BTA Baltic Insurance Company AAS

Solvency And Financial Condition Report For Year 2019

March 31, 2020

Content

Summary

About Report

The purpose of this report is to provide customers, partners and society with information about BTA Baltic Insurance Company AAS" (hereafter Company) solvency and financial condition, including information on business activities, corporate governance, risk profile, solvency and capital management.

The outline and the contents of the report is developed in accordance with the Insurance and Reinsurance Law of the Republic of Latvia, as well as Regulation 2015/35 delegated by the European Commission, supplementing Directive 2009/138/EC of the European Parliament and the European Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) and Financial and Capital Market Commission regulatory provisions for the preparation of solvency and financial condition report.

The report is approved by the Company's Management Board by the decision No LVB1_0002/02-03-03-2020-47 of 31 March 2020.

The Major Changes In 2019

In year 2019 the Company succeeded in achieving its financial goals by demonstrating both strong growth of business volumes and excellent financial results.

Thanks to the business growth, improvements in pricing of insurance products, further development of internal processes and information technology solutions, the Company succeeded in achieving impressive financial results. The total profit before tax reached EUR 11.7 million (unaudited data) while net profit in the year 2019 amounted to EUR 10.6 million (unaudited data), an increase by 16% compared to 2018.

The Company has gross written insurance premiums of EUR 222.7 million for the Baltic States together in 2019 (after mandatory payments). The volume of gross written insurance premiums increased by 7.5% in year 2019, as compared to the results of year 2018 in Estonia (+2.8%), Lithuania (+10.3%) and Latvia (+5.3%). Net earned premiums in 2019 increase by 3.6%.

The Company achieved significant premium growth in all main voluntary insurance lines of business, particularly in Property insurance (+35%), Accident, Health and Assistance insurance (+12%), Motor insurance line (CASCO) (+6%). The volume of motor third party liability insurance (MTPL) premiums decreased by 4% in the reporting year compared to 2018 due to intense competition.

In voluntary insurance lines of business, the Company outperformed the market in 2019, which allowed the Company to strengthen its market position and increase its market share in important lines of business in all three Baltic countries, particularly Property and CASCO. The Company was firmly the second biggest insurance company in Latvia and Lithuania with market shares of 19% and 16%, respectively. On the highly segmented Estonian insurance market the Company was steadily gaining on the market leader group and ranked on sixth position with the market share of 7%.

In year 2019 the Company strengthened its position as a leading insurance company on the Baltic insurance market and proved that it is a key market player in the main market segments – Motor insurance lines in Lithuania and Latvia, Health and other Personal risk insurance in Latvia, Financial risk insurance in Latvia and Lithuania, General third party liability insurance in Lithuania.

One of the major keys for these achievements was the increase of number of customers in the Baltics in the year 2019 compared to the previous year by 3%, to 490 thousand private and corporate customers. This achievement was possible thanks to both, the continuous development of online communication channels and strengthening of its regional customer service networks in Latvia and Lithuania, which allows the Company to service its customers in the way that most suits them and builds a firm foundation for the future growth. Significant investments were made in strengthening cooperation with corporate partners – brokers, tourism companies and agents throughout the Baltic States.

Following the growth of the insurance premiums volume, the volume of insurance claims paid out by the Company, increased by 18% in 2019 and reached EUR 138.8 million. The Company paid out about EUR 555 thousand on average during every business day in 2019, which is approximately EUR 70 thousand every business hour – an increase by EUR 11 thousand compared to 2018.

The increase in volume of insurance claims was significantly affected by market trends – such as increasing prices for car repair works and medical services, increased expectations of future price inflation, indexations of pensions, and increased costs for claims outside of the Baltic States caused by increased mobility of the population. In order to mitigate the impact of these events and to be able to offer its customers prices that adequately reflect the risks the Company assumes, the Company set even more careful pricing for insurance products.

The total size of investment assets under management of the Company increased to EUR 256.7 million by the end of 2019. In the reporting year, the Company exercised conservative approach towards the investment policy based on low risk assets. The Company mostly invested in government debt securities with high investment rating (between A and AAA according to international rating agency Standard & Poor's classification). The ratio of such investments constituted 67% of the total volume of the Company's investments at 31 December 2019.

In accordance with the Company's risk strategy the target solvency ratio level should range above 125%. The solvency ratio was steadily above this level in 2019 and was 137% (unaudited) as an annual result at 31 December 2019.

The Company's Management Board represented by the Chairman Wolfgang Stockmeyer, Deputy Chairman Oskars Hartmanis, and Members Evija Matveja and Tadeuš Podvorski, set forward development and reinforcement of the Company positions in the Baltic markets as the Company's main tasks for 2019.

The Material Events In 2020 – Covid-19 Outbreak

The coronavirus outbreak announced as pandemic is affecting hundreds of thousands of people. It is also having a growing impact on the global economy. Large-scale quarantines, travel restrictions, and social-distancing measures make complicated daily operations and drive a fall in consumer and business spending.

In this challenging situation, Company feels confident to provide all services to our customers remotely because of digitization and innovation activities of previous years. At the same time, looking forward Company expects decline of gross written premiums due to worsening of customers' financial situation and shrinking of certain business lines.

The Company monitors situation development and its impact its financial results and solvency ratio, as well performs stress tests with different scenarios. By the approval of this report, material impact on Company's financials due to Covid-19 outbreak is not observed yet.

A. Business Activities And Performance

A.1 Business

COMPANY TITLE:
BTA Baltic Insurance Company, insurance joint stock company

FINANCIAL SUPERVISORY BODIES OF THE COMPANY

Financial and Capital Market Commission
Address: Kungu iela 1, Riga, LV-1050
Telephone: +371 67774800, Fax: +371 67225755,
E-mail: fktk@fktk.lv

The Financial and Capital Market Commission provides financial supervision of the Company, encompassing the operation of branches established in Lithuania and Estonia. In the process of the Company's supervision, the Financial and Capital Market Commission also cooperates with the Bank of Lithuania and the Financial Supervision Authority of Estonia.

The Bank of Lithuania
Address: Gedimino pr. 6, Vilnius, LT-01103
Mailing address: Totorių g. 4, Vilnius, LT-01121
Telephone: +370 80050500
E-mail: info@lb.lt

The Financial Supervision Authority of Estonia
Address: Sakala 4, 15030 Tallinn, Estonia
Telephone: + 372 668 0500
E-mail: info@fi.ee

Supervisory authority of Vienna Insurance Group AG Wiener Versicherung Gruppe:
The Financial Market Authority of Austria
Address: Otto Wagner Platz 5, A-1090, Vienna
Telephone: +43 (1) 249590
E-mail: fma@fma.gv.at

AUDITOR
KPMG Baltics AS
Address: Vesetas iela 7, Riga, Latvia, LV-1013
Licence No. 55
Telephone: +371 67038000
E-mail: kpmg@kpmg.lv

SHAREHOLDERS
There have been no changes in the shareholding structure during 2019.

Table A.1.1. The Company's shareholding structure

Shareholders	31.12.2019	
	Number of shares	Shareholding
Vienna Insurance Group AG Wiener Versicherung Gruppe	377 920	90.83%
Balcia Insurance SE	38 174	9.17%
Total	416 094	100%

Over 25 000 employees work for the Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG), in around 50 companies in 25 countries, developing insurance solutions in line with personal and local needs, which has made them one of the leaders in the insurance industry in Austria and Central and Eastern Europe (CEE).

VIG has an A+ rating with stable outlook from the rating agency Standard & Poor's, meaning that it remains the top-rated company on the Vienna Stock Exchange's index of leading shares, the ATX. The Vienna Insurance Group AG is listed in both Vienna and Prague stock exchanges. Wiener Städtische Versicherungsverein – a stable core shareholder with a long-term focus – owns around 70% of VIG's shares. The remaining shares are in free float.

More detailed information about the structure of VIG and the group (as a picture) is available at the Company's annual report for 2019.

SUBSIDIARY

The Company has not consolidated the financial information of the subsidiary SIA Urban Space because the subsidiary's revenue and assets account for an immaterial share of the Company's respective figures. SIA Urban Space is consolidated at the Company's parent company's – Vienna Insurance Group AG Wiener Versicherung Gruppe – level.

MATERIAL LINES OF BUSINESS AND MATERIAL GEOGRAPHICAL AREAS OF THE COMPANY

The Company was registered in 28 October 2014 in Riga, Latvia. The head office of the Company is located in Riga, 11 Sporta Street, Republic of Latvia.

The Company has two foreign branches – in Estonia (address: Lõõtsa 2B, Tallinn, 11415) and in Lithuania (address – Viršuliškių skg. 34, Vilnius, LT-05132).

The company offers a broad range of non-life insurance products to corporate and private entities – since 2015, the Company has all the following non-life insurance licences:

- motor insurance (CASCO);
- motor vehicle liability insurance (incl. compulsory insurance on third party motor vehicle liability – MTPL);
- health insurance;
- property insurance against fire and natural forces;
- property insurance against other damages;
- general liability insurance (GTPL);
- miscellaneous financial loss insurance;
- goods in transit insurance;
- accident insurance;
- assistance (travel) insurance;
- railway rolling stock insurance;
- marine insurance;
- liability for ships insurance;
- aviation insurance;
- aircraft liability insurance;
- suretyship insurance;
- credit insurance;
- legal expenses insurance.

A.2 Underwriting Performance

The Company has gross written insurance premiums of EUR 222.7 million for the Baltic States together in 2019 (after mandatory payments). The volume of gross written insurance premiums increased by 7.5% in year 2019, as compared to the results of year 2018 in Estonia (+2.8%), Lithuania (+10.3%) and Latvia (+5.3%). Net earned premiums in 2019 increase by 3.6%.

Table A.2.1. The Company's geographical performance, thousand EUR

	2019				2019/2018, %			
	Total	Latvia	Estonia	Lithuania	Total	Latvia	Estonia	Lithuania
Premiums written								
Gross - Direct Business	222 680	83 059	26 257	113 364	7.5%	5.3%	2.8%	10.3%
Reinsurers' share	51 494	16 235	5 737	29 523	2.2%	5.8%	2.0%	0.4%
Net	171 186	66 824	20 521	83 841	9.2%	5.3%	3.0%	14.2%
Premiums earned								
Gross - Direct Business	207 195	78 677	25 348	103 171	2.5%	0.3%	7.7%	3.0%
Reinsurers' share	49 735	15 366	5 578	28 792	-0.8%	-5.1%	10.2%	-0.3%
Net	157 460	63 311	19 770	74 379	3.6%	1.8%	7.1%	4.4%
Claims incurred								
Gross - Direct Business	148 099	58 939	22 541	66 618	1.6%	-3.1%	7.6%	4.1%
Reinsurers' share	40 676	15 884	5 848	18 945	-0.5%	3.2%	-16.8%	2.6%
Net	107 423	43 055	16 694	47 674	2.4%	-5.2%	19.9%	4.7%
Expenses incurred	**42 527**	**15 070**	**5 894**	**21 563**	**10.0%**	**1.5%**	**21.9%**	**13.6%**

Along with the growth of the volume of gross insurance premiums written, the volume of gross claims incurred increased by 1.6% in 2019 and reached EUR 148.1 million.

Looking on business performance from insurance products' perspective (Table A.2.2) the steepest growth of gross written insurance premiums of all typical kinds of insurance in 2019 was in property insurance (+35 %), credit and suretyship insurance (+29%) and health insurance (+12%). GWP in all other lines of business increased up to 8%, excluding MTPL which dropped by 4%.

Company's insurance portfolio is well-diversified providing stable overall business result despite the fluctuations of incurred claims level in different product lines.

Table A.2.2. The Company's product performance, thousand EUR

	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property	Medical expense	General liability	Credit and suretyship	Assistance	Other	Total
Premiums written									
Gross - Direct Business	74 292	52 428	33 996	25 634	8 769	9 937	7 891	9 32	222 680
Reinsurers' share	37 650	32	5 404	-	1 106	4 025	2	3 275	51 494
Net	36 642	52 396	28 591	25 634	7 664	5 912	7 889	6 456	171 186
Premiums written, 2019/2018, %									
Gross - Direct Business	-4%	6%	35%	12%	8%	29%	8%	3%	7%
Reinsurers' share	-4%	-29%	22%	-	1%	55%	9%	7%	2%
Net	-4%	6%	38%	12%	10%	16%	8%	1%	9%
Premiums earned									
Gross - Direct Business	74 862	50 821	25 963	24 552	8 318	5 219	7 809	9 652	207 195
Reinsurers' share	37 945	32	4 781	-	1 115	2 557	2	3 303	49 735
Net	36 916	50 789	21 182	24 552	7 204	2 662	7 807	6 348	157 460

Continued table

	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property	Medical expense	General liability	Credit and suretyship	Assistance	Other	Total
Premiums earned, 2019/2018, %									
Gross - Direct Business	-5%	7%	17%	11%	-2%	-22%	8%	9%	3%
Reinsurers' share	-7%	-29%	54%	-	5%	11%	9%	26%	-1%
Net	-2%	7%	10%	11%	-3%	-40%	8%	2%	4%
Claims incurred									
Gross - Direct Business	57 042	32 075	17 639	19 659	4 736	6 645	2 588	7 715	148 099
Reinsurers' share	27 014	-	3 652	-	707	5 101	-	4 202	40 676
Net	30 028	32 075	13 987	19 659	4 028	1 544	2 588	3 514	107 423
Claims incurred, 2019/2018, %									
Gross - Direct Business	-9%	5%	14%	15%	7%	22%	7%	1%	2%
Reinsurers' share	-11%	-100%	-17%	-	72%	122%	-	33%	0%
Net	-7%	6%	27%	15%	1%	-51%	7%	-21%	2%
Expenses									
Expenses incurred	9 176	14 069	6 730	4 338	2 006	923	3 700	1 585	42 527
2019/2018, %	22%	6%	3%	11%	-2%	2%	22%	14%	10%

EFFECT OF RISK MITIGATION ACTIVITIES ON THE UNDERWRITING RESULT

In order to reduce risk, Company's risk underwriting is based on risk diversification, which ensures a balanced portfolio in the long term. The Company monitors results by products in order to identify the emergence of negative trends in a timely manner and to take measures required to improve business performance and adjust the risk level in accordance with the strategy and the annual plan.

The Company reinsures a part of underwritten risks in order to control its exposure to losses and protect own capital. It purchases the obligatory and facultative reinsurance coverage to reduce the net exposure and not to exceed the actual margin of solvency. The Company also buys reinsurance treaties for the main lines of its business that protect the Company from any cumulative losses that may arise from multiple claims resulting from the same event.

Ceded reinsurance contains credit risk, and such reinsurance recoverable is reported after deductions for known counterparty insolvencies and uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically.

Risks are ceded to the (re)insurance companies with a sound reputation taking into account internal and VIG guidelines. The decision of choosing a cooperation partner with a rating below A- level by Standard and Poor's, Moody, Reuters, A.M. Best and Fitch, upon evaluating all risks, is coordinated with the Management Board and VIG Security Committee.

Reinsurance companies settle their obligations in the time period of 30 days. Reinsurance agreements also stipulate for cases when upon the insurance indemnity exceeding a certain amount, the reinsurance claim is paid immediately.

During the reporting period, there have been no cases where a reinsurance company has not fulfilled its obligations to the Company.

A.3 Investment Performance

When making financial investments in fixed-interest securities, real estate, investment fund shares, share capital of other companies, and loans, the Company assesses the impact of the particular investment on its solvency.

The total investment assets under management of the Company at the end of 2019 had reached EUR 263.9 million. The Company adhered to conservative approach in its investment policy, primarily using low-risk assets. For the major part, the Company has invested in government bonds of high investment grade (from A to AAA according to Standard & Poor's classification). The Company's investments in government bonds constitute 54.2 % of the total investment volume (including cash and property for own use) at 31 December 2019.

The result of investing operation in 2019 was EUR 4.34 million. Taking into account the revaluation of assets according to Solvency II principles, the eligible own funds in 2019 have increased by EUR 525.02 thousand.

Table A.3.1. Income/gains and losses in the period (Neither unit-linked nor index-linked), thousand EUR

Asset category	Interest		Dividends		Rent		Net gains and losses		Unrealized gains and losses		Total	
Year	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Government Bonds	877.8	1 020.1					91.3	2 436.4	-862.6	3 898.3	106.5	6 334.7
Corporate Bonds	553.0	657.3					-34.1	-32.8	-532.9	1 696.4	-14.0	1 663.6
Cash and deposits	20.8	2.7									20.8	0
Mortgages and loans	8.6	62.3									8.6	0
Properties					49.1	71.0	22.0	0	-92.2	-34.3	-21.1	36.7
Collective investments undertakings			314.7	340.0				50.5	-43.1	1134.7	271.6	1 525.2
Total	1 460.3	1 743.1	314.7	340.0	49.1	71.0	79.2	2 454.2	- 1 530.8	6 695.1	372.5	11 303.5

During the reporting period, the Company made no investments into securitisation.

A.4 Performance Of Other Activities

In the reporting year, the Company had no other material income or expense from activities not related to insurance activity or investing.

A.5 Other Information

All the relevant information on the Company's business and results is disclosed in Sections A.1-A.4.

B. System Of Governance

B.1. General Information On The System Of Governance

The Company has established a governance system that is relevant to the character, size and complexity of its operations, based on a transparent organizational structure with clearly defined distribution of obligations, rights and responsibilities, as well as a well-designed information management system.

The Shareholders' meeting, the Supervisory Board and the Management board according to requirements of the Articles of Association of the Company, external regulatory enactments and internal regulatory documents execute the governance of the Company. To guarantee that the Company is managed and supervised in a professional way, it is maintained that the Supervisory Board and the Management board together have sufficient experience and knowledge regarding all essential Company's operation segments and risks, as well as that each Management board member possesses a proper qualification, knowledge, skills and professional experience to accomplish the assigned tasks.

SUPERVISORY BOARD

The Supervisory Board represents the interests of shareholders and supervises the operations of the Management board including supervision of the Company's Management board ensuring efficient governance system establishment and operations. The Supervisory Board determines the company's development and operational strategy, as well as approves the budget and the policies, including defined risks, the company is willing to undertake, and the acceptable risks margin, supervises the company's Management board establishing efficient risks management system to ensure continuous management of current and prospective risks, risk groups management and supervision of the interaction of different risks. The Supervisory Board makes decisions regarding all significant business transactions, which are not included in the Company business plan.

At the end of the reporting period, the Supervisory Board is composed of five members elected by the Meeting of shareholders. Supervisory Board meetings occur at least four times a year, it takes at least three members of the Supervisory Board to reach a quorum.

Members of the company's Supervisory Board and their positions held:
- Peter Franz Höfinger – Chairman of the Supervisory Board from 27.05.2019;
- Franz Fuchs – Deputy Chairman of the Supervisory Board from 27.05.2019; until then Chairman of the Supervisory Board;
- Elisabeth Stadler – Deputy Chairlady of the Supervisory Board;
- Jan Bogutyn – Member of the Supervisory Board;
- Artur Borowinski – Member of the Supervisory Board.

MANAGEMENT BOARD

The Management board is composed of four members elected by the Supervisory Board. Each Management board member is assigned to supervise certain operational areas in line with its competence in the organizational structure. The Company avoids making unilateral decisions, which have material impact on the Company's business strategy, operations and management, or which have material impact on the Company's finances, employees or policyholders and insured persons.

The Company's Management board is responsible for governance system establishment, implementation, management and improvements, as well as for efficient operations of risks management system.

Company Management Board members and their positions held during the reporting period:
- Wolfgang Stockmeyer – Chairman of the Management Board;
- Oskars Hartmanis – Deputy Chairman of the Management Board;
- Evija Matveja – Member of the Management Board;
- Tadeuš Podvorski – Member of the Management Board.

THE COMPANY'S COMMITTEES

AUDIT COMMITTEE

The committee operates since 2017 according to the requirements of the Financial Instruments Market Law. The main task of the committee is to supervise annual report preparation process with the aim to increase the credibility of the information provided within the financial report, as well as to assess and to propose sworn auditor candidates for approval of the Supervisory Board.

INVESTMENT COMMITTEE

The Investment committee started to operate from the beginning of 2019. It approves investment decisions, reviews investing activity results, as well as reports the investing results and investment strategy performance to the Company's Management Board on a regular basis.

TARIFF COMMITTEES

Tariff committees started to operate in all Baltic countries since the beginning of 2019. The Tariff Committees are collegiate entities, established to execute the risk underwriting strategy of the Company. The main task of the Committees is to monitor the profitability of mass products and to check and approve propositions of change in tariffs.

The company has not established other committees.

KEY FUNCTIONS

The Company appoints employees (company unit managers) in charge of key functions - risk management, compliance, actuarial and internal audit functions, who regularly review and evaluate the implementation of the functions they are in charge of, information exchange and decision making procedure, and inform the Management board regarding necessary improvements or changes.

The Company ensures that entrusting a number of tasks to individuals and organizational units does not interfere with correct, fair and objective performance of any particular function.

To ensure sustainable and reliable functioning and supervision of the governance system, as well as compliance, the Company has developed internal regulatory documents capturing the key principles and procedures to be observed by the employees of the Company.

Risk Management and Compliance functions

Risk Management and Compliance functions are performed by Quality and Risks Management Department director, who is in charge of implementation and maintenance of risk management system providing continuous, systematic and timely reaction.

The following tasks are completed within risk management functions:
- providing the Management board with reports on exposure of risks, as well as consulting the Company's Management board and organizational units on the matter of risk management, therefore, aiding the Company's management board to effect risk management system efficiently;
- coordinating the ORSA processes and prepare the ORSA report;
- upon close cooperation with the actuary function, risk management system and the overall risk profile monitoring is performed;
- investigating reported incidents, and document them in the Risk Event register;
- updating and maintaining the risk register;
- identifying and assessing new risks.

Within compliance function:
- compliance risk identification and assessment process is controlled;
- the Company's awareness and compliance with external regulatory requirements is ensured;
- compliance risk profile monitoring and risk reducing measure implementation is ensured, in case current control measures are assessed inefficient.

Taking in to account the growth and complexity of the Company, in 27th November 2019 the Management

Board decided to split Compliance and Risk management functions and to assign the Director of Legal Department as a Compliance function holder (decision is in force from 09th of January 2020 after Financial Capital and Market Commission approval). The Director of Quality and Risk management Department keeps responsibility of Risk management function.

Actuarial function

Chief Actuary of the Company is in charge of execution of actuarial function. Further information in detail is provided in Section B.6.

Internal audit function

Internal audit manager is in charge of execution of internal audit function. Further information in detail is provided in Section B.5.

Internal Audit function holder position was vacant from 16th of October, 2019. New function holder is approved and will start to complete his obligations from 01st of April 2020.

GOVERNANCE OF BRANCHES IN LITHUANIA AND ESTONIA

Branch in Estonia

A branch director is appointed who is responsible for the business and operations in the branch. Estonian Branch director reports to the Deputy Chairman of the Management Board.

Branch in Lithuania

A branch director is appointed who is responsible for the business and operations in the branch. The director is also a member of the Management Board. Additionally in Lithuania, local Executive Board is established.

CHANGES IN THE GOVERNANCE SYSTEM OF THE REPORTING YEAR

As mentioned in this chapter before during 2019 several changes were introduced – amendments in the Supervisory Board and key function holders. These changes did not cause any material changes or disruption of Company's operations.

REMUNERATION POLICY

The Company's remuneration policy is based on the following key principles: internal fairness, remuneration meeting market requirements, equal approach, and enhancing staff activity focused on achievement of the Company's long-term operational goals.

Remuneration for executing any internal control functions in the Company does not depend on the work results of the company unit, which is under these control functions.

The proportion of base salary and variable part of remuneration in the total remuneration of employees is set to motivate the employees to reach the set goals, adhere to long-term interests of the Company and improve their professional qualification in order to provide a better work performance. The remuneration system balances the elements of remuneration in order the base salary would constitute a sufficient part of the total remuneration and the staff would not be overly dependent on the variable part of remuneration.

Short-term employee benefits, including salaries, social security contributions, bonuses and holiday playouts are included in net operating expenses according to the accrual principle at the time the service is provided. The Company pays a contribution to the social fund for each employee for a specified period during the entire period of employment in accordance with the requirements of the law, and the Company has no obligation to make further contributions to the services provided by retired employees.

MATERIAL TRANSACTIONS WITH THE RELATED PARTIES DURING 2019

Transactions with the related parties (persons, who effect considerably the company, governance, management or supervisory company unit members) are performed in accordance with the general Company operational principles and market prices (arm's length principle).

Table B.1.1. Transactions with related parties – reinsurance, thousand EUR

	2018	2019
Vienna Insurance Group AG Wiener Versicherung Gruppe	(878)	(1 055)
VIG RE zajišt'ovna a.s.	(754)	(614)

(Detailed information is available at the Company's annual report for 2019)

Table B.1.2. Transactions with related parties – other transactions, thousand EUR

	2018	2019
Vienna Insurance Group AG Wiener Versicherung Guppe	**(108)**	**(410)**
Interest expense for subordinated liabilities	(79)	(378)
Other expense	(29)	(32)
Compensa Life insurance SE Lietuvos filiãle	**(84)**	**(97)**
Contributions to Health insurance	(84)	(97)
Compensa Towarzystwo Ubezpieczeń Spolka Akcyjna Vienna Insurance Group	**(187)**	(228)
Other technical income	1	-
Claims handling costs	(188)	(228)

(Indicated only transactions, where the net amount is EUR 50 thousand and above. Detailed information is available at the Company's annual report for 2018)

Table B.1.3. Balances of related companies, thousand EUR

	31.12.2018	31.12.2019
Receivables	**34 815**	**48 540**
Vienna Insurance Group AG Wiener Versicherung Gruppe	31 286	37 301
VIG RE zajišt'ovna a.s.	1 312	881
VIG FUND, a.s.	852	2 462
Atrium Tower Sp. z o.o.	1 358	1 384
KKB Real Estate SIA	-	6 006
Urban Space SIA	-	506
Payables	**39 109**	**45 192**
Vienna Insurance Group AG Wiener Versicherung Gruppe	38 532	44 883
VIG RE zajišt'ovna a.s.	577	300
Compensa Vienna Insurance Group, UADB	-	6
Seesam Insurance AS Lietuvos filialas	-	3

(Detailed information is available at the Company's annual report for 2018)

Assets due from VIG FUND, a.s., Atrium Tower Sp. z.o.o. and KKB Real Estate SIA includes loans issued to these related parties in amount of EUR 146 thousand (2018: EUR 150 thousand), EUR 1 350 thousand (2018: EUR 1 350 thousand) and EUR 6 000 thousand (2018: EUR 0) and accrued interest EUR 0 thousand (2018: EUR 1 thousand), EUR 0 thousand (2018: EUR 8 thousand) and EUR 6 thousand (2018: EUR 0), respectively, which is included in the Statement of Financial Position under Loans caption. The payment terms of loans issued to VIG FUND, a.s. and Atrium Tower Sp. z.o.o.is 31 December 2030 and annual interest rate is 2.5%; while the payment terms of loan issued to V KKB Real Estate SIA.is 31 March 2030 and annual interest rate is 2.55%.

In addition, assets due from VIG FUND, a.s. include investment in the share capital of VIG FUND, a.s. in amount of EUR 2 312 thousand (2018: EUR 700 thousand), which is included in the Statement of Financial Position under Available-for-sale instruments caption.

Payables due to Vienna Insurance Group AG Wiener Versicherung Gruppe include:

- Subordinated loan in amount of EUR 1 500 thousand (2018: EUR 1 500 thousand) that has been acquired as a result of reorganisation of InterRisk Vienna Insurance Group AAS. The payment term of this loan is 28 December 2025 and annual interest rate is 5%. Accrued interest expense as at 31 December 2019 amounted to EUR 417 (2018: EUR 417);
- Subordinated loan in amount of EUR 5 500 thousand which was received on 27 December 2018 with annual interest rate of 5.5%. The loan shall be repaid on tenth anniversary of the receipt of the loan. Accrued interest expense as at 31 December 2019 amounted to EUR 3 315 (2018: EUR 3 315).

B.2 Fit And Proper Requirements

The operation of the Company's units is governed by regulations defining company unit goals, tasks and governance procedure, and an integral part of each employee's labour contract is job description.

When defining the requirements of professional qualifications, competences and being proper for the position, only requirements that are necessary to perform the duties of a particular position are included.

The following minimum criteria are applied with respect to management board members:

- university education in finance, economics, management or legal sciences or another area, requiring specific knowledge for good performance of the duties assigned;
- at least 5-year experience of working in leading positions in financial institutions in areas that the management board member is in charge of;
- impeccable reputation and outstanding work results in previous positions;
- the fit and proper assessment of Supervisory and Management board members evaluates their professional qualifications, knowledge and experience.

The following minimum criteria are met for the persons responsible for the key functions:

- employee has a sufficient competence in the area for which it is responsible and is able to ensure that the Company's governance is carried out in such a way that this company is capable of carrying out insurance or reinsurance on a regular, professional, qualitative and in accordance with the requirements of regulatory enactments;
- employee has the required education and at least three years of work experience in the field;
- impeccable reputation;
- employee is not and has never been deprived of the right to engage in commercial activities.

The fit and proper assessment of persons for their position is conducted upon starting employment or assuming post, in the case of re-election, of changing the areas of responsibility, as well as in cases of identification of any conditions raising doubt in a person's further fitness and propriety for performance of its duties.

B.3. Risk Management System, Including Own Risk And Solvency Assessment (ORSA)

The Company's risk management system encompasses:

- underwriting (insurance) risk;
- market risk management,
- credit risk or business partner risk management,
- operational risk management, including compliance risk management, information security and business continuity risk management.
- as well as risks that are not covered under the solvency capital requirement, i.e. liquidity risk, strategic risk and reputation risk management.

Each of the aforementioned areas have clearly defined risk management principles and responsible company units and persons.

Baltic Insurance Risks Underwriting Department manages underwriting risks – on a regular basis, analyses risk underwriting results, prepares reports to the management board and to the person in charge of the Risk management function, conducts necessary activities to improve risk underwriting management and risk level adjustment in line with the strategy and annual plan.

Actuarial Department takes care of setting technical provisions, analysis and calculation of solvency capital requirements and their assessment, as well as conducts ORSA quantitative estimates according to the standard formula, except for operational risk assessment, monitoring and their compliance with the standard formula, as well as the regular Solvency II reporting to supervisory institutions (Financial and Capital Market Commission and the Bank of Latvia).

Reinsurance Department performs reinsurance risk (including credit risk, related to reinsurance activity) management.

Finance Department performs market risk, credit risk and liquidity risk management.

Quality and Risk Management Department conducts operational risk management, as well as compliance and risk management functions and coordinates ORSA process.

The Company performs own risk and solvency self-assessment once per a calendar year. The assessment results are used in strategic and operational planning, budget planning, as well as cases, when any significant changes in the Company's operation are contemplated.

The Company monitors its risk profile on a regular basis. It conducts a full solvency capital requirement calculation once a quarter, as well as regular stress testing, sensitivity testing, in case the actual figures differ from own risk and solvency assessment forecasts. The use of the standard formula is in line with the Company's risk profile, which is assessed in the own risk and solvency assessment.

The Company conducts ORSA assessment each year, identifying and assessing the possible impact of various exceptional but possible adverse events or changes in market conditions on the Company's ability to fully comply with its obligations under insurance contracts and to ensure the stability of financial operations.

The Company's management board approves testable factors and scenarios for own risk and solvency assessment, identifying significant risks, which may affect the Company's solvency capital value, financial operation stability and ability to comply with liabilities completely and the respective risk factors.

Within ORSA process actuarial function performs approved sensitivity tests (unfavourable change effect determination for particular risk factors) and scenario tests (several risk factors simultaneous unfavourable change effect determination).

Upon cooperation of actuarial function and risk management function, ORSA is performed and results are submitted to the Company's management board for approval.

Based on the assessment prepared, the Company's management board makes a decision regarding the actions to be undertaken in case of occurrence of the mentioned events or market condition changes on particular conditions, measures and further actions.

In addition to annual ORSA, Company's management board makes decisions on ORSA performance in case, when circumstances that may affect the Company's solvency considerably arise.

B.4 Internal Control System

For effective internal control system functioning purposes, the Company documents the essential processes and controls, as well as roles, obligations and responsibilities, which sustains compliance of the level of quality of the Company's provided services to the established standards and requirements of regulatory enactments.

At least once a year Company performs a set of Internal Control System (ICS) process, which is intended to reduce operational risk and achieve the targets of BTA. The Company's management and heads of structural units participate in the ICS process, by identifying all relevant operational risks, assessing the existence of their controls and assessing the remaining risk.

To avoid the potential conflicts of interest, the Company makes sure that a single employee does not have full control over performance of a function.

The Company relies on a risk-based approach in introduction of control measures, furthermore, the preference is as much as possible given to introduction automated controls – by employing technologies, developing control activities and effective management of information system user rights.

The functions of internal control are independent from the Company's business operation that they control.

Person who performs internal control functions in the Company:

- is entitled at his or her own initiative freely to contact employees and to access, without limitations, information, required for internal control;
- is provided and granted by the management board any required authorities, information, support, objectiveness and independence;
- possesses appropriate qualification, competence and experience to perform the particular internal control, as well as has had the necessary training.

For realizing the compliance function, the Company has developed a compliance policy, which defines compliance function duties, authorities and reporting obligations. Each year the Company develops an action plan for maintaining compliance, according to the Company's exposure to compliance risk.

The compliance function assesses compliance risk within the framework of annual operational risk and internal control system assessment process, establishing whether the non-compliance prevention measures adopted by the Company are sufficient.

B.5 Internal Audit Function

The internal audit function does not participate in business operations which control is performed by the function, neither does the internal audit have any rights to define Company's accounting and control procedures and give orders to other Company's employees.

On a regular basis, the Internal audit provides quarterly reports to the Company's Supervisory Board and Audit committee on its operating results – conducted audits, their results, as well as implementation statuses of audit recommendations.

The strategic audit plan includes all processes of the Company and company units within it.

B.6 Actuarial Function

Actuarial function in the Company is provided by the Chief Actuary, who coordinates calculation of technical provisions, including development of methodologies and procedures, as well as is in charge of Solvency II calculations and reporting and ORSA calculations.

The Chief Actuary coordinates and evaluates, whether the methodologies and assumptions, as well as adequacy and quality of data used in calculation of technical provisions, are appropriate for the company's particular business lines and business management style, according to the available data, as well as whether the information technology systems, used in calculation of technical provisions, support calculation procedures to a sufficient degree.

Comparing the Best estimate to experience, the actuarial function reviews the quality of the previous Best estimate and uses the conclusions in the current assessment to improve the quality of the current calculations. Comparison of the Best estimate to experience includes comparisons between the established values and the underlying assumptions of the best estimate calculation, to make conclusions regarding the relevance, accuracy and completeness of the data and assumptions used, as well as regarding the methodologies used for their calculation.

The actuarial function prepares a report on technical provisions calculation, including an argument-based analysis regarding technical provision calculations, credibility and relevance and regarding technical provisions estimate sources and the level of uncertainty. This analysis is also supported by sensitivity analysis, which includes inspecting the sensitivity of technical provisions to each major risk, underlying the liabilities, covered by the technical provisions. The actuarial function clearly indicates to and explains all concerns that it may have with respect to the adequacy of technical provisions.

The opinion of the actuarial function regarding risk underwriting includes conclusions about:

- sufficiency of earned premiums to cover further insurance claims and expenses;
- the effects of inflation, legal risk, changes in the company's portfolio composition and systems adjusting the premiums paid by policyholders upwards or downwards depending on their insurance claims history (bonus-malus systems) or similar systems, exercised in particular homogenous risk groups;
- upward trend of insurance contracts portfolio to acquire or retain insured persons having a higher risk profile (negative selection).

With respect to general reinsurance transactions, the opinion, made by the actuarial function, includes analysis of the Company's risk profile and underwriting policies, including about:

- reinsurance providers taking into account their creditworthiness;
- the expected cover under stress scenarios with respect to underwriting policy;
- calculation of recoverable amounts under reinsurance contracts.

The actuarial function, minimum once a year, prepares a written report to be provided to a governance, managerial or supervisory body. The report includes documented all the tasks, performed by the actuarial function, and their results, and clear indications to all deficiencies, and provides suggestions as to how these deficiencies should be remediated.

B.7 Outsourcing

The Company makes decisions on outsourcing based on economic considerations, assessing the available and necessary internal resources and costs to sustain the required function or activity, as well as the potential outsourcing providers, costs and associated risks.

The Company determines the scope of the required outsourced service and detailed quality requirements, compliance to which is constantly monitored during performance for timely identification and response to any negative tendencies in service provision.

At the end of 2019, the Company outsources only some information technology maintenance services, and asset management in limited amount, all outsourcing agreements are coordinated with the Financial and Capital Market Commission.

The outsourcing services providers are the Baltic an Austria based companies. The company in Lithuania is engaged for providing services to the Lithuanian branch. As of 2019, a small part of asset management is to be outsourced to an Estonian based company.

B.8 Other Information

There is no other relevant information to disclose.

C. Risk Profile

Table C.1. Market risk split by risk components, thousand EUR

	Solvency capital requirement (SCR)		
Risk category	**31.12.2018**	**31.12.2019**	**2019/2018, %**
Non-life underwriting risk	31 132	34 509	11%
Market risk	10 366	14 084	36%
Counterparty risk	5 011	6 412	28%
Health underwriting risk	4 569	5 007	10%
Life underwriting risk	4 999	2 336	-53%
Diversification	-16 378	-17 055	**4%**
Basic solvency capital requirement	**39 698**	**45 293**	14%
Operational risk	6 788	6 215	-8%
Loss absorption capacity of deferred taxes	-1 995	-2 983	50%
Solvency capital requirement (SCR)	**44 491**	**48 526**	**9%**

According to operational peculiarities of the Company, for the main part of Company risk profile accounts non-life underwriting risk, followed by market risk, counterparty risk and operational risk. Life insurance underwriting risk appears with regard to annuities stemming from non-life business.

C.1 Underwriting Risk

By conducting insurance activities, the Company faced underwriting risk, constituted by three components:
- non-life underwriting risk
- health underwriting risk (incl. accident insurance)
- life insurance obligation underwriting risk. As the Company is a non-life insurance service provider, the life insurance underwriting risk appears due to claim liabilities under the Compulsory Civil Liability Insurance of Owners of Motor Vehicles (MTPL).

The scope of underwriting risk, calculated by standard formula, is shown in Annex 8, Template S.25.01.21. Annex 2, Template S.05.01.02 displays written premiums, claims and expenses by lines of business in thousands EUR.

The basis of underwriting strategy, to reduce underwriting risk, is risk diversification and selection of an optimum reinsurance programme, which provides a balanced portfolio of risks, based on big amount of equal risk portfolios, which are held for several years. Company carries out accurate and regular monitoring of products, so it can respond to trends, which does not correspond to approved strategy, in time.

Risk management of underwriting risk is conducted by:
- insurance product regulation development and renewal;
- regular pricing review, to ensure Company's goal achievement;
- supervision of sales and insurance compensations paid on daily basis, to see if they corresponds to planned results;
- preparation of reports and analysis (about insurance product sales, lost ratios and so on) on regular basis;
- regular provision sufficiency analysis, thus controlling and managing the provisions risk;
- conducting the annual Risk Inventory.

The company, when planning its activities, determines the preferred distribution of the insurance portfolio between business lines and regularly checks compliance with the planned volumes both at the time of underwriting the risk and preparing regular reports.

To reduce underwriting risk company carries out regular monitoring of underwriting results –gross/net premiums and gross/net paid claim actual and planned data is compared, and also conditions which influenced results are analysed – external environment processes, like market changes, situation changes in economic or politic situation, changes in law etc., internal environment in Company is analysed as well. Company prepares overviews on certain insurance products and sales channels, taking into account internal and external influence. To reach strategic goals, based on the results of the analysis, Company decides on its pricing policy, methodology and ensures risk diversification in priority segments (client, product, geographic).

Reinsurance is very important risk management tool, which is oriented on risk mitigation. Company uses reinsurance, to reduce loses which may occur in the case of insurance risk concentration. By using reinsurance, Company's part in the risk either for one object, either for one event, in which losses may be caused for several objects at the same time.

C.2 Market Risk

The Company defines the market risk as a risk of a financial loss or negative change in the Company's financial position, which arises from fluctuations in market prices of assets, liabilities and financial instruments. According to the standard formula, the market risk is divided into several components, which include interest rate risk, equity risk, property risk, spread risk, market risk concentration risk, and currency risk.

According to the standard formula assessment, the market risk for the Company as of the end of year 2019 amounts to EUR 14.1 million (end of Y2018: EUR 10.4 million). The increase of the SCR for the market risk is due to a number of factors, which include an increase of the total investment volume to EUR 239.1 million at the end of 2019 (2018: EUR 212.9 million), an increase in share of corporate bonds the fixed income investment portfolio, an increase in share of investments into corporate fixed income securities and real estate. There are impact in property risk also due to new IFRS 16 framework that asks to include lease and right use of assets in IFRS and EBS balance sheet.

Market risks are controlled in accordance with the Investment and Risk Strategy, Asset and Liability Management Policy, as well as the Capital Management Policy.

Table C.2.1. Market risk capital requirement, in thousand EUR

Type of risk	Capital requirement		
	31.12.2018	31.12.2019	Changes, %
Market risk	**10 366**	**14 084**	**36%**
Interest rate risk	5 194	7 456	44%
Equity risk	3 144	2 453	-22%
Property risk	2 707	5 225	93%
Spread risk	4 122	5 731	39%
Market Risk Concentration	467	1 117	139%
Currency risk	340	466	37%
Diversification	-5 608	-8 365	49%

Table C.2.2. The amount of assets split by their sensitivity to certain types of market risks, thousand EUR

Risks category	Amount of assets, sensitive to the respective risk		Changes	
	2018	2019	thousand EUR	%
Market risk	**212 880**	**239 097**	**26 217**	**12%**
Interest rate risk	194 344	215 962	21 618	11%
Spread risk	54 462	82 790	28 328	52%
Property risk	12 674	20 901	8 227	65%
Equity risk	5 862	7 099	1 237	21%

To regulate the risk concentration in financial instruments, the Company has set investment limits for one counterparty and for groups of financial instruments, thus controlling the concentration risk and the solvency capital requirements.

Market risk is limited by diversifying the investment portfolio and analysing investments before acquisition, as well as ensuring their regular monitoring. Asset and liability matching by currencies and maturity structure is ensured in the scope of asset and liability management.

Investment committee was launched into operation in 2019, assigned to scrutinize the investment performance, and making decisions on investing funds or disposal of assets in line with the limits defined in the Investment and risk strategy.

C.3 Credit Risk (Counterparty Default Risk)

Credit risk or counterparty default risk reflects losses or unfavourable changes in values of assets and financial instruments, which may occur during the upcoming twelve months due to unforeseen failure by a business partner or other debtor to settle their liabilities to the Company or due to a decrease of the credit rating of a business partner. Credit risk reflects potential losses, which may occur should the business partners and debtors fail to settle their liabilities or should their credit rating decrease.

The approved Investment and risk strategy, which the Company reviews at least annually, describes conditions for execution of investments, including maximum limits for cash outstanding balance in specific credit institutions. Reinsurance policy determines requirements and limits for reinsurance companies, defined in Reinsurance Policy and approved Reinsurance Programs.

The credit risk is controlled through establishing and complying with requirements for business partner ratings and cooperation limits, criteria for selection of business partner, through performing efficient debt collection, and, in case of insurance debtors, termination of the policy.

The credit risk, compared to the previous year, has increased by EUR 1,401 thousand. The major cause for it was increase of type 1 exposures by EUR 1.58 million, due to increase of cash balances with banks by EUR 10.99 million (from EUR 15.83 million to EUR 26.82 million). The current cash balance with banks sustains a sufficient level of liquidity, i.e. It is sufficient for timely discharge of commitments towards clients and partners (Section C.4).

Table C.3.1. Credit risk distribution and changes, thousand EUR

	2018	2019	Changes	
			thousand EUR	%
Credit risk	**5 010.8**	**6 412.1**	**1 401.3**	**28%**
Type 1 exposures (cash in credit institutions, reinsurers' liabilities)	4 165.5	5 753.6	1 588.1	38%
Type 2 exposures (brokers, policyholders, other debtors, etc.)	1 061.2	845.5	-215.7	-20%

Table C.3.2. Company's TOP10 exposures, thousand EUR

#	Counterparty group/Name of single name exposure	Exposure*
1	VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE	24 222.2
2	SKANDINAVISKA ENSKILDA BANKEN GROUP	12 542.3
3	SWEDBANK GROUP	6 835.1
4	NORDEA BANK GROUP	5 386.9
5	HDI HAFTPFLICHT DER DEUTSCHEN INDUSTRIE VAG	5 068.7
6	SCOR SE	3 856.4
7	SWISS RE GROUP	3 665.1
8	R+V VERSICHERUNG AG	2 714.9
9	MUNICH RE GROUP	2 649.6
10	SOCIETY OF LLOYD'S	2 226.2

**potential loss given default, calculated according to Solvency II principles.*

Transactions with the related parties (persons, who effect considerably the company, governance, management or supervisory company unit members) are performed in accordance with the general Company operational principles and market prices (arm's length principle).

C.4 Liquidity Risk

Liquidity risk is a risk that the Company has no sufficient cash to settle its current liabilities without additional costs or time delay. This risk includes mismatch of maturity structure of assets and liabilities.

In accordance with the Company's investment strategy, the Company invests mostly into highly liquid financial assets. The major part of financial investments have an active market and can be realized within short period with minimal or no costs. The investment and risk strategy also sets the minimal level of cash to ensure the Company's ability to settle current and potential liabilities. Taking into account the above mentioned, liquidity risk of the Company is evaluated as low. The Company controls this risk through monitoring of the maturity structure of its asset and liabilities and observation of financial markets, as well as keeping a part of financial assets available at bank accounts.

The total amount of expected profit of the Company, included in future insurance premiums, at 31 December 2019 by Solvency II assessment principles was EUR 1 314 thousand.

C.5 Operational Risk

In order to cover operational risk, solvency capital requirement is calculated by means of a standard formula. The Solvency capital calculated with standard formula on covering operational risk is EUR 6 216 thousand as at 31.12.2019 (31.12.2018: EUR 6 788 thousand).

According to the annual own risk assessment the most significant operational risk categories were identified to be process and organizational risk, human error risk and business disruption risk.

To reduce operational risk, the Company uses two different control strategies – preventive, for instance, determining access rights/authorization levels, and adjusting (oriented towards timely aversion of operational risk event and possible aversion of the risk event repeating), and identifying – oriented towards detection of operational risk event occurred. The Company develops internal regulatory framework for most significant processes and takes care of the employee training.

In order to ascertain that standard formula is appropriate, Company carries out Internal control systems annual assessment, to identify and measure operational risk assessment, (by identifying all operational risks and their controls, assessing frequency and severity of risks, in accordance with the procedure of the Internal Control System), thus identifying the Company's operational risk level and the necessary control activities to reduce it. The required capital to cover potential operational risks thus established is EUR 2.27 million, less than established for 2018 (EUR 2.39 million), primarily due to the smoothly functioning and effective internal controls system. The Solvency II capital calculated with standard formula on covering operational risk is EUR 6.22 million as at 31.12.2019 (31.12.2018: EUR 6.79 million), which exceeds the amount of capital required, according to expert judgement.

C.6 Other Material Risk

In risk identification and assessment, the Company has also identified and assessed the strategic risk, reputation risk and cyber risk. The Company believes that, in the light of the corporate governance system and internal control system at the moment of evaluation, these risks are well controlled and the residual risk is low. Other material risks in addition to the above-mentioned have not been identified.

C.7 Other Information

The Company has performed reverse stress tests in order to establish the set of risk occurrence circumstances reducing the Company's solvency margin below 100 %, the Company deems the occurrence probability of such a scenario as low.

Analysis of solvency capital sufficiency and sensitivity, upon performance of different stress tests, testifies that according to stress tests, BTA is able to tolerate them staying solvent.

Valuation For Solvency Purposes

D.1. Assets

The total amount of the Company's assets on 31 December 2019 is 325 356 thousand EUR, break-up in asset positions is attached in Annex 1 template S.02.01.02.

There are the following differences between asset valuation for solvency purposes (as defined in Regulation 2015/35) and asset values in the financial statements:

- property positions (Assets for own use, Property), as for solvency purposes they are provided at market value, while in financial statements – at residual value (after amortization);
- for solvency purposes, intangible assets and deferred acquisition costs are not included on the balance-sheet;
- recoverable amounts under reinsurance contracts – financial statements include the accurate amount of deferred indemnity payments and unearned premiums reserve, while for solvency purposes – the present value of forecasted future cash flows, including an adjustment for credit risk default.

D.2 Technical Provisions Assessment For Solvency Ii Purposes

Best estimate and risk margin are calculated in accordance with Regulation 2015/35 and in accordance with regulations issued by the Financial and Capital Market Commission and VIG Group guidelines, thus, amounts on 31 December 2019 altogether are available within the Company's balance sheet, in template S.02.01.02 in Annex 1, while template S.12.01.02 in Annex 4 and template S.17.01.02 in Annex 5 reflect the respective information allocated by types of insurance on life, health insurance and non-life insurance.

Best estimate is the sum of claims provisions best estimate and premium provisions best estimate. Life best estimate and non-life claim provisions best estimate differs from the IFRS (International Financial Reporting Standards) technical provisions due to discounting. The Company uses risk-free rates defined by EIOPA (The European Insurance and Occupational Pensions Authority) in accordance with Regulation 2015/35. The best estimate for premiums is calculated as forecasted cash flows, including cash flows as much as they pertain to current insurance and reinsurance contracts. The major cash flow positions are claim payments to policyholders and beneficiaries, premiums payments and all other cash flows under these premium and expense payments. To calculate the particular cash flow, the current loss, administrative etc. ratios are used.

Template S.19.01.21 in Annex 6 Non-life insurance claims summarizes quantitative information on gross paid insurance claims and gross Best estimate of claims provisions.

The Company applies a simplified method to calculating risk provisions, i.e. approximated assessment by using the ratio of the best estimate at that future year to the best estimate at the valuation date. This method takes into account the maturity and the run-off pattern of the obligations net of reinsurance. Consequently, some considerations are given regarding the manner in which the best estimate of technical provisions net of reinsurance has been calculated.

Segmentation. Liabilities in each agreement are segmented to follow main risk factor. If agreement contains several risks and only one is substantial then liabilities are not separated.

The Company has no material differences between bases, methodologies and assumptions, used in valuation for solvency purposes and used in valuation of technical provisions for claims for financial statements purposes. The Company does not use volatility and correlation adjustments in technical provisions calculation.

Transition period deduction mentioned in article 308.d of Directive 2009/138/EK is not applied.

Cash flow for life underwriting risk is calculated as a sum of cash flows from losses that have been reported to the Company, but that have not been settled by the end of the accounting period (reported but not settled, hereafter – RBNS) and from claims that have transpired, but have not yet been reported to the Company (incurred but not reported, hereafter - IBNR).

The RBNS cash flow projections used in the calculation of Best estimate for life insurance obligations is made separately for each policy and country by using relevant mortality tables, forecasted inflation, indexation and relevant risk-free interest rate term structure.

The IBNR cash flow projections used in the calculation of Best estimate for life insurance obligations is made using Chain-Ladder method for pensions and other long term claims and RBNS triangles.

For purposes of credibility and comparability of the calculation of best estimate of technical provisions and risk margin, the Company has developed internal regulatory documents, describing the calculation methodologies and assumptions in detail. To gain reasonable understanding of the characteristics of the underlying risks and trends in the risks, the Company uses a minimum of five year period in its provisions calculation. The data is available at the Company's data warehouses on each respective homogenous risk group, used in calculation of technical provisions.

Every change of standard coefficient and data correction is documented, describing the reason and the reason for selecting the used method.

In case of insufficient statistical data, e.g., lack of historical data, the IBNR provisions are calculated as the maximum amount of the proportion (5%) of premiums written in the respective insurance type for the past 12 months or at least of the initial provision. In case the provision sufficiency analysis suggests that the percentage value coefficient of premiums written is too low, it is increased.

The accuracy, completeness and appropriateness of the used data is additionally estimated by controlling the adequacy of technical provisions minimum once a quarter.

Insurance contracts for each insurance type are segmented to follow the main risk factor.

If agreement contains several risks and only one is substantial then liabilities are not separated.

The best estimate of technical provisions is calculated using homogeneous risk groups. In selecting a homogeneous risk group, the focus is on achieving an appropriate balance between the credibility of data available, to enable reliable statistical analyses to be performed, and the homogeneity of risk characteristics within the group.

Consistency between homogeneous risk groups, used to estimate gross technical provisions and reinsurance recoverable from reinsurance contracts are provided for the classification of amounts to be recovered by the same principles as the claims and mapping specific claims.

For homogeneous risk groups to be sufficiently stable enough over time, they are established in Solvency II regime conditions by using licensed insurance products, grouping them.

Insurance or reinsurance obligations stemming from health and other non-life insurance contracts is segmented to life lines of business where such obligations are exposed to biometrical risks (i.e. mortality, longevity or disability or morbidity) and where the common techniques that are used to assess such obligations explicitly take into consideration the behaviour of the variables underlying these risks.

The used assumptions for distribution of Solvency II lines of business are checked at least once a year and kept track to maintain that the basis of business lines are the main risks.

Table D.2.1. Differences between IFRS provisions and best estimate results

Provision	Reasons of differences
Premium provisions	IFRS premium provisions are calculated based on unearned premium part per days. Best estimate of premium provisions is calculated based on IFRS unearned premium provisions, and then multiplied by loss ratios, expense ratios, recourse ratios and termination ratios. Calculation also encompasses receivables effective contract premiums, which have not yet matured.
	Best estimate of premium provisions is calculated as a present value of prospective future payables and receivables.
	Best estimate of provisions affects considerably receivables effective contract premiums, which have not yet matured.
Claim provisions	RBNS provisions are discounted.
	IBNR provisions are discounted.
	RBNS provisions are reduced by the amount of prospective recourses.
	IBNR provisions are reduced by the amount of prospective recourses.

Uncertainty level related to technical provision value is analysed by the Company upon performance of stress tests, sensitivity tests and reverse stress tests, as well as checking sufficiency of provisions regularly. The Company checks the volume of IBNR provision also by means of stochastic methods (Bootstrapping, Monte Carlo), which indicate the level of credibility of IFRS and Solvency II claims provisions.

The Company does not use volatility and correlation adjustments in technical provisions calculation.

Transition period deduction mentioned in article 308.d of Directive 2009/138/EK is not applied.

The Company uses non-risk percent rates defined by EIOPA (The European Insurance and Occupational Pensions Authority) in accordance with Regulation 2015/35.

D.3 Other Liabilities

There are no other liabilities for the Company.

D.4 Alternative Methods For Valuation

Alternative methods for valuation are used for tangible assets and property. Revaluation frequency is in accordance with Regulation 2015/35.

D.5 Other Information

No other information.

E. Capital Management

E.1 Own Funds

For calculation of the solvency capital requirement, the Company uses the standard formula defined in the Regulation 2015/35.

The composition of own funds for solvency purposes is indicated in Table E.1. The structure of the Company's own funds is simple - 89% is the highest quality level – Tier 1. The Company's own funds consist primarily of its equity and reconciliation reserve arising from the excess of the total assets over the total value of liabilities calculated for solvency purposes and reduced by foreseeable dividends for next 12 months.

Table E.1. Own funds structure, in thousand EUR

Year	2018	2019			
Position	Total	Total	Tiers		
			I	II	III
Basic own funds total	57 285	66 307	59 307	7 000	-
- Ordinary share capital (gross of own shares)	41 609	41 609	41 609	-	-
- Reconciliation reserve	8 676	17 698	17 698	-	-
- Subordinated liabilities	7 000	7 000	-	7 000	-
- Net deferred tax assets	-	-	-	-	-
Deductions on participation in financial institutions and credit institutions	-	-	-	-	-
Total eligible own funds after deductions (1-2)	57 285	66 307	59 307	7 000	-
Ancillary own funds, total	-	-	-	-	-

The eligible own funds on 31.12.2019 calculated for solvency purposes EUR 67 293 thousands, is different as it is in the annual financial statements (EUR 65 536 thousands). That arises because of different asset and liability assessment methods for solvency calculation and for financial statements. Financial statements are prepared in accordance with international financial reporting standards (IFRS). Detailed information on asset assessment methods is provided in chapter D.1 and in chapter D.2.

The increase of the eligible own funds is mainly due to changes in asset valuation. Low interest rate environment resulted in market value increase for Company's investment portfolio. The eligible own funds calculation includes the anticipated dividends of EUR 8 million.

The purpose of the Company's capital management is to ensure the Company's sustainable operations and further development, its ability to fully comply with all Company's obligations arising from concluded insurance contracts and to allow dividends to be paid to the shareholders of the Company.

When developing capital management policies and capital management plans, the Company's management uses the methods for calculating the Solvency Capital Requirement in order to determine the capital requirements of the Company, taking into account the Company's existing financial situation, liabilities and future development plans. The management of the company evaluates the level of capitalization desired and determines the measures that are necessary to achieve it in the future taking into account the Company's risk profile and market conditions. Such measures may include limiting and reducing the risks taken, additional capital attraction, and adjusting the Company's development strategy.

Capital management policies and capital management plans are developed by the Management Board of the Company together with the Finance Department, the actuarial function and risk management function and approved by the Supervisory Board of the Company. The capital management process is provided in Image E.1.1.

Image E.1.1. Capital management process

Capital adequacy assessment

- Regulatory capitalization
- Internal capital requirements
- Economic capital

→

Capital planning

- Amount and quality of capital
- Amount and structure of risk
- Capital allocation
- Strategic targets

→

Capital management measures

- Underwriting targets and limitations
- Insurance portfolio management
- Management of products and pricing
- Investment limits
- Dividends
- Additional capital attraction
- Liability management

E.2 Solvency Capital Requirement And Minimum Capital Requirement

The Company is fully compliant with minimum capital and solvency capital requirements. The Company's eligible own funds to meet solvency capital requirement are EUR 63 307 thousand, while the solvency capital threshold is EUR 48 526 thousand, solvency ratio is 136.6%. The minimum capital solvency ratio is 291.6%. Solvency ratio has slightly increased – by 8 percentage points, which is attributable to the low yield market environment resulting in higher market values and to accumulated profit.

Table E.2. Minimum capital and solvency capital requirements, in thousand EUR

Year	2018	2019			
Position	Total		Tiers		
		Total	I	II	III
Total available and eligible own funds	57 285	66 307	59 307	7 000	-
Total available own funds to meet the SCR	57 285	66 307	59 307	7 000	-
Total available own funds to meet the MCR	57 285	66 307	59 307	7 000	-
Total eligible own funds to meet the SCR	57 285	66 307	59 307	7 000	-
Total eligible own funds to meet the MCR	54 290	63 674	59 307	4 367	-
Solvency capital requirement (SCR)	44 491	48 526			
Minimum capital requirement (MCR)	20 021	21 837			
Ratio of eligible own funds to SCR (%)	129 %	136.6 %			
Ratio of eligible own funds to MCR (%)	271 %	291.6 %			

The Company uses the standard formula to calculate the Solvency Capital Requirement. The split of solvency capital requirement by risks is shown in Table C.1 of Section C.

No inconsistencies with the Minimum Capital Requirement and the Solvency Capital Requirement fulfilment have been established in 2019.

E.3 Use Of The Duration-Based Equity Risk Sub-Module

The company does not use the duration-based equity risk sub-module in the calculation of the solvency capital requirement.

E.4 Differences Between The Standard Formula And Any Internal Model Used

The Company does not use internal models for solvency capital calculations therefore there is no difference between the standard formula and internal models.

E.5 Non-Compliance With The Minimum Capital Requirement And The Solvency Capital Requirement

The Company is fully compliant with the Solvency capital requirements – in 31.12.2019 solvency ratio is 136.6% and the minimum capital solvency ratio is 291.6%.

E.6 Other Information

There is no other relevant information to disclose.

BTA Baltic Insurance Company AAS

Solvency and financial condition report For 2019

Annexes To The Report

1. Template S.02.01.02
2. Template S.05.01.02
3. Template S.05.02.01
4. Template S.12.01.02
5. Template S.05.02.01
6. Template S.19.01.21
7. Template S.23.01.01
8. Template S.25.01.21
9. Template S.28.01.01

All numbers are provided in thousand EUR. Where numbers are provided on a rounded basis, each individual number is presented using conventional rounding without adjustment. No adjustment is introduced to allow totals to agree so tables and columns of rounded numbers may be subject to rounding errors.

BTA Baltic Insurance Company AAS
SOLVENCY AND FINANCIAL CONDITION REPORT
for 2019

ANNEXES TO THE REPORT

1. Template S.02.01.02
2. Template S.05.01.02
3. Template S.05.02.01
4. Template S.12.01.02
5. Template S.05.02.01
6. Template S.19.01.21
7. Template S.23.01.01
8. Template S.25.01.21
9. Template S.28.01.01

All numbers are provided in thousand EUR. Where numbers are provided on a rounded basis, each individual number is presented using conventional rounding without adjustment. No adjustment is introduced to allow totals to agree so tables and columns of rounded numbers may be subject to rounding errors.

ANNEX 1. S.02.01.02 Balance sheet, in thousand EUR

Balance sheet positions	Column index	Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	244
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	9 891
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	217 343
Property (other than for own use)	R0080	1 329
Holdings in related undertakings, including participations	R0090	2 732
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	195 140
Government Bonds	R0140	143 946
Corporate Bonds	R0150	51 194
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	18 142
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	11 863
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	11 863
Reinsurance recoverables from:	R0270	50 018
Non-life and health similar to non-life	R0280	29 567
Non-life excluding health	R0290	29 577
Health similar to non-life	R0300	-11
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	20 451
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	20 451
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	5 067
Reinsurance receivables	R0370	2 535
Receivables (trade, not insurance)	R0380	559
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	26 825
Any other assets, not elsewhere shown	R0420	1 011
Total assets	R0500	325 356

Balance sheet positions	Column index	Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	150 877
Technical provisions – non-life (excluding health)	R0520	140 631
TP calculated as a whole	R0530	0
Best Estimate	R0540	136 624
Risk margin	R0550	4 007
Technical provisions - health (similar to non-life)	R0560	10 246
TP calculated as a whole	R0570	0
Best Estimate	R0580	10 038
Risk margin	R0590	208
Technical provisions - life (excluding index-linked and unit-linked)	R0600	52 416
Technical provisions - health (similar to life)	R0610	0
TP calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	52 416
TP calculated as a whole	R0660	0
Best Estimate	R0670	50 267
Risk margin	R0680	2 149
Technical provisions – index-linked and unit-linked	R0690	0
TP calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	25 021
Deferred tax liabilities	R0780	507
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	15 408
Insurance & intermediaries payables	R0820	300
Reinsurance payables	R0830	5 257
Payables (trade, not insurance)	R0840	1 276
Subordinated liabilities	R0850	7 000
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	7 000
Any other liabilities, not elsewhere shown	R0880	1
Total liabilities	R0900	258 063
Excess of assets over liabilities	R1000	67 294

ANNEX 2. S.05.01.02 Premiums, claims and expenses by line of business, in thous.EUR

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090
Premiums written										
Gross - Direct Business	R0110	25 634	4 888	0	74 292	52 428	4 379	33 996	8 769	9 937
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	0	38	0	37 650	31 642	3 082	5 404	1 105	4 025
Net	R0200	25 634	4 849	0	36 642	52 396	1 297	28 591	7 664	5 912
Premiums earned										
Gross - Direct Business	R0210	24 552	4 738	0	74 862	50 821	4 438	25 963	8 318	5 219
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	0	38	0	37 945	32	3 104	4 781	1 115	2 557
Net	R0300	24 552	4 699	0	36 916	50 789	1 334	21 182	7 204	2 662
Claims incurred										
Gross - Direct Business	R0310	19 659	1 914	0	57 042	32 075	5 373	17 639	4 736	6 645
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	0	0	0	27 014	98	4 205	3 652	707	5 101
Net	R0400	19 659	1 914	0	30 028	32 075	1 168	13 987	4 028	1 543
Changes in other technical provisions										
Gross - Direct Business	R0410	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers'share	R0440	0	0	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0	0	0
Expenses incurred	R0550	4 338	1 569	0	9 176	14 069	-78	6 730	2 006	923
Other expenses	R1200									
Total expenses	R1300									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross - Direct Business	R0110	17	7 891	448					222 680
Gross - Proportional reinsurance accepted	R0120	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140	0	2	154					51 494
Net	R0200	17	7 889	293					171 186
Premiums earned									
Gross - Direct Business	R0210	23	7 809	453					207 195
Gross - Proportional reinsurance accepted	R0220	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240	0	2	161					49 735
Net	R0300	23	7 807	292					157 460
Claims incurred									
Gross - Direct Business	R0310	2	2 588	426					148 099
Gross - Proportional reinsurance accepted	R0320	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340	0	0	-4					40 676
Net	R0400	2	2 588	430					107 423
Changes in other technical provisions									
Gross - Direct Business	R0410	0	0	0					0
Gross - Proportional reinsurance accepted	R0420	0	0	0					0
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers'share	R0440	0	0	0					0
Net	R0500	0	0	0					0
Expenses incurred	R0550	4	3 700	90					42 527
Other expenses	R1200								
Total expenses	R1300								42 527

ANNEX 3. S.05.02.01 Information on premiums, claims and expenses by country, in thous. EUR

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
	R0010		Estonia	Lithuania	
		C0080	C0090	C0100	C0140
Premiums written					
Gross - Direct Business	R0110	83 059	26 257	113 364	222 680
Gross - Proportional reinsurance accepted	R0120	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0
Reinsurers' share	R0140	16 235	5 737	29 523	51 494
Net	R0200	66 824	20 521	83 841	171 186
Premiums earned					
Gross - Direct Business	R0210	78 677	25 348	103 171	207 195
Gross - Proportional reinsurance accepted	R0220	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0
Reinsurers' share	R0240	15 366	5 578	28 792	49 735
Net	R0300	63 311	19 770	74 379	157 460
Claims incurred					
Gross - Direct Business	R0310	58 939	22 541	66 618	148 099
Gross - Proportional reinsurance accepted	R0320	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0
Reinsurers' share	R0340	15 884	5 848	18 945	40 676
Net	R0400	43 055	16 694	47 674	107 423
Changes in other technical provisions					
Gross - Direct Business	R0410	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0
Reinsurers'share	R0440	0	0	0	0
Net	R0500	0	0	0	0
Expenses incurred	R0550	15 070	5 894	21 563	42 527
Other expenses	R1200				517
Total expenses	R1300				43 044

* The Company makes obligatory deductions in accordance with the law "On compulsory motor third party liability" and the related Cabinet of Ministers regulations of the Republic of Latvia. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions EUR 585 thousand (2018: EUR 624 thousand).

The Company makes obligatory deductions to the Motor Bureaus of Lithuania and Estonia in accordance with the statutory requirements. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions to the transport insurance offices of Lithuania and Estonia in the amount of EUR 1 280 thousand (2018: EUR 1 433 thousand).

According to the law "On Motor Vehicles Third Party Liability Obligatory Insurance" and the related Cabinet Regulations of the Republic of Latvia, during the reporting period the Company made the following obligatory deductions from gross premiums written in this insurance type:

- Co-financing of the activities of the Motor Insurers' Bureau of Latvia: EUR 0.41 (2018:0.48) per contract + EUR 2 755 (2018: EUR 2 908) per month;
- For the MTPL Guarantee Fund: payments are made in accordance to special calculation by taking into account the period of contract and the type of insured motor vehicle;
- For the Road Traffic Accidents Fund in Latvia: 2% from gross written premium.

ANNEX 4. S.12.01.02 Information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance ('health SLT') for each line of business, in thous. EUR

		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)**
		C0090	C0100	C0150
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020			
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Gross Best Estimate	R0030	50 267		50 267
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	20 451		20 451
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	29 815		29 815
Risk Margin	R0100	2 149		2 149
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0110			
Best estimate	R0120			
Risk margin	R0130			
Technical provisions - total	R0200	52 416		52 416

ANNEX 5. S.17.01.02 Non-life Technical Provisions, in thous. EUR

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	R0060	5 920	1 254	0	21 875	13 413	520	12 408	788	1 529
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	-11	0	-1 098	-11	1 052	-393	-15	427
Net Best Estimate of Premium Provisions	R0150	5 920	1 264	0	22 973	13 424	-533	12 801	803	1 102
Claims provisions										
Gross	R0160	2 105	760	0	45 229	8 070	4 779	7 454	11 126	6 834
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	21 132	227	3 001	877	874	3 494
Net Best Estimate of Claims Provisions	R0250	2 105	760	0	24 096	7 843	1 778	6 577	10 251	3 340
Total Best estimate - gross	R0260	8 025	2 013	0	67 104	21 483	5 299	19 862	11 914	8 362
Total Best estimate - net	R0270	8 025	2 024	0	47 070	21 267	1 245	19 378	11 055	4 442
Risk margin	R0280	153	55	0	1 748	569	129	477	744	242
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions - total										
Technical provisions - total	R0320	8 178	2 068	0	68 852	22 052	5 428	20 339	12 658	8 605
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	-11	0	20 034	216	4 053	484	860	3 921
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	8 178	2 079	0	48 817	21 836	1 374	19 855	11 798	4 684

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	R0060	2	1 122	135	0	0	0	0	58 965
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	0	10	0	0	0	0	-39
Net Best Estimate of Premium Provisions	R0150	2	1 122	125	0	0	0	0	59 004
Claims provisions									
Gross	R0160	4	1 174	164	0	0	0	0	87 697
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	0	0	0	0	29 605
Net Best Estimate of Claims Provisions	R0250	4	1 174	164	0	0	0	0	58 091
Total Best estimate - gross	R0260	5	2 295	300	0	0	0	0	146 662
Total Best estimate - net	R0270	5	2 295	290	0	0	0	0	117 096
Risk margin	R0280	0	85	12	0	0	0	0	4 215
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions - total									
Technical provisions - total	R0320	5	2 380	312	0	0	0	0	150 877
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	0	10	0	0	0	0	29 567
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	5	2 380	302	0	0	0	0	121 310

ANNEX 6. S.19.01.21 Information on non-life insurance claims, in thous. EUR

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident year

Gross Claims Paid (non-cumulative)

(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											281
N-9	R0160	0	0	2 882	3 401	1 160	344	423	473	163	8	
N-8	R0170	0	24 714	3 062	1 738	1 139	895	298	74	33		
N-7	R0180	67 211	24 446	3 130	1 548	805	745	474	469			
N-6	R0190	81 915	24 253	2 822	1 378	1 959	658	400				
N-5	R0200	90 270	29 437	3 737	1 909	1 497	791					
N-4	R0210	103 778	29 541	3 571	2 357	3 682						
N-3	R0220	116 101	32 958	9 885	3 377							
N-2	R0230	118 188	56 460	5 213								
N-1	R0240	160 708	74 473									
N	R0250	189 019										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	281	14 361
	R0160	8	8 852
	R0170	33	31 954
	R0180	469	98 827
	R0190	400	113 385
	R0200	791	127 640
	R0210	3 682	142 930
	R0220	3 377	162 321
	R0230	5 213	179 861
	R0240	74 473	235 181
	R0250	189 019	189 019
Total	R0260	277 749	1 304 332

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

	Year	Development year										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											561
N-9	R0160	0	0	7 770	5 280	2 515	1 297	1 296	957	491	470	
N-8	R0170	0	11 849	7 325	3 416	2 238	789	635	399	95		
N-7	R0180	43 593	11 269	7 492	5 838	4 080	3 677	2 590	2 057			
N-6	R0190	41 765	9 655	4 884	3 968	3 012	2 416	1 950				
N-5	R0200	55 814	14 066	9 593	13 726	13 671	13 047					
N-4	R0210	53 292	9 535	9 943	7 501	4 475						
N-3	R0220	46 930	21 844	12 787	9 747							
N-2	R0230	78 614	24 695	14 043								
N-1	R0240	107 608	29 747									
N	R0250	99 206										

		Year end (discounted data)
		C0360
	R0100	561
	R0160	471
	R0170	95
	R0180	2
	R0190	1 953
	R0200	13 028
	R0210	4 476
	R0220	9 749
	R0230	14 044
	R0240	29 749
	R0250	99 215
Total	R0260	175 393

ANNEX 7. S.23.01.01 Own funds, in thous. EUR

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	41 609	41 609			
Share premium account related to ordinary share capital	R0030					
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	17 698	17 698			
Subordinated liabilities	R0140	7 000			7 000	
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	66 307	59 307	0	7 000	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	66 307	59 307	0	7 000	0
Total available own funds to meet the MCR	R0510	66 307	59 307	0	7 000	
Total eligible own funds to meet the SCR	R0540	66 307	59 307	0	7 000	0
Total eligible own funds to meet the MCR	R0550	63 674	59 307	0	4 367	
SCR	R0580	48 526				
MCR	R0600	21 837				
Ratio of Eligible own funds to SCR	R0620	136.64%				
Ratio of Eligible own funds to MCR	R0640	291.59%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	67 294	-
Own shares (held directly and indirectly)	R0710		-
Foreseeable dividends, distributions and charges	R0720	7 987	-
Other basic own fund items	R0730	41 609	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		-
Reconciliation reserve	R0760	17 698	-
Expected profits			-
Expected profits included in future premiums (EPIFP) - Life business	R0770		-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	1 314	-
Total Expected profits included in future premiums (EPIFP)	R0790	1 314	-

ANNEX 8. S.25.01.21 Solvency Capital Requirement – for undertakings on Standard Formula, in thous. EUR

-		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	14 084	-	-
Counterparty default risk	R0020	6 412	-	-
Life underwriting risk	R0030	2 336		
Health underwriting risk	R0040	5 007		-
Non-life underwriting risk	R0050	34 509		-
Diversification	R0060	-17 055	-	-
Intangible asset risk	R0070	0	-	-
Basic Solvency Capital Requirement	R0100	45 293	-	-

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	6 216
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-2 983
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	48 526
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	48 526
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

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

Calculation of loss absorbing capacity of deferred taxes		
		LAC DT
		C0130
LAC DT	R0640	-2 983
LAC DT justified by reversion of deffered tax liabilities	R0650	-263
LAC DT justified by reference to probable future taxable economic profit	R0660	-2 719
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	-2 983

ANNEX 9. S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity, in thous. EUR

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	24 291

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	8 025	25 634
Income protection insurance and proportional reinsurance	R0030	2 024	4 850
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	47 070	36 642
Other motor insurance and proportional reinsurance	R0060	21 267	52 396
Marine, aviation and transport insurance and proportional reinsurance	R0070	1 245	1 297
Fire and other damage to property insurance and proportional reinsurance	R0080	19 378	28 591
General liability insurance and proportional reinsurance	R0090	11 055	7 664
Credit and suretyship insurance and proportional reinsurance	R0100	4 442	5 912
Legal expenses insurance and proportional reinsurance	R0110	5	17
Assistance and proportional reinsurance	R0120	2 295	7 889
Miscellaneous financial loss insurance and proportional reinsurance	R0130	290	293
Non-proportional health reinsurance	R0140	0	
Non-proportional casualty reinsurance	R0150	0	
Non-proportional marine, aviation and transport reinsurance	R0160	0	
Non-proportional property reinsurance	R0170	0	

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	R0200	626

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	29 815	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	24 917
SCR	R0310	48 526
MCR cap	R0320	21 837
MCR floor	R0330	12 131
Combined MCR	R0340	21 837
Absolute floor of the MCR	R0350	3 700
-	-	C0070
Minimum Capital Requirement	R0400	21 837

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