# ARCA VITA INTERNATIONAL DAC

# SOLVENCY AND FINANCIAL CONDITION REPORT ("SFCR")

## For the financial year ended 31 December 2020

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## Summary

Arca Vita International DAC ("AVI or the Company") is owned entirely by Arca Vita SpA, which is in turn controlled by the Unipol Group, both located in Italy. AVI is subject to supervisory regulation of the Central Bank of Ireland. Its direct parent and group are subject the supervisory regulatory authority of Istituto per la Vigilanza Sulle Assicurazioni ("IVASS") in Italy.

Arca Vita International provides unit-linked life assurance products via a network of banks throughout Italy. The Company conducts its business effectively to ensure the solvency position of the Company and the security of policyholders' liabilities. As a unit linked life assurance provider, the Company undertakes to match its policyholder liabilities with assets at all times. As of 1 January 2020 the Company insourced the administration activities required to service its unit linked business.

This report addresses the business and performance of the Company, system of governance, risk profile, valuation for solvency purposes and capital management. The board of directors has responsibility for all of these matters and puts in place the required functions to monitor and manage the business accordingly. The Company manages the risks facing its business on a continuous basis to ensure that the capital requirements of the Company are sufficiently met by the capital allocated to the Company given the business and profile of the Company. The Company continues to write new business.

During the course of the reporting period the risk profile, system of governance and solvency position of the Company has not changed in any significant manner. The primary policies of the Company have been reviewed and minor amendments made where considered appropriate. The Company continues to work within the Unipol Group identifying and implementing improvements to existing and new policies.

The financial reporting period end to which this report relates is the year ended 31 December 2020.

### COVID-19

2020 was characterised by the negative impact on the growth of the global economy arising from the spread of the COVID-19 (Coronavirus) virus worldwide. The Coronavirus infection, labelled as a "pandemic" by the World Health Organization, necessitated precautionary measures taken globally to counter the spread of the virus. 2021 will require those precautionary measures to continue until the respective vaccination programs take material effect on global communities.

The financial markets have been characterised by high volatility, demonstrating steep declines in Q1 2020 with a recovery in Q3 & Q4 2020 and being readied for a recovery in the global economy in anticipation of the relaxation of precautionary measures taken by many countries, including Italy, following the implementation of the vaccination programs referred above.

As in 2020 despite the significant and continued effects of COVID-19 on the economic cycle and financial markets, the Company is expected to close the 2021 financial year with a positive result and with a continued satisfactory solvency position.

# A. Business and Performance

## A.1 Business and External Environment

*Company information*

AVI is a regulated life assurance company limited by shares. The Company is resident in Ireland and provides services into Italy only.

The Company has its registered office at:
33 Sir John Rogerson's Quay
Dublin 2
Ireland

The Company's operating address is at:
4-5 Dawson Street
Dublin 2
Ireland.

The Central Bank of Ireland ("CBI") is the supervisory authority responsible for the supervision of the Company. The CBI's address is:
Central Bank of Ireland
PO Box 559
New Wapping Street
North Wall Quay
Dublin 1
Ireland

The Company's external auditor is PricewaterhouseCoopers, Chartered Accountants and Statutory Audit Firm. The address of PricewaterhouseCoopers is;

One Spencer Dock
North Wall Quay
Dublin 1
Ireland.

The Company has issued 1,634,570 Ordinary shares of €1 each. All the issued shares in the Company are held by Arca Vita S.p.A.

The registered address of Arca Vita S.p.A. is as follows:
Via del Fante 21
37122 Verona
Italy

Arca Vita S.p.A. is a life assurance company subject to the supervision of IVASS in Italy.

The Company and its parent are part of UnipolSai Assicurazioni S.p.A., listed in the Italian Register of Insurance Companies and reinsurance Sec. I at no. 1.00006, with its Group headquarters at Via Stalingrado 45, 40128 Bologna, Italy and listed in the Italian Register of Insurance Groups at no. 046.

The Italian Group is subject to supervision by IVASS with its registered office in Rome, 00198 - Via del Quirinale, 21, Italy, which is responsible for the supervision of the Group to which the Company belongs.

The table below indicates the shareholding structure of Arca Vita S.p.A, which holds 100% of the shares issued in Arca Vita international DAC.

**Table 1. Shareholding Structure of Arca Vita S.p.A.**

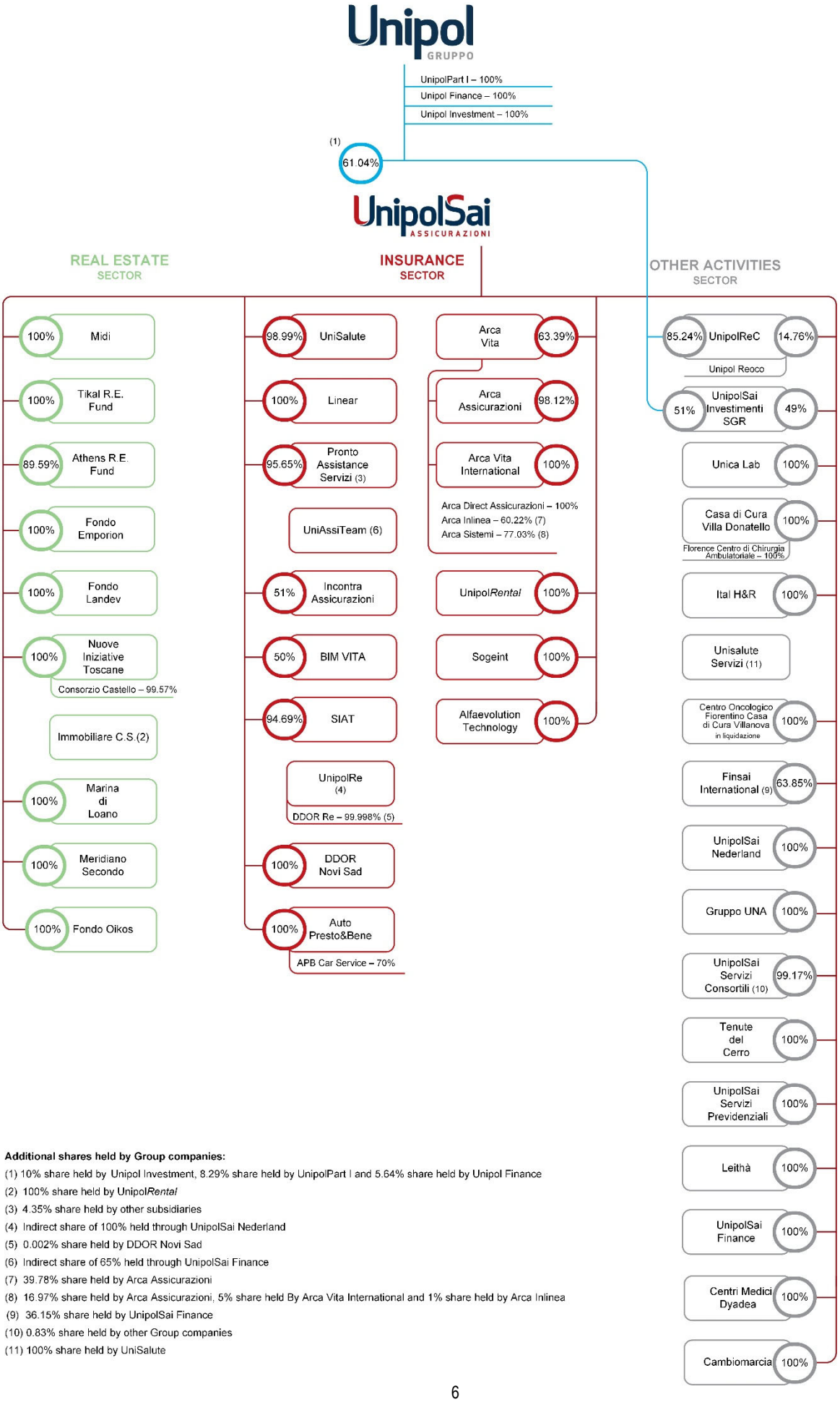
| | |
|---|---|
| UnipolSai Assicuarzioni S.p.A. | 63.39% |
| BPER Banca S.p.A. | 19.67% |
| Banco Popolare di Sondrio | 14.84% |
| Others: (Minority Shareholders) | 2.10% |
| - Banca Agricola Popolare di Ragusa** (Italy)<br>Banca Popolare del Lazio** (Italy)<br>- Banca Popolare di Fondi** (Italy) | |

*A company that is designated “S.p.A.” in Italy is a limited liability company whose capital is divided into shares.

**A company that is designated “Banca Popolare” in Italy is a limited liability cooperative bank whose capital is divided into shares.

The shareholding structure of Arca Vita S.p.A. does not apportion different voting rights to shares held.

The chart below shows the corporate structure of the Unipol Group with an illustration of the position occupied by the Company and Arca Vita S.p.A. within the Unipol Group itself.




**Additional shares held by Group companies:**

(1) 10% share held by Unipol Investment, 8.29% share held by UnipolPart I and 5.64% share held by Unipol Finance
(2) 100% share held by Unipol*Rental*
(3) 4.35% share held by other subsidiaries
(4) Indirect share of 100% held through UnipolSai Nederland
(5) 0.002% share held by DDOR Novi Sad
(6) Indirect share of 65% held through UnipolSai Finance
(7) 39.78% share held by Arca Assicurazioni
(8) 16.97% share held by Arca Assicurazioni, 5% share held By Arca Vita International and 1% share held by Arca Inlinea
(9) 36.15% share held by UnipolSai Finance
(10) 0.83% share held by other Group companies
(11) 100% share held by UniSalute

*Areas of Activity*

The Company carries out life insurance activities. It operates in the following Area of Activity (Line of Business or "LOB") as defined in Annex I of the Commission Delegated Regulation (EU) 2015/35:

**LIFE**

| **D** | **Life insurance obligations** | |
|---|---|---|
| 31 | Index-linked and unit-linked insurance | Insurance obligations with index-linked benefit |

The company operates in the territory of the Republic of Italy under the EU rules providing for the provision of services from its offices based in Dublin, Ireland.

The Company provides unit-linked life insurance products via a network of distributing banks throughout Italy. There have been no significant events in the reporting period (2020) that have had a material impact on the Company.

## A.2 Underwriting Performance

New premiums received during the year are generated by a combination of new policies and top-ups to existing policies.

The accounting standards adopted by the Company are the "International Financial Reporting Standards" ("IFRS"). Under IFRS, unit-linked contracts are classed as Investment Linked Contracts thus premiums received for new business and similarly claims incurred are not recognised in the Income Statement of the Company's financial statements. Premiums received and claims incurred are instead recognised in the Company's Balance Sheet as Investment Contract Liabilities.

The following table (Table 2) summarises the movement in investment linked liabilities under life assurance policies issued as at the year-end 31 December 2020:

| **Table 2. Investment Linked Liabilities** | **2019** | **2020** |
|---|---|---|
| | **€'000's** | **€'000's** |
| Premiums received as investment linked liabilities | **20,288** | **20,964** |
| Claims made from investment linked liabilities | **(77,311)** | **(36,409)** |
| Change in provisions for investment linked liabilities | **42,750** | **6,823** |
| Movement in year | **(14,273)** | **(8,622)** |
| Investment linked liabilities at start of year | **485,369** | **471,096** |
| Investment linked liabilities at year end | **471,096** | **462,474** |

Investment Linked Liabilities at year end declined by €8.6m, this performance was an improvement on 2019's performance (-€14.3m). Premiums received in 2020 improved marginally from €20.3m to €21.0m, the level of claims declined by €40.9 to €36.4m.

"Changes in provision for investment linked liabilities" include all realised and unrealised gains, attributable income to policyholders including underlying fund management rebates and the Company's management fee.

All investment linked liabilities are payable on request of the policyholder without penalty (with the exception of those policies issued for less than twelve months).

### A.3 Investment Performance

Investment linked liabilities are matched by a portfolio of assets consisting of a portfolio of collective investment schemes ("CIS") known as "Undertakings for Collective Investments in Transferable Securities" ("UCITS"). Each UCIT is selected by the policyholder from a panel of funds provided by the Company. The Company does not provide investment advice. The assets, in this instance UCITS, are owned by the Company. The Company only invests in UCITS that do not distribute income, therefore each investment retains its net income resulting in a roll up of net income in the UCIT net asset value, where such net income is positive.

The absolute size of investment linked liabilities is primarily impacted by the market performance of the underlying assets within the collective investment schemes and the level of "Net New Assets" ("NNA") gathered during the year. NNA is equal to the level of Premiums received minus Claims incurred. Table 3 below, illustrates the movement in the Portfolio of Assets that provide the technical provisions to match the Investment Linked Liabilities.

| **Table 3. Portfolio of Linked Assets** | **2019 €'000's** | **2020 €'000's** |
|---|---|---|
| Investment in CIS | **446,874** | **440,595** |
| Deposits & Money Market Funds | **28,775** | **25,851** |
| Total Assets | **475,649** | **466,446** |
| Other payables | **(4,553)** | **(3,972)** |
| Financial Assets to cover Investment Linked Liabilities | **471,096** | **462,474** |

As the Company matches its liabilities to linked assets, the decline in "Financial Assets to cover Investment Linked Liabilities has fallen by €8.6m equal to the decline in investment Linked Liabilities as described above under A.2 above and reflects the level of premium and claims experience as well was as the investment performance of the underlying financial assets in 2020, see table 4 below.

Gains or losses arising from market movement in the underlying UCITS are attributable in full to the benefit of policyholders, which is equal to the value of "Financial Assets to cover Investment Linked Liabilities", as above. The investment income deriving for the benefit of policyholders is supplemented by the crediting of all management fee rebates received by the Company from the fund managers of the underlying UCITS. Table 4 below illustrates the performance of "Investment Income attributable to Investment Linked Liabilities" (for the benefit of policyholders).

| Table 4. Investment Income attributable to Investment Linked Liabilities | 2019 €'000's | 2020 €'000's |
|---|---|---|
| Realised Gains / (Losses) | **15,303** | **(1,735)** |
| Unrealised Gains / (Losses) | **34,040** | **16,835** |
| Investment Return | **49,343** | **15,100** |
| Management Fee Rebated | **1,329** | **1,077** |
| Investment Income | **50,672** | **16,177** |

The value of the underlying assets is linked directly to the unit-linked insurance policies issued by the Company.

The Company holds a portfolio of Government bonds, in adherence to its own strategic investment policy. Table 5 below provides an illustration of the Company's Government Bond Portfolio, referred to as "Investment Income attributable to non-Linked Assets" performance.

| Table 5. Investment Income attributable to non-Linked Assets | 2019 €'000's | 2020 €'000's |
|---|---|---|
| Realised Gains / (Losses) | **0** | **0** |
| Unrealised Gains / (Losses) | **(9)** | **93** |
| Investment Return | **(9)** | **93** |
| Interest Income | **53** | **13** |
| Investment Income | **42** | **106** |

The negative yielding environment has increased the current value of the non-linked assets held to maturity.

The Company has not undertaken any investments in securitisation.

### A.4 Performance of other Activities

As stated above, the accounting policy adopted by the Company is IFRS, this is in adherence to the requirements of the (Irish) Company Act 2014. Under IFRS the Company underwrites investment linked contracts, hence Company income is recognised as management fees earned in respect of the management of investment linked contracts, payment of benefits arising and other related activities.

Table 6 below shows the income statement of the Company for 2020.

| **Table 6. Income Statement** | **2019 €'000's** | **2020 €'000's** |
|---|---|---|
| Fee Income from Investment Contracts | 7,962 | 7,214 |
| Interest | 53 | 13 |
| Total Income | 8,015 | 7,227 |
| | | |
| Commission Expense | (3,842) | (3,533) |
| Other Expenses | (3,359) | (2,177) |
| Total Expenses | (7,201) | (5,710) |
| | | |
| Profit before Tax | 814 | 1,517 |
| Taxation | (103) | (192) |
| Profit after Tax | 711 | 1,325 |

"Profit after Tax" was €1.325m for the year ended 31 December 2020. There is an increase of €0.614m in Profit after Tax since 2019. The increase in profits as attributable to a reduction in expenses by an amount greater than the reduction in fees from investment contracts. The "Fee Income from Investment Contracts" declined in the policyholder's liabilities in issue from €471.09m to €462.47m leading to a direct fall in income earned, see Table 3 above.

The "Commission Expense" figure relates to payment of commission payable to the distributing banks for the introduction of business to the Company. The Company does not pay introductory commission but rather ongoing commission based upon assets under management.

The entry "*Other expenses*" amount to €2.177m and its main components are;

- Information Systems €0.40m, replacing the third party administration services no longer received since 31 December 20219 (€1.088m – 2019)
- Employee Benefits of €0.621m (€0.683m – 2019)
- Professional Services of €0.371m (0.839m – 2019)

The Company has not paid a dividend for the year ended 31 December 2020 (Nil – 2019).

### Use of leasing contracts

The Company's offices at 4-5 Dawson Street are secured under a five-year lease term, expiring in February 2025.

As at 31 December 2020 the Company has not entered into any finance lease arrangements.

## A.5 Other Information

There is no other material information to report in this Section.

# B Governance System

## B.1 General Information on the System of Governance

The Board consists of one executive Director (CEO), three Group non-executive Directors and two independent non-executive Directors.

The Company complies with the Corporate Governance Requirements for Insurance Undertakings 2015, issued by the Central Bank of Ireland. The Company has constituted an Audit Committee and Risk Committee respectively. Both of these committees are chaired by an independent non- executive director of the Company.

The role of Company Secretary is outsourced to Tudor Trust Limited.

### *B.1.1 Role and Responsibilities of the Board and Board Committee*

The role and responsibilities of the Board are detailed in the Terms of Reference of the Board, which is reviewed by the Board annually.

The Board of Directors is responsible for providing oversight of the business, approving key business decisions, setting the Company's strategy and associated risk appetite.

The Board has established two Board Committees, the Audit Committee and Risk Committee respectively.

The Audit Committee and Risk Committee each has its own Terms of Reference and is chaired by an independent non-executive Director. The Terms of Reference of each Committee are reviewed by the Board annually.

The main responsibilities of the Audit Committee are:

- Ensuring the integrity of the Company's financial statements;
- Ensuring the effectiveness of the Company's internal control system;
- Oversight of the Company's Internal Audit Function; and
- Monitoring the effectiveness, independence and objectivity of the internal and external auditors.

The Risk Committee has its own Terms of Reference and is chaired by an independent non-executive Director. The Terms of Reference of the Risk Committee are reviewed by the Board annually.

The main responsibilities of the Risk Committee are:

- Ensuring key risks facing company are assessed, mitigated and reported on;
- Monitor the impact of principal risks on the Company's strategy;
- Oversee and Review the Company's Own Risk and Solvency Assessment ("ORSA"), Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR) and to make recommendations to the Board regarding their acceptance; and
- Review the Companies Risk Management policies annually and consider proposed amendments.

*B.1.2 Transactions with related parties*

In 2018, the Company entered into a royalty agreement with its parent company enabling the continued use of the Arca Vita International name and branding which had been subject to a trade mark by Arca Vita SpA. For 2020, the cost of the royalty agreement amounted to €0.61m.

In 2020, AVI acquired a 5% shareholding in Arca Sistemi Scarl (an IT Service Company providing services to members of a consortium made up of companies within the Arca Group) for an amount of €227,000 from Arca Vita SpA, AVI's parent company.

The Company did not enter into any other material transactions with its shareholder, with persons who exercise a significant influence on the Company or with any members of the Board of Directors.

*B.1.3 Role and responsibilities of the key functions*

The following key control functions have been established by the Company, as required by Solvency II ("SII"):

- Internal Audit;
- Compliance;
- Risk Management; and
- Actuarial.

- The Internal Audit Function is responsible for assessing the completeness, functionality, reliability and adequacy of the internal control system and the risk management system. Each year it outlines it priorities in an annual plan, which is presented to the Audit Committee for approval. The Company has outsourced its Internal Audit Function to the Group Internal Audit Function, which is covered by a written agreement between the two parties. The Internal Audit Function reports directly to the Audit Committee.

- The Risk Management Function is responsible for ensuring the effectiveness of the Company's risk management system. It ensures that processes are in place to identify, measure, assess and monitor, the risks to which the Company is, or could be exposed. The Head of Risk/CRO reports on these risks to the Risk Committee quarterly. The CRO has access to the Chairman of the Risk Committee to report any issues of concern.

- The Compliance Function is responsible for ensuring that the Company is compliant will all legal and regulatory requirements. The Compliance Function is also responsible for anti-money laundering. The Head of Compliance is the main point of contact with the Central Bank of Ireland. The Head of Compliance reports to the Board quarterly on compliance matters.

- The Actuarial Function is responsible for verifying the adequacy of technical reserves, assessing the

reliability and sufficiency of the data used for the calculation of the technical reserves and providing the various Reports and Opinions required by the Central Bank of Ireland on the Company's "Own Risk Solvency Assessment" ("ORSA"), technical provisions, underwriting and reinsurance arrangements under the Domestic Actuarial regime. The Company has outsourced its Actuarial Function and the Head of Actuarial Function role (HoAF) to the consultancy firm, WillisTowersWatson. The HoAF reports directly to the Board on actuarial matters.

In order to carry out their activities effectively, staff of the key control functions have unrestricted access to the staff of the business units, the relevant business data and other relevant information held by the Company, thus ensuring their independence. Their independence is also ensured by the fact that, as stated above, the heads of the key control functions attend all Board meetings of the Company and report directly to the Board in relation to their functions at these meetings.

*B.1.4 Remuneration Policy*

*The Company has adopted a Remuneration Policy that complies with the requirements of SII.*

The primary objective of the Remuneration Policy is to ensure fair remuneration of the Company's employees, taking into consideration the following factors: the seniority of the role; the responsibility of the role, the level of qualifications held and the local market. The Company's Remuneration Policy aims to ensure consistency between the remuneration of the recipient and the performance of their role and the financial performance of the Company. The Company's Remuneration Policy is not based exclusively or predominantly on short-term results, therefore deterring excessive risk taking by the employees.

On the basis of these principles, the fixed component of remuneration compensates the skills, capabilities and, in particular, the responsibilities related to the role, providing a fixed economic basis, determined as a function of the level of responsibility attached to the particular role.

The variable remuneration aims to reward the results achieved in the short and medium to long term, as determined by the financial results of the Company.

In view of the above, staff remuneration takes into account the following principles:

- appropriate balance between fixed and variable components; establishment of limits for the variable component of the remuneration; and
- sustainability, by having a balance between the short-efficiency criteria and long term to which the remuneration is subject, either through the deferred payment and diversified of the variable component, as well as reserving the right not to provide the variable component in the presence of certain adverse conditions.

The variable remuneration to employees can consist of the payment of a monetary bonus.

The payment of the monetary bonus to employees is dependent upon the following factors:

  - the results of the Company, expressed in terms of achieving Gross profit objectives and sufficient capital;
  - individual performance, measured in terms of both qualitative and quantitative performance, related to the specific role of the employee.

*B.1.5 Pension Scheme*

The Company has established a defined contribution pension scheme for employees.

There are no supplementary pension schemes or early retirement schemes in place for the members of the Board or key function holders.

## B.2 Fit and Proper requirements

The Company is required to comply with the Fitness and Probity Standards of the Central Bank of Ireland, in relation to pre-approved control functions (PCFs) and control functions (CF's). Under these standards, PCF and CF role holders are required to be:

- fit and proper;
- competent and capable; and
- financially sound.

The Company has adopted the Group's Fitness and Probity Policy, which outlines how the Company ensures compliance with the fit and proper requirements of SII, which are similar to those required by the SII Directive.

The recruitment process for the Company normally involves the following steps:

- creation of a written job description for the role;
- engagement of an agency to source potential candidates; and
- Formal interviews with a number of potential candidates.

When a suitable candidate has been identified, the Company undertakes due diligence before appointing them to a PCF or CF role. This involves:

- the provision of copies of qualifications to the Company;
- the provision of two referees; and
- background checks on the candidate.

For PCF roles, the candidate will be required to complete an Individual Questionnaire, which must be submitted to the Central Bank for approval. An IQ will not be submitted to the Central Bank until the proposed appointment has been approved by the Board.

A candidate will not be formally appointed to a PCF role until a "letter of no objection" to the proposed appointment has been received from the Central Bank.

All PCF and CF role holder are required to declare their compliance/non-compliance with the Fitness and Probity Standards on an annual basis.

## B.3 Risk Management System, including the Own Risk and Solvency Assessment

### *B.3.1 Risk Management System*

The risk management system is the set of processes and tools used to support the risk management strategy of the Unipol Group and allows an adequate understanding of the nature and significance of the risks to which the Group and individual companies, including AVI, are exposed. The risk management process is divided into the following areas:

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

The processes of identification, evaluation and monitoring of risks are carried out on an ongoing basis, considering both the changes in the nature and size of the business and the market environment, which includes the emergence of any new risks or changes to existing risks.

The risk management system is based on Enterprise Risk Management, which is based on an integrated perspective of all current and future risks to which the Group is exposed; assessing the impact these risks may have on the achievement of the strategic objectives of both the Group and the individual companies in the Group.

In particular, the risk management system is designed to reflect:

- the need to safeguard the Company's net worth and reputation; and
- the need to meet the Company's solvency requirements.

The risk management system is based on a fundamental element: the Risk Appetite. The Risk Appetite is formalized through the Risk Appetite Statement, indicating the risk that the Company intends to take or avoid, setting the limits in terms of quantity and also the criteria to be considered for the management of non-quantifiable risks.

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

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

- risk capital;

- capital adequacy;
- Liquidity / ALM (asset liability management) indicators.

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

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

The definition of the RAF components changes over time and reflects the management objectives of the risks related to the Strategic Plan objectives.

The Risk Management System is described in the Company's Risk Management Policy. In the Risk Management System, the Risk Management Function is responsible for the processes to identify, measure, assess and monitor, on an ongoing basis, the current and future risks to which the Company is or could be exposed, and their interdependencies. The Risk Management Function also contributes to the spread of a risk culture throughout the Company.

*B.3.2 Own Risk and Solvency Assessment (ORSA)*

The Company is part of the Unipol Group, which has opted to prepare an own risk and solvency assessment, at Group level, or a Group ORSA.

The Company has contributed to this process by identifying its material risks and performing suitable scenario analysis to assess the impact of adverse conditions on the Company's solvency position. The Group ORSA is conducted on an annual basis, unless there are changes in the risk profile of the Group or an individual undertaking in the Group that would warrant undertaking an ad-hoc ORSA.

The Company has adopted the Group ORSA Policy, which describes how the ORSA process is conducted within the Group.

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

- highlight the link between the business strategy, the process of capital allocation and risk profile;
- a general overview of all the risks facing the Group and its companies, including those risks they might be exposed in the future, and the solvency position, current and future;
- provide the Board of Directors and senior management with feedback on the design and effectiveness of the risk management system, highlighting any shortcomings and suggesting remedial action.
- In particular, with reference to the current evaluation, the achievement of these objectives is through:
    - the measurement of capital required according to current regulations and based on the requirements of Solvency II, in the latter case with the use of both internal model and the Standard Formula;

- assessment of the capital adequacy of the Group and of the individual companies, based on the results obtained above.

When establishing the Group ORSA process, the Group was guided by the following principles:

- the evaluation of the risks for the Group includes the risks resulting from all the companies in the Group and takes into account the interdependencies between them;
- the ORSA, in addition to being a regulatory requirement, constitutes an internal evaluation element to support operational and strategic decisions; the ORSA and strategic planning processes are closely linked:
- the estimates taken as reference for the development of the Strategic Plan are on the basis of ORSA evaluation;
- the same ORSA evaluation is a support to the preparation of the revised Strategic Plan;
- the ORSA process takes into account all the risks that can lead to a significant reduction in the Own Funds at the Group level and for each individual company, or which could have impact on the ability to meet commitments towards the policyholders, in line with the Risk Management Policy. For risks not included in the calculation of capital requirements under Pillar 1 of Solvency II, the Group provides a qualitative assessment.
- the ORSA process is carried out in compliance with the standards detailed in the Data Quality Management Policy.

The Boards of each insurance company included in the Group ORSA, including AVI, approve the criteria and methodologies - including the types of stress tests - to be used for the preparation of the ORSA report. The Boards of each company approves the chapter of the ORSA report related to them and when the entire Group ORSA is finalised, it is approved by the Board of each Company.

The current and prospective evaluation of the Company's risks is an integral part of the risk management system and decision-making processes of the Group and the individual companies and therefore has points of contact with other core business processes such as:

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

In particular, as described above, the present evaluation, carried out on a quarterly basis at least, provides for the monitoring of the defined limits in the Risk Appetite Statement.

The prospective assessment, however, is developed in accordance with the timing and the elements contained in the Group's Strategic Plan and Annual Budget, through which an economic capital for each company and for each type of risk is allocated. The process of capital allocation plans for each year of the Strategic Plan a projection of the Own Funds and an estimate, using the Internal Model, and / or Formula Standard, the capital required under the assumptions of the Strategic Plan.

## B.4 Internal Control System

The system of internal control is a key element of the Company's corporate governance system; it consists of procedures and organizational structures which aim to ensure:

- the effectiveness and efficiency of business processes;
- the proper containment of current and future risks;
- prevention of the risk that the Company is involved, even unintentionally, in illegal activities, especially those related to money laundering and the financing of terrorism;
- prevention and proper management of potential conflicts of interest with Related Parties and Connected Persons;
- verifying the implementation of corporate strategies and policies;
- safeguarding the Company's assets, even in the medium to long term, and the good management of those held on behalf of customers;
- the reliability and integrity of its IT systems and the information provided to third parties;
- the adequacy and timeliness of its financial reporting systems;
- the compliance of the Company with the law, supervisory regulations, Company policies and internal procedures.

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

The system of internal control is an integral part of the Company and permeates all its business units and activities, to ensure ongoing and effective risk management.

The Board of Directors is responsible for the internal control system. Accordingly, it is responsible for reviewing and approving the Company's polices, ensuring that the main business risks are identified, evaluated and adequately controlled, as well as approving an organizational structure that ensures, the separation of operational duties from the associated controls and the transparency of the decision-making processes in the Company.

The internal control system is designed in accordance with the guidelines outlined below:

- separation of duties and responsibilities: the duties and responsibilities are clearly allocated among the business units, in order to avoid gaps or overlaps that may affect the business functionality;
- formalization: the work of the business units should always be documented in order to provide evidence of the actions and the decisions taken;
- integrity, completeness and correctness of the data stored: the data recording system and the related reporting procedures must ensure that they have adequate information about the elements that can affect the risk profile of the company and its solvency;
- independence of the controls: the necessary independence of the control functions from the business units must be ensured.

The system of internal controls is subject to evaluation by the Internal Audit Function.

The internal control system is divided up into several levels:

i. line controls (so called "first level controls"), aimed at ensuring the proper conduct of operations. They are carried out by the business units and are incorporated into the relevant procedures. The business units are the first line of defence in the risk management process and must ensure compliance with the procedures adopted and compliance with the tolerance level established for particular risks;

ii. risk and compliance (so-called "second-level controls"), which have the aim of ensuring the correct implementation of the risk management process, the implementation of activities entrusted to them, and that the operational limits for the various functions and compliance with the Company's policies is maintained. The responsibilities assigned to these functions are distinct from operational ones; they contribute to the development of risk management policies and of the risk management process;

iii. internal audit (so-called "third-level controls"), checks on completeness, functionality and adequacy of the internal control system (including the first and second level) as well as the consistency of the Company's processes and compliance with its procedures.

*The Compliance Function*

The Compliance Function is a key control function and an integral part of the internal control system. The task of assessing that the Company's operations internal procedures are adequate to prevent the risk of non-compliance – i.e. the risk of incurring in legal or administrative sanctions, financial losses and reputational damage as a result of the violations of laws or regulatory requirements, is attributed to the AVI Compliance Function.

The Compliance function is headed by a Head of Compliance. The Head of Compliance reports to the Board quarterly on the activities of the Compliance Function and the level of compliance risk to which the Company is exposed.

In relation to compliance with requirements of the Italian regulator (IVASS), the Compliance function is supported by the Group Compliance Function.

The Compliance function is subject to review by the Internal Audit Function.

## B.5 Internal Audit Function

The Internal Audit Function of AVI is outsourced to Group Internal Audit. The Internal Audit Function is responsible for assessing the completeness, functionality and adequacy of the internal control system and risk management system, in relation to the nature and level of risks assumed by the Company. The Head of the Internal Audit Function has specific expertise and professionalism in carrying out the role and has the authority necessary to ensure its independence. The Internal Audit Function has appropriate personnel and technological resources. During the course of an audit, the Function has access to all employees and documentation of the Company required for the purposes of an audit.

The activities carried out by the Internal Audit Function are comprised of the following:

- the checks on the management and organizational processes and procedures, to assess the functionality of the overall system of internal controls as well as to identify anomalous trends,

violations of procedures and regulations;

- the checks on compliance in the various operating segments of the limits of the delegated powers (where delegated) and the full and proper use of the information available in the various activities;
- the checks on the adequacy of information systems and their reliability to ensure that this does not impair the quality of information on which management and the Board, bases its decisions;
- verification regarding the compliance of the administrative and accounting processes on fairness and proper bookkeeping;
- the checks on the effectiveness of the checks performed on outsourced activities;
- verification of the regularity and functionality of information flows between business units;
- the reporting to the Board and the Audit Committee;
- the necessary co-operation with the Audit Committee and the external auditors. The Audit Department operates in accordance with international standards issued by the Institute of Internal Auditors (IIA) and also best practice in the industry.

The Internal Audit Reports are prepared on the basis of a standard model which consists of:

- a cover page in which is detailed: recipients of the report and date; Company name, title and registration number of the Audit Report, the subject of audit, an evaluation of the related controls, and a list of companies to which the activities being audited have been outsourced;
- an Executive Summary in which is detailed the purpose of the audit, the significant findings and corrective actions to be undertaken by management;
- a body of the report that includes, in addition to the purpose of the audit already outlined in the Executive Summary, a premise (if any), an indication of any intervention limits, the description of the work, the areas of improvement identified, the proposed corrective actions (each accompanied by a brief assessment of the urgency of accommodation in graphic form), the risks associated with, the responses of the management, the individual responsible and the deadlines, the time when the audit was carried out and the staff involved.

Each audit activity that highlights areas for improvement is the subject of a follow-up audit, in order to ensure that corrections proposed by the management have been implemented and are effective.

The Internal Audit Function attends the Audit Committee of AVI and provides a copy of each AVI internal audit report to the Audit Committee.

The independence and objectivity of the AVI Internal Audit Function is maintained as the function is outsourced to the Group Internal Audit Function in Italy, and is not involved in any way in the business of the Company. It also reports directly to the AVI Audit Committee, thus ensuring its independence.

### B.6 Actuarial Function

The Actuarial Function of AVI and the role of Head of Actuarial Function is outsourced to a professional consultancy firm, Willis Towers Watson (Ireland) Limited (WillisTowersWatson). The Actuarial Function performs the following tasks:

- co-ordinates the calculation of Technical Reserves, as well as the evaluation and validation of the data to be used in the evaluation procedure of the sufficiency of the same technical Reserves;

- ensures the appropriateness of the methodologies and underlying models used, as well as the assumptions on which the calculation of technical reserves is based, also in terms of the methodologies of proportionality with respect to the nature, scope and complexity of the underlying risks;
- to assess the sufficiency and quality of the data used in the calculation of Technical Reserves;
- compares best estimates with data derived from experience;
- informs the Board of Directors on the reliability and adequacy of the calculation of Technical Reserves;
- issues an opinion on the overall underwriting policy;
- issues an opinion on the adequacy of reinsurance arrangements; and
- supports the implementation of the risk management system.

## B.7 Outsourcing

The guidelines for outsourcing are defined in the policy on outsourcing ("Outsourcing Policy") of the Group, which has been adopted by AVI. This Policy outlines the decision making, responsibilities, tasks and controls expected in terms of outsourcing of activities and business functions within the Unipol Group, as well as to third parties, thus strengthening the supervision of the risks arising from outsourcing choices.

The Policy specifically states:

- criteria for the identification of activities to outsource;
- criteria for the qualification of activities as essential or important and important operational functions;
- constraints for outsourcing;
- the decision-making process to outsource functions or operations;
- the minimum content of the outsourcing contracts and the logical definition of expected service levels of outsourced activities;
- internal reporting mechanisms to ensure that the various corporate bodies and control functions have full knowledge and governance of risk factors related to the outsourced functions;
- guidelines to be followed in case of inadequate execution of the outsourced functions by the service provider, including those relating to contingency plans and exit strategies in case of outsourcing of functions and activities essential or important;
- notification obligations to the Supervisory Authority.

AVI considers, in keeping with the provisions of Solvency II, as essential or important functions or activities, those that meet at least one of the following conditions:

i) an anomaly in their execution or their failed execution can seriously affect:

   a. the financial results of the Company or the continuity and/or quality of the services provided; or
   b. the Company's ability to maintain its regulatory authorisation or its ability to comply with applicable legislative or regulatory provisions;

ii) they concern operational processes of the Corporate Supervisory Functions, or have a significant impact on the management of the Company's risks.

AVI may enter into outsourcing arrangements, provided that the nature and amount of activities to be outsourced, do not result in the Company becoming a mechanism for absenting the implementation of a controlled environment. In particular, through the use of outsourcing, AVI cannot:

- delegate their responsibilities to a third party;
- affect the quality of the internal control system and the Company's governance;
- outsource control functions outside the Unipol Group;
- alter the relationship and obligations towards customers;
- jeopardize its ability to fulfil its regulatory obligations;
- hinder supervision;
- outsource the underwriting of risks.

The table below, Table 6, details the critical or important functions and activities outsourced by AVI and the jurisdiction of the outsourced providers for the duration of the calendar year, 2020;

**Table 7.**

| **Critical or Important Function/Activity** | **Name of Outsourced Provider** | **Location** |
|---|---|---|
| Information Systems | Arca Sistemi Scarl[1] | Italy |
| Certain Risk Management Activities | Group Risk Management | Italy |
| Actuarial Function | WillisTowersWatson | Ireland |
| Internal Audit Function | Group Internal Audit | Italy |

### B.8 Assessment of Governance

The Company is of the view that its system of governance adequately provides for the effective management of the Company's business and is appropriate to the nature, scale and complexity of the risks inherent in the business.

### B.9 Other Information

There is no other material information to report in this Section.

[1] Information Systems services provided by Arca Sistemi Scarl, a consortium within the same Group as the Company.

## C Risk Profile

The risk profile of the Company is determined mainly by the following factors:

- the Company only provides unit-linked products, where the market risk is borne by the policyholder;
- the Company invests its non-linked assets in relatively short-dated Government bonds and cash deposits with credit institutions, in accordance with the Prudent Person Principle and Company Investment Policy; and
- The Company is not exposed to additional risks via SPV's or off-balance sheet items, as these are not used by the Company.

### C.1 Underwriting Risk

**Life Underwriting Risk (Technical Life Insurance Risk)**

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

The Company provides only unit-linked products. In relation to underwriting risk, it should be noted that the Company does not use SPV's.

The following table provides details of the composition of the Company's portfolio in terms of Best Estimate of life liabilities.

**Table 8. Details of Best Estimate Liability**

***Life Portfolio (BEL) on 31 December 2020***

| **BEL** | **Value at 31/12/2020 €'000's** |
|---|---|
| Unit-linked Products | 457,942 (463,749 – 31/12/2019) |

The Company's portfolio is exposed to the following risk factors:

- **Mortality risk**: linked to an unfavourable deviation of demographic bases resulting from experience (extra-mortality) compared to those used in the determination of the tariff;
- **Lapse/Redemption risk**: linked to adverse changes in the level or volatility of redemption frequency of early repayments;
- **Expense risk**: linked to adverse changes in the value of the expenses linked to policies with

respect to the values used in the determination of the tariff;

- **Catastrophe risk**: resulting from an unforeseeable event which has the consequence of affecting a large number of people simultaneously, producing a number of lapses significantly higher than expected.

The Company calculates its Solvency Capital Requirement (SCR) using the Standard Formula. The table below contains the details relating to the individual sub-module components of the SCR of the Insurance technical risk as at 31/12/2020.

**Table 9. SCR Standard Formula – Contribution of Life sub-risk modules**

| **Risk sub-modules** | **Life SCR 2019 €,000's** | **Life SCR 2020 €,000's** | **Variation in 2020** |
|---|---|---|---|
| *Mortality* | *200* | *282* | *82* |
| *Longevity* | *0* | *0* | *0* |
| *Invalidity* | *0* | *0* | *0* |
| *Lapse/Redemption* | *5,283* | *7,797* | *2,514* |
| *Expenses* | *657* | *2,061* | *1,404* |
| *Revision* | *0* | *0* | *0* |
| *Catastrophic* | *3* | *4* | *1* |
| *Total sub-modules* | *6,143* | *10,145* | *4,002* |
| *Diversification effect* | *(493)* | *(1,116)* | *(624)* |
| *Total Life SCR* | *5,650* | *9,028* | *3,378* |

The data reveals that the main source of risk is represented by lapses/redemptions, which SCR amounts to 86.4% of the non-differentiated Insurance Technical Risk of Life Insurance.

**Risk concentration**

With reference to underwriting risk concentrations to which the Company is most exposed, particular attention is given to lapse and expense risks.

The approach taken by the Company to mitigate its exposure to concentrations of lapse/redemption risk is to distribute its products through a number of distributing banks operating throughout Italy and by designing products that are suitable to customers with sufficient disposable assets to invest.

In terms of mortality risk, the life cover on the products offered by the Company is limited, with an option at point of sale for the client to take out additional mortality cover. The majority of policyholders choose not to avail of the additional cover available. Accordingly, the Company's risk concentration in terms of mortality risk is not considered significant. The Company also reinsures its exposure to its optional mortality risk product feature, thereby reducing this exposure.

It should be pointed out that in the determination of Risk Appetite levels for all companies in the Unipol Group, the risk appetite for life underwriting risk (life insurance technical risk) is measured in terms of Capital at Risk. In particular, the capital exposed to the life underwriting risk takes into account all the risks and all exposures relating to the life portfolio, including those exposures classified as concentration risk.

**Risk mitigation techniques**

As stated above, reinsurance is the main instrument used by the Company to mitigate its exposure to mortality risk.

## C.2 Market Risk

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

- Interest rate risk, or the risk of a loss in value of a financial asset in the portfolio in relation to movements in market interest rates;
- Equity risk, namely the risk linked to losses due to movements in share prices;
- Exchange rate risk, namely the risk of possible losses on foreign currency positions in the portfolio due to changes in exchange rates;
- Spread Risk, namely the risk associated to a possible increase of spreads required by the market to a debtor;
- Real estate risk, namely the risk linked to losses due to movements in property prices;
- Concentration risk, namely the additional risk due to limited diversification of the financial asset portfolio or from high exposure to the risk of default by a single issuer/credit institution/counterparty.

The Company's non-linked financial portfolio at 31 December 2020 is comprised 99.8% of Government bonds issued by members of the European Union.

**Table 1. Non unit-linked Financial portfolio composition,**

| Type | Solvency II Value €'000's | % Total exposure |
|---|---|---|
| **Property, plant & equipment held for own use** | **313** | **2.31%** |
| **Property (other than for own use)** | **-** | **0%** |
| **Participations and related undertakings** | **228** | **1.68%** |
| **Bonds** | **13,009** | **96.01%** |
| Government bonds | 13,009 | 96.01% |
| Corporate bonds | - | 0% |
| | - | 0% |
| **Equities** | **-** | 0% |
| Equities - listed | - | 0% |
| Structured Notes | - | 0% |
| Collateralised securities | - | 0% |
| Derivatives | - | 0% |
| Deposits other than cash equivalents | - | 0% |
| **Total** | **13,550** | **100%** |

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

The following table shows the calculated result for the market risk sub-module using the Standard Formula on 31 December 2020:

**Table 11. Standard Formula SCR – Market Risk sub-modules contribution**

| Risk Sub-Module | Market SCR 2019 €'000's | Market SCR 2020 €'000's | Variation |
|---|---|---|---|
| Interest Rate | **52** | **0** | **(52)** |
| Equity | **2,190** | **3,650** | **1,460** |
| Real Estate | **0** | **0** | **0** |
| Spread | **336** | **529** | **193** |
| Exchange | **1,784** | **2,841** | **1,058** |
| Concentration | **0** | **22** | **22** |
| Sum of Sub-Modules | 4,362 | 7,042 | 2,680 |
| Diversification Effect | **(971)** | **(1,519)** | **(548)** |
| **Total Market SCR** | **3,391** | **5,523** | **2,132** |

The market risk is determined primarily by the impact of the assets attributed to the unit-linked portfolios.

**Risk Concentration**

As the Company only provides unit-linked products, where the market risk is borne by the policyholder the Company's exposure to market risk is secondary, in that the market performance influences policyholder behaviour, which in turn impacts on the management fees earned by the Company.

The Company's non-linked assets are mainly held in short-dated Government bonds and in cash on deposit with a number of credit institutions, in accordance with the Prudent Person Principle and the Company's Investment Policy.

Accordingly, the Company's exposure to risk concentration related to market risk, is not significant.

**Risk Mitigation Techniques**

The Company does not adopt any specific risk mitigation techniques in relation to market risk. The Company has limited exposure to market risk as it provides only unit-linked products where market risk is borne by the policyholders.

However, the Company's Investment Policy sets out concentration limits in terms of a single issuer and limits by investment category. Performance against these limits is reported to the Board in the quarterly Investment Report.

## C.3 Credit Risk

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

The methodology adopted to assess the Company's exposure to credit risk is the Standard Formula. The portfolio exposed to Credit Risk (Counterparty Default Risk) at 31/12/2020 consists almost exclusively of cash deposited with banks.

Below is the Solvency Capital Requirement relating to Credit Risk related to the period ended as at 31/12/2020:

**Table 12. SCR Standard Formula – Credit Risk**

| Exposure | 2020 Exposure, €'000's | % Total | Credit SCR 2019 €'000's | Credit SCR 2020 €'000's | Variation for 2020 |
|---|---|---|---|---|---|
| Type 1 | 9,148 | 100% | 1,556 | 1,595 | 38 |
| Type 2 | 0 | 0% | 0 | 0 | 0 |
| Total | 9,148 | | 1,556 | 1,595 | 38 |

The Standard Formula integrates the risk of Type 1 counterparties (essentially Banks, Insurance and Reinsurance Companies) valued on the basis of public parameters, such as the rating or Solvency II Ratio and the risk related to Type 2 counterparties (i.e. all counterparties Not included in Type 1), valued according to standard weightings. The Company's total requirement is determined by adding the two SCR components determined separately by providing a fixed diversification factor.

### Risk concentration

As for the credit risk management, the Company's Investment Policy contains limits on the following:

- Limits related to sectors;
- Limits related to equity markets;
- Limits related to the counterparties' creditworthiness and issuers;
- Limits related to the currencies used;
- Limits by investment category and
- Limits on alternative investments or other investments.

These limits aim to contain the Company's counterparties or groups of third parties. Performance against these limits is reported to the Board quarterly in the Investment Report.

### Risk mitigation techniques

Other than the limits referred to above, no additional specific mitigation techniques are employed to cover

the credit risk exposure of the Company.

### C.4 Liquidity risk

Liquidity risk is the risk of not having the cash resources necessary to meet the Company's commitments, without having to suffer economic losses, resulting from the forced sale of assets, in the event that adverse scenarios occur.

As the Company's products are unit-linked, the units in the underlying funds are encashed to generate the funds due to the policyholder on redemption of the policy. Accordingly, lapse/redemption activity does not contribute to liquidity risk, under normal conditions. Accordingly, liquidity risk is not a significant risk for the Company.

The Company manages its liquidity risk by:

(i) Maintaining sufficient amounts of cash on deposit with a number of credit institutions and holding short-dated Government bonds; and

(ii) It has a line of credit in place with a third party bank, which would only be accessed in a stressed situation.

### Gains expected in future premiums

This is not applicable to AVI.

### C.5 Operational Risk

Operational Risk means the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events such as fraud or the activities of service providers. Also included in the Group definition of Operational Risk are legal risk, compliance risk and IT risk, while strategic risk and reputational risk are not included.

The following table shows the calculated result for the sub-module using the Standard Formula on 31 December 2020:

**Table 13. Operational Risk Standard Formula SCR**

| Risk module | 2019 Operational SCR €'000's | 2020 Operational SCR €'000's | Change since 2019 €'000's |
|---|---|---|---|
| **Operational SCR** | **1,800** | **1,427** | **(373)** |

The identification of operational risk is based on the collection of information on potential events or actual events from the business units and other relevant sources of information. The occurrence of risk events and near misses are identified, investigated, recorded and reported to the Board quarterly by the Risk Function.

The identification activity consists in gathering as much information as possible about the risk event, its causes, effects and whether there was a failure of a control. The aim of this process is to increase knowledge and awareness of the Company's exposure to that risk, in the different business units. Furthermore, this activity also involves assessing the adequacy of the controls in place and managing any effects arising from the occurrence of the risk event.

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

For this purpose, the Group has a Business Continuity Management Policy, which AVI has adopted, which lays down the guidelines for business continuity, with the aim of minimizing the impact of disastrous events on the Company, whether they are caused by internal or external events.

**C.6 Other Material Risks**

As for other risks, the Company identifies the following non-quantifiable risks:

- Reputational risk: the current or prospective risk to earnings or capital arising from a negative perception of the Company by its major stakeholders. The Unipol Group has developed a system of management of corporate reputation with the aim of integrating this asset firmly in the business planning process.

- Strategic risk: the current or future risk of a decline in profits or capital due to external factors, such as changes in the operating environment and-/or lack of responsiveness to changes in the competitive environment, or internal factors such as adverse business decisions and/or inadequate decisions. At Group level the Observatory on Reputational & Emerging Risk was established, which monitors emerging and merging and reputational risks with a strategic and pro-active approach to anticipate the trend to prevent emerging risks and take advantage of future business opportunities.

- Risk of belonging to a group: the risk related to belonging to the Group or risk of "contagion" is the risk that as a result of the inter-linked nature of the Group's other entities, difficult situations that arise in an entity of the same group can spread with negative effects on other entities; it also includes the risk of conflict of interest. This risk is managed at Group level through the policies and procedures governing the carrying out of transactions with "connected" entities.

- Risk of non-compliance: the risk of incurring legal or regulatory sanctions, material financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations) or self-regulations (i.e. statutes, codes of conduct, codes of self-regulation); It may also derive from unfavorable changes in the regulatory framework or legal guidelines. The Compliance Function evaluates the adequacy of the organization and internal procedures for the prevention of such risk and determines their level.

## C.7 Sensitivity analysis

In order to monitor the Company's sensitivity to risks, the Group Risk Management Function carries out sensitivity analysis on behalf of the Company. The analysis of sensitivities on the main economic and financial variables is carried out at least annually (as part of the ORSA process). It is used to assess the impact of variations in the main risks to which the Company is exposed on the Solvency Ratio of the Company.

Below is the list of sensitivities analysis carried out and their descriptions.

| Sensitivities | | | | |
|---|---|---|---|---|
| **Code** | **Description** | **Shock hypothesis** | **Shock Type** | **% Impact on baseline scenario** |
| SE01_IRUP | Stress up rate curve | A factor | Financial | SE01_IRUP impact % |
| SE02_IRDOWN | Stress down rate curve | A factor | Financial | SE02_IRDOWN impact % |
| SE03_SPREAD | Credit spread | A factor | Scenario | SE03_SPREAD impact % |
| SE04_EQ | Equity | A factor | Financial | SE04_EQ impact % |
| SE05_IMMO | Real Estate | A factor | Economic/Financial | SE05_IMMO impact% |
| SEO6_SPREAD | Credit Spread All Govt bonds | A Factor | Financial/Political | SE06_SPREAD impact % |

### Sensitivities on the curve of interest rates

To analyse the impact of a shock on the interest rate curve, (stress up rate curve and stress down rate curve), two sensitivity analysis on the change of the interest rate curve were conducted, in particular two analyses of the single financial factor where it was assessed a parallel shift up and a shift down of all yield curves (Euro, Serbia, and the rest of the world), shifts of respectively +50 bps and -10 bps.

### Sensitivity to Bond Yield

To analyse the impact of a shock on bond yields (a joint analysis was carried out, which assessed the impact of an increase in the interest rate curve by + 100bps and an increase of all government credit spreads, financial and corporate, for all rating classes, for all issuers in the portfolio, and for all the ranking (senior and sub), equal to +100 bps.

Analyse the sensitivity impact of a shock to Italian government spreads of +100bps due to a financial or political shock.

### Sensitivity to Equity Market

To analyse the impact of a shock on the value of the equity market, an analysis was made of a single financial factor which is rated one stress down of the value of shares, equal to -20%.

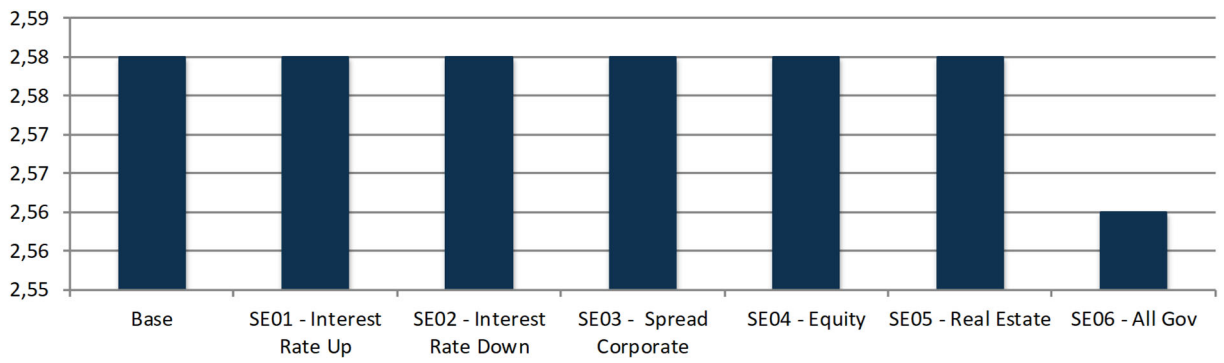
### Sensitivity to Real Estate Shock

To analyse the impact of a shock on the value of the real estate market, analysis was made of a single economic / financial factor which is rated one stress down of the value of real estate and real estate funds, amounting to - 15%.

The following chart and table shows the results of the sensitivity analysis conducted by the Company

applying the hypothesis and the previously described methodologies. The analysis relating to the year under review and take as baseline scenario, the risk profile determined according to the Standard Formula.

### SCR RATIO Post Sensitivity Shocks




| | Own Funds | SCR | Excess Capital | Solvency II Ratio |
|---|---|---|---|---|
| Base | 30,97 | 12,00 | 18,97 | 2,58 |
| *Values* | | | | |
| SE01 – Interest Rate Up | 30,80 | 11,95 | 18,85 | 2,58 |
| SE02 – Interest Rate Down | 31,03 | 12,02 | 19,01 | 2,58 |
| SE03 – Spread Corporate | 30,81 | 11,93 | 18,88 | 2,58 |
| SE04 – Equity | 30,97 | 12,00 | 18,97 | 2,58 |
| SE05 – Real Estate | 30,97 | 12,00 | 18,97 | 2,58 |
| SE06 – All Gov | 30,57 | 11,92 | 18,65 | 2,56 |
| *Variation* | | | | |
| SE01 – Interest Rate Up | -0,17 | -0,06 | -0,12 | 0,00 |
| SE02 – Interest Rate Down | 0,06 | 0,01 | 0,04 | 0,00 |
| SE03 – Spread Corporate | -0,16 | -0,07 | -0,09 | 0,00 |
| SE04 – Equity | 0,00 | 0,00 | 0,00 | 0,00 |
| SE05 – Real Estate | 0,00 | 0,00 | 0,00 | 0,00 |
| SE06 – All Gov | -0,40 | -0,08 | -0,32 | -0,02 |

### Results of the Sensitivity Tests

The results of the sensitivity tests confirm the Company has sufficient resources to withstand the shocks as identified above.

## D Valuation for Solvency Purposes

The calculation of the solvency requirement laid down in the Directive is determined as economic capital that insurance and reinsurance undertakings must hold, to ensure it can withstand events that occur more than once in 200 years or, alternatively, that the undertakings in question will still be able, with a probability of at least 99.5%, to meet their obligations towards policyholders and beneficiaries over the following twelve months.

The capital that AVI is required to hold is estimated, based on a balance sheet prepared on "*Market Consistent*" criteria. These criteria are generally based on the *fair value* evaluation as defined by international accounting standards (IFRS 13), using quoted prices in active markets for assets and liabilities.

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

- re-statement of the individual assets and liabilities of the Company, based on the classification criteria for compiling the QRT S.02.01 (*Balance Sheet*);
- evaluation of individual assets and liabilities, in accordance with the assessments set out in the financial statements prepared in accordance with IAS/IFRS principles.

There have been no material changes to in the relevant assumptions made in the calculation of the technical provisions in 2019. The decline in Technical Reserves is attributable to the decline linked liabilities, see Table 3 above.

**Table 14. Technical Provisions Comparison 2019 & 2020**

| *In thousands of Euro* | **2019 Solvency Value II** | **2020 Solvency Value II** |
|---|---|---|
| Technical reserves - Linked to an index linked to shares | 468,107 | 461,942 |
| Technical reserves calculated as a single element | | |
| *Best estimate* | 465,467 | 457,942 |
| *Risk Margin* | 2,640 | 4,000 |

Below is the content of the QRT S.02.01.02 (MCBS), Table 15, prepared with reference to 31 December 2020, which contains a valuation of the assets and liabilities of the Company to market consistent values (*Solvency II Value)* and a consistent evaluation with that adopted by the Company to prepare its financial statements (*Statutory Account value*).

**Table 15. Market Consistent Balance Sheet (MCBS) 2020**

**Assets**

| *In thousands of Euro* | **Solvency Value II** | **Statutory Account Value** |
|---|---|---|
| Property, plant and equipment held for own use | 313 | 313 |
| Holding in related undertakings, including participations | 228 | 228 |
| Investments (other than assets held for contracts index-linked and unit-linked) | 13,009 | 13,009 |
| Bonds Government bonds | 13,009 | 13,009 |
| Assets held for contracts index-linked and unit-linked | 462,465 | 462,465 |
| Cash and equivalent to cash | 9,015 | 9,015 |
| All other assets not mentioned elsewhere | 10,068 | 10,068 |
| **Total assets** | **495,098** | **495,098** |

**Liabilities**

| *In thousands of Euro* | **Solvency Value II** | **Statutory account Value** |
|---|---|---|
| Technical reserves - Linked to an index linked to shares | 461,942 | 464,648 |
| Technical reserves calculated as a single element | | *464,648* |
| *Best estimate* | *457,942* | |
| *Risk Margin* | *4,000* | |
| Deferred tax liabilities | 345 | 7 |
| Financial Liabilities other than debts owed to credit institutions | 301 | 301 |
| Insurance payables and to intermediaries | 599 | 599 |
| All other liabilities not reported elsewhere | 937 | 937 |
| **Total liabilities** | **464,124** | **466,492** |
| | | |
| **Surplus of assets over liabilities** | **30,973** | **28,606** |

Please see to follow comments on the differences between the two valuations.

## D.1 Assets

*D.1.1 Valuation criteria*

This section sets out the criteria, methods and models used by the Company for the valuation of assets in the MCBS.

### Intangible Assets

The SII Directive set out that intangible assets must be assigned a value equal to zero. Exceptions are intangible assets that can be sold separately from the rest of the Company and for which a quotation is available in an active market for similar assets.

No assets of this type are held by AVI.

### Financial assets and liabilities (excluding equity investment) and properties

The financial assets and liabilities are measured at fair value within the hierarchy set out the Directive. The valuation principles of fair value as adopted by the Companies which are part of the Unipol Group, in accordance with IFRS 13, are set out below.

Table 16 below summarises the methods for determining the fair value for the different macro categories of financial instruments, loans and properties; these methods are identified and co-ordinated within the Companies belonging to the Group (the "Group" or the "Unipol Group").

**Table 16**

| | | Mark to Market | Mark to Model and others |
|---|---|---|---|
| Financial Instruments | Bonds | Contributor "CBBT" Bloomberg | Mark to Model<br>Counterpart Valuation |
| | Shares and quotable Participations, ETF | Market Reference | |
| | Shares and Non quotable Participations | | DCF<br>DDM<br>Multiple |
| | Quoted Derivatives | Market Reference | |
| | OTC Derivatives | | Mark to Model |
| | CIS | Net Asset Value | |
| Deposits | | | Customer Deposits (Mark to Model)<br>Other Credits (Balance Value) |
| Property | | | Fair Value |

In accordance with IFRS 13, to determine the fair value of financial instruments, instruments traded in an "active and liquid market", a market price is used (Mark to Market).

"Active and liquid market" means:

- the regulated market where the instrument being valued is regularly quoted and traded;
- The multilateral trading facility (MTF) where the instrument being valued is regularly traded or quoted;

- quotes and transactions performed on a regular basis, or with high-frequency transactions and with low bid/offer spread, by an authorised intermediary (the "contributor").

In the absence of the availability of prices on a liquid and active market, valuation methodologies that maximize the use of observable parameters and minimize the use of non-observable parameters, are used. These methods could be summarised as Mark to Model evaluations, evaluations by the counterparty or evaluation to the book value, in respect of certain categories of non-financial assets.

Mark to Market evaluation

In relation to listed equities, the *Mark to Market* evaluation corresponds to the official price of the market valuation.

In relation to bonds, the source used for the *Mark to Market* valuation of financial assets and liabilities are as follows:

- the primary source is the CBBT price provided by Bloomberg data providers;

In relation to collective investment schemes, the source used is the *quoted market price*.

**Equity Investments**

The Company as at 1 January 2020 has acquired a 5% shareholding in Arca Sistemi Scarl, a group company providing information services to the Company, currently valued at cost.

**Deferred Taxes**

The calculation of deferred taxes recognised in the MCBS was made by applying the criteria identified by the International Accounting Standards (IAS 12). The Deferred Tax Asset is the difference between the current value of an asset and its future best estimated value. The difference being a gain or loss and the notional tax charge applying is equal to the Deferred Tax amount. The Deferred Tax rate is based upon the Corporation Tax rate currently in force in Ireland of 12.5% (See E.1. Capital Management, below)

**Other Assets**

For all other assets not included in the categories set out above, in view of its characteristics, the book value in the MCBS is consistent with the value in the Company's financial statements prepared in accordance with IAS/IFRS accounting standards.

*D.1.2 Quantitative information on the valuation of assets*

**Intangible assets**

The Company, in line with the requirements of the Directive, for solvency purposes, does not attribute value to goodwill or other intangible assets.

Table 17. Intangible Assets - 2020

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Goodwill | | | |
| Deferred acquisition costs | | | |
| Intangible assets | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** |

**Property and other tangible assets**

The Company does not hold any property.

***Table 18. Tangible Assets - 2020***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Property, plant and equipment held for own use | 313 | 313 | **0** |
| Properties (other than for own use) | | | |
| **Total** | **313** | **313** | **0** |

Note that, in respect of other tangible assets (e.g. equipment, plant, machinery, cars, etc.), the book value in the MCBS is consistent with the carrying value in the financial statements, which, given the nature and insignificance of those assets, has been considered to satisfactorily represent the fair value.

**Financial assets for which the investment risk is borne by policyholders**

In the MCBS, "*Assets held for index-linked and unit-linked funds*" includes all financial assets listed in class D of the statutory balance sheet, corresponding to the financial assets for which the investment risk is borne by policyholders.

***Table 19. Financial assets with investment risk borne by policyholders - 2020***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Assets held for index-linked and unit-linked contracts | **462,465** | **462,465** | **0** |

The assets are valued at fair value in the financial statements of AVI; consequently, there is no difference in the values recorded in the MCBS.

**Other investments (other than equity investments)**

As a general principle, all investments are stated at fair value, as required by the Directive.

In relation to government bonds, they are held at fair value in the financial statements; & consequently there is no difference in the values recorded in the MCBS.

***Table 20. Other financial investments - 2020***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Holding in related undertakings, including participations | 228 | 228 | **0** |
| Equities | 0 | 0 | **0** |
| Equities – Listed | 0 | 0 | **0** |
| Equities – Unlisted | 0 | 0 | **0** |
| Bonds | 13,008 | 13,008 | **0** |
| Government bonds | 13,008 | 13,008 | 0 |
| UCITS | 0 | 0 | **0** |
| Deposits other than in cash equivalents | 0 | 0 | **0** |
| Other investments | 0 | 0 | **0** |
| **Total** | **13,236** | **13,236** | **0** |

**Equity Investments**

AVI possess a 5% shareholding in a Group company, Arca Sistemi Scarl, which provides information services to the Company. It should be noted that AVI does not have any other shares or voting rights in any other company and does not have any subsidiaries.

**Deferred Taxes**

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

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

***Table 21. Deferred tax assets and liabilities***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Deferred tax assets | 0 | 0 | **0** |
| Deferred tax liabilities | (345) | (7) | **(338)** |
| **Net total** | **(345)** | **(7)** | **(338)** |

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

Above is a table summarising the composition of assets and liabilities for deferred taxes recorded in the MCBS.

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

**Other Assets**

The following table shows the balances recorded among Other Assets described in MCBS and the corresponding evaluations of the same, in the Company's balance sheet.

***Table 22. Other assets - 2020***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Cash and equivalent to cash | 9,015 | 9,015 | **0** |
| All other assets | 10,068 | 10,068 | **0** |
| **Total** | **19,083** | **19,083** | **0** |

In relation to the other assets listed in the table above, the carrying value in the MCBS is consistent with the carrying value in the financial statements. "All other assets" is entirely made up of the advance substitution tax forwarded by the Company to the Italian tax authorities that is reclaimed over time from policyholders on exit and the Italian tax authorities.

AVI has not entered into any finance leasing contracts.

## D.2 Technical Reserves

*D.2.1 Valuation criteria*

***Table 23. Technical Reserves - 2020***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Unit Liabilities | 0 | 464,648 | **(464,648)** |
| BEL per Unit Plus Claims Reported | 457,942 | 0 | **457,942** |
| Risk Margin | 4,000 | 0 | **4,000** |
| **Net total** | **461,942** | **464,648** | **(2,706)** |

**Technical reserves Life**

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

The BEL corresponds to the sum of the policyholder's value of BEL (unit liability), the expected present value of future profits and a provision of claims reported to the Company prior to 31 December 2019 that had not yet been paid at that date.

The value of the unit liability is calculated as the product of the number of units deemed allocated at the valuation date to each policy and associated valuation price per units of each fund (Net Asset Value per unit) in which the policy is invested.

The expected present value of future profits is calculated by projecting forward the unit liability for the lifetime of each policy allowing for lapses, mortality, investment return and unit linked charges. The present value of future profits is then calculated as the present value of future shareholder income less outgoings.

Under the Solvency II methodology and assumptions, the in-force business is projected to be profitable in aggregate and therefore the non-unit liability at 31 December 2020 had a negative value leading the BEL being lower than the unit liability.

The Risk Margin is calculated as the net present value of the cost of holding sufficient capital to cover the SCR necessary to support the Company's insurance obligations over their future lifetime.

***Methodology for evaluation of the Risk Margin***

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

- SCR for operational risk;
- SCR relative to credit risks;
- SCR relative to Technical Life Insurance risks quantified per the different methods of risk assessment;

The SCR at each future time step is multiplied by the prescribed cost of capital being 6% per annum to derive the future annual capital charge and the Risk Margin is equal to the present value of these future capital charges.

*D.2.2 Quantitative information on the valuation of assets*

**Technical Reserves Life**

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

Below are the values of the technical reserves Life.

***Table 24. Segmentation of reserves relative to Life business - 2020***

| *In thousands of Euro* | **Technical reserves calculated as a single element** | **Best Gross Estimate** | **Risk Margin** | **Amounts recoverable from reinsurance** | **Total** |
|---|---|---|---|---|---|
| **Direct Business** | **0** | **457,942** | **4,000** | **0** | **461,942** |
| Insurance linked to indices and shares | 0 | 457,942 | 4,000 | 0 | 461,942 |
| **Total** | **0** | **457,942** | **4,000** | **0** | **461,942** |

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

***Table 25. Technical Reserves Life - 2020***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Technical reserves - Life (excluded index linked and shares linked) | 0 | 0 | **0** |
| Technical reserves – Index linked and shares linked | 461,942 | 464,648 | **(2,706)** |
| Amounts recoverable from reinsurance: Life and life-like illness, excluded illness, linked to an index and attached to shares | 0 | 0 | **0** |
| Amounts recoverable from reinsurance from: Life linked to an index and attached to shares | 0 | 0 | **0** |
| **Total** | **461,942** | **464,648** | **(2,706)** |

Please refer to paragraph D.2.1 for comments on the differences between the techniques for determining the life technical reserves for the Solvency II balance sheet and that recorded in the financial statements.

It should be noted that AVI is not using the volatility adjustment or the matching adjustment.

There have been no material changes in the assumptions in the calculation of the technical provisions during the course of 2020.

## D.3 Other Liabilities

*D.3.1 Evaluation Criteria*

**Financial Liabilities**

The valuation of other financial liabilities (non-technical) at their *fair value* is determined by considering the amounts due at the time of issue (*at inception*) and without any subsequent changes in value of the amount due. The Company has a single "Financial Liability" in respect of the lease on its operating premises.

**Other liabilities**

For all other liabilities not included in the categories set out in the previous paragraphs, the entry value in the MCBS is consistent with the value of the same determined for the purposes of the Company's financial statements prepared in accordance with the accounting standards IAS/IFRS.

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

It should be noted that AVI has not entered into any leasing arrangements and does not have a defined benefit occupational pension scheme in place.

The following table shows the differences recorded among Other Liabilities reported in the MCBS and the corresponding evaluations of the same in the balance sheet.

***Table 26. Other liabilities - 2020***

| *In thousands of Euro* | **Value Solvency II** | **Value Financial statements** | **Difference** |
|---|---|---|---|
| Insurance payables and intermediaries | 599 | 599 | **0** |
| Financial Liabilities other than debts owed to credit institutions | 301 | 301 | **0** |
| All other liabilities not reported elsewhere | 937 | 937 | **0** |
| **Total** | **1,837** | **1,837** | **0** |

There are no differences recognised in in regard to “Other Liabilities”.

**Leasing Contracts**

It should be noted that AVI has not entered any financing leasing contracts.

As of 31 December 2020 a single operating lease in respect of the Company offices is active:
Operating lease contracts do not entail the transfer to the lessee of most of the risks and benefits inherent to the goods which are the object of it. Lease charges incurred in 2020 amounted to €70,167.

Obligations arising from lease contracts consist of the payment of future lease payments, amounting to €300,865.72 with respect to operating leases in respect of the Companies rented offices.

## D.4 Alternative Methods for Valuation

AVI does not use alternative investment methods to value its assets and liabilities.

## D.5 Other Information

The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from the date on which the Solvency and financial condition report are authorised for issue.

In making this assessment, the directors considered the potential impact of Covid-19 on the insurance industry and the company’s business, including:

- a review of the budget prepared for at least a period of 12 months from the date of approval of the Solvency and financial condition report;

- the company’s initial assessment of the impact on its business, claims and investments; and

- reviewing the company's solvency and liquidity position.

There is no other relevant information on the valuation of assets and liabilities by AVI.

## E Capital Management

### E.1 Own funds

*E.1.1 Scope*

The company is 100% owned by its parent company, Arca Vita SpA, both companies being part of the Unipol Group.

All of the Company's issued share capital is fully paid up. The Company received a capital contribution from its parent a number of years ago, which forms part of the Company's Own Funds.

The Company's own funds are comprised of:

- Fully paid up ordinary share capital*;
- Capital Contribution*;
- Retained earnings; and
- A reconciliation reserve.

The Company has no plans to raise debt or to issue new shares, or to otherwise change the composition of Own Funds in the short or medium term. The time horizon for business planning purposes is five years.

It should be noted that:

- AVI does not have any ancillary own funds;
- AVI does not have any own fund items subject to transitional arrangements
- No deductions are applied to Own Funds; and
- There are no material restrictions affecting their availability and transferability.

The eligible amount of Own Funds to cover the Company's Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) is comprised entirely of Tier 1 Basic Own Funds.

*"Fully paid up ordinary share capital" (€1.635m) & "Capital Contribution" (€4.444m) comprise "Other elements of core capital" €6.079m under Table 29 below.

*E.1.2 Capital Management Plan*

The Company aim to hold Own Funds to meet its capital requirements on an ongoing basis. Should additional capital be required for any reason the Company would seek additional such support from its parent group. There have been no distributions, including the payment of dividends, from own funds during the period.

As a result of the evaluations carried out for solvency purposes, in the following diagram are represented the structure and the amount of Own Funds to cover the SCR and the MCR determined for 2020. The quality of the Own Funds is expressed by means of the detail for each Tier. There have been no material changes to own funds during 2020.

*E.1.3 Information on own funds and eligible own funds of the Company*

**Table 27. Annual Movements of own funds of the Company**

The table below shows the situation of the basic own funds and eligible own funds in the Company, according to the tier level, between 01/01/2020 and the situation as at 31/12/2020.

| *In thousands of Euro* | **Situation at 1/1/20** | **Issues** | **Refunds** | **Adjustments for valuation movements** | **Adjustments for regulatory interventions** | **Situation at 31/12/20** |
|---|---|---|---|---|---|---|
| Total own funds | **31,355** | | | **(382)** | | **30,973** |
| Of which tier 1 unrestricted | *31,355* | | | *(382)* | | *30,973* |
| Of which tier 1 restricted | - | | | | | - |
| Of which tier 2 | - | | | | | - |
| Of which tier 3 | - | | | | | - |
| Adjustments for eligibility limits | **-** | | | | | **-** |
| Of which tier 1 unrestricted | - | | | | | - |
| Of which tier 1 restricted | - | | | | | - |
| Of which tier 2 | - | | | | | - |
| Of which tier 3 | - | | | | | - |
| Total eligible own funds to cover the SCR | **31,355** | | | **(382)** | | **30,973** |
| Of which tier 1 unrestricted | *31,355* | | | *(382)* | | *30,973* |
| Of which tier 1 restricted | - | | | | | - |
| Of which tier 2 | - | | | | | - |
| Of which tier 3 | - | | | | | - |

The following table, Table 28, shows in detail the annual changes/movement of the core capital of the Company by type:

**Table 28. Annual changes to Core Capital - 2020**

| *In thousands of Euro* | **Situation at 1/1/20** | **Issues** | **Refunds** | **Adjustments for valuation movements** | **Adjustments for regulatory interventions** | **Situation at 31/12/20** |
|---|---|---|---|---|---|---|
| ordinary share capital paid | 1,635 | | | | | 1,635 |
| Share premium on common shares | - | | | | | |
| Reconciliation Reserve | 25,276 | | | (382) | | 24,894 |
| Other elements of own funds approved by the supervisory authority | 4,444 | | | | | 4,444 |
| Total "Tier 1 unrestricted" | **31,355** | | | **(382)** | | **30,973** |
| ordinary share capital called but not yet paid | - | | | - | | - |
| subordinated liabilities | - | | | - | | - |
| Total "Tier 1 restricted" | **-** | | | **-** | | **-** |
| subordinated liabilities | - | | | - | | - |
| Total "Tier 2" | **-** | | | **-** | | **-** |
| subordinated liabilities | - | | | - | | - |
| Amount net deferred tax assets | - | | | - | | - |
| Total "Tier 3" | **-** | | | **-** | | **-** |
| Total own funds | **31,355** | | | **(382)** | | **30,973** |

**Composition and characteristics of the Company's own funds**

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

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

The reconciliation reserve, see Table 29, is the residual amount of Own Funds of the Company that qualifies as an element of own funds Type "Tier 1 unrestricted", which is determined by making some deductions to the amount of the difference between assets and liabilities, resulting from the MCBS. The table below shows the detail of the calculation of the reconciliation reserve.

**Table 29. Reconciliation Reserve - 2020**

| *In thousands of Euro* | **Tier 1 unrestricted** |
|---|---|
| Surplus of assets over liabilities (A) | 30,973 |
| Treasury shares (held directly and indirectly) (B) | 0 |
| Dividends, distributions and predictable costs (C) | 0 |
| Other elements of core capital (D) | (6,079) |
| Adjustments for items of their limited funds in relation to portfolios subject to adjustment of fairness and equity separated (E) | 0 |
| Reconciliation reserve (A-B-C-D-E) | **24,894** |

**Eligible Own Funds**

The SII Directive describes how eligible own funds should be calculated.

In the following table, Table 30 & 31, illustrate the breakdown of the Own Funds (to cover the SCR and the MCR, for 2020:

**Table 30. Own funds available and eligible for coverage of the SCR - 2020**

| *In thousand of euros* | **Own funds available** *("available")* | **Adjustments for eligibility** | **Own funds eligible** *(''eligible'')* |
|---|---|---|---|
| Tier 1 unrestricted | 30,973 | | 30,973 |
| Tier 1 restricted | - | | - |
| Tier 2 | - | | - |
| Tier 3 | - | | - |
| **Total OF** | **30,973** | | **30,973** |
| **Total SCR** | 12,004 | | **12,004** |
| **Surplus / (deficiency)** | **18,969** | | **18,969** |

**Table 31. Own funds available and eligible for coverage of the MCR - 2020**

| *In thousands of Euro* | **Own funds available (*"available"*)** | **Adjustments for eligibility** | **Own funds eligible** *("eligible")* |
|---|---|---|---|
| Tier 1 unrestricted | 30,973 | | 30,973 |
| Tier 1 restricted | - | | - |
| Tier 2 | - | | - |
| **Total OF** | **30,973** | | **30,973** |
| **Total MCR** | **3,700** | | **3,700** |
| **Surplus / (deficiency)** | **27,273** | | **27,273** |

**Reconciliation with the equity from financial statements**

The MCBS as of 31/12/2020 closed with a surplus of assets over liabilities, amounting to €30,973,040 compared to shareholders' equity outlined in the financial statements of the Company on that date (the "Financial Statements") of €28,605,572. This difference is due to different valuations of components, as evidenced by the following statement of reconciliation:

**Table 32. Reconciliation of equity as financial statements and MCBS as at 31 December 2020**

*In thousands of Euro*

| | | |
|---|---|---|
| A | **Equity from financial statements** | **28,606** |
| | Adjustments for type assets or liabilities | - |
| *1* | intangible assets | - |
| *2* | Properties and active materials for its own use and for investment | - |
| *3* | Other financial investments | - |
| *4* | Reinsurance Reserves Damage | - |
| *5* | Non-Life Reserves | - |
| *6* | Life Reserves | 2,706 |
| *7* | Reinsurance Reserves Life | - |
| *8* | Financial liabilities | - |
| *9* | Other activities | - |
| *10* | Provisions | - |
| *11* | Other liabilities | - |
| *12* | Deferred taxes | (338) |
| | **Total adjustments** | **2,368** |
| B | **Own Funds from MCBS** | **30,973** |

In the previous section D, the valuation criteria adopted for the purposes of preparing the MCBS were outlined, including quantitative information with details comparing respective balances.

**Solvency Capital Requirement and the Minimum Capital Requirement**

The amount of the SCR at the end of the reporting period is €12,004,235.
The amount of the MCR at the end of the reporting period is €3,700,000.
The amount of SCR for each risk module is as follows;

Table 33. SCR Estimate - Standard Formula - 2020

*In thousands of Euro*

| ***Risk Modules*** | |
|---|---|
| Non-Life Insurance Risks | - |
| Life Underwriting Risks | 9,028.1 |
| Market Risks | 5,523.0 |
| Counterparty Risk | 1,594.6 |
| Benefit of diversification | (3,854.0) |
| **BSCR** | **12,291.7** |
| Operational Risk | 1,427.4 |
| Ring Fenced Funds | - |
| ALAC TP | - |
| ALAC DT | (1,714.9) |
| **SCR Estimate - Standard Formula** | **12,004.2** |

The Company uses EIOPA's Solvency II Standard Formula. It has not used simplified calculations or undertaking specific parameters in the application of the Standard Formula.

The SCR has increased from €8.5m to €12.0m in 2020 primarily due to an increase in the underlying assumptions for life underwriting risk (€3.4m).

Table 34. MCR Calculations

*In thousands of Euro*

| | |
|---|---|
| Calculated MCR (Technical Provisions * 0.7%) | 3,206 |
| MCR Floor (SCR * 25%) | 3,001 |
| MCR Cap (SCR * 45%) | 5,402 |
| **MCR Estimate Standard Formula** | **3,700** |

The Calculated MCR remained materially unchanged, from €3.259m to 3.206m in 2020 in line with the slight decline in technical provisions. The MCR Estimate Standard Formula remains unchanged at €3.7m.

The Company does not recognise a deferred tax asset hence there is no a net-deferred tax asset available as basic own funds classified as Tier 3.

**Deferred Taxes**

The Solvency Capital Requirement has been adjusted (reduced) for the Loss Absorbing Capacity of Deferred Taxes (ALAC DT) by €1.714m (See Table 33 above) that would result from an instantaneous loss equal to the pre-stressed Basic Solvency Capital Requirement. The ALAC DT is anticipated to be recovered over a five year period with regard to anticipated future taxable profits before tax of €14.44m.

The Deferred Tax Liability of €345k on the Solvency II Balance Sheet (See Table 21 above) is a timing difference between the tax due on a temporary gain arising on the Technical Provisions arising between the Financial Statements and Solvency II Balance Sheet of the Company as at the period end (€338k) and depreciation of fixed assets (€7k).

## E.2 Use of the duration based equity risk sub-module based on the length in the calculation of the Solvency Capital Requirement

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

## E.3 Differences between the standard formula and internal model used

The company calculates its Solvency Capital Requirement in accordance with the Standard Formula only.

## E.4 Non-compliance with the minimum capital requirements and non-compliance with the Solvency Capital Requirement

During the year, there were no periods in which the Company had not covered its Solvency Capital Requirement, or its Minimum Capital Requirement.

## E. 6 Other information

There is no additional material information on the Company's capital management.

## E. 7 Attachments

- Balance Sheet (S.02.01.02)
- Premiums, claims and expenses for LOB (S.05.01.02)
- Premiums, claims and expenses by country (S.05.02.01)
- Life and Health SLT Technical Provisions (S.12.01.02)
- Own funds (S.23.01.01)
- SCR - Undertakings for using the Standard formula (S.25.01.21 standard)
- MCR - Only life or only non-life insurance or reinsurance activity (S.28.01.01)

| S.02.01.02 | | |
|---|---|---|
| **Balance sheet** | | |
| | | |
| | | **Solvency II value** |
| **Assets** | | **C0010** |
| Goodwill | **R0010** | |
| Deferred acquisition costs | **R0020** | |
| Intangible assets | **R0030** | |
| Deferred tax assets | **R0040** | |
| Pension benefit surplus | **R0050** | |
| Property, plant & equipment held for own use | **R0060** | 313,118.27 |
| Investments (other than assets held for index-linked and unit-linked contracts) | **R0070** | 13,236,208.66 |
| Property (other than for own use) | **R0080** | |
| Participations and related undertakings | **R0090** | |
| Equities | **R0100** | 227,708.15 |
| Equities - listed | **R0110** | |
| Equities - unlisted | **R0120** | 227,708.15 |
| Bonds | **R0130** | 13,008,500.51 |
| Government Bonds | **R0140** | 13,008,500.51 |
| Corporate Bonds | **R0150** | |
| Structured notes | **R0160** | |
| Collateralised securities | **R0170** | |
| Collective Investments Undertakings | **R0180** | |
| Derivatives | **R0190** | |
| Deposits other than cash equivalents | **R0200** | |
| Other investments | **R0210** | |
| Assets held for index-linked and unit-linked contracts | **R0220** | 462,464,594.86 |
| Loans and mortgages | **R0230** | |
| Loans on policies | **R0240** | |
| Loans and mortgages to individuals | **R0250** | |
| Other loans and mortgages | **R0260** | |
| Reinsurance recoverables from: | **R0270** | |
| Non-life and health similar to non-life | **R0280** | |
| Non-life excluding health | **R0290** | |
| Health similar to non-life | **R0300** | |
| Life and health similar to life, excluding health and index-linked and unit-linked | **R0310** | |
| Health similar to life | **R0320** | |
| Life excluding health and index-linked and unit-linked | **R0330** | |
| Life index-linked and unit-linked | **R0340** | |
| Deposits to cedants | **R0350** | |
| Insurance and intermediaries receivables | **R0360** | |
| Reinsurance receivables | **R0370** | |
| Receivables (trade, not insurance) | **R0380** | |
| Own shares (held directly) | **R0390** | |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | **R0400** | |
| Cash and cash equivalents | **R0410** | 9,015,801.20 |
| Any other assets, not elsewhere shown | **R0420** | 10,067,769.39 |
| **Total assets** | **R0500** | 495,097,492.38 |

| | | |
|---|---|---|
| | | **Solvency II value** |
| **Liabilities** | | **C0010** |
| Technical provisions - non-life | **R0510** | |
| Technical provisions - non-life (excluding health) | **R0520** | |
| Technical provisions calculated as a whole | **R0530** | |
| Best Estimate | **R0540** | |
| Risk margin | **R0550** | |
| Technical provisions - health (similar to non-life) | **R0560** | |
| Technical provisions calculated as a whole | **R0570** | |
| Best Estimate | **R0580** | |
| Risk margin | **R0590** | |
| Technical provisions - life (excluding index-linked and unit-linked) | **R0600** | |
| Technical provisions - health (similar to life) | **R0610** | |
| 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** | 461,942,305.73 |
| Technical provisions calculated as a whole | **R0700** | 0.00 |
| Best Estimate | **R0710** | 457,941,755.33 |
| Risk margin | **R0720** | 4,000,550.40 |
| Other technical provisions | **R0730** | |
| Contingent liabilities | **R0740** | |
| Provisions other than technical provisions | **R0750** | |
| Pension benefit obligations | **R0760** | |
| Deposits from reinsurers | **R0770** | |
| Deferred tax liabilities | **R0780** | 345,305.31 |
| Derivatives | **R0790** | |
| Debts owed to credit institutions | **R0800** | |
| Financial liabilities other than debts owed to credit institutions | **R0810** | 300,865.72 |
| Insurance & intermediaries payables | **R0820** | 599,207.88 |
| Reinsurance payables | **R0830** | |
| Payables (trade, not insurance) | **R0840** | 915.00 |
| Subordinated liabilities | **R0850** | |
| Subordinated liabilities not in BOF | **R0860** | |
| Subordinated liabilities in BOF | **R0870** | |
| Any other liabilities, not elsewhere shown | **R0880** | 935,852.73 |
| **Total liabilities** | **R0900** | 464,124,452.37 |
| **Excess of assets over liabilities** | **R1000** | 30,973,040.01 |

**S.05.01.02**

**Premiums, claims and expenses by line of business**

| | | Line of Business for: **life insurance obligations** | | | | | | **Life reinsurance obligations** | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | **C0210** | **C0220** | **C0230** | **C0240** | **C0250** | **C0260** | **C0270** | **C0280** | **C0300** |
| **Premiums written** | | | | | | | | | | |
| Gross | **R1410** | 0.00 | 0.00 | 20,963,630.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20,963,630.00 |
| Reinsurers' share | **R1420** | | | | | | | | | |
| Net | **R1500** | 0.00 | 0.00 | 20,963,630.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20,963,630.00 |
| **Premiums earned** | | | | | | | | | | |
| Gross | **R1510** | 0.00 | 0.00 | 20,963,630.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20,963,630.00 |
| Reinsurers' share | **R1520** | | | | | | | | | |
| Net | **R1600** | 0.00 | 0.00 | 20,963,630.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20,963,630.00 |
| **Claims incurred** | | | | | | | | | | |
| Gross | **R1610** | 0.00 | 0.00 | 36,408,730.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36,408,730.10 |
| Reinsurers' share | **R1620** | | | | | | | | | |
| Net | **R1700** | 0.00 | 0.00 | 36,408,730.10 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 36,408,730.10 |
| **Changes in other technical provisions** | | | | | | | | | | |
| Gross | **R1710** | 0.00 | 0.00 | 8,996,787.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 8,996,787.33 |
| Reinsurers' share | **R1720** | | | | | | | | | |
| Net | **R1800** | 0.00 | 0.00 | 8,996,787.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 8,996,787.33 |
| **Expenses incurred** | **R1900** | 0.00 | 0.00 | 5,709,582.99 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,709,582.99 |
| **Other expenses** | **R2500** | | | | | | | | | |
| **Total expenses** | **R2600** | | | | | | | | | 5,709,582.99 |

**S.05.02.01**

**Premiums, claims and expenses by country**

| | | Home Country | Country (by amount of gross premiums written) - life obligations | | Total for top 5 countries and home country (by amount of gross premiums written) - life obligations |
|---|---|---|---|---|---|
| | | C0150 | C0160 | | C0210 |
| | R1400 | | ITALY | | |
| | | C0220 | C0230 | | C0280 |
| **Premiums written** | | | | | |
| Gross | R1410 | | 20,963,630.00 | | 20,963,630.00 |
| Reinsurers' share | R1420 | | | | |
| Net | R1500 | | 20,963,630.00 | | 20,963,630.00 |
| **Premiums earned** | | | | | |
| Gross | R1510 | | 20,963,630.00 | | 20,963,630.00 |
| Reinsurers' share | R1520 | | | | |
| Net | R1600 | | 20,963,630.00 | | 20,963,630.00 |
| **Claims incurred** | | | | | |
| Gross | R1610 | | 36,408,730.10 | | 36,408,730.10 |
| Reinsurers' share | R1620 | | | | |
| Net | R1700 | | 36,408,730.10 | | 36,408,730.10 |
| **Changes in other technical provisions** | | | | | |
| Gross | R1710 | | 8,996,787.33 | | 8,996,787.33 |
| Reinsurers' share | R1720 | | | | |
| Net | R1800 | | 8,996,787.33 | | 8,996,787.33 |
| **Expenses incurred** | R1900 | 1,352,323.40 | 4,357,259.59 | | 5,709,582.99 |
| **Other expenses** | R2500 | | | | |
| **Total expenses** | R2600 | | | | 5,709,582.99 |

**S.12.01.02**
**Life and Health SLT**
**Technical Provisions**

| | | Insurance with profit participation | Index-linked and unit-linked insurance | | | Other life insurance | | | Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations | Accepted reinsurance | **Total (Life other than health insurance, incl. Unit-Linked)** | Health insurance (direct business) | | | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Health reinsurance (reinsurance accepted) | **Total (Health similar to life insurance)** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Contracts without options and guarantees | Contracts with options or guarantees | | Contracts without options and guarantees | Contracts with options or guarantees | | | | | Contracts without options and guarantees | Contracts with options or guarantees | | | |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0150 | C0160 | C0170 | C0180 | C0190 | C0200 | C0210 |
| **Technical provisions calculated as a whole** | R0010 | 0.00 | 0.00 | | | 0.00 | | | . | 0.00 | 0.00 | . | | | . | . | . |
| **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** | R0020 | 0.00 | . | | | 0.00 | | | . | 0.00 | 0.00 | . | | | . | . | . |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | |
| **Best Estimate** | | | | | | | | | | | | | | | | | |
| **Gross Best Estimate** | R0030 | 0.00 | | 422,751,225.13 | 35,190,530.20 | | 0.00 | . | . | 0.00 | 457,941,755.33 | | . | . | . | . | . |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0080 | 0.00 | | . | . | | 0.00 | . | . | 0.00 | 0.00 | | . | . | . | . | . |
| Best estimate minus recoverables from reinsurance/SPV and Finite Re - total | R0090 | 0.00 | | 422,751,225.13 | 35,190,530.20 | | 0.00 | . | . | 0.00 | 457,941,755.33 | | . | . | . | . | . |
| **Risk Margin** | R0100 | 0.00 | 4,000,550.40 | | | 0.00 | | | . | 0.00 | 4,000,550.40 | . | | | . | . | . |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | |
| Technical Provisions calculated as a whole | R0110 | | | | | | | | | | | | | | | | |
| Best estimate | R0120 | | | | | | | | | | | | | | | | |
| Risk margin | R0130 | | | | | | | | | | | | | | | | |
| **Technical provisions - total** | R0200 | 0.00 | 461,942,305.73 | | | 0.00 | | | . | 0.00 | 461,942,305.73 | . | | | . | . | . |

**S.23.01.01**

| Own funds | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | R0010 | 1,634,869.00 | 1,634,869.00 | | 0.00 | |
| 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 | 24,894,087.01 | 24,894,087.01 | | | |
| 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 | 4,444,084.00 | 4,444,084.00 | 0.00 | 0.00 | 0.00 |
| **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 | 30,973,040.01 | 30,973,040.01 | 0.00 | 0.00 | 0.00 |
| **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 | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Total ancillary own funds** | **R0400** | | | | | |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | **R0500** | 30,973,040.01 | 30,973,040.01 | 0.00 | 0.00 | 0.00 |
| Total available own funds to meet the MCR | **R0510** | 30,973,040.01 | 30,973,040.01 | 0.00 | 0.00 | |
| Total eligible own funds to meet the SCR | **R0540** | 30,973,040.01 | 30,973,040.01 | 0.00 | 0.00 | 0.00 |
| Total eligible own funds to meet the MCR | **R0550** | 30,973,040.01 | 30,973,040.01 | 0.00 | 0.00 | |
| **SCR** | **R0580** | 12,004,234.92 | | | | |
| **MCR** | **R0600** | 3,700,000.00 | | | | |
| **Ratio of Eligible own funds to SCR** | **R0620** | 2.58 | | | | |
| **Ratio of Eligible own funds to MCR** | **R0640** | 8.37 | | | | |

| | | C0060 | |
|---|---|---|---|
| **Reconciliation reserve** | | | |
| Excess of assets over liabilities | **R0700** | 30,973,040.01 | - |
| Own shares (held directly and indirectly) | **R0710** | | - |
| Foreseeable dividends, distributions and charges | **R0720** | | - |
| Other basic own fund items | **R0730** | 6,078,953.00 | - |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | **R0740** | | - |
| **Reconciliation reserve** | **R0760** | 24,894,087.01 | - |
| **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** | | - |

**S.25.01.21**

**Solvency Capital Requirement - for undertakings on Standard Formula**

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0120 |
| Market risk- | R0010 | 5,523,021.13 | - | |
| Counterparty default risk | R0020 | 1,594,619.59 | - | - |
| Life underwriting risk | R0030 | 9,028,123.81 | None | |
| Health underwriting risk | R0040 | 0.00 | None | |
| Non-life underwriting risk | R0050 | 0.00 | None | |
| Diversification | R0060 | -3,854,034.66 | - | - |
| Intangible asset risk | R0070 | 0.00 | - | - |
| **Basic Solvency Capital Requirement** | R0100 | 12,291,729.87 | - | - |

| **Calculation of Solvency Capital Requirement** | | C0100 |
|---|---|---|
| Operational risk | R0130 | 1,427,395.75 |
| Loss-absorbing capacity of technical provisions | R0140 | 0.00 |
| Loss-absorbing capacity of deferred taxes | R0150 | -1,714,890.70 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | 0.00 |
| **Solvency Capital Requirement excluding capital add-on** | R0200 | 12,004,234,.92 |
| Capital add-on already set | R0210 | 0.00 |
| **Solvency capital requirement** | R0220 | 12,004,234.92 |
| **Other information on SCR** | | - |
| Capital requirement for duration-based equity risk sub-module | R0400 | 0.00 |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | 0.00 |
| Total amount of Notional Solvency Capital Requirement for ring fenced funds | R0420 | 0.00 |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | 0.00 |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | 0.00 |

**Approach to tax rate**

| | | C0109 |
|---|---|---|
| Approach based on average tax rate | R0590 | . |

**Calculation of loss absorbing capacity of deferred taxes**

| | | LAC DT |
|---|---|---|
| | | C0130 |
| LAC DT | R0640 | -1,714,890.70. |
| LAC DT justified by reversion of deferred tax liabilities | R0650 | -345,305.31 |
| LAC DT justified by reference to probable future taxable economic profit | R0660 | 1,369,585.39 |
| LAC DT justified by carry back, current year | R0670 | 0.00 |
| LAC DT justified by carry back, future years | R0680 | 0.00 |
| Maximum LAC DT | R0690 | -1,714,890.70 |

**S.28.01.01**

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

**Linear formula component for non-life insurance and reinsurance obligations**

| | | C0010 |
|---|---|---|
| $MCR_{NL}$ Result | R0010 | . |

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

**Linear formula component for life insurance and reinsurance obligations**

| | | C0040 |
|---|---|---|
| $MCR_L$ Result | R0200 | 3,205,927.69 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions | Net (of reinsurance/SPV) total capital at risk |
|---|---|---|---|
| | | C0050 | C0060 |
| Obligations with profit participation - guaranteed benefits | R0210 | 0.00 | |
| Obligations with profit participation - future discretionary benefits | R0220 | 0.00 | |
| Index-linked and unit-linked insurance obligations | R0230 | 457,941,755.33 | |
| Other life (re)insurance and health (re)insurance obligations | R0240 | 0.00 | |
| Total capital at risk for all life (re)insurance obligations | R0250 | | 479,150.00 |

| **Overall MCR calculation** | | C0070 |
|---|---|---|
| Linear MCR | R0300 | 3,205,927.69 |
| SCR | R0310 | 12,004,234.92 |
| MCR cap | R0320 | 5,401,905.71 |
| MCR floor | R0330 | 3,001,058.73 |
| Combined MCR | R0340 | 3,205,927.69 |
| Absolute floor of the MCR | R0350 | 3,700,000.00 |
| | | |
| **Minimum Capital Requirement** | R0400 | 3,700,000.00 |

**END**