SOLVENCY AND FINANCIAL CONDITION REPORT

2018

COMPENSA LIFE VIENNA INSURANCE GROUP SE
Commercial Register number 10055769

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Reporting period	1 January 2018 – 31 December 2018
Principal activity	Life insurance, code no. 6511

CONTENTS

LIST OF ABBREVIATIONS

ALM	Asset Liability Management
ARM	VIG Asset Risk Management
BE	Best Estimate
Compensa Group	Compensa Life and all its related entities
Compensa or the Company	Compensa Life Vienna Insurance Group SE, a company registered and operating under the laws of the Republic of Estonia, having its head office in Estonia and registered branches in Latvia and Lithuania
Delegated Act	Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and the Council on the taking-up and pursuit of the business of Insurance and Reinsurance
EIOPA	European Insurance and Occupational Pensions Authority
EUR	The official currency of the Eurozone
FSA	Financial Supervision Authority of Estonia
IAA	Estonian Insurance Activities Act
IA	Internal Audit
ICS	Internal Control System
IFRS	International Financial Reporting Standards
IRS	Investment Risk Strategy
IT	Information technology
MIRA	Munich Re Risk Assessor
Munich Re	Münchener Rückversicherungs-Gesellschaft AG, Munich Re Group, reinsurance company that provides the services to Compensa Life
ORSA	Own Risk and Solvency Assessment
QRT	The annual quantitative reporting templates
RFR	Risk Free Rate
RM	Risk margin
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR or Report	Solvency and Financial Condition Report

Solvency II	Directive 2009/138/EC of the European Parliament and the Council on the taking-up and pursuit of the business of Insurance and Reinsurance
TP	Technical provisions
VA	Volatility adjustment
VIG ERM	VIG Group Enterprise Risk Management
VIG Holding	VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe
VIG or the Group	VIG Holding and all its related entities
VIG Re	VIG Re zajišťovna, a.s., reinsurance company within VIG

SUMMARY

The following Solvency and Financial Condition Report is based on and fulfils the requirements of IAA, Articles 290-298 of Delegated Act and EIOPA guidelines on the reporting and public disclosure (*EIOPA-BoS-15/109 EN*).

This Solvency and Financial Condition Report provides the following information:

Section A presents the business activities and performance of Compensa.
Compensa business continues to grow. In 2018, total premium income amounted to 93.20 million euros, a 15.7% improvement on the year before (2017: 80.52 million euros). In 2018, Compensa's profit amounted to 3.53 million euros (2017: Compensa's profit amounted to 2.77 million euros).
Compensa did not have changes in the main business activities.

Section B describes the governance system of Compensa, and the Supervisory Board members and their duties, responsibilities of the Managing Board members, the committees that have been established and the governance and other key functions.
To provide stable and qualitative complex service the Company has developed appropriate systems and structures in place to fulfil the requirements laid down in the IAA and Delegated Act as well as the written policies, approved by the Management Board of the Company, ensuring the ongoing appropriateness of the information submitted.
In 2018, there were no material changes in the system of governance, and the risk-management systems structure, needs and management.

Section C describes the risk profile of Compensa.
The Company is mainly exposed to underwriting risk of life and health business and risks related to investment activity and environment. These risks are of a strategic nature and are consciously accepted.
The table 1 provides an overview of Compensa material risks based on the standard capital requirement model, which is also major tool for risk measurement to determine the own solvency need of the Company.

Table 1. SCR (in EUR millions)

	2017	2018
Market risk	18.70	25.43
Counterparty default risk	0.89	1.60
Life underwriting risk	32.12	46.87
Health underwriting risk	2.12	2.67
Basic solvency capital requirement	42.01	60.04
Operational risk	2.50	2.94
Solvency capital requirement	44.51	62.96

The change of the size of SCR stems mainly from the changes in calculation of the technical provision and their influence to lapse risk and from the growth of the business.

Section D summarizes the valuation for solvency purposes.
The main idea is to assess the financial situation of the Company based on market values. It describes also the quantitative and qualitative valuation differences between market valuation and the values presented in the annual financial statements prepared in accordance with international accounting standard.
There were changes in the valuation of technical provisions used for the solvency balance sheet in the reporting year. Major change originates from the Lithuanian regulation according to which all insurance contracts with savings component have to have surrender values since first contract year as well as limited surrender charges for the whole portfolio in force.

Section E covers Compensa capital management.
The Company had a solvency capital requirement (SCR) of EUR 62.96 and a minimum capital requirement (MCR) of 12.06 as of 31 December 2018. Eligible own funds amounted to EUR 83.83 and EUR 83.79 respectively, are available for these requirements.
As a result, Compensa has a solvency ratio of 1.33 and an MCR coverage of 5.32. The solvency ratio decreased because of increase of SCR. The reason for the increase of the SCR is described in section C.

Main change in the eligible own funds was the repayment of the subordinated loan of 2 million euros to group company, LVP Holding GmbH.

All charts, tables and figures within the Report have been supported by the annual QRTs as of December 31, 2018, submitted to the Finantsinspektsioon and the Company's IFRS Annual Report 2018.

A. BUSINESS AND PERFORMANCE

A.1 Business

A.1.1 **Owners**

Compensa is one of the oldest life insurance providers in the Baltics. The Company, which is headquartered in Estonia, is a wholly-owned subsidiary of VIG Holding.

Vienna Insurance Group is one of the leading listed international insurance groups in Central and Eastern Europe, which offers services in the life, non-life and reinsurance segments. The Group comprises around 50 insurance companies, which operate in 25 countries and have a total staff of around 25 000. The Group's head office is in Vienna.

Vienna Insurance Group is supervised by the the Finanzmarktaufsicht in Österreich (Austrian Financial Market Authority), which can be contacted Otto Wagner Platz 5, 1090 Vienna Austria and www.fma.gv.at.

The history of Compensa dates back to 1993 when the life insurance company Seesam Elukindlustuse AS was established in Estonia. In 2007, life insurers, which were operating in Estonia, Latvia and Lithuania under the same brand name merged and were registered as a European company – Seesam Life Insurance SE.

Since 2008, Compensa 's sole owner has been VIG Holding. The new business name, **Compensa Life Vienna Insurance Group SE**, and the owner's brand name Compensa were adopted in 2009. The Company is domiciled in Estonia, with the head office in Tallinn and branches in Latvia and Lithuania.

Compensa is supervised by Finantsinspektsioon (FSA), which can be contacted at Sakala 4, 10139 Tallinn, Eesti, www.fi.ee.

Compensa's auditor is KPMG Baltics OÜ, which can be contacted at Narva mnt 5, 10117 Tallinn, Eesti, https://home.kpmg/ee.

Compensa has 20 offices and staff of 197 people in the three Baltic countries. Since 2016, the Compensa group has also included Vienibas Gatve Investment OÜ and Compensa Life Distribution UAB (subsidiaries of Compensa) as well as Vienibas Gatve Properties SIA (a subsidiary of Vienibas Gatve Investment OÜ). At 31 December 2018, the subsidiaries employed 13 people.

Compensa's mission is to help customers manage their financial risks by offering flexible and contemporary insurance solutions. Compensa product portfolio includes guaranteed-return and unit-linked endowment products, term life insurance products, accident insurance and various additional insurance products. Compensa's Latvian and Lithuanian branches also offer health insurance.

Compensa provides insurance activity in the classes of life insurance according to IAA in clauses 13 (1) 1)-8) and in the classes of non-life insurance in clauses 12 (1) 1) and 2).

Compensa offers insurance solutions to both individuals and corporate customers. In the Baltics, Compensa serves over 101 000 customers whose assets exceed 275 million euros. Compensa is the largest pension benefits payer in Estonia.

A.1.2 Financial Performance

In 2018, Compensa's Baltic operations generated a consolidated profit of 3.72 million euros. Compensa's profit amounted to 3.53 million euros (2017: Compensa's profit amounted to 2.77 million euros).

The Company's sales continued to grow. Total premium income amounted to 93.20 million euros, a 15.7% improvement over the year before (2017: 80.52 million euros). Payments made to customers totalled 25.93 million euros, 30.8% up on the previous year (2017: 19.82 million euros).

Operating expenses (contract acquisition costs and administrative expenses) for 2018 totalled 18.48 million euros (2017: 17.13 million euros), a 7.9% increase compared with the year before. The rise in operating expenses is mainly attributable to higher new contract acquisition costs at the Latvian and Lithuanian branches.

Acquisition costs grew by 6.6% compared with the year before (in 2018 acquisition costs amounted to 14.19 million euros compared with 13.26 million euros in 2017), accounting for 76.8% of operating expenses (2017: 77.4%).

Compensa's share capital amounts to 11.60 million euros. The objective of the Management Board is to ensure Compensa's sustainable operation and consistent growth. The Company will focus on delivering quality customer service, developing its insurance products and increasing Compensa's market share across the Baltics.

A.2 Underwriting performance

The volume of the premium was 93 million euros in 2018 and the growth in premium volume was 16%. The biggest volume of the premium is coming from inurance with profit particiaption. The growth took place in all lines of business.

Results for 2018 and 2017 from the underwriting activity are summarized in the tables 2 and 3.

Table 2. Underwriting performance 2017 (in EUR thousand)

	Insurance with profit participation			Unit-Linked			Other insurance			Health			Total			TOTAL
	EE	LV	LT	EE	LV	LT	EE	LV	LT	EE	LV	LT	EE	LV	LT	
Premium	15 703	7 823	22 382	2 974	4 498	12 557	475	150	435	0	4 116	9 367	19 152	16 587	44 741	80 479
Reinsurance share	-9	-56	-1 181	-17	-47	-654	-113	-65	-27	0	0	0	-140	-168	-1 862	-2 170
Claims	-8 545	-3 339	-2 257	-2 367	-947	-1 438	-83	-89	-2 325	0	-3 271	-5 756	-10 995	-7 646	-11 776	-30 417
Reinsurance share	0	0	0	0	0	0	24	23	722	0	0	0	24	23	722	769
Change of the TP	-10 059	-4 687	-11 178	-1 431	-3 027	-5 483	-21	-3	739	0	-153	-2 052	-11 512	-7 871	-17 974	-37 356
Investment results	2 651	1 008	1 224	1 280	649	1 137	9	0	28	0	0	0	3 941	1 657	2 389	7 987
Expenses	-1 344	-802	-5 577	-315	-1 182	-5 912	-165	55	584	0	-661	-1 207	-1 825	-2 589	-12 112	-16 526
Underwriting result	-1 604	-53	3 413	124	-57	206	126	72	155	0	31	353	-1 355	-7	4 128	2 766

Table 3. Underwriting performance 2018 (in EUR thousand)

	Insurance with profit participation			Unit-Linked			Other insurance			Health			Total			TOTAL
	EE	LV	LT	EE	LV	LT	EE	LV	LT	EE	LV	LT	EE	LV	LT	
Premium	16 209	10 246	23 493	3 256	5 082	16 637	509	153	1 020	0	3 825	12 766	19 974	19 307	53 916	93 197
Reinsurance share	-8	-1	-1 282	-14	-3	-903	-128	-170	-31	0	0	0	-150	-174	-2 216	-2 540
Claims	-8 449	-3 469	-2 957	-2 360	-1 138	-1 504	-134	-60	-2 270	0	-3 325	-9 292	-10 943	-7 991	-16 023	-34 957
Reinsurance share	0	0	0	0	0	0	44	25	779	0	0	0	44	25	779	848
Change of the TP	-9 925	-6 976	-12 860	317	-1 975	-5 038	-18	1	477	0	431	-1 039	-9 627	-8 519	-18 460	-36 606
Investments result	2 336	937	1 229	-765	-679	-1 753	8	0	12	0	0	0	1 580	258	-512	1 326
Expenses	-1 427	-706	-4 800	-365	-1 131	-7 040	-194	57	401	0	-669	-1 862	-1 986	-2 449	-13 301	-17 736
Underwriting result	-1 263	32	2 822	69	156	401	86	7	388	0	263	573	-1 108	457	4 184	3 533

At the year-end, Compensa had a total of 129 353 life insurance contracts in force in the three Baltic countries. The total number of persons insured under its life insurance contracts was around 178 thousand.

A.3 Investment performance

Compensa's conservative investment policy is aimed at ensuring long-term financial returns and stability as well as a liquid and diversified investment portfolio.

In accordance with the Company's Investment Risk Strategy, the main goal of the investment policy is to reach the planned investment result while keeping a balanced risk/return-profile and taking into account constraints given by risk management needs.

At the end of 2018, investments backing contracts signed with customers totalled 275.17 million euros (at the end of 2017: 237.93 million euros), 15.6%, i.e. 37.24 million euros up on the previous year-end.

In 2018, Compensa net income on investment activities amounted to 1.47 million euros (2017:7.97 million euros.)

Results for 2018 and 2017 from the investment activity are summarized in the table 4.

Table 4. Investment performance (in EUR thousand)

	31.12.2018			31.12.2017		
	Invested amount	share of investments	Yearly Income	Invested amount	share of investments	Yearly Income
Investments in subsidiaries and associates	6 459	2,20%	600	3 531	1,30%	300
Shares and investment funds	10 140	3,40%	-242	9 202	3,40%	807
Held to maturity investments	65 005	21,80%	1 731	63 822	23,70%	1 795
Available for sale financial assets	139 274	46,60%	2 626	117 046	43,50%	2 177
Loans and receivables (term deposits)	19 344	6,50%	110	23 561	8,80%	125
Unit link funds	58 522	19,60%	-3 079	51 845	19,30%	3 115
TOTAL	298 745	100%	1 746	269 007	100%	8 319

The investment strategy employed by Compensa is a buy-and-hold strategy focused on holding high quality liquid assets, with no direct exposure to property or derivatives.

A.4 Performance of other activities

In 2018, Compensa's operating lease payments for office premises totalled 690 117 euros (2017: 666 836 euros). Operating leases on premises can be cancelled by giving one to twelve months' notice, which would give rise to expenses of 176 547 euros (2017: 130 542 euros).

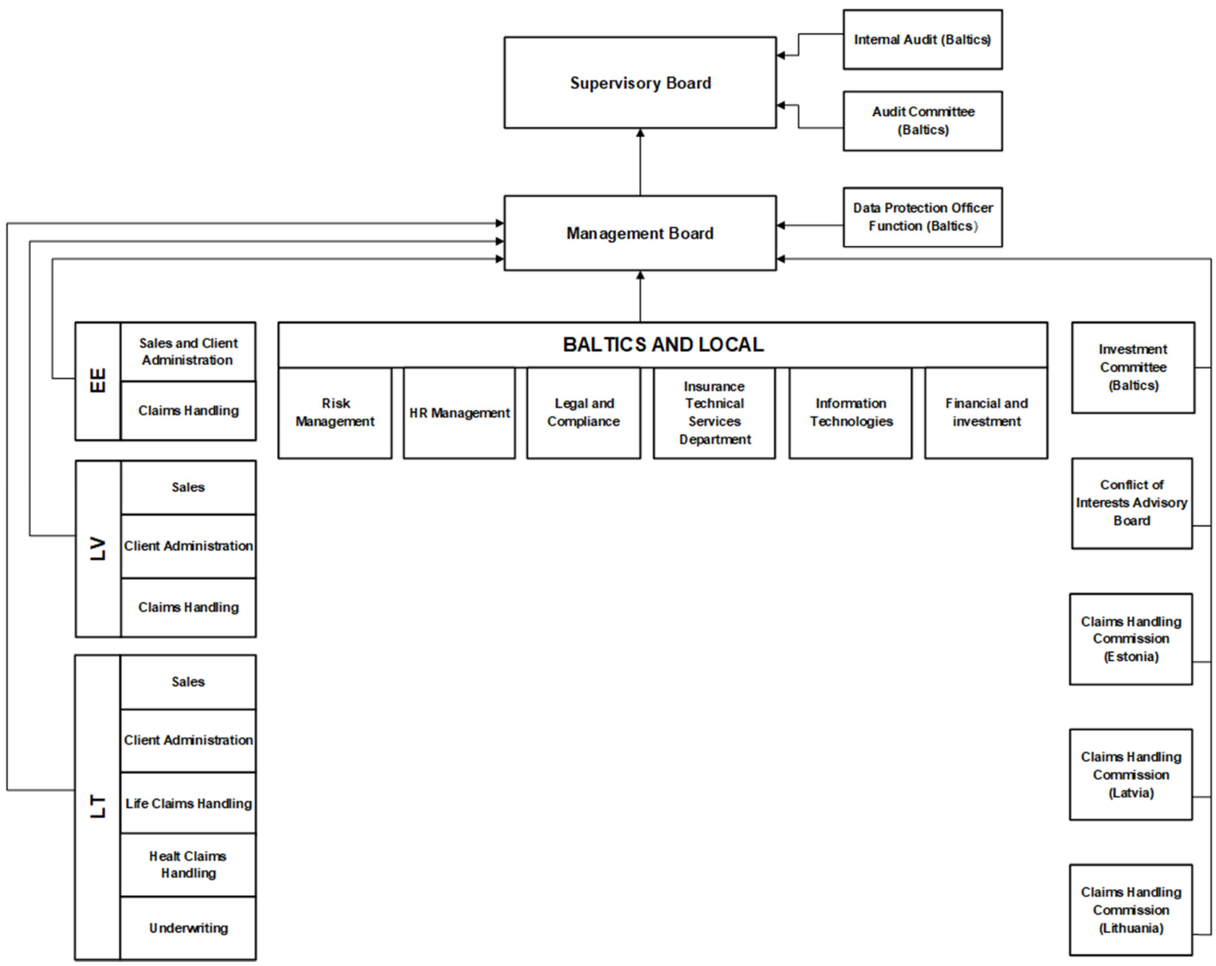
There are no material income and expenses, other than underwriting or investment income and expenses.

B. SYSTEM OF GOVERNANCE

B.1 General Information on the System of Governance

Compensa is managed by two-tier supervisory and management governing body: the Supervisory Board and the Management Board. The Supervisory Board is primarily responsible for making key strategic decisions, approval of key documents, supervision of the Company's performance, appointment and supervision of the Management Board and other activities. Management Board is responsible for day to day management of the Company.

Chart 1. Functional Structure



B.1.1 Supervisory and Management Bodies

B.1.1.1 Supervisory Board

The composition of the Supervisory Board is established by VIG Holding. The Supervisory Board reports directly to VIG Holding. The Supervisory Board organizes its activities based on requirements stated in the internal policies of the Company established to fulfil the requirements laid down in the Solvency II. The Supervisory Board has the following responsibilities:

a) approval of business and risk strategy;
b) approval of key transactions;
c) approval of the budgets, IRS and plans for IA;
d) making proposal to the shareholder on the approval of annual financial statements and profit distribution or loss covering;

e) review and supervision of the activities of the Management Board;
f) approval of transactions with the Management Board;
g) review and supervision of the activities of the internal audit function and Audit Committee;
h) approval of other transactions, which are not within the delegated authority of the Management Board;
i) other responsibilities stated in the internal polices of the Company or assumed by the Supervisory Board based on delegated authority from VIG Holding;
j) other responsibilities within the competence of the Supervisory Board determined by the regulatory requirements and internal requirements.

Compensa's Supervisory Board has five members. The chairman is Franz Fuchs and the members are Elisabeth Stadler, Artur Borowinski, Ireneusz Arczewski and Roman Theisen.

The members of the Supervisory Board are the persons effectively running the Company for the purpose of application of internal regulation on fit and proper assessment (chapter B.2).

B.1.1.2 Management Board

The composition of the Management Board is established by the Supervisory Board. The Management Board reports to the Supervisory Board. The Management Board organizes its activities based on the requirements stated in the internal policies of the Company established to fulfil the requirements laid down in the Solvency II. The Management Board has the following responsibilities:

a) regular and ad-hoc reporting to the Supervisory Board;
b) ensuring compliance with laws and regulations, including VIG Holding guidelines and regulations;
c) approval of policies and other pan-Baltic internal regulations;
d) approval and submission to the Supervisory Board of the financial statements;
e) approval and submission to the Supervisory Board of budgets and IRS;
f) review and supervision of the activities of the Company's managers, other employees and committees reporting to the Management Board;
g) ensuring effectiveness of the risk management system at the Company;
h) approval of Risk Limit Factor and acceptable SCR ratio (risk appetite, risk tolerances);
i) approval of Risk Limits (risk tolerances);
j) reviewing, challenging and approval of ORSA scenarios, assumptions and report;
k) approval of SFCR and RSR reports;
l) determining the scope and frequency of the review of the system of governance; approval of the results and actions following the review;
m) approval of outsourcing arrangements;
n) performing of other responsibilities stated in the internal policies of the Company or assumed by the Management Board based on delegated authority from the Supervisory Board;
o) other responsibilities within the competence determined by the regulatory requirements and internal requirements.

The Management Board of Compensa has four members. The current term of office of the members of the Management Board expires on 30 June 2020.

The following areas of responsibility are allocated to the entire Management Board while the Chairman of the Management Board serves as a contact person on the Management Board level:

- actuarial function;
- compliance function;
- risk management function.

Other main areas of responsibility are divided between the Management Board members as follows:
Chairman of the Management Board, Olga Reznik, pan-Baltic level:

- overall management of the Company;
- legal services;
- insurance technical services;
- product development;
- HR management;
- marketing,

local level (Estonian head office):

- claims handling;
- sales;
- customer relations;
- insurance contract administration;
- underwriting.

Member of the Management Board, Tanel Talme, pan-Baltic level:

- financial services;
- investment services;
- controlling;
- money laundering and terrorist financing prevention;
- IT.

Members of the Management Board/Branch Managers, Deputy Chairman Tomas Milašius (Lithuanian Branch) and Viktors Gustsons (Latvian Branch):

- branches' overall management;
- claims handling;
- sales;
- customer relations;
- insurance contract administration;
- underwriting;
- marketing;
- human resources.

Individual members of the Management Board are responsible for organizing and managing business in the areas stated in the internal policies of the Company.

The members of the Management Board are the persons effectively running the Company for the purpose of fit and proper assessment under the internal regulation on fit and proper assessment (chapter B.2.)

B.1.1.3 Committees and commissions

The Company has following Committees and commissions:

- Audit Committee: an advising body for the Supervisory Board in the matters related to accounting, auditing, risk management, internal control and internal audit, supervision, budgeting and compliance;
- Investment Committee: an advising body for the Management Board in the matters related to investments;

B.1.2 Key Functions

Compensa has four key functions:

- Risk management function;
- Actuarial function;
- Compliance function;
- Internal Audit function.

All key functions are staffed by employees of Compensa, no key function is outsourced to a third party. The tasks and responsibilities of the key function are described in the Company's policies approved by the Management Board, except the internal audit function responsibilities. Internal audit function responsibilities is approved by the Supervisory Board.

B.1.2.1 Risk Management Function

Risk Management Function in Compensa is performed by Risk Manager and Insurance Technical Services department.

Risk Management function's responsibilities are:

a) initiate and carry out business and risk meeting for the purpose of updating risk strategy;
b) perform the Risk Bearing Capacity, Allocation and Limitation calculations, initiate the input and approvals of the Management Board required in the process;
c) obtain the required indicators and prepare quarterly Risk Limit Reports comparing the established limits with the actual exposures, investigate the limit breaches and propose actions to remedy the situation, submit the Risk Limit Reports to the Management Board and VIG;
d) coordinate the inputs and outputs from/to ORSA process with other departments, initiate the input and approvals of the Management Board required in ORSA process, coordinate the development and approval of risk scenarios, perform qualitative risk assessments;
e) coordinate the required inputs and outputs from/to Risk Inventory process with risk owners and relevant employees, prepare and own the Risk Catalogue, prepare and submit the Risk Inventory Report to the Management Board and VIG;
f) prepare the risk reports for the required parties, coordinate the required inputs to the risk reports with the relevant departments at Compensa, perform analysis of the risk indicators and other information;
g) own the internal regulations related to risk management and other internal documents, regularly perform analysis of risk management system;
h) own the ICS policy and other internal documents, regularly perform analysis of ICS;
i) own the internal documents related to business continuity, regularly perform analysis of business continuity system.

To ensure operational independence and objectivity, employees performing the risk management function must not be involved in any risk taking activities or perform other day-to-day business operations at Compensa, unless this can be justified and is documented and approved.

B.1.2.2 Compliance Function

Compliance function is performed by Legal Services and Compliance department.

Compliance function's main tasks and responsibilities are:

- providing advice on compliance with regulatory requirements;
- monitoring of changes in legal environment and assessment of possible impact of such changes on business operations;
- assessing the adequacy of measures adopted to ensure compliance, including compliance reviews;
- compliance risk management, including risk identification, assessment, mitigation, monitoring and reporting;
- handling of compliance relevant incidents;
- compliance trainings;
- reporting.

B.1.2.3 Internal Audit Function

The Internal Audit function is performed by Internal Audit department and forms an integral part of the Company's internal control environment, assessing the adequacy of and the compliance with the policies and procedures.

IA assists the Board and the Audit Committee in the discharge of their governance responsibilities to protect the assets, reputation and sustainability of the Company by systematically assessing:

a) the adherence to approved strategy;
b) the effectiveness of risk management, control and governance processes;
c) the processes for strategy development, setting risk appetite and business planning;
d) the reliability of financial and operational information;
e) compliance with legal, regulatory and statutory requirements as well as internal policies and contracts;
f) whether the systems are robust and fit for purpose.

B.1.2.4 Actuarial Function

Actuarial function at Compensa is performed by Insurance Technical Services Department.

With regards to the actuarial function the aim is to ensure sufficient explicit and adequate internal controls around the calculation and the establishment of the technical provisions and to perform other tasks required by the legislation. Tasks to be performed are stated as:

a) coordination of the calculation of technical provisions;
b) issuing an opinion on the underwriting policy and reinsurance arrangements;
c) contributing to the effective implementation of the risk management system, if such contribution is requested from risk management function;
d) annual internal report to the Management Board.

During the reporting period there were no significant changes in the governance system.

B.1.3 Remuneration entitlements

The Management Board has approved remuneration and supplementary policy of employees. Remuneration model of Compensa consists of two components:

a) fixed remuneration;
b) variable remuneration.

In addition a deferred component applies to key functions, which takes account of the nature and time horizon of Compensa's business and the payment of which shall be deferred.

Variable remuneration is a bonus-specific remuneration paid at unilateral discretion of Compensa.

The members of the Management Board receive fixed basic remuneration and performance benefits, which may be paid when specific performance criteria are met. The performance criteria are determined based on the targets set in Compensa's business plan for the year and they are directly linked to Compensa's financial performance, promoting effective risk management and do not encourage excessive risk taking. Performance benefits paid correlate with the meeting of the performance criteria.

The details on remuneration entitlements are described in the Company's internal policies.

The members of Compensa's Supervisory Board are not compensated for their work on the board.

B.2 Fit and Proper requirements

B.2.1 Implementation of Fit and Proper requirements

The Management Board has approved the fit and proper policy. The applicable changes in 2018 are initiated by Insurance Distribution Directive and from the guideline issued by FSA. According to the updated policy, the following persons are subject to fit and proper requirements and assessment:

- persons effectively running the Company;
- key function holders;
- persons having/ performing Key Functions;
- AML officers;
- data protection officer;
- persons involved in the provision of insurance;
- persons involved in product development process.

Specific requirements for each above category have been approved by the Management Board in compliance with Solvency II. In terms of fitness assessment, specific requirements have been defined for each position.

Based on the nature of position and applicable regulatory requirements, specific restrictions of activity are applied.

The fit and proper requirements are reviewed when necessary, but at least annually, to make sure that existing requirements remain appropriate given the evolvement of the Company and changes in applicable regulatory requirements.

B.2.2 Assessment of Fit and Proper requirements

The fit and proper assessment shall be conducted in the following occasions:

- a person is appointed to the position subject to fit and proper requirements;
- a person subject to assessment has been appointed for the fixed time before the appointment is extended;
- a person subject to assessment has been appointed for the fixed time period and the appointment is extended;
- if there is a change in circumstances that affect or may affect the ability of the person subject to assessment to meet the fitness and propriety requirements.

The fit and proper assessment upon the new recruitments must be conducted before the appointment of the person subject to assessment.

An individual fit and proper assessment includes the following process stages:

a) preparing the job description and specification, which includes all requirements the person subject to assessment is expected to comply with;

b) collection of necessary information and documents;

c) performing the fitness and propriety analysis with relevant conclusions.

Competent persons and bodies have been appointed to carry out fit and proper assessment.

The person subject to assessment shall be expected to comply with the fit and proper requirements during the entire term of office or duration of employment or other contractual relationship with the Company.

The fitness and propriety of the Supervisory Board and Management Board members shall be reassessed upon the extension of their term of office. The fitness and propriety of other persons subject to assessment shall be reviewed once in a year by requesting the persons to reconfirm the information previously submitted in the fit and proper assessment and to supplement it if necessary.

B.3 Risk Management System

Compensa, as a financial services provider, needs to take risk deliberately in order to provide an adequate return and serve its stakeholders. Therefore, any business decision affecting return also impacts risk issues. Risk management is a central part in the day-to-day business operations and based on a strong risk culture. It is the responsibility of the Management Board to make sure that all risk issues are appropriately reflected in the strategic decision making process.

On a daily basis, risk management is supported by the practice of granting rights and powers to specific individuals and the ICS. At least once a year, the Company carries out a comprehensive risk inventory process and, concurrently, an assessment of the effectiveness of the ICS. Most of Compensa employees have a long-term industry experience, which ensures good knowledge of the insurance products, processes and software used.

The overall risk management process has to cover the following steps:

- risk identification;
- risk measurement;
- risk analysis and risk treatment;
- risk management decision and execution;
- risk monitoring;
- risk reporting.

In this context, it is important to note that this is not a strictly sequential process, but a control cycle, which involves feedback and feed forward loops. In addition, a parallel quality assurance and control process to all stages of the risk process is applied. The regular own risk and solvency assessment i.e ORSA process summarizes all above mentioned risk management steps and resulting on the Company's own solvency capital need.

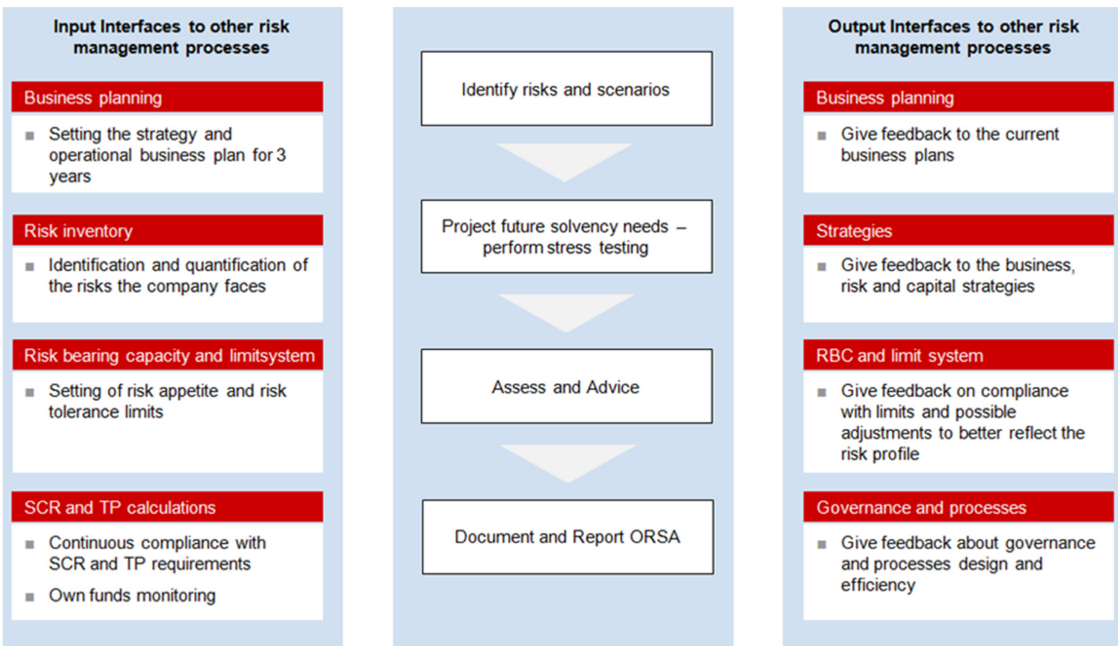
B.3.1 ORSA process

The ORSA is a continually operating process that provides assurance that the risk situation is taken into account in the decision making process of the Company in line with its risk strategy. ORSA provides the Management Board with appropriate assessment of whether Compensa's risk management and solvency position is adequate, and likely to remain so in the future.

The ORSA is an all-encompassing procedure connecting several processes from business planning to day-to-day risk management. The results and findings of central risk management processes and procedures form the basis for an ORSA in the Company. The main input interfaces, which flow into the ORSA are - business and risk strategy and operational business plans (including - Planning data and Capital Management Strategy) - these three elements form the main prerequisites for ORSA.

Other input interfaces are connected with the risk management processes and provide the risk profile assessment - Risk Inventory (including - adequacy assessment of evaluation measures, ICS), Risk Bearing Capacity (RBC) process, Solvency Capital Requirement (SCR), Minimum Capital Requirement (MCR) and technical provisions calculations. Chart 2 gives an overview of these ORSA process in the Company.

Chart 2. Overview of these ORSA process



B.3.2 Risk identification

The aim of Risk Identification is to expose, detect and document all possible sources of risks, which could affect the achievement of Compensa objectives.

Risk identification has to be performed on a regular basis, at least once a year. It includes the review of existing risks and sources that might have changed as well as the detection and documentation of new sources of risks that have emerged. The results of the risk identification process have to be recorded and documented. The major elements of the risk identification are the following processes:

- Risk Inventory;
- ICS;
- ORSA.

B.3.3 Risk measurement

An essential prerequisite for the risk handling and decisions of the Management Board is the measurement of all risks identified. This includes also the evaluation of the materiality. In this process, the various risk types are classified to the defined risk categories. On this basis different assessment methods for each risk type in line with the proportionality principle are used.

Within Compensa several processes and procedures are in place to perform the risk measurement in a group-wide consistent approach. Among these are the following:

- SCR and Own Funds Calculation (for the quantitative risks);
- Risk Inventory (for the qualitative approach);
- ORSA.

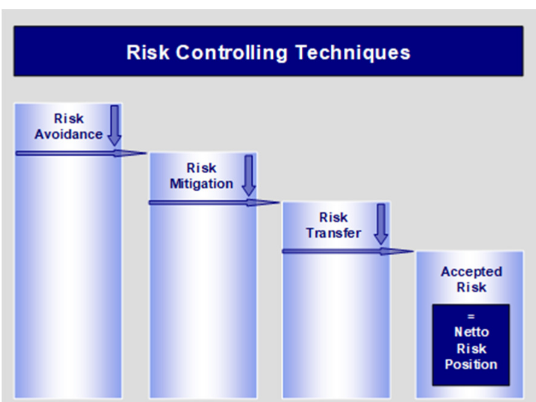
B.3.4 Risk analysis and risk treatment

After the risk is measured, either quantitatively or qualitatively, and the materiality of risk is stated, an effective risk handling has to be performed. Therefore measures and mechanisms have to be assessed for the change of the risk situation. The main possibilities of the risk treatment as part of the risk management are:

- risk avoidance;
- risk mitigation;
- risk transfer;
- risk acceptance.

The chart 3 gives an overview of these risk treatment (controlling techniques).

Chart 3. Risk treatment



Each of these risk controlling techniques has a different impact on the risk structure and needs to be analyzed by the responsible unit, as the risk owner or Risk Manager. The result of the analysis forms then the fundamental basis for following management decisions. The following processes support this step:

- Risk Inventory;
- ICS;
- ORSA;
- Validation Processes within SCR and Own Funds Calculation.

B.3.5 Risk decision and execution

In the risk management process a broad range of risk decisions need to be taken and the decision has to be executed by the responsible unit.

Management decisions that substantially affect the risk structure need to be supported by sufficient analysis regarding the impact on the business and the risk situation. After the decisions are taken to handle the risks, the execution of the decision has to be implemented by the responsible unit in a prompt and efficient manner.

B.3.6 Risk Monitoring

Risk monitoring has to be divided into two different areas:

a) On the one side, risk monitoring refers to the process of ensuring that the risk profile of Compensa remains in line with risk preferences and the risk strategy at all times. This control information can be derived from a regular comparison of the target and actual situation. The target situation is defined by the limits assigned.
b) On the other side, risk monitoring refers to the follow-up process during the implementation of decisions for risk-handling pointed out before. In that case risk monitoring aims to control the effective and timely implementation of action plans that were decided on.

The following sub-processes support this step:

- Limit-process within the Risk Bearing Capacity, allocation and limitation;
- Risk Inventory;
- ICS;
- ORSA.

B.3.7 Risk Reporting

The main steps in risk management process described above are addressed in a comprehensive set of reporting products, both ex ante as a basis for decisions and ex post for review/follow-up purposes. Risk reporting is performed by Risk management function.

The risk reporting includes both regular reports as well as ad hoc reports. While the regular reports are defined out of the standard processes, the ad hoc reports are provided in cases, where risks are realized unexpectedly.

B.4 Internal Control System

The internal control system is a central element integrated in the operational and organizational structure of Compensa. There are internal regulations developed and implemented by the Company to overarch roles and responsibilities with respect to ICS covering all levels of Compensa and ranging from responsibilities being part of the day-to-day business to responsibilities within the ICS assessment process, including Management board, Key functions, Internal Audit, Heads of Departments and single employees.

B.4.1 Implementation of the Compliance Function

The compliance function is part of the compliance organization, which aims to ensure the Company's compliance with applicable regulatory requirements. The heads of business units and other appointed responsible officers are regarded as owners of compliance risks. The final decision-making power as regards compliance issues as well as the ultimate responsibility for the compliance risks assumed by the Company rest within the Management Board.

Compliance Function operates independently from the operational business which is represented by Compliance Risk Owners who are accountable for managing their own Compliance Risks and avoidance of Non-Compliance in the operational fields they are responsible for (1st line of defense). Compliance Function shall identify, assess, control and report Compliance Risks arising from operational business (2nd line of defense).
The compliance function is allocated to the department of legal services and compliance and is performed as follows:

- Head of Legal and Compliance is an appointed function holder with overall responsibility for the compliance function;
- Legal and Compliance Officers perform the tasks of the compliance function in the Company's head office and branches.

The compliance function holder is organizationally subordinated and reports directly administratively and functionally to the Management Board. The Legal and Compliance Officers are organizationally subordinated and report to the compliance function holder.

The tasks and responsibilities of the compliance function are described in the Company's Compliance Policy approved by the Management Board.

The compliance relevant fields have been defined as follows:
a) Insurance regulations;
b) Capital market regulations;
c) Competition law;
d) Financial crime;
e) Data protection and privacy;
f) Economic sanctions and embargoes;
g) Code of Business Ethics of VIG Group.

B.4.2 Internal audit Function

Internal audit function is the third line of defence of the risk management system, providing independent, objective assurance and consulting services designed to add value and improve the appropriateness and effectiveness of the risk management, ICS as well as other elements of the Governance System.

The IA function performs its service with professional care, following the International Professional Practices Framework (IPPF) for Internal Auditing (containing the International Internal Auditing Standards and Code of Ethics for internal auditors) and with minimal disruption to Compensa operations.

Internal Audit is authorized by Supervisory Board to audit all areas of the business with full access to all information, records and staff. All Compensa staff, committees and the Board, assist the IA by providing any information required to fulfill the function's role.

The IA is completely independent from the Management Board, ensuring the function's impartiality is not impaired. Internal Audit reports highlight any significant control failings or weaknesses identified and the impact they have had, or may have and the actions and timings, which management have agreed to take to rectify them.

Internal Audit prepares regular reports to the Audit Committee/Supervisory Board, providing a balanced assessment of the effectiveness of the Company's risk management and internal control systems.

B.4.3 Actuarial function

The Actuarial Function in Compensa is composed of Actuarial Function Holder and Actuarial Function Executives. The tasks are allocated in such a way that the risk of the conflicts of interest from inappropriately allocated responsibilities is minimized. Therefore, employees performing the actuarial function shall not be directly involved in the activities that are subject to the control by the actuarial function. However, employees performing the actuarial function may have general supervisory or management responsibilities of the Insurance Technical Services Department. The actuarial function is expected to provide quality assurance with a view to safeguarding that certain control tasks are based on expert technical actuarial advice.

The actuarial function should report on an annual basis to the Management Board. This report should document all the tasks that have been undertaken by the actuarial function and their results, findings and recommendations.

B.5 Outsourcing

B.5.1 Outsourcing Policy

The Company may outsource its activities and functions to third parties following the Outsourcing Policy approved by the Management Board.

The Company's Outsourcing Policy describes the outsourcing process and detailed requirements applicable to outsourcing.

The outsourcing process can be divided into the following stages:

- Function or activity assessment, i.e. defining whether the involvement of third party in the Company's activities or functions is regarded as outsourcing (critical/important or regular outsourcing);
- outsourcing needs' analysis;
- outsourcing risk analysis;
- assessment and selection of service provider;
- approval of outsourcing and notification to Financial Supervision Authority;
- negotiation and conclusion of outsourcing agreement;
- registration of outsourcing;
- regular oversight and control over the outsourced activity or function;
- business continuity planning.

Depending on the type of outsourcing and the value of the contract, the ultimate decision regarding the approval of outsourcing and service provider shall be made by the Management Board, Supervisory Board or responsible member of the Management Board together with respective country manager.

B.5.2 Outsourcing of critical or important functions or activities

The Company has not outsourced any critical or important functions or activities in any jurisdiction.

B.6 Any other Information

The system of governance is assessed as adequate to the nature, scale and complexity of the risks inherent in the Company's business.

C. RISK PROFILE

Compensa is mainly exposed to underwriting risk of life and health business, and risks related to investment activity and environment. Additionally the Company is exposed to counterparty default risk, concentration risk, operational, strategic and reputational risk.

The Company generally accepts those risks that directly inherent to its insurance business.

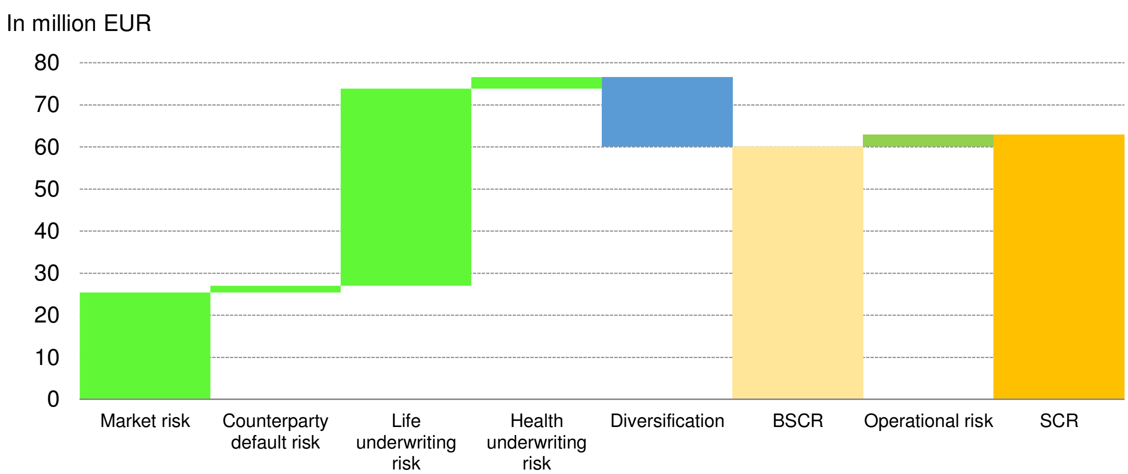
In the 2018 there were no significant changes in the structure of the risk profile, yet the size of the solvency capital requirement increased, mainly because of the increase of the life underwriting risk and market risk.

The Company's liabilities for the policyholders have classical life risks, therefore quantitative risks (market, counterparty default, life underwriting, and health underwriting and operational risks) are calculated with standard solvency capital model.

The overall responsibility of the risk assumed by Compensa resides with the Management Board.

Summary of the Company risk profile is provided in the chart 4.

Chart 4. Risk profile at 31.12.2018



C.1 Underwriting risk

Life underwriting risk arises from life insurance and reinsurance obligations, in relation to the perils covered and the processes followed in the conduct of the business.

Health underwriting risk is the risk arising from health insurance and reinsurance obligations, in relation to the perils covered and the processes used in the conduct of business.

Underwriting risk is major risk for the Company. Underwriting risk stems mainly from the mortality, longevity, expense, surrender and health risks. The size of the underwriting risk is dependent on the test including a massive lapse. Life lapse risk is the risk of loss, or of adverse change in the value of insurance and reinsurance liabilities, resulting from changes in the expected exercise rates of policyholder options. The increasing volume of the business increased also the underwriting risk.

In one year underwriting risk increased by 46%.

Increase in lapse risk (37.20 million EUR as of 31.12.2018) is due to increase in mass lapse risk that originates mainly from profitable business and from the change of regulation of calculating surrender values in Lithuania. Future profit has a significant impact on technical provisions and leads to higher Mass Lapse SCR. By the

Company assessment the life mass lapse risk shocks assessment assumptions are conservative (at too high levels), taking into account the nature of the portfolio, therefore there is an inherent (equity) buffer for the life risk in the SCR.

Underwriting is one of the most important processes in the Compensa. It is performed with a purpose of avoiding inappropriate losses of Compensa and anti-selection. The Company has in place an adequate procedure and methodology for the risk acceptance. All risks are assessed in accordance with the policy established by Compensa.

The Company has reinsurance cover for extraordinary risk. The reinsurance treatment is concluded with VIG Re, VIG Holding and Munich Re. Underwriting methodology employed by the Company is also approved by the (top-rated) reinsurance company Munchener Rück (Munich Re).

The Company has reinsurance coverage for the mitigation of mass lapse risk (6 million euros) with Munich Re. Compensa increased that cover since 01.01.2019.

Compensa has submitted in 2017 to the FSA a formal application for permission to use volatility adjustment for the risk-free interest rate term structure in calculation of the best estimate.

If the volatility adjustment is implemented by Compensa, then it has to publish the effect of the VA on the undertaking's financial position, including on the amount of technical provisions, the Solvency Capital Requirement, the Minimum Capital Requirement, the basic own funds and on the amounts of own funds eligible to cover the Minimum Capital Requirement and the Solvency Capital Requirement.

C.2 Market Risk

Market risk arises from the level or volatility of market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, immovable property prices and exchange rates.

Main drivers of the market risk are interest, equity, spread risk. The Company has an effective asset-liability management, so that the major part of the remaining market risk stems from the spread risk. The spread risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

The investments and risks resulting from investments are managed according to the annual “Investment Risk Strategy”, which is approved by the Supervisory Board. The management of financial assets shall be organised by the responsible member of Management Board appointed by the Supervisory Board of Compensa. The Management Board shall discuss the matters related to investment activities at each meeting.

To mitigate the market risk Compensa has conservative investment strategy, following the prudent person principle. The Prudent Person Principle requires that assets held to cover technical provisions, are invested in a manner appropriate to the nature and duration of those liabilities.

The primary goal of the Investment Strategy is to ensure adequate coverage of insurance obligations, reflecting proper Asset-Liability Management targets from various perspectives (duration, currencies, etc.) and to reach financial targets and stable investment returns for the insurance company and its portfolio.

Compensa investment policy outlines its investment strategy and the principles of investing into different asset classes, and principles of performing risk analyses and exercising control. Defined limits in the strategy have to be followed and monitored continuously. This includes an ex-ante as well as an ex-post consideration. The Company invests only in those assets, for which it can recognize, measure, monitor, manage and control the related risks accordingly with its own means.

Compensa has long liabilities with financial guarantees and the Company has in the investment activity to take into account the characteristics of liabilities for the policyholders, therefore the Compensa has also relatively high market risk.

Part of the market risk comes also from liabilities whose values is dependent on related assets value (unit-linked business). Increase in market risk (25.43 million EUR as of 31.12.2018) is due to change of the calculation model of the technical provisions of the unit-linked business. Model improvement makes unit-linked liabilities more sensitive to market risk.

C.3 Credit risk

Credit risk is the risk of loss or the risk of unpredictable changes in the Company's financial position that results from fluctuations in the credit ratings of those securities issuers, transaction counterparties and debtors with whom Compensa comes into contact in the framework of counterparty insolvency risk or concentration risk.

Compensa's credit risk exposures arise mainly from investment in debt securities, deposits and reinsurance. Compensa has entered into a reinsurance contract with VIG Re and also a proportional accident reinsurance contract with the parent company VIG Holding. The credit ratings of both reinsurers are A+ by Standard & Poor's. Compensa does not consider the credit risk arising from reinsurance to be high.

Investment-related credit risks are managed through the investment policy, which outlines the limits for investments in debt securities. Compensa monitors and analyses the changes in the ratings of debt securities held consistently with due care and makes appropriate changes to its portfolio as and when necessary. To describe credit risk company takes into account: credit rating, concentration risk and investment per single issuer limits.

C.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to realize the investments and other assets to meet its financial liabilities as and when necessary.

Compensa performs, on a quarterly basis, cash liquidity and portfolio liquidity forecasts. These forecasts demonstrate the Company has sufficient liquid assets to meet its financial obligations during expected business conditions and in times of stress.

Liquidity risk is measured and monitored using business cash forecasts and portfolio liquidity forecasts. These allow Compensa to manage both its short-term liquidity requirements and the long-term development of its liquidity requirements simultaneously.

The total amount of the expected profit included in future premiums is 94 million euros as of 31.12.2018.

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, personnel activities or systems, or external events. Operational risk includes legal risks and excludes strategic and reputational risks.

General principles of operational risk management are defined in the "Operational risk policy" and basis of reporting operational risk events are described in the "Operational risk events reporting guideline".

Operational risk management is part of the day-to-day risk management activities of any department of Compensa. The operational risks can arise in every operating activity, the Company follows the approach that operational risk management is not the task of one single department, but in the responsibility of each department within their own operational area.

In order to support the operational risk management and the monitoring of operational risks, Compensa uses the following two risk management processes – Internal Control System and Risk Inventory.

The goal of these two processes is the identification and evaluation of operational risks, the evaluation of the adequacy of the control environment as well as the identification and evaluation of risk mitigating.

The Company also conducts regularly business continuity test to valid business continuity plans and avoid significant operational losses.

C.6 Other material risks

C.6.1 Counterparty default risk

Counterparty default risk is the risk of loss, or adverse change in the value of assets and financial instruments related to the unexpected default of counterparties and debtors, and measured over the forthcoming twelve months.

The scope of the counterparty default risk includes risk-mitigating contracts, such as reinsurance arrangements, trade receivables and receivables from intermediaries, as well as any other credit exposures, which are not covered by spread risk.

Counterparty default risk is assessed during Risk Inventory process by members of the Management Board.

C.6.2 Strategic risk

Strategic risk is the risk of adverse business development related to poor business and investment decisions, or to inadequate communication and implementation of goals, or to a lack of adjustment capacity to changes in the economic environment, or to conflicting business objectives.

Strategic risk is assessed during Risk Inventory process by members of the Management Board.

C.6.3 Concentration risk

Concentration risk can arise out of several activities such as investments or underwriting and the Company assesses also know-how concentration risk.

Know-how concentration risk is the risk that important tasks are carried out by an individual with exclusive knowledge or skills in his or her area. The risk is being controlled via Business Continuity Management.

Compensa has limits for the concentration risk in the investments and underwriting policies. Investments have to be diversified with respect to issuers or issuer groups, regions or regarding one single investment to avoid concentration risks.

Concentration risk in investments is managed by the department of Financial and Investment Services. Concentration risk in underwriting is managed by the Insurance Technical Services Department.

C.7 Any other information

C.7.1 Risk sensitivity

Sensitivity analysis (single factor stresses) helps to understand, how the solvency position reacts on changes to input parameters. Therefore within the framework of ORSA the capital model is regularly tested for several sensitivities. The following sensitivity analyses conducted in the ORSA 2018:

- change in interest rate curve;
- change in Life lapse rate (Lapse risk);
- rating downshift;
- disability-morbidity risk;
- expense risk.

Sensitivity analysis showed that there are no risk factors stresses that would cause the drop of solvency coverage ratio below the internal criterion of 125% or the requirement of 100%.

Taking into account the structure of the Company’s Life insurance portfolio, solvency result is very sensitive to lapses as well as to the interest rate curve changes. The Company is aware of this risk and the management constantly keeps this risk under observation. The Company should be flexible to make appropriate changes in its portfolio - to work further on decreasing of guaranteed interest (to lower the average technical interest for new portfolio), and to make adjustments in the investment strategy (e.g. to increase the share of financial instruments with higher returns to provide a higher profitability of the overall portfolio).

C.7.2 Stress testing

Stress tests aim to check the vulnerability of the Company to predefined scenarios, where the single shocks should be the consequence of extraordinary, but still plausible events. Following scenarios were analysed in ORSA 2018:

- disability risk scenario: increase loss ratio of riders in Lithuanian Life portfolio;
- increase of lapse rate in Lithuanian Life portfolio;
- a change in the interest rate curve in 2019 valuation for solvency purposes.

The biggest effect to the Company's solvency coverage ratio is expected from 'low interest rate' scenario. The disability risk and lapse rate increase scenarios tests show that there is no significant difference between solvency coverage ratios of base scenario.

According to tests the Company should continue the steering of Asset-Liability matching continuously, to conduct the analysis of the adequacy of the standard formula of SCR, to constantly monitor the developments in the market to have a clear capital plan in the event of the worse scenario.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

Purchases and sales of financial assets are recognized using settlement date accounting. A financial asset is derecognized on the day that it is transferred by the Company. Depending on the purpose of acquisition and management's intentions, financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

D.1.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading (i.e. assets acquired principally for the purpose of selling or repurchasing in the near term; assets part of a portfolio of identified financial instruments that are managed together; or derivative financial instruments that are not hedging instruments) as well as other financial assets that are designated as financial assets at fair value through profit or loss upon initial recognition. Financial assets of this category are recognized initially at their fair value excluding transaction costs. After initial recognition, financial assets of this category are measured at fair value and any gains/losses on changes in fair value are recognized in profit or loss in the period in which they arise.

A financial asset may be designated as at fair value through profit or loss when doing so reduces a measurement or recognition inconsistency. All financial assets at fair value through profit or loss that are recognized in these financial statements were designated to that category upon initial recognition.

The fair value of a listed security is determined based on the price of the most recent transaction conducted with that security on the stock exchange. The fair value of an unlisted security that is traded in an active market is determined based on the price of the most recent transaction conducted with it (assuming the transaction was conducted on market terms). If the price is not reliable, the position is re-measured to fair value using generally accepted valuation techniques and all information available on the fair value of the investment. Unlisted debt securities for which there is no active market are discounted using a discount rate equal to market rates of return that also reflects the risk of the issuer.

Solvency II Reporting: no difference to Standard Reporting.

D.1.1.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognized initially at fair value plus transaction costs. After initial recognition, loans and receivables are accounted for at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument but not future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums and discounts. This method is used for recognizing interest income on the receivable in subsequent periods. Any impairment losses are recognized in income statement within Net fair value gain/loss on investments at fair value through profit or loss.

Solvency II Reporting: for Solvency II reporting purposes the item "Loans and receivables" is divided into – Loans (with interests), Receivables from policyholders and intermediaries, Other receivables, Term deposits (with interests) and Any other assets, not elsewhere shown. Also the interests of held-to-maturity investments and available-for-sale financial assets are included in the underlying assets for corresponding asset class items. Receivables from policyholders and intermediaries are divided into two part:

- Receivables from policyholders and intermediaries where are overdue receivables;
- Any other assets, not elsewhere shown where are all other non due receivables from policyholders and intermediaries.

Table 5. Loans and receivables (in EUR thousand)

IFRS item	IFRS value	Solvency II items	Solvency II value
Loans and receivables	19 344	Term deposits (with interests)	6 894
		Loans (with interests)	6 385
		Receivables from policyholders and intermediaries	55
		Other receivables	251
		Debt securities (interests with underlying asset)	3 098
		Any other assets, not elsewhere shown	2 661
Total	**19 344**		**19 344**

D.1.1.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity financial investments are initially recognized at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Solvency II Reporting: reported in market value (with interests), reported value 72 432 244 euros vs Standard Reporting 65 004 947 euros.

D.1.1.3 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that the Company intends to sell immediately or in the near term and that are not classified to any of the above categories. Available-for-sale financial assets are recognized initially at fair value. After initial recognition, available-for-sale financial assets are measured at fair value without any deduction for transaction costs that may be incurred on sale or other disposal.

Solvency II Reporting: reported in market value (with interests), reported value 141 287 832 euros vs Standard Reporting 139 274 402 euros.

As a rule, the basis for determining fair value is the market price of the financial asset in an active market. If this is not available, fair value is established using generally accepted valuation techniques. Investments in equity securities that do not have a price in an active market and whose fair value cannot be measured reliably using other valuation techniques and derivatives that are linked to and must be settled by delivery of such equity instruments are measured at cost less any impairment losses.

D.1.1.4 Deferred Acquisition Cost (DAC)

Accrual accounting and deferring implies time wise matching (synchronization) of income and expenses: an incurred cost is capitalized and does not become an expense until it is recognized in the financial statements of the Company. In an accounting sense, it is the amortization of that cost, and not the original cost itself, that becomes the expense. Hence, certain costs, which are incurred to acquire insurance contracts should not be recognized as an expense in the accounting period in which they are incurred but should be capitalized as an asset on the balance sheet and gradually amortized over the lifetime of the insurance contracts.

DAC represents the “un-recovered investment” in the policies issued and are therefore capitalized as an intangible asset to match costs with related revenues. Over time the acquisition costs are recognized as an expense that reduces the DAC asset. The process of recognizing the costs in the income statement is known as amortization and refers to the DAC asset being amortized or reduced over a number of years.

Solvency II Reporting: Solvency II is based on an estimation of future cash flows. Deferred acquisition costs are based on a cash outflow that took place in the past. The (future) premiums may indeed include an expense charge to cover these acquisition costs; this is then reflected in the determination of the technical provisions. Therefore, a deferred acquisition cost is stated with zero in the Solvency II balance sheet.

D.2 Technical Provisions

D.2.1 Valuation for Solvency Purposes

D.2.1.1 Summary of technical provisions as of 31 December 2018.

Technical provisions are calculated as the sum of the best estimates and the risk margin.

Table 6. Technical provisions by line of business (in EUR thousand)

	2018				2017			
	BE	**RM**	**Sum**	**RR**[1]	**BE**	**RM**	**Sum**	**RR**
Medical expenses	7 042	210	7 252	0	6 102	156	6 258	0
Income protection	59	2	60	-1	60	2	62	-1
Total non-life	**7 100**	**212**	**7 312**	**-1**	**6 162**	**158**	**6 320**	**-1**
Life insurance with profit sharing	168 784	22 481	191 264	-1 438	144 239	20 034	164 274	-1 423
Unit linked life insurance	-10 910	19 079	8 169	-1 082	2 485	11 880	14 365	-946
Other life insurance	12 497	1 665	14 162	-117	8 114	1 127	9 241	76
Total life	**170 371**	**43 224**	**231 595**	**-2 636**	**154 838**	**33 041**	**187 879**	**-2 293**

D.2.1.2 Methodology of valuation of technical provisions

D.2.1.2.1 Life insurance best estimates

Best estimate of obligations arising from life insurance contracts is calculated by projecting future cash flows related to the insurance contracts and discounting them with the curve of risk free discount rates. The calculations are performed for each in force policy individually.

Compensa uses the deterministic approach in calculation of life insurance best estimates. As a simplification, it is assumed that the value of options and guarantees (such as guaranteed surrender value, guaranteed annuity option) does not have a material impact on the value of the obligations. Compensa also uses a simplified approach in modeling policyholder bonuses. The bonuses are allowed for by making an adjustment to the discount rate curve. For the purpose of the 2018 valuation, considering the current very low interest rate environment, this adjustment is zero i.e. the assumption is made that no policyholder bonuses will be paid on with-profit business in the future.

The methodology allows that per policy technical provisions can be negative (i.e. where future cash in-flows are expected to exceed future cash out-flows). Such results are not set to zero. The technical provision of the insurance liability may be lower than the surrender value of the underlying contract. The calculation of technical provisions is not subject to a surrender value floor.

The provision for life insurance claims is estimated by considering the actually reported claims and the IBNR. Considering that life insurance claims are usually settled without delays the assumption is made that the claims reserve will be paid out within the first year.

Certain simplifications are applied in the calculation of the technical provisions. The simplifications are considered to be in line with the principle of proportionality and are appropriate considering the nature, scale and complexity of the risks.

[1] Reinsurance recoverable

The most significant guarantee that has an effect on the best estimate is the guaranteed interest for business with profit sharing. Currently, the guaranteed interest significantly exceeds the return implied by the risk free yield curve.

D.2.1.2.2 Non-life insurance best estimates

The claims provision is formed for claims incurred until the balance sheet date. Compensa calculates claims reserve for non-life insurance using standard Chain Ladder (paid) methodology. The projected claims cash flows are discounted with the risk free discount curve.

The premium provision relates to future claim events covered by insurance and reinsurance obligations falling within the contract boundary. Premium provision is calculated using the combined ratio method i.e. the ultimate projected claims and expenses are derived by multiplying the unearned premium reserve by the expected loss ratio and expense ratio. Then the future claims cash flows are projected by applying the claims development assumptions. The net present value is calculated by discounting the projected cash flows with the curve of risk free discount rates.

D.2.1.2.3 Best estimates of amounts recoverable from reinsurance – life insurance

Best estimate of the reinsurers share in technical provisions is calculated by directly projecting reinsurance premiums, reinsurers' share in claims and discounting them at risk free interest rate. The resulting provision is adjusted for counterparty default risk.

D.2.1.2.4 Best estimates of amounts recoverable from reinsurance – non life insurance

The reinsurers share in premium provision and claims provision is calculated by taking into account the expected reinsurers' share in premiums, claims and commissions. The resulting provisions are adjusted for counterparty default risk.

D.2.1.2.5 Risk margin

For non-life business the risk margin was calculated using simplified method, which uses approximations of the future SCRs for each future year as specified in Article 58 (a) of Delegated Act. For life business the risk margin was calculated using simplified duration based approach, which approximate the discounted sum of the future SCRs without calculating each of those amounts separately as specified in Article 58 (b) of Delegated Act. The risk margin was calculated separately for unit-linked business and non unit-linked business.

D.2.1.3 Assumptions

D.2.1.3.1 Assumptions derived from external data

The input of the model needs assumptions, some of which are beyond the Company's control, such as e.g. interest curves. The Company considers available external data, VIG guidance and information from the regulator in setting these assumptions.

D.2.1.3.2 Assumptions derived from internal data

Due to quite young portfolio and modern administration/database system the majority of portfolio data are available. Most of the insurance portfolio specific assumptions are based on the internal data sources and are adjusted to reflect expected future trends and changes.

The key life insurance assumptions are as follows:

- unpaid premium ratio;
- proportion of policies surrendered (without surrender value);
- proportion of policies surrendered (with surrender value);
- surrender value assumption (proportion of the reserve surrendered);
- loss ratio of riders;
- mortality rate;
- kick-back revenue;

- growth of unit prices
- discount rate.

Key non-life assumptions:

- ultimate loss ratio;
- expense ratio;
- claims development factors (paid);
- claims settlement expense ratio;
- discount rate.

D.2.1.4 Changes in assumptions

There were no significant changes in the assumptions in comparison with prior year. There were no major changes in the products or distribution channels during the year. The slight differences in assumptions are due to changes in experience caused by a stable growth of the portfolio.

D.2.1.5 Uncertainty associated with the amount of technical provisions

The key assumptions associated with the key risks related to technical provisions are:

- surrender assumptions;
- interest/ discount rate;
- rider loss ratios.

Surrender assumptions are derived based on the Company's experience. Up to date the persistency experience at the Company was stable. However, due to relatively short period of development of insurance markets in the Baltics, it is difficult to predict how the persistency will depend on the impact of various stages of the economic cycles. The Company observes and manages risks related to surrender.

Discount rate fluctuates with the financial markets and cannot be directly controlled by the Company. Therefore they are considered to be uncertain and should be managed by applying appropriate asset liability management techniques.

Rider loss ratio assumptions are also derived based on the Company's experience. Up to date they were relatively stable and not subject to large year-to-year fluctuations.

D.2.2 Differences to local GAAP

In the table 7 is the summary of technical provisions valued under Solvency II and IFRS:

Table 7. Technical provision valued under Solvency II and IFRS (in EUR thousand)

	Solvency II valuation		**IFRS valuation**		**Difference**	
	TP[1]	RR[2]	TP	RR	TP	RR
Total health similar to non-life	**7 312**	**-1**	**7 635**		**-323**	
Life (excluding health and unit-linked)	205 426	-1 555	208 215		-2 789	
Unit linked life insurance	8 169	-1 082	58 546		-50 377	
Total	**220 907**	**-2 637**	**274 396**	**265**	**-53 489**	**-2,553**

[1] Technical provisions
[2] Reinsurance recoverable

Technical provisions calculated for Solvency II purpose are heavily affected by low yields of discounting curve and expected future profits taken into account in liabilities' cash flows (especially unit-linked).

D.3 Other Liabilities

D.3.1 Valuation for Solvency Purposes

D.3.1.1 Liabilities to employees

Payables to employees include the accrued vacation pay liability calculated in accordance with employment contracts and the legislation in force at the reporting date. The vacation pay liability includes associated social security tax and unemployment insurance contributions. The item also includes contractual termination benefits and associated social security tax.

Social security tax includes statutory national funded pension contributions. The Company has no legal or constructive obligation to make any pension or similar payments in addition to payments of social security tax.

Solvency II Reporting: no difference to Standard Reporting.

D.3.1.2 Other financial liabilities

All other financial liabilities (trade payables, other short and long-term liabilities, loans received, debt securities issued) are initially recognized at their fair values and are subsequently measured at their amortized cost using the effective interest rate method. The amortized cost of current financial liabilities generally equals their nominal value; therefore current financial liabilities are measured in the balance sheet at the amount payable. Non-current financial liabilities are initially recognized at the fair value of the consideration received (less transaction costs). In subsequent periods, they are measured at their amortized cost using the effective interest rate method.

Solvency II Reporting: Insurance and intermediaries payables is divided into two parts. In line "Insurance and intermediary payables" is recognized only overdue payables. Non due payables is recognized in line "Any other liabilities, not elsewhere shown". There are no other difference to Standard Reporting.

D.3.1.3 Other provisions and contingent liabilities

A provision is recognized when the Company has a present obligation arising from an obligating event that occurred before the reporting date and derives from a contract or legislation or the Company's established pattern of past practice, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation but the timing or amount of the obligation are uncertain.
Provisions are recognized based on management's estimates of the expenditure required to settle the present obligation and the time the obligation has to be settled. A provision is recognized in an amount, which according to management's estimates is required to settle the obligation at the reporting date or to transfer it to a third party. A provision is measured at its discounted value (the present value of the expected outflows), unless the effect of discounting is immaterial. Expenses on provisions are recognized in the period in which they are incurred.

Solvency II Reporting: no difference to Standard Reporting.

D.3.2 Differences to local GAAP

There are no differences between local GAAP (IFRS) and Solvency II Reporting. There are no any off-balance liabilities not reported in QRTs template.

D.4 Any other information

No additional information is subject of reporting.

E. CAPITAL MANAGEMENT

E.1 Own Funds

The objective of capital management is to ensure the Company's sustainable operation and safeguard the interests of policyholders and investors.

The forward-looking capital planning and regular monitoring enable the Company to identify possible decreases in the capital buffer and potential shortfalls sufficiently early. Financial and solvency forecasts, which are made during the planning process and form a part of the Company's ORSA report, are an integral part of capital management. In managing its capital, Compensa also takes into account the changes planned to be made to its own funds

Equity (Own funds) according to IFRS FS as of December 31, 2018 are disclosed in the table 8.

Table 8. Equity (in EUR thousand)

Share capital	11 604
Share premium	9 466
Statutory capital reserve	868
Other reserves	4 371
Retained earnings	7 825
Total equity	**34 134**

In the Solvency II Directive there are characteristics set out for the categorization of own funds items between basic own funds and ancillary own funds, the categorization of own funds items is between Tier 1, Tier 2 and Tier 3. The Company's own funds categories and values as of December 31, 2018 are disclosed in the table 9.

Table 9 Own funds valued for Solvency II purpose (in EUR thousands)

	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	11 604	11 604		
Share premium account related to ordinary share capital	9 466	9 466		
Reconciliation reserve	62 726	62 726		
Subordinated liabilities	0		0	
An amount equal to the value of net deferred tax assets	32			32
Total	**83 828**	**83 795**	**0**	**32**

E.1.1 Reconciliation reserve

The reconciliation reserve equals the total excess of assets over liabilities reduced by the amount of own shares and adjusted by subordinated liabilities. Main differences between equity as shown in the Company's financial statements (IFRS) and the excess of assets over liabilities as calculated for solvency purposes are due to following:

- Investments classified as held to maturity (amortized cost) in IFRS reports are assessed in the market value for the Solvency II reporting purposes;
- Technical provisions calculated for Solvency II purpose are affected by low yields of discounting curve from one hand and expected future profits taken into account in liabilities' cash flows from other hand.

E.1.2 Subordinated liabilities

On 29 December 2008, Compensa took a subordinated loan of 2,000,000 euros from the parent VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (VIG). In May 2011, the loan was transferred to another group company, TBIH Financial Services N.V. In May 2017, TBIH transferred the loan to group company LVP Holding GmbH. The loan terms did not change. The subordinated loan was repaid on 29 December 2018.

E.1.3 Earning and taxation

At 31 December 2018, Compensa's retained earnings amounted to 8 039 113 euros (31 December 2017: 6 456 412 euros). The maximum income tax liability that could arise if all of the retained earnings as at the reporting date were distributed as dividends amounts to 2 009 778 euros (2017: 1 614 103 euros). Thus, the amount that could be distributed as the net dividend is 6 029 335 euros (31 December 2017: 4 842 309 euros). Compensa paid dividends in the amount of 2 900 000 euros.

Under Estonian and Latvian legislation, corporate profit is not subject to income tax and thus deferred tax assets and liabilities do not arise.

In Lithuania, corporate profit is subject to income tax at the rate of 15%. Accordingly, in Lithuania deferred tax assets and liabilities may arise. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or different taxable entities, which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

A deferred tax asset represents the amount of income tax that can be used to cover the income tax expense on future taxable profits and it may be recognized in the balance sheet. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will allow the deferred tax asset to be utilized. Future taxable profit and the extent, to which the deferred tax asset can be utilized are estimated based on management's medium term business plan, which is based on management's expectations and best estimates that are believed to be reasonable under the circumstances.

The deferred tax recognized for Solvency II purposes in amount of 32 371 EUR as of December 31, 2018 equals to deferred tax asset recognized in the Company's financial statements (IFRS) for the year ended at December 31, 2018.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Under the Solvency II principles, an insurer has to calculate its solvency capital requirement at least once a year on a going concern basis using the standard formula, internal model, or partial internal model. The solvency capital requirement corresponds to the amount of an insurer's own funds, which enables the insurer to meet its obligations under insurance contracts over the next 12 months with 99.5% probability.

The calculation of Solvency Capital Requirements is based on the standard formula. The SCR increased mainly due to life underwriting and market risk and reason of that is described in the section C. The results of SCR submodules as of December 31, 2018 are presented in the table 10.

Table 10. Solvency Capital Requirement (in EUR million)

Market risks	25.43
Counterparty default risk	1.60
Life underwriting risk	46.87
Health underwriting risk	2.67
Non-life underwriting risk	0
Intangible asset risk	0
Diversification	-16.52
Operational risk	2.91
Solvency Capital Requirement	**62.96**
Minimum Capital Requirement	**15.74**

The minimum capital requirement corresponds to the amount of eligible basic own funds, below which there would be unacceptably high risk that the insurer would not be able to fulfil its obligations to policyholders, insured persons and beneficiaries were the insurer to continue its operations.

Based on the Company's management view, there is no any reasonably foreseeable risk of non-compliance with the Company's Minimum Capital Requirement or Solvency Capital Requirement.

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

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

E.4 Differences between standard formula and any internal model

The Company does not use internal model.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company was compliant with the Minimum capital Requirement and with the solvency capital requirement during the reporting period.

E.6 Any other information

No any other information is subject of reporting.

ANNEX

S.02.01.02 Balance sheet
S.05.01.02 Premiums, claims and expenses by line of business
S.05.02.01 Premiums, claims and expenses by country
S.12.01.02 Life and Health SLT Technical Provisions
S.17.01.02 Non-life Technical Provisions
S.19.01.21 Non-life insurance claims
S.23.01.01 Own funds
S.25.01.21 Solvency Capital Requirement — for undertakings on Standard Formula
S.28.02.01 Minimum Capital Requirement — Both life and non-life insurance activity

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	32
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	390
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	237 555
Property (other than for own use)	**R0080**	0
Holdings in related undertakings, including participations	**R0090**	6 804
Equities	**R0100**	1 156
Equities - listed	**R0110**	1 156
Equities - unlisted	**R0120**	0
Bonds	**R0130**	213 720
Government Bonds	**R0140**	106 101
Corporate Bonds	**R0150**	107 619
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	8 981
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	6 894
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	58 522
Loans and mortgages	**R0230**	6 385
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	6 385
Reinsurance recoverables from:	**R0270**	-2 637
Non-life and health similar to non-life	**R0280**	-1
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	-1
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-1 555
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-1 555
Life index-linked and unit-linked	**R0340**	-1 082
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	55
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	673
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**	8 944
Any other assets, not elsewhere shown	**R0420**	2 661
Total assets	**R0500**	312 581

Balance Sheet

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	7 312
Technical provisions – non-life (excluding health)	R0520	0
TP calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	7 312
TP calculated as a whole	R0570	0
Best Estimate	R0580	7 100
Risk margin	R0590	212
Technical provisions - life (excluding index-linked and unit-linked)	R0600	205 426
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	205 426
TP calculated as a whole	R0660	0
Best Estimate	R0670	181 281
Risk margin	R0680	24 145
Technical provisions – index-linked and unit-linked	R0690	8 169
TP calculated as a whole	R0700	0
Best Estimate	R0710	-10 910
Risk margin	R0720	19 079
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	263
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	356
Insurance & intermediaries payables	R0820	0
Reinsurance payables	R0830	68
Payables (trade, not insurance)	R0840	2 781
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	1 478
Total liabilities	R0900	225 854
Excess of assets over liabilities	R1000	86 728

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		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**	16 591	130							
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	67							
Net	**R0200**	16 591	63							
Premiums earned										
Gross - Direct Business	**R0210**	15 983	131							
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	63							
Net	**R0300**	15 983	68							
Claims incurred										
Gross - Direct Business	**R0310**	12 029	36							
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	61							
Net	**R0400**	12 029	-25							
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**									
Net	**R0500**									
Expenses incurred	**R0550**	3 118	65							
Other expenses	**R1200**									
Total expenses	**R1300**									

Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **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**								16 721
Gross - Proportional reinsurance accepted	**R0120**								
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**								67
Net	**R0200**								16 654
Premiums earned									
Gross - Direct Business	**R0210**								16 114
Gross - Proportional reinsurance accepted	**R0220**								
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								63
Net	**R0300**								16 051
Claims incurred									
Gross - Direct Business	**R0310**								12 065
Gross - Proportional reinsurance accepted	**R0320**								
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**								61
Net	**R0400**								12 004
Changes in other technical provisions									
Gross - Direct Business	**R0410**								
Gross - Proportional reinsurance accepted	**R0420**								
Gross - Non- proportional reinsurance accepted	**R0430**								
Reinsurers'share	**R0440**								
Net	**R0500**								
Expenses incurred	**R0550**								3 183
Other expenses	**R1200**								
Total expenses	**R1300**								3 183

Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**		49 949	24 976	1 551					76 476
Reinsurers' share	**R1420**		1 346	965	161					2 473
Net	**R1500**		48 603	24 010	1 390					74 003
Premiums earned										
Gross	**R1510**		49 949	24 976	1 551					76 476
Reinsurers' share	**R1520**		1 346	965	161					2 473
Net	**R1600**		48 603	24 010	1 390					74 003
Claims incurred										
Gross	**R1610**	1 890	14 691	4 923	522					22 026
Reinsurers' share	**R1620**	2 063	0	0	47					2 109
Net	**R1700**	-173	14 691	4 923	475					19 917
Changes in other technical provisions										
Gross	**R1710**		29 761	6 696	-454					36 002
Reinsurers' share	**R1720**		0	0	0					0
Net	**R1800**		29 761	6 696	-454					36 002
Expenses incurred	**R1900**		7 371	8 733	1 010					17 114
Other expenses	**R2500**									
Total expenses	**R2600**									17 114

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		LT	LV				
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**		12 766	3 955				16 721
Gross - Proportional reinsurance accepted	**R0120**							
Gross - Non-proportional reinsurance accepted	**R0130**							
Reinsurers' share	**R0140**			67				67
Net	**R0200**		12 766	3 888				16 654
Premiums earned								
Gross - Direct Business	**R0210**		11 727	4 387				16 114
Gross - Proportional reinsurance accepted	**R0220**							
Gross - Non-proportional reinsurance accepted	**R0230**							
Reinsurers' share	**R0240**			63				63
Net	**R0300**		11 727	4 324				16 051
Claims incurred								
Gross - Direct Business	**R0310**		8 964	3 101				12 065
Gross - Proportional reinsurance accepted	**R0320**							
Gross - Non-proportional reinsurance accepted	**R0330**							
Reinsurers' share	**R0340**							61
Net	**R0400**		8 964	3 101				12 004
Changes in other technical provisions								
Gross - Direct Business	**R0410**			0				
Gross - Proportional reinsurance accepted	**R0420**							
Gross - Non- proportional reinsurance accepted	**R0430**							
Reinsurers'share	**R0440**							
Net	**R0500**			0				
Expenses incurred	**R0550**		2 189	992				3 182
Other expenses	**R1200**							
Total expenses	**R1300**							3 182

Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400		LT	LV				
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**	19 974	41 150	15 352				76 476
Reinsurers' share	**R1420**	150	2 216	107				2 473
Net	**R1500**	19 824	38 934	15 245				74 003
Premiums earned								
Gross	**R1510**	19 974	41 150	15 352				76 476
Reinsurers' share	**R1520**	150	2 216	107				2 473
Net	**R1600**	19 824	38 934	15 245				74 003
Claims incurred								
Gross	**R1610**	10 916	6 547	4 563				22 026
Reinsurers' share	**R1620**	111	1 914	85				2 109
Net	**R1700**	10 806	4 633	4 478				19 917
Changes in other technical provisions								
Gross	**R1710**	9 627	17 420	8 955				36 002
Reinsurers' share	**R1720**	0	0	0				0
Net	**R1800**	9 627	17 420	8 955				36 002
Expenses incurred	**R1900**	2 305	12 819	1 989				17 114
Other expenses	**R2500**							
Total expenses	**R2600**							17 114

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
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**	168 784			-10 910			12 497			170 371
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	-1 438			-1 082			-117			-2 636
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	170 222			-9 828			12 614			173 007
Risk Margin	**R0100**	22 481	19 079			1 665					43 224
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**	191 264	8 169			14 162					213 595

Life and Health SLT Technical Provisions

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**						
Risk Margin	**R0100**						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**						

Non-life Technical Provisions

		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										
Best estimate										
Premium provisions										
Gross	**R0060**	5 494	43							
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0140**	0	16							
Net Best Estimate of Premium Provisions	**R0150**	5 494	27							
Claims provisions										
Gross	**R0160**	1 548	15							
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0240**		-17							
Net Best Estimate of Claims Provisions	**R0250**	1 548	32							
Total Best estimate - gross	**R0260**	7 042	59							
Total Best estimate - net	**R0270**	7 042	59							
Risk margin	**R0280**	210	2							
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									

Non-life Technical Provisions

		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**	7 252	60							
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	-1							
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	7 252	61							

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		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	
		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									
Best estimate									
Premium provisions									
Gross	**R0060**								5 537
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0140**								16
Net Best Estimate of Premium Provisions	**R0150**								5 521
Claims provisions									
Gross	**R0160**								1 563
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	**R0240**								-17
Net Best Estimate of Claims Provisions	**R0250**								1 580
Total Best estimate - gross	**R0260**								7 100
Total Best estimate - net	**R0270**								7 101
Risk margin	**R0280**								212
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best estimate	**R0300**								
Risk margin	**R0310**								

Non-life Technical Provisions

		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**								7 312
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								-1
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**								7 313

Non-life Insurance Claims Information

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

		Development year												In Current year	Sum of years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	**R0100**											0	**R0100**	0	0
N-9	**R0160**												**R0160**		0
N-8	**R0170**												**R0170**		0
N-7	**R0180**												**R0180**		0
N-6	**R0190**												**R0190**		0
N-5	**R0200**	5 095	920	3	0	0	0						**R0200**	0	6 019
N-4	**R0210**	6 506	774	2		0							**R0210**	0	7 283
N-3	**R0220**	5 755	544		0								**R0220**	0	6 299
N-2	**R0230**	6 748	609										**R0230**		7 357
N-1	**R0240**	7 813	956										**R0240**	956	8 769
N	**R0250**	11 047											**R0250**	11 047	11 047
												Total	**R0260**	12 003	46 775

Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										
	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											0
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200				0	0	0					
N-4	R0210				0	0						
N-3	R0220				0							
N-2	R0230	12	3									
N-1	R0240	1 067	2									
N	R0250	1 558										

		Year end (discounted data)
		C0360
	R0100	0
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	0
	R0210	0
	R0220	0
	R0230	
	R0240	2
	R0250	1 561
Total	R0260	1 563

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	11 604	11 604			
Share premium account related to ordinary share capital	**R0030**	9 466	9 466			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type un	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	62 726	62 726			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**	32				32
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**	83 828	83 795			32
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 2009/13	**R0370**					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					

Own funds

		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**	83 828	83 795			32
Total available own funds to meet the MCR	**R0510**	83 795	83 795			
Total eligible own funds to meet the SCR	**R0540**	83 828	83 795	0	0	32
Total eligible own funds to meet the MCR	**R0550**	83 795	83 795	0	0	
SCR	**R0580**	62 958				
MCR	**R0600**	15 739				
Ratio of Eligible own funds to SCR	**R0620**	133,1%				
Ratio of Eligible own funds to MCR	**R0640**	532,4%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	86 728	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**	2 900	
Other basic own fund items	**R0730**	21 102	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	62 726	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	94 304	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		
Total Expected profits included in future premiums (EPIFP)	**R0790**	94 304	

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	25 426		
Counterparty default risk	R0020	1 600		
Life underwriting risk	R0030	46 868		
Health underwriting risk	R0040	2 672		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-16 523		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	60 043		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	2 915
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
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	62 958
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	62 958
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

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

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	**R0010**	1 124	

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	**C0040**	**C0050**	**C0060**
Medical expense insurance and proportional reinsurance	**R0020**	7 042	16 591		
Income protection insurance and proportional reinsurance	**R0030**	59	63		
Workers' compensation insurance and proportional reinsurance	**R0040**				
Motor vehicle liability insurance and proportional reinsurance	**R0050**				
Other motor insurance and proportional reinsurance	**R0060**				
Marine, aviation and transport insurance and proportional reinsurance	**R0070**				
Fire and other damage to property insurance and proportional reinsurance	**R0080**				
General liability insurance and proportional reinsurance	**R0090**				
Credit and suretyship insurance and proportional reinsurance	**R0100**				
Legal expenses insurance and proportional reinsurance	**R0110**				
Assistance and proportional reinsurance	**R0120**				
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**				
Non-proportional health reinsurance	**R0140**				
Non-proportional casualty reinsurance	**R0150**				
Non-proportional marine, aviation and transport reinsurance	**R0160**				
Non-proportional property reinsurance	**R0170**				

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

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

		Non-life activities	Life activities
		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	**R0200**		6 874

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	**C0100**	**C0110**	**C0120**
Obligations with profit participation - guaranteed benefits	**R0210**			170 222	
Obligations with profit participation - future discretionary benefits	**R0220**			0	
Index-linked and unit-linked insurance obligations	**R0230**			0	
Other life (re)insurance and health (re)insurance obligations	**R0240**			12 614	
Total capital at risk for all life (re)insurance obligations	**R0250**				443 593

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

Overall MCR calculation

		C0130
Linear MCR	**R0300**	7 997
SCR	**R0310**	62 958
MCR cap	**R0320**	28 331
MCR floor	**R0330**	15 739
Combined MCR	**R0340**	15 739
Absolute floor of the MCR	**R0350**	6 200
		C0130
Minimum Capital Requirement	**R0400**	15 739

Notional non-life and life MCR calculation		**Non-life activities**	**Life activities**
		C0140	**C0150**
Notional linear MCR	**R0500**	1 124	6 874
Notional SCR excluding add-on (annual or latest calculation)	**R0510**	8 847	54 111
Notional MCR cap	**R0520**	3 981	24 350
Notional MCR floor	**R0530**	2 212	13 528
Notional Combined MCR	**R0540**	2 212	13 528
Absolute floor of the notional MCR	**R0550**	2 500	3 700
Notional MCR	**R0560**	2 500	13 528