Gross Written Premiums

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

Reserve risk is the risk that results in fluctuation in the timing and amount of claims settlements. Hydra Insurance, as all other insurance undertakings, is also exposed to

Reserve risk mainly due to the nature of the industry, which increases the risk for the correct quantification and development of claims.

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

4.1.1 Insurance Risk Mitigation Techniques

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

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

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

The Company has employed an Internal Legal Consultant who has assisted to improve further the procedures and controls of the legal and claims departments.

4.2 Market Risk

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

With regards to Market Risk, the Company is mainly exposed to Concentration Risk, Equity, Property and Spread risk. The total diversified Market Risk Capital Requirement, as per the results of the Pillar 1 for Year 2020 is approximately €1,08m while the non-diversified Capital Requirement of the Market risk's components is detailed below:

Market Risk	Capital Requirement 31/12/2020
	€ 000
Interest rate risk	0
Equity risk	182
Property risk	601
Spread risk	156
Currency risk	0
Concentration risk	673
Diversification effect	-529
Total Market Diversified	**1.082**

*Table 20: Market Risk – Diversified Capital Requiremen (figures rounded to the nearest thousand)*Concentration risk is defined as all risk exposures with a loss potential which is large

enough to threaten the solvency or the financial position of insurance and reinsurance undertakings.

The total Concentration Risk Capital Requirement for Hydra Insurance as at 31st of December 2020, is approximately €0,67m.

The main impact of concentration risk is high due to the high concentration of assets in, Bank of Cyrpus, Hellenic Bank, Eurobank, Alpha Bank, Russian Commercial Bank, Societe GeneraleCyprus
Ltd and investment properties.

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

The total Property Risk Capital Requirement for Hydra Insurance as at 31st of December 2020, is approximately €0,60m.

4.2.1 Mitigation Techniques

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

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

- Total deposits placed in approved banks should not exceed 60% of Company's Total Assets. The aggregate exposures to individual banks should not exceed €1,5m.

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

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

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

4.3 Credit Risk

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

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

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

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

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

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

The Company's exposure to credit risk with regards to counterparty default risk has also been quantified using the Pillar 1 methodology which is based on Delegated Regulation (EU) 2015/35 released on the 10th October 2014. For 2020, based on the results of the Pillar 1, the total diversified Counterparty Default risk under Solvency II is estimated to be €2,46m.

Counterparty Default Risk	Capital Requirement 31/12/2020
	€ 000
Counterparty default risk of type 1 exposures	2.079
Counterparty default risk of type 2 exposures	483
Diversification effect	-100
Total Counterparty Default Risk	**2.463**

Table 21: Counterparty Default Risk – Capital Requirement (figures rounded to the nearest thousand)

The class of type 1 exposures covers the exposures which are not diversifiable and where the counterparty is usually rated e.g. reinsurance arrangements, securitizations and derivatives, cash at bank etc.

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

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

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

4.3.1 Credit Risk Mitigation Techniques

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

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

- Exposures to unrated counterparties should not exceed 15% of the Company's overall counterparty exposure and meet capital requirements.
- With regards to its intermediaries, management has formed strict policies and procedures in order to reduce and monitor intermediaries' exposures in the future through monitoring of receivables in accordance with the guidelines issued by the Company's Collection Department, Escalation procedures for BoD notification, etc.
- The Company's Risk and Compliance Function is closely monitoring customers and intermediaries with a deteriorating financial standing.

4.4 Liquidity Risk

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

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

4.4.1 Liquidity Risk Mitigation Techniques

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

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

4.5 Operational Risk

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

As per Pillar 1 results for year 2020, Capital Requirements for Operational risk amounted to €0,43m.

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

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

4.5.1 Operational Risk Mitigation Techniques

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

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

4.6 Pandemic Risk

Pandemic Risk is a risk that become apparent because of the coronavirus (Covid-19) which has affected the whole world. The coronavirus (Covid-19) outbreak has caused widespread concern and increased economic hardship for consumers, businesses and communities.

The Covid-19 crisis continues to have a significant impact to the economy across the globe and the insurance industry has not escaped for this. The multi-faceted nature of the Covid-19 pandemic has affected negatively the Insurance Companies. The affected areas included, but are not limited to, business interruption (for example inability to operate as normal due to government measures), cancellation of insurance coverages especially for the motor sector due to the reduced traffic resulting from the restrictive measures and volatility of insurers' invested assets.

4.6.1 Pandemic Risk Mitigation Techniques

The spread of Covid-19 and the measures taken to reduce its transmission, are having (and will continue to have) significant impacts on the (re) insurance sector. Due to the Covid-19 conditions the following actions have being taken by the Company:

- From the day that the government implemented the new measures, the Risk Manager with the General Manager and the Human Resources Marketing Manager of the Company, are communicating regularly to ensure the Company's operations are consistent with the corporate governance of the Company.
- The Company was monitoring on a monthly basis its SCR and liquidity position in order to control the effects caused to the Company by the Covid-19. Also, the results from the monitoring were documented in a specific reporting templates and were submitted to the Insurance Superintendent office monthly.
- From the 10th of March 2020 a new policy was implemented to prevent the coronavirus to spread within the Company. This new policy was referring to the case that if any person within the Company comes in contact with a confirmed case, then this person must immediately put himself/herself in quarantine for 14 days and can work from home with all office equipment (computer, phone and printer).
- Antiseptics were also placed at all the central points of the Company's offices for protecting the public employees and associates. Also, the staff would be able to travel only in exceptional cases (e.g. medical reasons).
- In the event that there is an outbreak of the virus or if the Covid-19 continues to exist in the long-term, the Company made it possible for the employees to work from home in case of need.

Some other of the Company's response measures includes: ensuring continuity of insurance services, encouraging digital delivery of insurance services and implementing the business continuity plan.

4.7 Other Material Risks

4.7.1 Regulatory Risk

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

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

Compliance with the requirements of the regulatory authorities is ensured through regular meeting of the relevant members of the Executive Committee in cooperation with the Company's external consultants.

4.7.2 Political Risk

Political risk is the risk of unfavorable political conditions, new legislation / taxation, terrorism, or other political problems.

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

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

4.7.3 Business and Reputational Risk

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

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

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

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

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

4.8 Risk Sensitivities

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

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

4.8.1 Stress Tests and Sensitivities

The following stress scenarios were performed as part of the Company's 2019 Own Solvency Risk Assessment (ORSA):

- **Scenario 1** assumes an increase in the loss ratio of the motor insurance by 9% in 2020, 10% in 2021 and 11% in 2022. As a result, there is a reduction in the Company's Available Capital accompanied by a decrease in SCR in 2021 and 2022 from the decrease of Counterparty Risk arising from the fall of the cash deposits. The Company's required solvency capital is slightly increased compared to the basic scenario in 2020 and for 2021 and 2022 it is decreased. The Company's Solvency Coverage Ratio is finally reduced from an average of 228,9% to an average of 188,7% for the forecasted period.
- **Scenario 2** assumes that the Company will experience an increase of expenses for all lines of business by 8% in 2020, 9% in 2021 and 10% in 2022. As a result, there is a reduction in the Company's operating profits accompanied by the reduction in Available Capital. Also, the Company's SCR decreases compared to the basic scenario due to the decrease in capital requirement which is constituted mainly by the reduction in current deposits. The Company's Solvency Coverage Ratio is therefore reduced from an average of 228,9% to an average of 203,4% for the forecasted period.
- **Scenario 3** assumes that the outstanding receivables from the Company's Debtors are to be non-recoverable and essentially written-off by 30% in 2020, 65% in 2021 and 95% in 2022. As a result of this scenario, the Company's Available Capital is reduced by the impairment suffered on the Company's assets from the write-off of the debtor receivables. In addition, the Company's SCR requirement is increased in 2020 and 2021 and decreased in 2022. The Company's Solvency Coverage Ratio is therefore reduced from an average of 228,9% to an average of 190,9% for the forecasted period.
- **Scenario 4** assumes the default of the Bank of Cyprus, Hellenic Bank and Societe Generale Bank in 2020. Consequently, Hydra needs to impair its financial assets held with these counterparties by 100%. As a result, there is a reduction in the Company's Available Capital accompanied by a reduction in SCR from lower Concentration, Spread and Counterparty Risk coming from the reduction in the Company's term and cash deposits. The Company's Solvency Coverage Ratio is therefore reduced from an average of 228,9% to an average of 185,1% for the forecasted period
- **Scenario 5** assumes that the Company will experience a decrease of sales by 5% in 2020, 15% in 2021 and 25% in 2022, due to Covid-19 pandemic. As a result, there is a reduction in the Company's Available Capital over the forecast period accompanied with the reduction of the Company's Capital Requirement in 2021 and 2022 which is constituted mainly by the decrease in Counterparty Risk arising from the reduced current deposits. The Company's Solvency Coverage Ratio in this scenario is, 208,1% in 2020, 232,4% in 2021 and 246,2% in 2022 compared to 217,3%, 230,8% and 238,6% under the Base Case scenario.

- **Scenario 6** assumes that the Company's rated banks will experience a downgrade of its credit ratings by one credit quality step per annum, in all forecasted periods due to the Covid-19 pandemic. As a result of the credit downgrade, the Counterparty Risk increases because of the fall of the credit quality steps of the rated banks. The Company's Solvency Coverage Ratio is therefore reduced from an average of 228,9% to an average of 218,0% for the forecasted period.
- **Scenario 7** is a reverse stress test. Since the previous stress tests do not have a material impact on Hydra as they do not affect its Solvency position dramatically, Hydra has built a reverse stress test scenario with the purpose of examining what needs to happen in order for the Company's Solvency ratio to drop below the Minimum Capital Requirement. Under this scenario, it was assumed that all of the following extreme scenarios happen at once:
  - Default of the Bank of Cyprus, Hellenic Bank and Societe Generale Bank in 2020 in which case the Company has to impair the specific bank deposits by 100%.
  - Receivables will not be received and therefore are written off by 30% in 2020, 65% in 2021 and 95% in 2022.
  - The Company will experience an increase in the loss ratio of the motor insurance business by 10% in 2020, 11% in 2021 and 12% in 2022 .

  As a result of this scenario, there is a reduction in the Company's Available Capital accompanied by a reduction in SCR. The Company's Solvency Coverage Ratio is reduced from an average of 228,9% to an average of 95,1% for the forecasted period

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

Solvency II Capital Coverage (%)						
	2020		2021		2022	
	SCR(%)	MCR(%)	SCR(%)	MCR(%)	SCR(%)	MCR(%)
Base Scenario	217,3%	329,9%	230,8%	362,9%	238,6%	393,2%
Scenario 1	190,0%	291,6%	190,8%	295,1%	185,4%	292,2%
Scenario 2	198,3%	298,1%	205,4%	314,4%	206,4%	325,6%
Scenario 3	192,5%	304,1%	189,3%	299,0%	191,0%	311,5%
Scenario 4	171,7%	245,5%	187,3%	273,8%	196,3%	297,9%
Scenario 5	208,1%	328,9%	232,4%	340,7%	246,2%	330,5%
Scenario 6	207,7%	329,0%	219,1%	361,9%	227,1%	392,2%
Scenario 7	121,9%	170,9%	93,7%	125,1%	69,6%	92,1%

Table 22: Stress scenarios as part of the YE2019 ORSA

5 Regulatory Balance Sheet (Valuation for Solvency purposes)

5.1 Assets

As at 31 December 2020, the Company held the following Assets:

Assets	Solvency II Value	Statutory Accounts Value
	€ 000	€ 000
Goodwill	0	0
Other intangible assets	0	52
Property, plant & equipment held for own use	343	343
Investments (other than assets held for unit-linked funds)	5.504	5.504
Reinsurance recoverables	185	667
Intermediaries recoverables	56	56
Insurance recoverables (excluding Intermediaries)	3.138	3.138
Deferred acquisition costs	0	1.243
Receivables (trade, not insurance)	148	148
Cash and cash equivalents	113	113
Short term bank deposits	14.895	14.895
Any other assets, not elsewhere shown	127	127
Total Assets	**24.509**	**26.286**

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

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

5.2 Technical Provisions

5.2.1 Summary of Technical Provisions

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

Gross Technical Provisions	Premiums provisions	Claims Provisions	Gross Best Estimate	Risk Margin	Gross Technical Provisions
	€ 000	€ 000	€ 000	€ 000	€ 000
Accident	116	52	169	20	189
Motor vehicle liability	2.275	2.353	4.628	296	4.924
Other motor	1.647	1.704	3.351	199	3.550
Marine, aviation and transport	2	1	3	3	6
Fire and other damage to property	411	80	491	28	519
General liability	290	215	505	49	554
Miscellaneous financial loss	0	0	0	0	0
Total	**4.741**	**4.405**	**9.147**	**595**	**9.742**

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

5.2.2 Valuation Basis, Methods and Main Assumptions

The Company is calculating the Technical Provisions using Actuarial techniques and full cash flow models as per Solvency II requirements. Specifically:

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

5.2.3 Comparison between the Solvency II and the IFRS valuation

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

- Different bases
- Discounting of future cash flows

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

Gross Technical Provisions	Solvency II Value € 000	Statutory Accounts Value € 000
Gross technical provisions – non-life (excluding health)	9.553	10.545
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	8.978	0
Risk margin	575	0
Gross technical provisions - health (similar to non-life)	189	0
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	169	0
Risk margin	20	0
Total Technical Provisions	**9.742**	**10.545**

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

5.2.4 Transitional measures: Matching Adjustment

Not applicable.

5.2.5 Transitional Measures: Volatility Adjustment

Not applicable.

5.2.6 Transitional measures: Risk Free Interest Rate

Not applicable.

5.2.7 Transitional measures: Impact

Not applicable.

5.2.8 Reinsurance Recoveries

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

Line of Business	Reinsurance Recoverables € 000
Accident	1
Motor vehicle liability	29
Other motor	1
Marine, aviation and transport	1
Fire and other damage to property	140
General liability	13
Miscellaneous financial loss	0
Total	**185**

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

5.2.9 Risk Margin

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

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

The method used is method 3 as specified in Guideline 61 of the "EIOPA guidelines on the valuation of technical provisions". More specifically, for each future year we have used a proportional method (based on the development of the best estimate) to estimate the future SCRs.

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

5.3 Other Liabilities

5.3.1 Summary of the valuation of Other Liabilities

As at 31 December 2020, the Company held the following liabilities:

Liabilities	Solvency II Value € 000	Statutory Accounts Value € 000
Gross technical provisions – non-life (excluding health)	9.553	10.545
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	8.978	0
Risk margin	575	0
Gross technical provisions - health (similar to non-life)	189	0
TP calculated as a whole (Best estimate + Risk margin)	0	0
Best Estimate	169	0
Risk margin	20	0
(Re)insurance accounts payable	428	428
Insurance & Intermediaries Payables	639	639
Deferred tax liabilities	371	371
Amounts owed to credit institutions	108	108
Payables (trade, not insurance)	298	298
Any other liabilities (excluding subordinated liabilities), not elsewhere shown	830	830
Total Liabilities	**12.417**	**13.220**

Table 27: Liabilities (figures rounded to the nearest thousand)

5.4 Alternative Valuation Method

The Company does not use any alternative methods for valuation.

5.5 Any other disclosures

None.

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

6.1 Own Funds

The objective of the Company is to maintain at all times sufficient own funds to cover the Minimum Capital Requirement and the Solvency Capital Requirement. As at 31/12/2020, the Company's own funds amounted to €12,09m and are mainly comprised of ordinary share capital and reserves. The total Own Funds represent 326,80% of the MCR and 219,86% of the SCR.

Basic Own Funds	Total € 000	Tier 1 – unrestricted € 000
Basic Own Funds		
Ordinary share capital (gross of own shares)	2.565	2.565
Surplus funds	0	0
Reconciliation reserve	9.527	9.527
Subordinated liabilities	0	
Total basic own funds after deductions	12.092	12.092
Ancillary own funds		
Available and eligible own funds		
Total available own funds to meet the SCR	12.092	12.092
Total available own funds to meet the MCR	12.092	12.092
Total eligible own funds to meet the SCR	12.092	12.092
Total eligible own funds to meet the MCR	12.092	12.092
SCR	5.500	
MCR	3.700	
Ratio of Eligible own funds to SCR	219,86%	
Ratio of Eligible own funds to MCR	326,80%	

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

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

6.2 Solvency Capital Requirements and Minimum Capital Requirement

The Company's Solvency Capital Requirement is €5,5m and its Minimum Capital Requirement is €3,7m.

Key Risk	Risk Type	Solvency Capital Requirements €000
Non - Life Underwriting Risk	**Total Non - Life Underwriting Risk**	**3.253**
	Non - Life premium and reserve risk	3.040
	Non - Life Lapse Risk	402
	Non - Life CAT Risk	566
	Diversification effects	-754
Market Risk	**Total Market Risk**	**1.082**
	Interest rate risk	0
	Equity risk	182
	Property risk	601
	Spread risk	156
	Currency risk	0
	Concentration risk	673
	Illiquidity premium risk	0
	Diversification effects	-529
Counterparty Default Risk	**Counterparty Default Risk**	**2.463**
	Counterparty default risk of type 1 exposures	2.079
	Counterparty default risk of type 2 exposures	483
	Diversification effects	-100
Health Underwriting Risk	**Health Underwriting Risk**	**133**
	Non-SLT Health (similar to non-life technique)	133
	Health CAT	1
	Diversification effects	0
Basic Solvency Capital Requirement (BSCR) pre diversification		6.931
Diversification Effect		-1.529
Basic Solvency Capital Requirement (BSCR)		5.401
Operational Risk		428
Adjustment for Deferred taxes		-330
Capital at Risk	SCR	5.500
	MCR	3.700

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

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

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

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

6.4 Differences between the Standard Formula and any Internal Model used

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

6.5 Non-Compliance with the MCR and Non-Compliance with the SCR

The Company complies with both the SCR and the MCR.

6.6 Any other disclosures

None.

Appendix A – Balance Sheet (S.02.01.02)

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	-
Deferred tax assets	**R0040**	-
Pension benefit surplus	**R0050**	-
Property, plant & equipment held for own use	**R0060**	343.015
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	5.504.285
Property (other than for own use)	**R0080**	3.005.000
Holdings in related undertakings, including participations	**R0090**	-
Equities	**R0100**	176.423
Equities - listed	**R0110**	176.423
Equities - unlisted	**R0120**	-
Bonds	**R0130**	1.155.259
Government Bonds	**R0140**	-
Corporate Bonds	**R0150**	1.155.259
Structured notes	**R0160**	-
Collateralised securities	**R0170**	-
Collective Investments Undertakings	**R0180**	-
Derivatives	**R0190**	-
Deposits other than cash equivalents	**R0200**	1.167.603
Other investments	**R0210**	-
Assets held for index-linked and unit-linked contracts	**R0220**	-
Loans and mortgages	**R0230**	-
Loans on policies	**R0240**	-
Loans and mortgages to individuals	**R0250**	-
Other loans and mortgages	**R0260**	-
Reinsurance recoverables from:	**R0270**	184.635
Non-life and health similar to non-life	**R0280**	184.635
Non-life excluding health	**R0290**	184.102
Health similar to non-life	**R0300**	533
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**	3.194.171
Reinsurance receivables	**R0370**	-
Receivables (trade, not insurance)	**R0380**	147.775
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**	15.007.686
Any other assets, not elsewhere shown	**R0420**	126.968
Total assets	**R0500**	24.508.535

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	9.741.909
Technical provisions – non-life (excluding health)	R0520	9.552.597
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	8.977.703
Risk margin	R0550	574.893
Technical provisions - health (similar to non-life)	R0560	189.312
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	168.893
Risk margin	R0590	20.419
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	370.864
Derivatives	R0790	-
Debts owed to credit institutions	R0800	108.352
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	639.479
Reinsurance payables	R0830	428.399
Payables (trade, not insurance)	R0840	297.876
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	829.884
Total liabilities	R0900	12.416.763
Excess of assets over liabilities	R1000	12.091.772

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**						Total
		Income protection insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	
		C0020	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0200**
Premiums written								
Gross - Direct Business	**R0110**	399.147	6.517.776	4.638.978	47.453	1.847.790	918.712	14.369.856
Gross - Proportional reinsurance accepted	**R0120**	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0130**	-	-	-	-	-	-	-
Reinsurers' share	**R0140**	2.886	151.775	109.906	23.228	1.191.066	135.022	1.613.883
Net	**R0200**	396.261	6.366.001	4.529.072	24.225	656.724	783.690	12.755.973
Premiums earned								
Gross - Direct Business	**R0210**	468.875	6.476.899	4.609.884	53.647	1.811.307	853.900	14.274.512
Gross - Proportional reinsurance accepted	**R0220**	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0230**							-
Reinsurers' share	**R0240**	3.387	152.874	108.807	28.426	1.166.082	104.332	1.563.908
Net	**R0300**	465.488	6.324.025	4.501.077	25.221	645.225	749.568	12.710.604
Claims incurred								
Gross - Direct Business	**R0310**	57.049	3.056.112	2.213.047	1.500	275.736	71.602	5.675.046
Gross - Proportional reinsurance accepted	**R0320**	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	**R0330**	-	-	-	-	-	-	-
Reinsurers' share	**R0340**	1.033	-	-	750	164.328	10.782	176.893
Net	**R0400**	56.016	3.056.112	2.213.047	750	111.408	60.820	5.498.153
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**	218.745	3.013.385	2.167.076	20.921	848.313	455.416	6.723.856
Other expenses	**R1200**							-
Total expenses	**R1300**							6.723.856

Appendix C – Premiums Claims and Expenses by Country (S.05.02.01)

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	14.369.856						14.369.856
Gross - Proportional reinsurance accepted	**R0120**	-						-
Gross - Non-proportional reinsurance accepted	**R0130**	-						-
Reinsurers' share	**R0140**	1.613.883						1.613.883
Net	**R0200**	12.755.973						12.755.973
Premiums earned								
Gross - Direct Business	**R0210**	14.274.512						14.274.512
Gross - Proportional reinsurance accepted	**R0220**	-						-
Gross - Non-proportional reinsurance accepted	**R0230**	-						-
Reinsurers' share	**R0240**	1.563.908						1.563.908
Net	**R0300**	12.710.604						12.710.604
Claims incurred								
Gross - Direct Business	**R0310**	5.675.046						5.675.046
Gross - Proportional reinsurance accepted	**R0320**	-						-
Gross - Non-proportional reinsurance accepted	**R0330**	-						-
Reinsurers' share	**R0340**	176.893						176.893
Net	**R0400**	5.498.153						5.498.153
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**	6.723.856						6.723.856
Other expenses	**R1200**							-
Total expenses	**R1300**							6.723.856

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

		Direct business and accepted proportional reinsurance						
		Income protection insurance	**Motor vehicle liability insurance**	**Other motor insurance**	**Marine, aviation and transport insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Total Non-Life obligation**
		C0030	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0180**
Technical provisions calculated as a whole	**R0010**	-	-	-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	-	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross	**R0060**	116.487	2.275.022	1.647.430	2.092	410.861	289.578	4.741.470
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	530	1.485	1.076	232	76.122	10.826	90.271
Net Best Estimate of Premium Provisions	**R0150**	115.956	2.273.537	1.646.354	1.860	334.739	278.752	4.651.199
Claims provisions								
Gross	**R0160**	52.406	2.352.718	1.703.692	1.200	80.050	215.060	4.405.126
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	3	27.891	- 0	611	63.375	2.484	94.364
Net Best Estimate of Claims Provisions	**R0250**	52.404	2.324.827	1.703.692	589	16.675	212.576	4.310.763
Total Best estimate - gross	**R0260**	168.893	4.627.740	3.351.122	3.291	490.912	504.638	9.146.596
Total Best estimate - net	**R0270**	168.360	4.598.364	3.350.046	2.448	351.414	491.328	8.961.961
Risk margin	**R0280**	20.419	295.958	199.185	2.956	27.734	49.060	595.313
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	**R0290**	-	-	-	-	-	-	-
Best estimate	**R0300**	-	-	-	-	-	-	-
Risk margin	**R0310**	-	-	-	-	-	-	-
Technical provisions - total								
Technical provisions - total	**R0320**	189.312	4.923.699	3.550.307	6.247	518.646	553.698	9.741.909
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	533	29.377	1.075	843	139.498	13.310	184.635
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	188.779	4.894.322	3.549.232	5.404	379.148	540.389	9.557.274

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

Accident year / Underwriting year	Z0010	Accident year [AY]

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

Year		0	1	2	3	4	5	6	7	8	9	10&+	In Current year	Sum of years (cumulative)
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0170**	**C0180**
Prior	**R0100**											60.834	60.834	34.643.039
N-9	**R0160**	4.257.273	887.774	37.140	16.582	19.428	6.598	15.126	122.217	- 2.007	4.751		4.751	5.364.883
N-8	**R0170**	4.244.832	686.404	111.538	111.340	17.848	- 865	398	150.264	-			-	5.321.758
N-7	**R0180**	3.852.175	748.264	96.304	12.432	- 2.639	-	-	7.428				7.428	4.713.964
N-6	**R0190**	4.222.396	1.201.723	124.687	133.507	95.879	177.365	13.867					13.867	5.969.423
N-5	**R0200**	3.883.993	936.290	184.473	397.124	26.905	400						400	5.429.186
N-4	**R0210**	4.112.473	1.384.533	167.954	220.113	20.092							20.092	5.905.164
N-3	**R0220**	3.998.059	1.183.673	282.720	60.150								60.150	5.524.601
N-2	**R0230**	4.436.908	1.605.382	56.092									56.092	6.098.383
N-1	**R0240**	4.932.631	1.690.398										1.690.398	6.623.029
N	**R0250**	3.895.061											3.895.061	3.895.061
Total	**R0260**												5.809.073	89.488.491

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

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10&+**
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**
Prior	**R0100**											134.068,79
N-9	**R0160**	-	-	-	-	-	301.684	252.736	77.621	89.477	60.975	
N-8	**R0170**	-	-	-	-	199.189	145.881	174.904	64.928	60.601		
N-7	**R0180**	-	-	-	110.293	91.572	94.983	92.070	75.588			
N-6	**R0190**	-	-	513.139	384.972	251.133	119.959	105.474				
N-5	**R0200**	-	866.403	703.609	156.409	127.580	86.042					
N-4	**R0210**	2.141.919	785.488	382.989	88.891	51.779						
N-3	**R0220**	2.338.269	757.669	299.671	244.384							
N-2	**R0230**	2.878.765	774.755	647.244								
N-1	**R0240**	2.740.360	619.612									
N	**R0250**	2.252.799										

		Year end (discounted data)
		C0360
	R0100	144.274
	R0160	61.790
	R0170	61.511
	R0180	76.598
	R0190	106.883
	R0200	87.189
	R0210	52.501
	R0220	247.687
	R0230	656.027
	R0240	627.869
	R0250	2.282.796
Total	**R0260**	4.405.126

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

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	2.565.000	2.565.000		-	
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**	9.526.772	9.526.772			
Subordinated liabilities	**R0140**	-		-	-	-
An amount equal to the value of net deferred tax assets	**R0160**	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	-				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	-	-	-	-	
Total basic own funds after deductions	**R0290**	12.091.772	12.091.772	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**				-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	-			-	
Unpaid and uncalled preference shares callable on demand	**R0320**	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	-			-	-
Other ancillary own funds	**R0390**	-			-	-
Total ancillary own funds	**R0400**	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	12.091.772	12.091.772	-	-	
Total available own funds to meet the MCR	**R0510**	12.091.772	12.091.772	-	-	
Total eligible own funds to meet the SCR	**R0540**	12.091.772	12.091.772	-	-	
Total eligible own funds to meet the MCR	**R0550**	12.091.772	12.091.772	-	-	
SCR	**R0580**	5.499.685				
MCR	**R0600**	3.700.000				
Ratio of Eligible own funds to SCR	**R0620**	219,86%				
Ratio of Eligible own funds to MCR	**R0640**	326,80%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	12.091.772	-
Own shares (held directly and indirectly)	**R0710**	-	-
Foreseeable dividends, distributions and charges	**R0720**	-	-
Other basic own fund items	**R0730**	2.565.000	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	-	-
Reconciliation reserve	**R0760**	9.526.772	-
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**	-	-

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	1.082.120	-	-
Counterparty default risk	**R0020**	2.462.916	-	-
Life underwriting risk	**R0030**	-		-
Health underwriting risk	**R0040**	133.007		-
Non-life underwriting risk	**R0050**	3.252.868		-
Diversification	**R0060**	- 1.529.461	-	-
Intangible asset risk	**R0070**	-	-	-
Basic Solvency Capital Requirement	**R0100**	5.401.450	-	-

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	428.235
Loss-absorbing capacity of technical provisions	**R0140**	-
Loss-absorbing capacity of deferred taxes	**R0150**	- 330.000
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	-
Solvency Capital Requirement excluding capital add-on	**R0200**	5.499.685
Capital add-on already set	**R0210**	-
Solvency capital requirement	**R0220**	5.499.685
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	**R0400**	-
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	-
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	-

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	1.875.137

		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**	168.360	396.261
Workers' compensation insurance and proportional reinsurance	**R0040**	-	-
Motor vehicle liability insurance and proportional reinsurance	**R0050**	4.598.364	6.366.001
Other motor insurance and proportional reinsurance	**R0060**	3.350.046	4.529.072
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	2.448	24.225
Fire and other damage to property insurance and proportional reinsurance	**R0080**	351.414	656.724
General liability insurance and proportional reinsurance	**R0090**	491.328	783.690
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**	-

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

Overall MCR calculation

		C0070
Linear MCR	**R0300**	1.875.137
SCR	**R0310**	5.499.685
MCR cap	**R0320**	2.474.858
MCR floor	**R0330**	1.374.921
Combined MCR	**R0340**	1.875.137
Absolute floor of the MCR	**R0350**	3.700.000
		C0070
Minimum Capital Requirement	**R0400**	3.700.000