



UNIVERSAL LIFE

SOLVENCY AND FINANCIAL CONDITION REPORT

FOR THE YEAR ENDING 31 DECEMBER 2019

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Executive Summary

Universal Life Insurance Public Company Limited (Universal Life) is an insurance company licensed in Cyprus since 1970 currently transacting life and accident & health business. Universal Life is an established insurance company in the Cyprus market. It is one of the top life insurance companies in Cyprus and the undisputed leader in the local Accident & Health insurance sector with a highly experienced sales force distributing the Company's life and health products. All of the Company's business is conducted in Cyprus.

The purpose of this report is to satisfy the public disclosure requirements under the European Union Directive 2009/138 (Solvency II Directive) transposed into local legislation (Law on Insurance and reinsurance Services and Other Related Business of 2016) including the EU Delegated Regulation 2015/35 supplementing the above Directive. The elements of the disclosure relate to business performance, governance (including risk management), risk profile, solvency and capital management over the reporting period.

The Company performed very well during the year ending 31 December 2019 and managed to record a sizeable increase in its pre-tax underwriting profits from the previous year. Profits before tax for the year for both lines of business (Life and Accident & Health) amounted to €6,8m as per the audited financial statements compared with €0.4m in 2018. These arose mainly from underwriting gains and expense margins within the business written and less so from investment income and capital gains.

Over the last few years, the Company, with the supervision and backing of its Board of Directors, strengthened its corporate governance system and established a strong risk management framework, in readiness for the Solvency II Directive which became effective on January 1st, 2016. The three lines of defence model is in place and the Board of Directors, which bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and adequate, monitors and oversees specific areas of the business through its various committees. The Company's system of governance including the role and responsibility of each Board Committee and key function of the Company as well as the risk management system is discussed in detail in section B of this report. The Company has a comprehensive set of risk policies and guidelines to ensure that adequate processes and procedures are in place to manage all types of risk in accordance with the current regulatory requirements under the Solvency II regime. There have been no material changes in the Company's governance system compared with the previous year.

The Company's risk profile is driven by the characteristics of its asset portfolio and the nature of its insurance business. Individual life business is more geared towards long term savings products, with protection cover (death, disability, dread disease) being an important element for parts of the portfolio. Group life protection business (death and disability) experienced a significant reduction as a result of the termination of the credit life policy with the ex-Cyprus Cooperative Bank at the end of 2018. The large portfolio of stand-alone health insurance business is also an important driver of the overall risk profile.

As typified in the standard formula calculations for the Solvency Capital Requirement (SCR), the largest component of the Company's risks is market risk which represents about 55% of the total undiversified basic SCR compared with 56% at the end of the previous year. In order to assess risks and determine capital needs in the foreseeable future, the Company carries out an Own Risk and Solvency Assessment (ORSA) process on

an annual basis in which stress testing and scenario analyses are performed to assess the Company's vulnerability to adverse events and its ability to withstand these. According to this process property risk has been classified as having a high significance, as are concentration and liquidity risks both arising from the exposure to local properties. Underwriting risks (life and health) make up about 41% of the total undiversified basic SCR compared with 35% at the end of 2018.

It should be noted that there is a significant reduction in the concentration risk and counterparty default risk components compared to the previous year. This is due to changes in regulations, which now require companies to apply a look through approach on the related undertakings that hold or manage assets on behalf of the company. Universal Life's indirect exposure to property is now considered in the property and concentration risk modules as if the Company is holding this property directly and hence property risk capital requirement has increased.

Overall mortality/morbidity risks were classified as medium impact risks due to the use of appropriate risk mitigation techniques. The major drivers for each type of risk along with each category falling under these are discussed in detail in Section C of this Report.

The capital and solvency position of the Company at the end of 2019 remained strong. All elements of its own funds are of the highest quality (tier 1 capital) and the solvency ratio, being defined as the value of eligible net assets divided by the SCR, as at 31 December 2019 was 164,4% compared with 154,2% as at the end of the previous year. The Solvency Capital Requirement and the Minimum Capital Requirement (MCR) as at 31 December 2019 were €39,4m and €9,9m respectively while the eligible amount of own funds to cover MCR and SCR was €64,8m. As at the end of the previous year, the Solvency Capital Requirement and the Minimum Capital Requirement (MCR) were €40,1m and €10,0m respectively while the eligible amount of own funds to cover MCR and SCR was €61,8m. The Company complied with MCR and SCR throughout the year.

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

The Company has taken all the necessary actions to ensure that the Company's activities will continue uninterrupted. Despite that, it is expected that the pandemic will have a negative effect on its profitability, liquidity and solvency ratio mainly due to the estimated investment losses, reduction in the volumes of new business and the potential increase in life claims and surrenders/lapses. The Company has conducted a number of scenarios to quantify the possible impacts and in all scenarios the Company's solvency position remains above the minimum level required.

A. Business and Performance

A.1. Business

A.1.1 Name and legal form

Universal Life Insurance Public Company Limited ("Company") is a company incorporated, registered and licensed in Cyprus. It is a public company limited by shares. The address of the registered office is:

Universal Tower
85 Dhigenis Akritas Avenue
1070 Nicosia
Cyprus

A.1.2 Supervisory Authority details

The authority responsible for the Company's financial supervision is the Insurance Companies Control Service of the Ministry of Finance, Cyprus with the following contact details:

Insurance Companies Control Service
P.O. Box 23364
1682 Nicosia
Cyprus

Tel: (357) 22602990
E-mail: insurance@mof.gov.cy

A.1.3 External auditor

The Company's external auditor is Ernst & Young Cyprus Ltd with the following contact details:

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinos Avenue
P.O. Box 21656
1511 Nicosia
Cyprus

Tel: (357) 22209999
Email: ey.cyprus@cy.ey.com

A.1.4 Shareholders of qualifying holdings

The persons (natural or legal), who were holders of qualifying holdings (10% or more of the share capital) in the Company at the end of the financial year were:

Photos Photiades Group Ltd	54,10%
Magnum Investments Ltd	24,77%

A.1.5 Material lines of business and geographical areas

Universal Life is licensed to carry two classes of business, Life and Accident & Health.

The primary long term business is life insurance providing death, disability and dread disease cover both under pure protection cover type policies (term assurances) and investment type policies (unit-linked and with-profits endowment). The primary short term business is medical expenses or health insurance.

All of its business is conducted in Cyprus.

A.2. Underwriting Performance

The underwriting results including income and gains arising from investments for the classes of insurance business transacted by the Company as appearing in the financial statements are shown in the following table. Comparison figures with the previous financial year are also presented.

	Life Business		Accident & Health Business		Group Pension Business	
	<u>2019</u> €000	<u>2018</u> €000	<u>2019</u> €000	<u>2018</u> €000	<u>2019</u> €000	<u>2018</u> €000
Gross Premium Income	53.686	87.014	52.904	48.430	959	953
Income and gains from investments	13.388	(6.878)	3	3	1.693	(1.008)
Reinsurance Expenses	(4.047)	(27.238)	(30.852)	(27.909)	0	0
Claims (net of reinsurance)	(32.776)	(34.785)	(10.829)	(9.562)	(3.381)	(1.788)
Management Expenses and Commissions	(10.599)	(17.058)	(10.611)	(9.853)	(54)	(53)
(Increase)/Decrease in Technical Reserves	<u>(13.722)</u>	<u>(1.158)</u>	<u>254</u>	<u>(946)</u>	<u>771</u>	<u>1.889</u>
(Loss)/Profit before tax	5.930	(103)	869	163	(12)	(7)

The decrease in premium income and related reinsurance is mainly due to the termination of the group policy with the ex-Cyprus Cooperative Bank. The gains on investments and the improvement on operating results contributed to the improvement in profitability for the period.

A.3. Investment Performance

A.3.1 Income and expenses arising from investments by asset class

Income and expenses arising from investments by asset class are analysed as follows:

- Investment Properties: Rental income amounted to €151k, compared to €162k in the previous reporting period.
- Debt securities (direct holdings): No interest income was earned in the period compared to €10k in the previous reporting period.
- Equity shares (direct holdings): Dividend income amounted to €387k compared to €573k in the previous reporting period.
- Debt securities (indirect holdings), equity shares (indirect holdings), multi asset funds and money market funds: The Company does not receive income from these investments as the income from the underlying assets is accumulated within these investments with a positive effect on its value.

The Company does not hold any investments in securitisation.

A.3.2 Overall investment performance by asset class

The overall investment performance in the year (excluding loans) was €14.279k broken down by asset class as follows:

	€000
Investment properties	(1.561)
Debt securities	2.299
Equity shares	14.199
Multi asset funds	(578)
Money market funds	<u>(80)</u>
	<u>14.279</u>

A.3.3 Gains / losses recognised directly in equity

Gains of €9k relating to the revaluation of office properties (and deferred taxation thereon) were recognised directly to equity in 2019 compared to gains €196k in the year 2018.

A.4. Performance of other Activities

The Company is the sole shareholder of property company subsidiaries and a general insurance agency. The financial performance of these companies led to gains of €562k. These subsidiaries in the previous reporting period recorded gains of €1.116k.

B. System of Governance

B.1. General Information on the System of Governance

Universal Life is committed to implementing a sound governance framework, in order to ensure the sound and prudent management of the business and its effective and continuous operation. To achieve this, the Company operates within a set of governance principles, that:

- Establish strategic objectives and a set of corporate values that are communicated throughout the Company
- Set and enforce clear lines of responsibility and accountability throughout the Company
- Ensure that Board of Directors members and senior management are qualified for their positions, have a clear understanding of their role and are able to exercise sound independent judgment about the affairs of the Company and that Fit and Proper requirements are met
- Ensure that there is appropriate oversight of the Company's activities by Senior Management
- Effectively utilize the work conducted by internal and external auditors, as well as other control functions, given their critical contribution to sound governance
- Ensure that compensation policies and practices are consistent with the Company's ethical values, objectives, strategy and control environment
- Conduct corporate governance in a transparent manner
- Continue to balance the needs of its shareholders

The Board of Directors bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business. The Board of Directors has delegated authority to various Committees that monitor and oversee specific aspects of the business. Delegation to specialized Committees does not in any way compromise the Board of Directors from collectively discharging its duties and responsibilities. Specifically the Board has regular and robust interaction with the Committees, requesting information from them proactively and challenging them when necessary.

B.1.1 Board Committees

Risk Committee

The purpose of the Risk Committee is to assist the Board of Directors in fulfilling its responsibility to exercise due care, skill and diligence regarding:

- Formulation of the Company's overall risk strategies, risk policies and risk appetite.
- Oversight of the Company's risk management framework.
- The adequacy and effectiveness of the Company's risk management system.
- Effective oversight of material risks to which the Company is exposed.

The Committee consists of five Non-Executive Directors, three of whom are independent.

Strategy and Development Committee

The Strategy & Development Committee's main purpose is to act as an agile body that examines strategic issues, new opportunities or important developments concerning the Company, as well as deviations from planned course and give quick feedback and guidance to the Executive Management. The Committee is additionally responsible for evaluating the overall strategy proposed by the Chief Executive Officer (CEO) before presenting it to the Board of Directors for discussion.

The Committee consists of four Directors, three Non-Executive, non-independent Directors and the CEO.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities with respect to:

- The financial reporting processes
- The integrity of the financial statements and disclosures
- The compliance with legal and regulatory requirements
- The qualifications, independence and performance of the External Auditors
- The performance of the Internal Audit Department
- The system of internal controls

The Audit Committee consists of five Non-Executive Directors, three of whom are independent.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board of Directors with respect to:

- The Board Members and Executive Directors' remuneration
- The formulation of remuneration practices that attract and retain Board Members, the Executive Directors and senior management through a remuneration system that supports the strategic aims of the Company

The Remuneration Committee consists of three independent Non-Executive Directors.

Nomination & Corporate Governance Committee

The purpose of the Nomination and Corporate Governance Committee is to:

- Identify individuals qualified to become Board members
- Recommend to the Board of Directors nominees for Board membership
- Recommend to the Board of Directors nominees to serve as members of its Committees

- Evaluate the Board of Directors' Committees and make recommendations to the Board for the creation or elimination of Board Committees
- Oversee and evaluate the implementation of the Company's corporate governance

The Nomination & Corporate Governance Committee consists of three Non-Executive Directors, one of whom is independent.

B.1.2 Governance Structure

The Governance framework is based on the 'three lines of defence model', in order to support the implementation of a robust internal control system.

The 1st Line of Defence – Business Management

Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and control within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

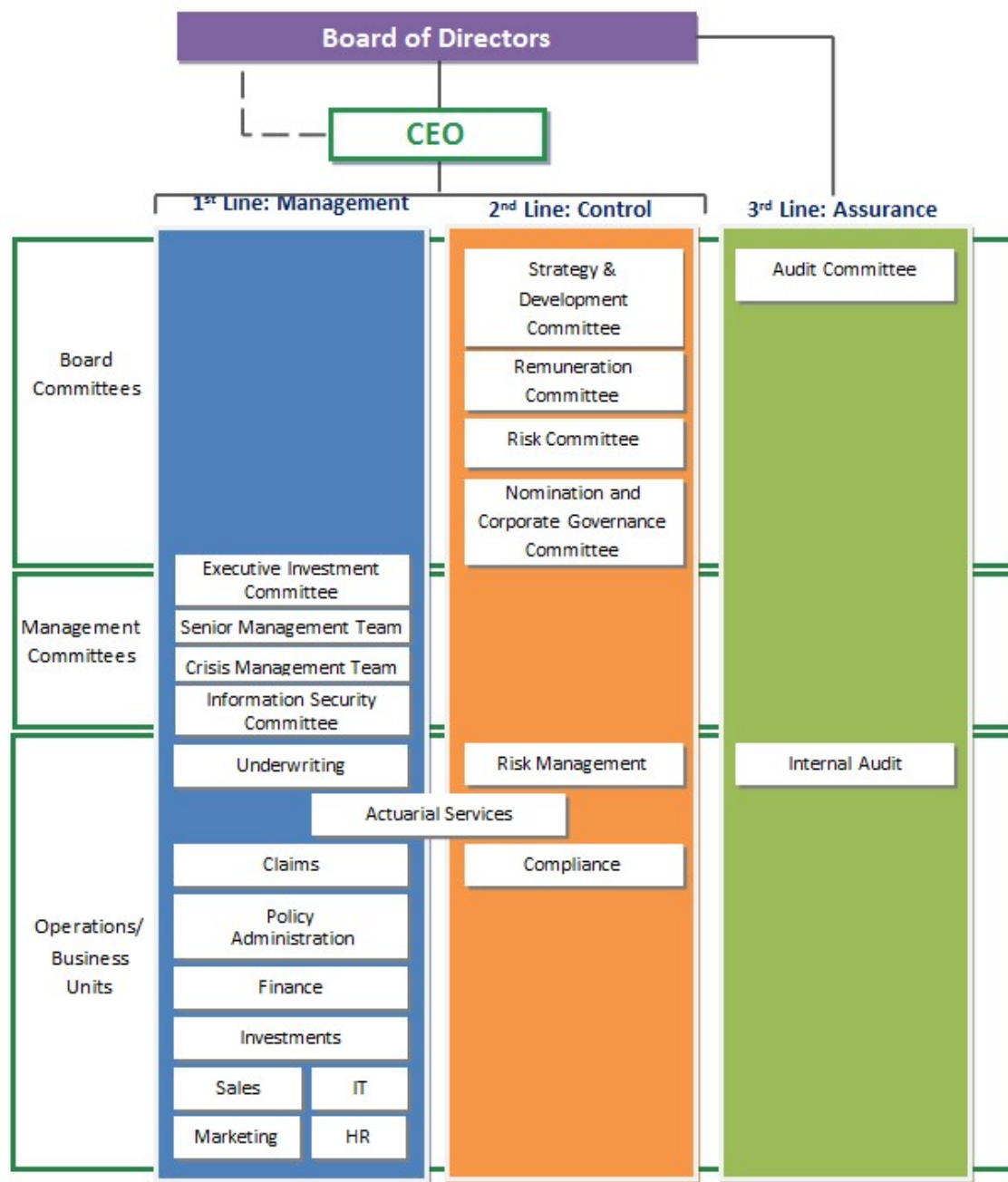
The 2nd Line of Defence – Oversight

The second line of defence is made up of the risk management function, the compliance function and the actuarial function advising on the technical aspects of risk management and modelling. They provide challenge and oversight on the activities of the first line of defence, hence contributing towards the adequacy and effectiveness of the overall risk management system.

The 3rd Line of Defence – Assurance

Internal Audit Function makes up the third line of defence providing independent and objective assurance on the effectiveness of governance, risk management and internal controls.

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



The organizational structure and reporting lines of the Company are designed to:

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

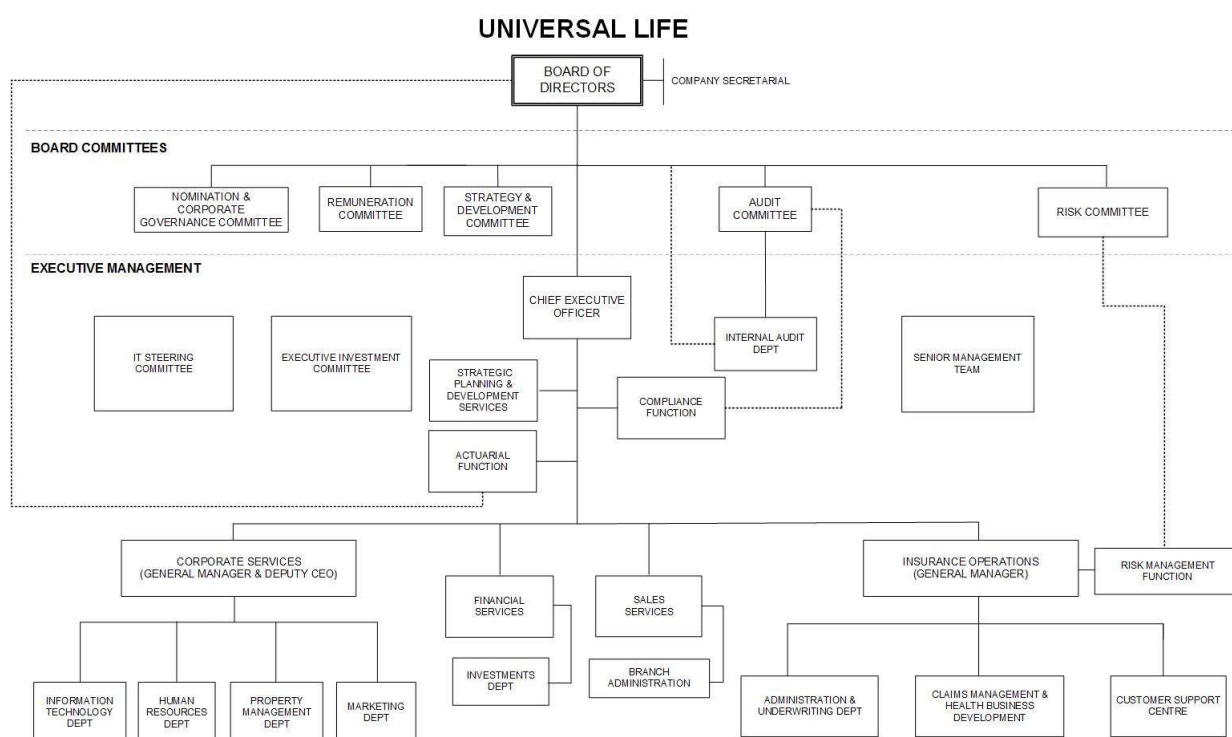
The three lines of defence are embedded within the organizational structure and reporting lines, in order to enforce an effective internal control system.

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

The Business Functions of the Company have the responsibility, through their Head/Senior Managers, for the implementation of the Board of Directors' strategy in their business functions. They report directly to the CEO or the General Managers with regards to their day-to-day duties. In order to minimise the probability of a potential conflict of interest and preserve their operational independence, the key control functions have additional direct reporting lines to the Board of Directors or Board Committees. These additional reporting lines are implemented in order to ensure that these functions have the ability to escalate important issues directly to the Board. Consequently, the Risk Management Function has a reporting line to the Risk Committee, the Actuarial Function to the Board of Directors and the Compliance Function to the Audit Committee.

The Company's Internal Audit provides independent assurance to the Board of Directors. The Internal Auditor reports to the Audit Committee and to the Board of Directors. The Internal Audit Function is administratively independent from all other functions and activities of the Company.

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



B.1.3 Main roles and responsibilities of key functions

Internal Audit Function

The main responsibility of the Internal Audit Function is to evaluate the effectiveness of the Company's internal control system as well as the risk management and governance processes.

The Internal Audit Function evaluates the policies, procedures and systems which are in place in order to ensure:

- The reliability and integrity of information
- The compliance with policies, procedures, laws and regulations
- The safeguarding of the Company's assets
- The safeguarding of the Company's reputation
- The effective and efficient use of the existing resources
- The accomplishment of the set goals and objectives

It also provides consulting services and performs special assignments upon request by the Board of Directors, the Audit Committee or the Chief Executive Officer. Special investigations and any other assignments which are considered necessary by the Internal Auditor are also performed.

The Internal Auditor reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

Compliance Function

The Compliance Function is responsible for ensuring that all actions undertaken by the Company are, at all times, in compliance with all applicable laws and regulations. Its principal role is to identify, assess, monitor and report the compliance risk exposure of the Company.

The Compliance Function reports to the CEO and the Audit Committee.

Risk Management Function

The Risk Management Function is responsible for the design and implementation of an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report to the Board of Directors the risks to which the Company is or may be exposed (underwriting risk, market risk, credit risk, liquidity risk, compliance risk, operational risk etc). It is also responsible for carrying out the Company's Own Risk and Solvency Assessment (ORSA), which is performed at least annually.

The Risk Management Function reports to the Risk Committee and to the CEO.

Actuarial Function

The Actuarial Function is mainly responsible to coordinate the calculation of technical provisions, to provide judgment on the reliability and adequacy of the calculation of technical provisions, to express its opinion on the Company's underwriting policy and the adequacy of reinsurance arrangements and to contribute to the effective implementation of the risk management system.

The Actuarial Function reports to the CEO and has direct access to the Board of Directors.

B.1.4 Material changes in the system of governance that have taken place over the reporting period

No material changes in the system of governance have taken place over the reporting period.

B.1.5 Remuneration policy & practices regarding Directors and employees

The remuneration policy for the Board of Directors members and the senior executive management is reviewed and maintained by the Remuneration Committee. The Remuneration Committee/ Board of Directors are responsible for the implementation of the Remuneration Policy in the Company and specifically its application to Board members, senior management and key function holders and other staff whose professional activities have material impact on the undertaking's risk profile.

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or key function holders.

The Company's remuneration policy for its employees is based on the collective agreement that the Company has signed with the employees' Trade Union to which the majority of employees belong.

The remuneration of all staff employed by the Company complies with the following principles:

- It is in line with the Company's business and risk strategy, risk profile, objectives, values, risk Management practices, and long-term entity wide interests and performance
- It reflects the value that each individual adds to the Company
- It is fair and consistent across the business
- It is transparent and adequately disclosed to all members of staff
- It is free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin
- It complies with all tax and regulatory requirements
- The remuneration of employees involved in risk-taking activities such as underwriting, reinsurance ceding or investment management activities does not encourage unauthorised or unwanted risk-taking and is consistent with and promotes sound and effective risk management
- The remuneration structure is not based on short-term results

Fixed remuneration

Fixed Remuneration is the main element of remuneration and includes salary plus benefits for all employees and is designed to attract and retain talented individuals. Salaries are based on the importance of each individual's role in the Company, experience and market pay levels for similar roles. Benefits given to employees include 13th salary, contribution to the employees' retirement fund, contribution to the employees' medical fund and life and permanent disability insurance.

Variable remuneration

Variable remuneration can be given in the form of an annual bonus, according to performance. The bonus is subject to the individual's performance, based on the individual's targets and other performance criteria. In addition Sales personnel are also entitled to a bonus that is based on sales targets and other related metrics.

Voluntary retirement scheme

The Company launched a Voluntary Retirement Scheme (VRS) during 2019, with the goal of reducing its cost base to improve overall profitability and in anticipation of a potential decline in accident and health premiums. The scheme was successful and has allowed the Company to reduce staff levels by approximately 15%.

B.1.6 Material transactions during the year with shareholders, with persons who exercise a significant influence on the Company and with members of the Board of Directors

Directors, shareholders and related parties are beneficiaries of a number of insurance policies for which premiums amount to €697k. Additionally, emoluments of directors amounted to €369k.

B.2. Fit and Proper Requirements

To comply with the requirements of the law and the supervisory authority the Company has in place a Fit and Proper Policy that is approved by the Board of Directors and requires that the persons who effectively run the Company or hold other key positions meet specific criteria. The policy is also applied on the selected service providers in case the Company outsources any critical functions. The evaluation of the persons covered under the policy is performed at the beginning as well as annually during their appointment.

The Board of Directors' Nominations and Corporate Governance Committee has the responsibility for the assessment of the persons subject to the provisions of the Fit and Proper Policy. The assessment is performed prior to the appointment to the above positions and in line with the specific criteria, followed by a request to the supervisory authority for approval.

B.2.1 Fitness

The evaluation of a person's fitness takes into account their professional competence and suitability in the field of the activities conducted by the Company and the assessment is based on their previous experience, knowledge and professional qualifications.

Criteria for the Members of the Board of Directors, Chief Executive Officer and General Managers

The persons must hold a university degree, or equivalent qualification, or an acknowledged professional qualification in a field relevant to the duties that they will be performing and have a minimum of five years' experience in a managerial position relevant to their position in the company.

Additionally, the Board of Directors must collectively possess professional qualifications, knowledge and experience about:

- Insurance and financial markets
- Business strategy and business model
- System of governance
- Financial and actuarial analysis
- Regulatory framework and requirements

Criteria for persons holding key positions

The persons must hold a university degree, or equivalent qualification, or an acknowledged professional qualification in a field relevant to the duties that they will be performing and have a minimum of two years' experience in a managerial position relevant to their position in the company.

B.2.2 Propriety

For the evaluation of a person's propriety the Company considers their honesty, integrity, reputation and financial soundness as well as whether they have been convicted of any criminal offences, have pending cases before the Court or are under investigation by any regulatory or professional bodies.

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

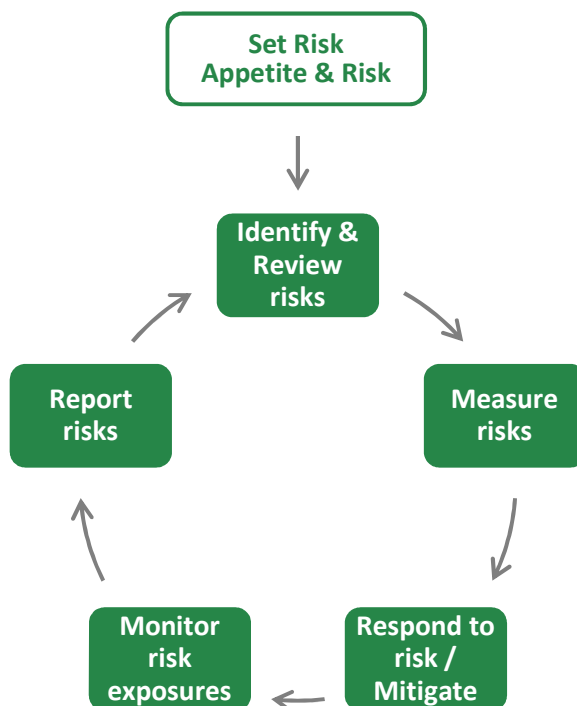
B.3.1 Risk Management System and the Three Lines of Defence Model

The Company has developed a comprehensive set of risk policies and guidelines to ensure that adequate processes and procedures are in place to manage all types of risk. These documents are aligned with the current regulatory requirements under the Solvency II regime.

The Company adopts the 'three lines of defence' governance model as described in section B.1.2 above.

B.3.2 Risk Management Process

The Company follows a risk management process for all categories which involves all levels of its hierarchy from the Board of Directors down to the business employees. The process and steps are shown in the following diagram:



Setting the Risk Appetite and Risk Limits

The risk appetite of the Company is defined as the level of risk exposure or the level of potential adverse impact of an event that the Company is prepared to take or maintain in a given period. The risk appetite defines the size and types of risk that the Company is willing and able to take in order to achieve its mission, vision and business goals. The risk appetite is set by the Board of Directors following a recommendation from the Risk Committee and reflects shareholder aspirations and takes additionally the following stakeholders into consideration:

- Policyholders: The Company's risk appetite takes into account the interests of its policyholders as well as their reasonable expectations
- Regulator: The Company's risk appetite takes into account the requirements of the regulator
- Employees: The Company's risk appetite takes into account the interests of its employees

Individual and aggregate risk limits for every risk area (underwriting, investment, credit, liquidity, concentration, operational etc.) are set within the Company's risk appetite, strategy and business orientation.

Identifying and Reviewing Risk

Risk identification is the process followed by the Company to identify and record all material risk exposures that arise from its business activities. Risk identification is performed for both existing and emerging risks. The Risk Management Function of the Company coordinates the assessment of the existing risk profile with all relevant business users on a regular basis; through this process it is confirmed that all material sources of risk are receiving full consideration as well as whether the materiality of risk has changed since the last review. Any new risk exposures that may have emerged from changes to external or internal factors are also identified through this process.

The identification of emerging risks to the business is performed during the activities undertaken by the relevant business areas. The Risk Management Function monitors the internal and external environment that the Company operates in and identifies potential risks to its strategy. This is performed through monitoring developments in markets where the Company is currently exposed through its investments and insurance business for any potential future adverse development, by assessing the broad social, economic and financial trends worldwide to identify the potential for emergence of risk that is not currently measured or quantified and by analysing the major strategic decisions taken by the Company for identifying any potential impact on the Company's overall risk profile.

Measuring Risks

This process is performed on a quarterly basis and is carried out jointly by the Risk Management Function and the relevant business units. Risk measurement is documented in the Company's risk register and is reported to the Board of Directors' Risk Committee. The process is carried out both quantitatively (detailed measurement of the risks involved using appropriate quantification techniques) and qualitatively (high level assessment based on expert judgement, prior experience and estimation of severity and impact of adverse events).

Responding to Risk / Mitigating

For each material risk assessed, a risk response is selected. The response can be either to accept risk or to avoid risk or to reduce risk or to transfer risk. Alternative mitigation options are considered and their appropriateness assessed in order to reduce effectively or transfer risk to a third party. The most commonly form of mitigation technique carried out by the Company is reinsuring insurance risks.

Monitoring Risk Exposures

All material risk exposures are monitored on an ongoing basis and any risks that fall outside the approved risk appetite of the Company are identified and appropriately escalated to the Board of Directors' Risk Committee. Monitoring risk exposures is based on regular (at least once every quarter) comparison of actual exposures to the risk limits/appetite. Any limit breaches are promptly escalated to the Risk Management Function and to the Board of Directors' Risk Committee. In this process key roles are undertaken by:

- Business Units - they directly manage and own their respective risk outcomes and are required to be aware of their exposure levels and limits at all times. Any breaches or near limit breaches are notified to the Risk Management Function. Action plans are prepared for the purpose of exposures returning within the set risk limits; and the
- Risk Management Function - it reviews risk exposures to verify that business units have remained within the limits, monitors risk limits and sets the process for adjusting risk limits. Also it supports business units/risk owners to implement action plans and/or mitigating plans for rectifying risk limit breaches and monitors the progress of these plans.

Reporting Risks

Regular reports (at least per quarter) on the risk exposures are provided by the business units to the Risk Management Function and the quarterly risk profile assessment is reported to the Board of Directors' Risk Committee. Furthermore, ad hoc reporting of risk limit breaches followed by periodic progress reporting of action plans is conducted to the Risk Committee. All action plans in response to a limit breach and relevant approval by the Risk Committee are documented in a consistent manner and are subject to approval by the Board of Directors.

B.3.3 Own Risk Solvency Assessment

In calculating its solvency capital requirement, the Company uses the standard formula approach as prescribed in the Solvency II legislation and it assesses that this approach reflects at a reasonable level the size, nature and complexity of the risks assumed by the Company.

As part of the Company's aim to assess risks and determine its capital needs in the foreseeable future an Own Risk and Solvency Assessment (ORSA) is carried out on an annual basis. The ORSA, which is also a legislative requirement, is carried out by the Risk Management Function and is reviewed and approved by the Board of Directors through its Risk Committee.

The ORSA forms an integral part of the management process and decision making framework of the Company and is used in the management of the business as it is a significant tool for understanding the risks the Company is exposed to. In particular, it is embedded in the Company's strategic, operational and risk management processes.

The ORSA is based on adequate measurement and assessment processes in a forward looking approach (at least on a 3 year horizon) and it encompasses all material risks that may have an impact on the Company's ability to meet its insurance obligations. The ORSA considers all risks that may lead to a material reduction in the current level of own funds or the protection offered to policyholders. Any material risks that are assessed not to be fully reflected in the standard approach in determining the Company's solvency capital requirement are particularly addressed in an ORSA exercise and their significance is established and quantified.

The ORSA process involves an assessment of all material risks and performance of various stress tests. These tests (which include sensitivity analysis of single risk factors and scenario analysis of a set of

risk factors) are conducted in order to assess the Company's vulnerability to possible events or future changes in economic conditions which have unfavourable effects on its performance, solvency, liquidity or reputation and to determine the ability to withstand such changes. The impact of all stresses is quantified for the projection period in the future (at least 3 years) so as to identify any capital needs during the projection period. Any capital needs identified must be addressed by the Board of Directors and relevant action plans are formulated.

Any significant changes in the Company's risk profile caused by external or internal factors (e.g. introduction of a new line of business) may result in interim assessments (i.e. between the yearly ORSA exercises) taking the form of a full or partial ORSA exercise focusing on areas of significance.

B.3.4 Implementation of Risk Management System

The activity comprising the risk management system (as described in previous sections) is carried out by the business units and users (1st Line of Defence) within the Company, with the Risk Management Function reviewing and challenging the output.

The Company's Board of Directors is ultimately responsible for taking key decisions across the organization. The output of the risk management system is reviewed by the Board of Directors' Risk Committee (and Audit Committee if necessary) with a summary of key items delivered to the Board of Directors. Following their review the integration of the risk management system in the decision making process is carried through to the business units by the Risk Management Function.

All key decisions made in the Company such as product initiatives and introduction, underwriting and pricing of insurance risks, reinsurance arrangement review, investment strategy, marketing strategy, distribution strategy and capital management follow internal governance processes, which include an assessment of the risk exposure and mitigation strategies.

B.4. Internal control system

Taking into account the nature and scope of its operations, the Company has implemented an Internal Control System to manage risks to an acceptable level in order to ensure its efficient operation and the achievement of specific business objectives. The implementation of this system secures, among other things, the assets of the Company and the policyholders' interests, the correctness of transactions, the reliability of financial statements and the compliance with the relevant legislation.

The main procedures governing the Company's internal control system are the following:

- Clear organizational structure and allocation of responsibilities, including oversight and hierarchical approval of transactions.
- Establishment and monitoring of implementation of strategies and business plans and annual budgets for each major activity.
- Effective internal communication lines and reporting of important issues.

- Adoption and promotion of a Code of Conduct and Professional Code of Ethics.
- Regular update of staff through circulars, announcements and trainings for the proper conduct of the Company's policies.
- Effective segregation of duties and avoidance of assignment of duties / responsibilities that might lead to conflict of interests.
- Recording and continuously updating all business and support units' internal procedures.
- Management of investment portfolios under the supervision of the Executive Investment Committee with the support of external consultants.
- Preparation of financial statements and performance statistics on a regular basis.
- Sufficient support of operations with reliable and secure computer systems.
- Performance of audits on a regular basis by external auditors.
- Contingency planning with a comprehensive Business Continuity and Disaster Recovery Plan.
- Adequate insurance coverage for the Company's assets and for other risk (e.g. public liability).
- Implementation of a Risk Management Function.
- Implementation of a Compliance Function.
- Implementation of an Internal Audit Function.

B.5. Compliance Function

The Compliance Function has the necessary standing in the Company and is responsible to ensure that the Company conducts its business operations in compliance with the relevant laws and regulations. It assists the Chief Executive Officer and the Board of Directors to manage effectively the compliance risks faced by the Company.

The Compliance Function reports to the Chief Executive Officer and the Board of Directors through the Audit Committee. It is operationally independent from the Company's business and support units that are monitored and controlled by the function.

The main compliance activities are the following:

- Provision of advice to senior management on regulatory matters
- Communication to senior management of key areas of compliance risk, internal issues, progress and external developments
- Monitoring/overseeing of activities to ensure compliance with relevant legislation and regulations
- Performance of ongoing compliance risk assessment
- Provision of training to staff
- Liaison of the Company with the regulatory authorities on compliance matters
- Reporting to regulatory authorities as required

B.6. Internal Audit Function

B.6.1 Implementation of the Internal Audit Function

Universal Life supports Internal Audit as an independent, objective, assurance and consulting activity designed to add value by improving the Company's operations. Its primary role is to help the Board of Directors, the Audit Committee and the Executive Management in protecting the assets, the reputation and the sustainability of the Company. This is done by following a professional approach in evaluating the effectiveness of the Company's governance, risk management, internal control system and operations, aiming at their improvement.

The Internal Audit Function is implemented through the execution of the Audit Plan. The Internal Audit Function prepares a three year risk-based Audit Plan on an annual basis which is reviewed and approved by the Audit Committee. During its execution, the Audit Plan may be adjusted as necessary in response to changes relating to risks, operations, systems or the Company's business. Should the plan significantly change during the year, this will be resubmitted to the Audit Committee for approval.

Through the execution of the Audit Plan, the Internal Audit Function evaluates:

- The effectiveness of the Internal Control System
- The effectiveness of the Company's risk management processes
- The governance processes
- The established procedures for ensuring compliance with applicable laws and regulations
- The existing policies, processes and procedures in order to assess if they are designed in an efficient and effective way and are implemented accordingly in order to help the Company achieve its goals and objectives
- The reliability and integrity of managerial and operational information ensuring that this is accurate and is delivered in time
- The controls which are in place for safeguarding the Company's assets and where appropriate, their existence is verified
- The effectiveness and efficiency with which the existing resources are employed

The Internal Audit Function also performs consulting activities and special assignments upon request by the Board of Directors, the Audit Committee or the Chief Executive Officer. The Function has also the responsibility to carry out special investigations in situations where fraud is suspected. Any other assignments which are considered necessary by the Internal Auditor and are in line with the scope of the Internal Audit Charter, are also performed.

A report is issued for each internal audit assignment. This includes recommendations for addressing any issues which have arisen, as well as management responses incorporating the corrective action which will be taken and the estimated time for its completion. The report is distributed to the heads of business units involved, to the Chief Executive Officer and to all members of the Audit Committee.

The Internal Audit Function is also responsible for performing the proper follow up actions for ensuring that all issues which have arisen from the internal audit assignments, are resolved through the implementation of the agreed management's actions.

B.6.2 Independence of the Internal Audit Function

The independence and objectivity of the Internal Audit Function is safeguarded by the way in which it is organized and by the authorities which are assigned to it.

Neither the Internal Auditor nor the Internal Audit staff have any direct operational responsibility or authority over any of the activities audited.

The Internal Auditor reports functionally to the Audit Committee and has free and unrestricted access to the Audit Committee.

The Audit Committee reviews and approves the Internal Audit Charter, the proposed annual Audit Plan, the Internal Audit budget as well as any staffing requirements and receives the internal audit reports. The Committee also decides about the appointment, replacement or dismissal of the Internal Auditor and evaluates the performance of the Internal Auditor and decides his salary and any other benefits.

The Internal Audit Function is not restricted in scope in any way and is empowered by the Audit Committee to audit all and every part of the Company. In carrying out any assignment, the Internal Audit Function has full, free and unrestricted access to all records, IT systems, operations, information, properties and personnel of the Company.

The Internal Audit staff is committed to work to the highest ethical standards by applying and upholding integrity, objectivity, confidentiality and competency. The Internal Audit staff makes a balanced assessment of all the relevant circumstances and they are not influenced by their own interests or by any other party in forming their judgments. If independence or objectivity of the Internal Audit staff is impaired, the details of the impairment are disclosed to the Audit Committee.

B.7. Actuarial Function

The Company has an in-house actuarial team with fully and partly qualified actuaries who carry out the day-to-day actuarial activities including the calculation of technical reserves.

This team led by the Head of the Actuarial Function also carries out the responsibilities of the Actuarial Function for providing judgment on the reliability and adequacy of the calculation of technical provisions, for expressing opinion on the Company's underwriting policy and reinsurance arrangements and for providing support for the implementation of the Company's risk management system.

B.8. Outsourcing

The Company has in place an Outsourcing Policy that is approved by the Board of Directors. It ensures that the development and implementation of any proposal of outsourcing of any type of operation or activity of the Company is carried out in a manner that protects and serves the interests of the Company and its policyholders without reducing the quality of the system of governance or increasing the operational risk of the Company.

According to the policy the Company considers as critical or important all the key functions of the Company's system of governance, i.e. its internal audit, compliance, risk management and actuarial functions. In addition the following activities are considered to be critical or important:

- The design and pricing of insurance products
- Underwriting
- Portfolio management
- Claims handling
- Provision of regular or continuous support on compliance, internal audit, accounting, risk or actuarial support
- Provision of physical and electronic data storage
- Provision of on-going, day-to-day core information systems maintenance or support
- The Own Risk Solvency Assessment process

The policy clearly outlines all parties' responsibilities and describes the process to be followed whenever a business unit identifies the need to outsource critical or important activities or functions. With regards to outsourcing requirements the policy specifically addresses the importance of ensuring effective supervisory access of the outsourced activities by the regulator.

During the year there was no outsourcing of any of the Company's critical activities.

B.9. Adequacy of the System of Governance

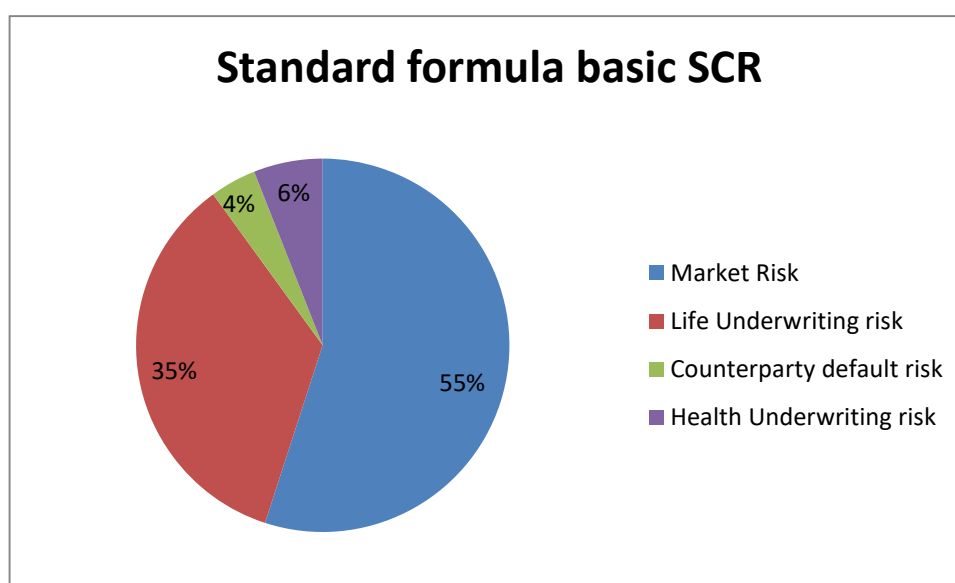
In assessing its system of governance the Company considers that all aspects of the system (as analysed in sections B.1. – B.8. above) are adequate and representative of the size, nature and complexity of the risks inherent in its business.

C. Risk Profile

C.1. Overall Risk Profile

The Company's overall risk profile is determined by the characteristics of its asset portfolio and the nature of its insurance business. Life business is more geared towards long term savings products, with protection cover (death, disability, dread disease) being an important element for parts of the portfolio. The large portfolio of stand-alone health insurance business is also an important driver of the overall risk profile.

The composition of the elements of the Solvency Capital Requirement (SCR), using the standard approach as prescribed by the legislation, provides a reasonable picture of the Company's risk profile. The following chart demonstrates the basic SCR composition of risks as at 31.12.2019:



C.2. Underwriting risk

C.2.1 Major drivers of underwriting risks

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions. This could result from:

- Changes in the level, trend, or volatility of:
 - mortality rates
 - disability and morbidity rates
 - the expenses incurred in servicing insurance contracts
 - the rates of policy lapses, terminations, renewals and surrenders

- Fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements at the time of provisioning
- The significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events

Underwriting risk at 31 December 2019 represented 41% of the undiversified basic SCR (Life underwriting risk is 35% while health underwriting risk is 6%) compared to 35% of previous year SCR (Life underwriting risk was 30% while health underwriting risk was 5%). The increase in the life underwriting risk was mainly related to lapse risk.

C.2.2 Assessment and risk mitigation techniques used for underwriting risks

The Company monitors and controls underwriting risks via various methods, including:

- a. Using reinsurance to reduce exposure to mortality and morbidity risks;
- b. Underwriting to increase the certainty that only insurable risks are accepted and that premiums reflect the unique circumstances of each risk;
- c. The ORSA process which includes stress and scenario testing used to assess the risks under stressed conditions;
- d. Lapse monitoring, which is conducted monthly;
- e. Experience investigations covering expenses and claims, which are conducted at least annually;
- f. Product design and pricing principles aiming to minimise adverse selection and using appropriate factors to differentiate between different levels of risk. For certain products and benefits (e.g. dread disease cover, health insurance) the Company retains the right to review premium rates at regular intervals.

The Company's reinsurance programme in relation to mortality and morbidity risk is on a surplus basis with a maximum retention per life and is split among two of the largest and highest credit-rated reinsurance companies in the world. For the health business reinsurance is on a quota share basis, again with a large and highly credible counterparty.

C.2.3 Risk sensitivity for underwriting risks

The Company carries out an assessment process for the materiality of risks as part of its ORSA process. Overall mortality/morbidity risks were classified as medium impact risks due to the use of appropriate risk mitigation techniques. The ORSA process also entails stress and scenario testing carried out for certain material risks projecting the impact on its solvency position over the future business planning period. In the 2019 ORSA the lapse/expense and expense inflation stresses were carried out and the results showed that the solvency ratio remained well above the minimum level in the projection period and not significantly below the tolerance level set by the Board of Directors.

In the last ORSA, a stress on the impact of the NHS was carried out. An adverse scenario in which the health portfolio will be heavily reduced over the next three years has been performed. Under the adverse scenario, it was assumed that the health business will be reduced by 58% in year 2 and by 75% in year 3. Even under this scenario, the Company is not expected to experience any solvency issues over the next three years.

C.3. Market risk

C.3.1 Major drivers of market risks

Market risk arises from the Company's investments in assets and other securities and includes the following categories:

- **Interest rate risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates or in the volatility of interest rates
- **Equity risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities
- **Currency risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates
- **Property risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate
- **Spread risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure

Concentration risk which arises from risk exposures with a loss potential large enough to threaten the solvency or the financial position of the Company is also reflected in the above categories.

Following recent changes in regulations, the Company now applies the look through approach on related undertakings that hold property. This led to a significant reduction in concentration risk and a substantial increase in property risk. Equity risk reduced both as a result of the change in legislation and due to the sale of a large equity portfolio.

There were no material changes in the total market risk faced by the Company over the year. The overseas investments asset portfolio remained well diversified and the Company remains focussed on reducing the real estate component of its local asset portfolio.

Market risk at 31 December 2019 represented 55% of the undiversified basic SCR.

C.3.2 Investment assets and prudent person principles as applied to market risks

Under the prudent person principle the Company's investment decisions are approved and monitored by the Executive Investment Committee (with the support of external consultants). The Investments Department is responsible to execute the decisions of the Executive Investment Committee under the supervision of the Head of the Investments.

The Company follows strict and transparent procedures for the management of investment risk and the evaluation of new investment opportunities.

C.3.3 Assessment and risk mitigation techniques used for market risks

The Company monitors market risks on a continuous basis through the Investments Department, monthly through Executive Investment Committee meetings and regularly by the use of external consultants offering advice on tactical and strategic asset allocations. Furthermore a risk measurement process is carried out on a quarterly basis by the Risk Management Function where individual and aggregate risk exposures are measured against the risk limits set by the Company's relevant risk policies. In addition, the ORSA process includes stress and scenario testing used to assess market risks under stressed conditions.

The Company does not directly use any derivatives for hedging purposes.

C.3.4 Risk sensitivity for market risks

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for property risk (the key market risk), equity risk and for a property subsidiary, Universal Golf Enterprise plc, which is in the process of exploring options to launch a residential real estate golf project. For the 2019 ORSA, the solvency position at 31 December 2019 and the projected solvency position over the business planning period were re-calculated following adverse stresses. The analysis indicated that the Company can withstand severe shocks in the foreseeable future with solvency ratios being maintained above the minimum levels. For property related stresses solvency ratios in the projection period are below the tolerance level set by the Board of Directors but they were still above the minimum level required.

C.4. Credit risk

C.4.1 Major drivers of credit risk

Credit risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of the Company including any exposure resulting from reinsurance arrangements. The main categories of counterparty exposure are debts due from subsidiary companies, cash at bank, reinsurance recoverables and premiums due from policyholders.

Credit risk in the form of counterparty default at 31 December 2019 represented 4% of the undiversified basic SCR compared to 9% of the undiversified basic SCR at 31 December 2018. This significant decrease was caused mainly by the recent changes in the delegated regulation that required the look through approach on related undertakings.

C.4.2 Prudent person principles as applied to credit risk

Under the prudent person principle the Company's reinsurance counterparties are always selected by considering their credit quality so that arrangements lead to effective risk transfer in respect to credit risk too. All reinsurers are rated at credit quality step 1.

C.4.3 Assessment and risk mitigation techniques used for credit risk

The Company monitors and controls credit risks on a regular basis through exposure reports. Credit ratings (where available) by major credit rating agencies are used to assess credit risks of counterparties.

To mitigate the risk of reinsurer counterparty default the Company selects large, reputable reinsurance companies with credit rating at least A by Standard and Poor's (or equivalent for other rating agencies).

C.4.4 Risk sensitivity for credit risk

Credit risk is assessed as not material with low impact in the ORSA assessment process. For this reason no specific stress and scenario testing is carried out for this particular risk.

C.5. Liquidity risk

C.5.1 Major drivers of liquidity risk

Liquidity risk is considered a distinct risk category in the Company's risk framework and risk strategy and it refers to the risk that the Company is unable to realise investments in order to settle its financial obligations when they fall due or is only able to do so at a substantial cost. Liquidity risk arises when there are circumstances where the Company has insufficient liquid or readily realisable assets to meet its commitments and is forced to rely on assets that cannot be realised at short notice at a reasonable value.

Liquidity risk is not captured in the standard SCR formula but the Company pays particular attention to this risk on its daily operations and during its ORSA process. Given the concentration of local property assets, which under current economic conditions are considered illiquid assets, the Company faces a degree of liquidity risk in the short to medium term and this situation has not changed significantly over the year.

C.5.2 Prudent person principles as applied to liquidity risk

The Company is prudently taking into account liquidity requirements in any new investments in asset classes or individual holdings including collective investments. The Company's collective investments are all UCITS compliant, hence all readily realisable.

C.5.3 Assessment and risk mitigation techniques used for liquidity risk

Liquidity requirements are assessed on a regular basis (at least monthly) by monitoring the liability profile of the portfolio, lapse, surrender and transfer of funds behaviour of policyholders against the level of liquid assets in the portfolio (and parts of the portfolio, i.e. per fund).

In order to mitigate liquidity risk the Company has identified a number of contingency funding options so that it will properly manage and co-ordinate the actions required to dampen the effects of a liquidity problem should this arise. Also action plans are in place to reduce local property exposure which is the key driver of liquidity risk.

C.5.4 Expected profit included in future premiums (EPIFP)

The EPIFP is defined as the difference between the technical provisions (without a risk margin) calculated in accordance with the legislation and a calculation of the technical provisions (without a risk margin) under the assumption that the premiums relating to existing insurance policies that are expected to be received in the future are not received for any reason other than the insured event having occurred (regardless of the legal or contractual rights of the policyholder to discontinue the policy).

The EPIFP of the Company as at 31.12.2019 is €60.738k.

C.5.5 Risk sensitivity for liquidity risk

As part of the ORSA process, stress and scenario testing is conducted to assess the liquidity risk under stressed conditions during the projection period. These tests indicated that liquid asset shortfalls may arise under stressed conditions and the impact on the solvency position of the Company is quantified by assuming that assets are sold at a significant discount to their fair value (forced sale approach). The projected solvency ratios are expected to remain above the tolerance level set by the Board of Directors.

C.6. Operational risk

C.6.1 Major drivers of operational risks

Operational risk is considered a distinct risk category in the Company's risk framework and risk strategy. It is defined as the risk of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk also incorporates risks resulting from outsourcing activities, regulatory and compliance treatment, continuity of business, Information Technology risk treatment and Information Security and project execution and compliance.

Operational risk as captured in the standard SCR formula at 31 December 2019 corresponded to 8% of the SCR compared to 11% of the SCR at 31 December 2018. Operational risk component reduced since the additional capital requirement caused by the ex-Cyprus Cooperative Bank's credit life premium, is no longer required since the policy was terminated at the end of 2018.

C.6.2 Assessment and risk mitigation techniques used for operational risks

Risks are identified across all business and support units and operational risk events are collected. The Risk Management Function of the Company undertakes the task for assessing the materiality of these risks.

The operational risk measurement process will provide the Company with a qualitative approach to assess potential risks of a primarily severe nature by conducting a structured assessment procedure with representatives of all business and support units. The measurement procedure will be carried out for all departments/units of the Company and is performed on an annual basis in cooperation with the Risk Management Function. The measurement of each operational risk is carried out by defining/assessing the potential impact of each risk and the probability of its occurrence, both captured in a 5 level scoring system.

The Company minimises operational risks mainly by:

- a. Having a sound system of governance and risk management framework
- b. Applying sound and robust internal controls
- c. Having in place a comprehensive and regularly (at least annually) updated and tested Business Continuity Plan and Disaster Recovery Plan
- d. Applying rigorous procedures under a comprehensive Information Security Policy
- e. Continuous and effective training of staff and insurance intermediaries
- f. Having a strong compliance culture
- g. Applying a concrete outsourcing policy for critical and non-critical activities

C.6.3 Risk sensitivity for operational risk

Operational risk is considered as a low impact risk in the ORSA assessment process. For this reason no specific stress and scenario testing is carried out for this particular risk.

D. Valuation for Solvency purposes

D.1. Assets

D.1.1 Asset valuation for solvency purposes for each material class of asset

The following table provides the value of assets as at 31.12.2019:

	€000
Deposits and Cash & cash equivalents	42.696
Debtors and prepayments	23.362
Loans and receivables	4.068
Reinsurers' share in insurance contracts liabilities	12.260
Reinsurance receivables	1.859
Premium receivable and other insurance receivables	4.018
Taxation receivable	379
Investment properties	83.015
Debt securities/Bond funds	68.010
Equity shares/Equity funds	69.444
Multi asset funds	12.581
Money market funds	12.783
Investment in subsidiaries	44.732
Fixed assets	<u>17.639</u>
	<u>396.846</u>

Cash and cash equivalents, debtors and prepayments, loans and receivables, reinsurers' share in insurance contracts liabilities, premium receivable and other insurance receivables and taxation receivable are measured at the same basis as IFRS financial statements.

Investment properties are measured at fair value based on valuation models in which data significantly affecting the fair value is not based on observable market data.

Debt securities, equity shares, multi asset funds and money market funds are measured at fair value based on quoted prices in active markets as well as on valuation models in which all factors affecting the fair value are based on observable market data.

Investment in subsidiaries is the fair value of the participation in the subsidiaries.

Fixed assets are measured at fair value or cost less accumulated depreciation.

D.1.2 Solvency purposes and financial statements valuation differences by material class of asset

There are no differences between the valuation bases, methods and main assumptions used for solvency purposes and financial statement purposes.

However in the Company's financial statements total assets include intangible assets of €412k and deferred acquisition costs of -€191k that are not included in the balance sheet for solvency purposes. Additionally, reinsurers' share in insurance contracts liabilities for solvency purposes is calculated using a different method compared to the one used for financial statements purposes.

D.2. Technical Provisions

D.2.1 Calculation of technical provisions for solvency purposes

Technical provisions are calculated based on Solvency II regulation. They consist of the Best Estimate Liabilities (BEL) and the risk margin. BEL are calculated by projecting the expected cash flows associated with the existing insurance contracts and discounting them using the risk-free yield curve prescribed by European Insurance and Occupational Pensions Authority (EIOPA). As at 31 December 2019, the Company did not use matching or volatility adjustments.

The risk margin is the cost of providing an amount equal to the SCR required to support the insurance obligations over their lifetime. It was calculated using method 2 prescribed in the relevant EIOPA's guidelines by approximating the SCR for each future year using best estimate projections.

Technical provisions are calculated gross of reinsurance recoverables. Reinsurance recoverables relate to the amounts recoverable from reinsurance contracts and are calculated separately.

The table below shows the technical provisions by main line of business as at 31.12.19:

€000	Unit-Linked	With Profit	Other Life	Health SLT	Health NSLT	Total
Gross BEL	209.767	28.439	2.533	2.793	15.950	259.482
Risk Margin	19.185	2.601	232	255	294	22.567
Technical Provisions	228.952	31.040	2.765	3.048	16.244	282.049
Reinsurance Recoverables	(1.286)	-	565	1.791	11.190	12.260
Technical Provisions net of Recoverables	230.238	31.040	2.200	1.257	5.054	269.789

Technical provisions are based on assumptions and hence there is uncertainty regarding their value. Actual experience may differ to that assumed when calculating technical provisions. The main assumptions used relate to mortality, morbidity, claims ratio, expenses and lapses.

Mortality assumptions are based on reinsurers' data and the Company's experience while morbidity was solely based on reinsurers' rates. Claims and expense ratios for accident and health business (Health NSLT) are based on the Company's experience.

The expenses related to the life portfolio were analysed and broken down into initial and renewal expenses so as to estimate the renewal expense per policy. The renewal expense assumption has reduced following the expense analysis performed that indicated that a lower percentage of expenses should be allocated to life business compared to the previous year. Expense inflation is estimated after considering past experience and the long term expectations for future expense inflation.

Lapse assumptions take into account past experience and are adjusted for any expected future changes.

D.2.2 Comparison of technical provisions for solvency purposes and gross insurance liabilities in financial statements

The table below shows the difference between gross insurance liabilities in financial statements (IFRS insurance liabilities) and technical provisions:

€000	Unit-Linked	With Profit	Other Life	Health SLT	Health NSLT	Total
Gross IFRS insurance liabilities	261.990	27.097	10.454	2.793	17.773	320.107
Adjustments for SII	(52.223)	1.342	(7.921)	-	(1.823)	(60.625)
Gross BEL	209.767	28.439	2.533	2.793	15.950	259.482
Risk margin	19.185	2.601	232	255	294	22.567
Technical provisions	228.952	31.040	2.765	3.048	16.244	282.049

The main differences between technical provisions for solvency purposes and IFRS liabilities are:

- The permissibility of negative reserves under Solvency II (SII).
- The use of realistic assumptions under SII versus prudent assumptions for IFRS (i.e. for IFRS expense inflation assumption incorporates a margin, mortality assumption is higher and no lapses are assumed).
- Under SII the risk-free yield curve prescribed by EIOPA is used for discounting while for IFRS the weighted average of the yields on assets backing the reserves is used.
- Technical provisions include the risk margin.

- For individual non-linked life contracts, net premium valuation is carried out under IFRS. For accident and health business, unearned premium reserve is calculated under IFRS versus the premium provision under SII that considers all cash flows associated with future claim events.

D.3. Other liabilities

D.3.1 Other liabilities valuation for solvency purposes for each material class of liability

The following table provides the value of other liabilities assets as at 31.12.2019:

	€000
Bank overdrafts	5.034
Creditors and accruals	5.521
Outstanding claims	20.333
Deferred tax liabilities	9.188
Reinsurer's accounts	<u>9.921</u>
	<u>49.997</u>

Other liabilities are measured at fair value.

D.3.2 Solvency purposes and financial statements valuation differences of other liabilities

The Solvency II balance sheet includes a deferred tax liability of €4.087k, arising from the temporary differences between technical provisions under Solvency II compared to those under IFRS (which are not used for income tax purposes).

There are no other differences between the valuation bases, methods and main assumptions used for solvency purposes and financial statements purposes.

E. Capital management

E.1. Own funds

E.1.1 Objective, policies and processes for managing own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the Solvency Capital Requirement (SCR) and with an appropriate margin set by the relevant risk appetite limit set by the Board of Directors. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. Own funds and SCR are reviewed quarterly by the Board of Directors. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The ORSA process carried out annually projects funding requirements on a future three year horizon.

E.1.2 Own funds classified by tiers

An analysis of own funds as at 31 December 2019 compared to the respective amounts at the end of the previous year are shown below:

Components (all Tier 1 elements)	31.12.2019 €000	31.12.2018 €000
Ordinary Share Capital	14.489	14.489
Share Premium	5.379	5.379
Surplus Funds	462	432
Reconciliation Reserve	44.471	41.492
Total Equity (Own Funds)	64.801	61.792

Over the year the changes in the values of the various elements were mainly influenced by the post-tax profits for the year and the utilization of retained earnings for the dividend declaration of €0,175 per share to shareholders.

The Company's ordinary share capital, share premium arising on ordinary share capital, surplus funds and reconciliation reserves are all available as Tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The ordinary share capital and share premium arising is not subordinated and has no restricted duration. The reconciliation reserve represents retained earnings and reconciliation adjustments from the financial statements balance sheet to the solvency balance sheet.

The Company has no Tier 1 restricted own funds (per Article 80 of the Delegated Regulations), no Tier 2 own funds (per Article 72 of the Delegated Regulations) and no Tier 3 own funds (per Article 76 of the Delegated Regulations).

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

The Company's own funds are all tier 1 unrestricted and available to cover the SCR.

E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers
The Company's own funds are all tier 1 unrestricted and available to cover the MCR.

E.1.5 Difference between equity as shown in the financial statements and the excess of assets over liabilities calculated for solvency purposes

The differences are explained in the following table:

Equity per financial statements:	€000
Ordinary Share Capital	14.489
Share Premium	5.379
Revaluation	9.468
Retained earnings	<u>6.806</u>
Total equity	<u>36.142</u>
<u>Adjustments for Solvency:</u>	
Difference in Technical provisions net of reinsurance	32.505
Difference in value of intangibles	(412)
Difference in deferred acquisition costs	191
Surplus in Life Fund	462
Difference in deferred tax liabilities	<u>(4.087)</u>
Solvency value of excess of assets over liabilities	<u>64.801</u>

E.2. Solvency and Capital Requirements and Minimum Capital Requirement

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The total Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) at 31 December 2019 are €39.408k and €9.852k respectively. The final amount of the SCR remains subject to supervisory assessment.

E.2.2 Solvency Capital Requirement split by risk modules

The tables below shows the risk modules that make up the Company's SCR at 31 December 2019:

Risk	Gross SCR €000	Net SCR €000
Life Underwriting	20.447	18.500
Health Underwriting	3.001	3.001
Market Risk	31.794	28.959
Counterparty Default Risk	2.017	2.017
Undiversified Basic SCR	57.259	52.477
Diversification Credit	(13.657)	(12.679)
Basic SCR	43.602	39.798

	€000
Gross Basic SCR	43.602
Operational Risk	3.011
Loss absorbing capacity of Technical Provisions	(3.119)
Loss absorbing capacity of deferred taxes	(4.087)
Total SCR	39.408

Simplified calculations are not used for any of the risk modules or sub-modules of the standard formula.

The Solvency Capital Requirement decreased by €669k compared to the end of the previous year. Counterparty default risk and operational risk reduced considerably over the year but their impact was largely offset by the increase in the life underwriting risk. The loss absorbing capacity of deferred taxes relates to the additional deferred tax liability included in the Solvency II balance sheet, arising from the temporary differences between technical provisions under Solvency II compared to those under IFRS (which are not used for income tax purposes).

E.2.3 Inputs used to calculate the Minimum Capital Requirement

The table below shows the inputs into the MCR calculation as at 31 December 2019. It should be noted that the Absolute Floor of the Minimum Capital Requirement (AMCR) is prescribed by the legislation.

	€000
AMCR	6.200
Linear MCR	4.481
SCR	39.408
Combined MCR	9.852
MCR	9.852

F. Quantitative Reporting Templates

The following Quantitative Reporting Templates (QRT) are required to be attached in this public disclosure report:

QRT ref	QRT Template name
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-life Technical Provisions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.02.01	Minimum Capital Requirement – Both for life and non-life insurance activity

The templates are presented at the end of this report.

S.02.01.02
Balance sheet

	Solvency II value
	C0010
Assets	
Intangible assets	R0030 0
Deferred tax assets	R0040 0
Pension benefit surplus	R0050 0
Property, plant & equipment held for own use	R0060 17,638,766
Investments (other than assets held for index-linked and unit-linked contracts)	R0070 76,659,563
Property (other than for own use)	R0080 23,004,118
Holdings in related undertakings, including participations	R0090 29,112,280
Equities	R0100 1,043,481
Equities - listed	R0110 890,424
Equities - unlisted	R0120 153,056
Bonds	R0130 0
Government Bonds	R0140 0
Corporate Bonds	R0150 0
Structured notes	R0160 0
Collateralised securities	R0170 0
Collective Investments Undertakings	R0180 22,583,356
Derivatives	R0190 0
Deposits other than cash equivalents	R0200 916,329
Other investments	R0210 0
Assets held for index-linked and unit-linked contracts	R0220 246,974,995
Loans and mortgages	R0230 3,559,355
Loans on policies	R0240 1,507,220
Loans and mortgages to individuals	R0250 2,052,135
Other loans and mortgages	R0260 0
Reinsurance recoverables from:	R0270 12,259,604
Non-life and health similar to non-life	R0280 11,190,110
Non-life excluding health	R0290 0
Health similar to non-life	R0300 11,190,110
Life and health similar to life, excluding health and index-linked and unit-linked	R0310 2,355,074
Health similar to life	R0320 1,790,781
Life excluding health and index-linked and unit-linked	R0330 564,293
Life index-linked and unit-linked	R0340 -1,285,580
Deposits to cedants	R0350 0
Insurance and intermediaries receivables	R0360 4,273,841
Reinsurance receivables	R0370 1,859,051
Receivables (trade, not insurance)	R0380 23,344,462
Own shares (held directly)	R0390 0
	R0400 0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	
Cash and cash equivalents	R0410 10,276,274
Any other assets, not elsewhere shown	R0420 0
Total assets	R0500 396,845,910
	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	R0510 16,243,793
Technical provisions – non-life (excluding health)	R0520 0
Technical provisions calculated as a whole	R0530 0
Best Estimate	R0540 0
Risk margin	R0550 0
Technical provisions - health (similar to non-life)	R0560 16,243,793
Technical provisions calculated as a whole	R0570 0
Best Estimate	R0580 15,949,522
Risk margin	R0590 294,271
Technical provisions - life (excluding index-linked and unit-linked)	R0600 36,852,533
Technical provisions - health (similar to life)	R0610 3,047,806
Technical provisions calculated as a whole	R0620 0
Best Estimate	R0630 2,792,418
Risk margin	R0640 255,388
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650 33,804,726
Technical provisions calculated as a whole	R0660 0
Best Estimate	R0670 30,972,094
Risk margin	R0680 2,832,633
Technical provisions – index-linked and unit-linked	R0690 228,952,207
Technical provisions calculated as a whole	R0700 0
Best Estimate	R0710 209,767,390
Risk margin	R0720 19,184,817
Contingent liabilities	R0740 0
Provisions other than technical provisions	R0750 0
Pension benefit obligations	R0760 0
Deposits from reinsurers	R0770 9,921,221
Deferred tax liabilities	R0780 9,187,575
Derivatives	R0790 0
Debts owed to credit institutions	R0800 5,034,490
Financial liabilities other than debts owed to credit institutions	R0810 0
Insurance & intermediaries payables	R0820 20,338,938
Reinsurance payables	R0830 0
Payables (trade, not insurance)	R0840 5,514,366
Subordinated liabilities	R0850 0
Subordinated liabilities not in Basic Own Funds	R0860 0
Subordinated liabilities in Basic Own Funds	R0870 0
Any other liabilities, not elsewhere shown	R0880 0
Total liabilities	R0900 332,045,123
Excess of assets over liabilities	R1000 64,800,787

Premiums, claims and expenses by line of business

[illegible]

Premiums, claims and expenses by line of business

[illegible]

S.12.01.02
Life and Health SLT Technical Provisions

Technical provisions calculated as a whole
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
Technical provisions calculated as a sum of BE and RM
Best Estimate
Gross Best Estimate
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total
Risk Margin
Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole
Best estimate
Risk margin
Technical provisions - total

	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
R0010	0	0			0			0	0	0	0			0	0	0
R0020																
	0	0			0			0	0	0	0			0	0	0
R0030	28,439,138		172,263,318	37,504,072		0	2,532,956	0	0	240,739,484		0	2,792,418	0	0	2,792,418
R0080																
	0		-1,284,621	-960		0	564,293	0	0	-721,287		0	1,790,781	0	0	1,790,781
R0090	28,439,138		173,547,939	37,505,032		0	1,968,663	0	0	241,460,771		0	1,001,638	0	0	1,001,638
R0100	2,600,975	19,184,817			231,658			0	0	22,017,449	255,388			0	0	255,388
R0110	0	0			0			0	0	0	0			0	0	0
R0120	0		0	0		0	0	0	0	0		0	0	0	0	0
R0130	0	0			0			0	0	0	0			0	0	0
R0200	31,040,112	228,952,207			2,764,614			0	0	262,756,934	3,047,806			0	0	3,047,806

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year

Z0010	AY
-------	----

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

		Development year													
Year		0	1	2	3	4	5	6	7	8	9	10&+	In Current year	Sum of years (cumulative)	
Prior	R0100														
	N-9														
	N-8														
	N-7														
	N-6														
	N-5														
	N-4														
	N-3														
	N-2														
	N-1														
N															
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	R0100												R0100		
	R0160												R0160		
	R0170												R0170		
	R0180												R0180		
	R0190												R0190		
	R0200												R0200		
	R0210												R0210		
	R0220	21,708,013	7,922,324	117,202	97,581								R0220	97,581	29,845,120
	R0230	24,434,674	8,266,638	222,777									R0230	222,777	32,924,089
	R0240	27,027,360	9,800,853										R0240	9,800,853	36,828,213
	R0250	30,738,700											R0250	30,738,700	30,738,700
Total													R0260	40,859,911	130,336,121

Non-life insurance claims

Accident year / Underwriting year	Z0010	AY
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(absolute amount)

Development year

Year	0	1	2	3	4	5	6	7	8	9	10&+
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[illegible]

**Year end
(discounted data)**

		C0360
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	381,623
	R0230	341,898
	R0240	765,864
	R0250	9,574,692
Total	R0260	11,064,078

S.23.01.01
Own funds

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)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

Unpaid and uncalled ordinary share capital callable on demand
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
Unpaid and uncalled preference shares callable on demand
A legally binding commitment to subscribe and pay for subordinated liabilities on demand
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC

Other ancillary own funds

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non- life business

Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	14,489,231	14,489,231		0	
R0030	5,379,445	5,379,445		0	
R0040	0	0		0	
R0050	0		0	0	0
R0070	462,051	462,051			
R0090	0		0	0	0
R0110	0		0	0	0
R0130	44,470,060	44,470,060			
R0140	0		0	0	0
R0160	0				
R0180	0	0	0	0	0
R0220	0				
R0230	0	0	0	0	
R0290	64,800,787	64,800,787	0	0	0
R0300	0			0	
R0310	0				
R0320	0				
R0330	0				
R0340	0				
R0350	0				
R0360	0				
R0370	0				
R0390	0				
R0400	0				
R0500	64,800,787	64,800,787	0	0	
R0510	64,800,787	64,800,787	0	0	
R0540	64,800,787	64,800,787	0	0	0
R0550	64,800,787	64,800,787	0	0	
R0580	39,407,794				
R0600	9,851,948				
R0620	164.44%				
R0640	657.75%				

C0060

R0700	64,800,787
R0710	0
R0720	0
R0730	20,330,727
R0740	0
R0760	44,470,060
R0770	56,042,402
R0780	4,695,287
R0790	60,737,688

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

Market risk
Counterparty default risk
Life underwriting risk
Health underwriting risk
Non-life underwriting risk
Diversification
Intangible asset risk

Basic Solvency Capital Requirement

Calculation of Solvency Capital Requirement

Operational risk
Loss-absorbing capacity of technical provisions
Loss-absorbing capacity of deferred taxes
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency Capital Requirement excluding capital add-on

Capital add-on already set

Solvency capital requirement

Other information on SCR

Capital requirement for duration-based equity risk sub-module
Total amount of Notional Solvency Capital Requirements for remaining part
Total amount of Notional Solvency Capital Requirements for ring fenced funds

Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios

Diversification effects due to RFF nSCR aggregation for article 304

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
R0010	31,793,552		
R0020	2,017,271		
R0030	20,447,393		
R0040	3,000,851		
R0050	0		
R0060	-13,656,883		
R0070	0		
R0100	43,602,184		
	C0100		
R0130	3,011,328		
R0140	-3,118,687		
R0150	-4,087,030		
R0160	0		
R0200	39,407,794		
R0210	0		
R0220	39,407,794		
R0400			
R0410			
R0420			
R0430			
R0440			

S.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

	Non-life activities MCR _(NL,NL) Result	Life activities MCR _(NL,L) Resu lt
	C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	901,876

- Medical expense insurance and proportional reinsurance
- Income protection insurance and proportional reinsurance
- Workers' compensation insurance and proportional reinsurance
- Motor vehicle liability insurance and proportional reinsurance
- Other motor insurance and proportional reinsurance
- Marine, aviation and transport insurance and proportional reinsurance
- Fire and other damage to property insurance and proportional reinsurance
- General liability insurance and proportional reinsurance
- Credit and suretyship insurance and proportional reinsurance
- Legal expenses insurance and proportional reinsurance
- Assistance and proportional reinsurance
- Miscellaneous financial loss insurance and proportional reinsurance
- Non-proportional health reinsurance
- Non-proportional casualty reinsurance
- Non-proportional marine, aviation and transport reinsurance
- Non-proportional property reinsurance

	Non-life activities		Life activities	
	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0030	C0040	C0050	C0060
R0020	4,702,378	14,045,947		
R0030	57,035	155,683		
R0040				
R0050				
R0060				
R0070				
R0080				
R0090				
R0100				
R0110				
R0120				
R0130				
R0140				
R0150				
R0160				
R0170				

S.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

	Non-life activities MCR _(L,NL) Result	Life activities MCR _(L,L) Result
	C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	3,579,358

Obligations with profit participation - guaranteed benefits
Obligations with profit participation - future discretionary benefits
Index-linked and unit-linked insurance obligations
Other life (re)insurance and health (re)insurance obligations
Total capital at risk for all life (re)insurance obligations

Non-life activities		Life activities		
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0090	C0100	C0110	C0120
R0210			25,320,450	
R0220			3,118,687	
R0230			211,052,970	
R0240			2,970,301	
R0250				1,807,037,232

Overall MCR calculation

		C0130
Linear MCR	R0300	4,481,234
SCR	R0310	39,407,794
MCR cap	R0320	17,733,507
MCR floor	R0330	9,851,948
Combined MCR	R0340	9,851,948
Absolute floor of the MCR	R0350	6,200,000
		C0130
Minimum Capital Requirement	R0400	9,851,948

Notional non-life and life MCR calculation

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	901,876	3,579,358
Notional SCR excluding add-on (annual or latest calculation)	R0510	7,931,060	31,476,733
Notional MCR cap	R0520	3,568,977	14,164,530
Notional MCR floor	R0530	1,982,765	7,869,183
Notional Combined MCR	R0540	1,982,765	7,869,183
Absolute floor of the notional MCR	R0550	2,500,000	3,700,000
Notional MCR	R0560	2,500,000	7,869,183

Independent Auditor's Report

To: The Board of Directors of Universal Life Insurance Public Company Limited

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of Universal Public Insurance Public Company Limited (the "Company"), prepared as at 31 December 2019:

- S.02.01.02 - Balance sheet
- S.12.01.02 - Life and Health SLT Technical Provisions
- S.17.01.02 - Non-Life Technical Provisions
- S.23.01.01 - Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
- S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 31 December 2019 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report

Our objectives are to obtain reasonable assurance about whether the relevant QRTs of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Solvency and Financial Condition Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for

- the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Nicolas Pavlou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
15 April 2020