SOLVENCY AND FINANCIAL CONDITION REPORT

2021

COMPENSA LIFE VIENNA INSURANCE GROUP SE

Commercial Register number 10055769

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Reporting period	1 January 2021 – 31 December 2021
Principal activity	Life insurance, code no. 6511

COMPENSA
VIENNA INSURANCE GROUP

LIST OF ABBREVATIONS

BE	Best Estimate
Business Requirements	Requirements voluntarily adopted and made binding by organization, e.g. articles of association, regulations of branches, statutes, regulations of governing bodies, internal regulations, orders, strategies, policies, procedures, resolutions of governing bodies and contracts. Business Requirements also include industry codes and standards, which are binding on organization due to its membership in certain association (e.g. best practices developed by the Insurers' Association). The guidelines and regulations issued by VIG Holding shall be binding on Compensa and regarded as Business Requirements.
Compensa Group	Compensa Life and all its related entities
Compensa or 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	Finantsinspektsioon, Estonian financial supervision and crisis resolution authority
IA	Internal Audit
IAA	Estonian Insurance Activities Act
ICS	Internal Control System
IFRS	International Financial Reporting Standards
IRS	Investment Risk Strategy
Local Regulation	Internal regulations of Compensa governing solely local (country-based) functions, business operations and processes
MCR	Minimum Capital Requirement
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
Regulatory Requirements	Compulsory requirements externally imposed on organization such as EU and national legislation (e.g. Solvency II, Delegated Act, laws, government regulations) and other stated requirements. Advisory guidelines of the supervisory authorities are also regarded as Regulatory Requirements.

RFR	Risk-free interest rate, EIOPA lays down and publishes technical information on risk-free interest rates
RM	Risk margin
RR	Reinsurance retention
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
UCITS	Undertakings Collective Investment in Transferable Securities
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 2021, total premium income amounted to 145.8 million euros, a 19.9% improvement on the year before (2020: 121.6 million euros). In 2021, Compensa's profit amounted to 6.6 million euros (2020: Compensa's profit amounted to 3.3 million euros). Compensa Group's Baltic operations generated a consolidated profit of 7.0 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 2021, 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.
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)

	2021	2020
Market risk	39.55	30.96
Counterparty default risk	4.89	3.73
Life underwriting risk	63.44	40.00
Health underwriting risk	3.78	3.42
Basic solvency capital requirement	85.56	58.85
Operational risk	4.18	3.66
Solvency capital requirement total	**89.84**	**62.51**

The change of the SCR stems mainly from the growth of business and changes in TP calculation.

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.

Section E covers Compensa capital management.
The Company had an SCR of EUR 89.8 million and an MCR of 22.4 million EUR as of 31 December 2021. Eligible own funds amounted to 145.8 million EUR, are available for these requirements.
As a result, Compensa has a solvency ratio of 1.6 and an MCR coverage of 6.5.

To have adequate solvency position in volatile environment, FSA responded to Compensa's request and gave their consent applying transitional deduction for homogenous risk group "Savings insurance with guaranteed interest" until 01.01.2032 (during which its effect decreases linearly.) The implementation of transitional deduction increases the company's own funds in 2021 by 24 million EUR.

All charts, tables and figures within the Report have been supported by the annual QRTs as of December 31, 2021, submitted to the FSA and the Company's IFRS Annual Report 2021.

COMPENSA
VIENNA INSURANCE GROUP

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 30 countries and have a total staff more than 25 000. The Group's head office is in Vienna, www.vig.com

Vienna Insurance Group is supervised by the the Finanzmarktaufsicht in Österreich (Austrian Financial Market Authority), which can be contacted at 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, Estonia, www.fi.ee.

Compensa's auditor is KPMG Baltics OÜ, which can be contacted at Narva mnt 5, 10117 Tallinn, Estonia, www.kpmg.ee.

Compensa has 20 offices and staff of 219 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 2021, the subsidiaries employed 15 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 134 000 customers whose assets exceed 448 million euros. Compensa is the largest pension benefits payer in Estonia.

A.2 FINANCIAL PERFORMANCE

In 2021, Compensa's Baltic operations generated a consolidated profit of 7.02 million euros. Compensa's profit amounted to 6.63 million euros (2020: Compensa's profit amounted to 3.33 million euros).

Premium income continues to grow and amounted to 145.8 million euros, a 19.9% improvement over the year before (2020: 121.6 million euros). Payments made to customers totalled 62.7 million euros, 78.8% up on the previous year (2020: 35.1 million euros).

Operating expenses (contract acquisition costs and administrative expenses) for 2021 totalled 24.6 million euros, a 19.1% increase compared to the year before. The reason for the increase is contract acquisition costs.

Acquisition costs grew by 20.8% compared to the year before to 18.8 million euros (in 2020 acquisition costs amounted to 15.6 million euros), accounting for 76.3% of operating expenses.

Compensa's share capital amounts to 11.6 million euros. The objective of the Management Board is to ensure Compensa's sustainable operation and consistent growth. Company will focus on delivering quality customer service, developing its insurance products and increasing Compensa's market share in the Baltics.

A.3 UNDERWRITING PERFORMANCE

The volume of the premium was 145.8 million euros in 2021 and the growth in premium volume was 20%. The biggest volume of the premium is coming from unit-linked business. Growth took place in all lines of business, except in the profit participation products.

Results for 2021 and 2020 from the underwriting activity are summarized in Tables 2 and 3.

Table 2. Underwriting performance 2020 (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	10 334	3 533	25 722	3 118	5 745	27 013	649	23 000	1 497	0	3 881	17 067	14 101	36 159	71 299	**121 559**
Reinsurance share	-5	-51	-1 415	-9	-60	-1 400	-167	-56	0	0	0	0	-181	-168	-2 816	**-3 165**
Claims	-9 872	-2 939	-6 032	-2 524	-1 886	-4 273	-135	-4 272	-365	0	-3 270	-12 762	-12 531	-12 367	-23 432	**-48 331**
Reinsurance share	1	4	394	3	4	399	69	13	0	0	0	0	73	21	793	**887**
Change of the TP	-5 154	-1 236	-14 897	-1 178	-3 838	-15 582	-22	-18 205	115	0	123	-126	-6 354	-23 156	-30 491	**-60 001**
Investments result	2 762	713	1 665	984	1 362	2 689	11	733	4	0	0	0	3 757	2 808	4 358	**10 923**
Expenses	-1 232	-207	-2 612	-397	-1 016	-7 241	-248	-1 194	-1 133	0	-505	-2 295	-1 877	-2 922	-13 281	**-18 080**
Underwriting result	**-3 167**	**-183**	**2 824**	**-3**	**312**	**1 605**	**156**	**18**	**118**	**0**	**229**	**1 885**	**-3 014**	**375**	**6 431**	**3 792**

Table 3. Underwriting performance 2021 (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	8 535	3 500	25 947	5 353	6 528	35 957	672	32 324	1 654	0	4 265	21 037	14 560	46 617	84 594	**145 770**
Reinsurance share	-4	-50	-1 427	-8	-64	-1 670	-170	-65	-5	0	0	0	-182	-179	-3 102	**-3 463**
Claims	-30 112	-3 103	-7 721	-3 028	-2 259	-6 075	-165	-7 830	-453	0	-3 506	-15 457	-33 305	-16 698	-29 705	**-79 709**
Reinsurance share	1	7	498	6	6	644	56	14	0	0	0	0	64	28	1 142	**1 233**
Change of the TP	22 164	-838	-14 871	-3 896	-7 848	-26 937	-23	-27 461	17	0	-212	-1 933	18 244	-36 359	-43 724	**-61 839**
Investments result	4 243	887	2 415	1 934	4 888	9 464	16	1 546	4	0	0	0	6 193	7 321	11 884	**25 397**
Expenses	-1 192	-130	-1 514	-640	-947	-10 239	-235	-1 684	-1 146	0	-446	-2 647	-2 068	-3 207	-15 546	**-20 820**
Underwriting result	**3 634**	**273**	**3 327**	**-279**	**304**	**1 144**	**150**	**-3 156**	**71**	**0**	**101**	**1 000**	**3 505**	**-2 477**	**5 542**	**6 570**

At the year-end, Compensa had a total of 173 129 insurance contracts in force in the three Baltic countries. The total number of persons insured under its life insurance contracts was above 234 000.

A.4 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 Compensa's IRS, 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. In accordance with the IRS, there are no investments in securitization.

Investment strategy employed by Compensa Life is a buy-and-hold strategy focused on holding high quality liquid assets, with no direct exposure to derivatives. Compensa strives to provide its customers with long-term security and stable investment returns.

At the end of 2021, investments-backed contracts signed with customers totalled 449 million euros (at the end of 2020: 388 million euros), growing by 16% or ca 61 million euros.

Results from the investment activity for 2021 and 2020 are summarized in Table 4.

Table 4. Investment performance (in EUR thousand)

	31.12.2021			31.12.2020		
	Invested amount	Share of invest-ments	Yearly Income	Invested amount	Share of invest-ments	Yearly Income
Investments in subsidiaries and associates	15 041	3%	352	11 481	3%	480
Shares and investment funds	40 432	9%	3 119	30 417	7%	741
Held to maturity investments	68 624	15%	1 562	67 275	16%	1 746
Available for sale financial assets	174 171	38%	4 191	183 481	45%	2 839
Loans and receivables (term deposits)	19 003	4%	337	15 280	4%	337
Unit-link funds	139 816	31%	16 254	101 210	25%	4 901
TOTAL	**457 087**	**100%**	**25 815**	**409 144**	**100%**	**11 045**

A.5 PERFORMANCE OF OTHER ACTIVITIES

In 2021, Compensa's sublease income for office premises was 25 826 euros.

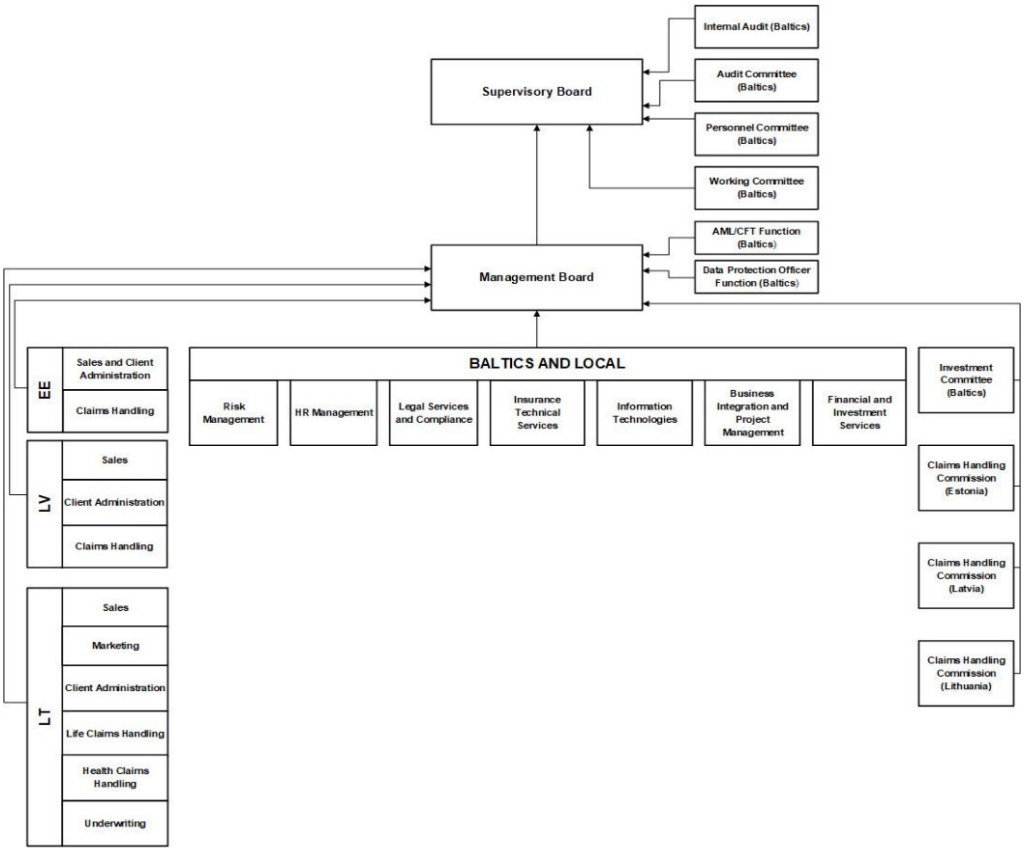
There are no material income and expenses, other than underwriting or investment income and expenses.

B SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

Compensa has a two-tier corporate governance system: Supervisory Board and Management Board. The Supervisory Board is primarily responsible for making key strategic decisions, supervising the performance of the Company, appointment and supervision of the Management Board while the 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 Shareholders' General Meeting of Compensa. The Supervisory Board reports directly to the Shareholders' General Meeting. 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.

Compensa's Supervisory Board has six members and the current term of Supervisory Board expires on 30th of June 2024.

Since 2021 the Chairman is Harald Riener, Deputy Chairmen are Franz Fuchs and Gábor Lehel and members are Peter Franz Höfinger, Artur Borowinski and Ireneusz Arczewski.

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).

The Supervisory Board has the following responsibilities:

- approval of key transactions, as specified in the “Articles of Association”, “Regulations of the Supervisory Board” and Regulatory Requirements;
- the review and approval of the budget (Business Plan) approved and submitted by the Management Board or of any significant departure therefrom;
- the review and approval of Business Strategy, approved by the Management Board and submitted to the Supervisory Board;
- review of the annual financial reports and profit distribution proposal of the Management Board, the Auditors‘ report and other reports on the Company‘s activities submitted by the Management Board for approval;
- proposal to the Shareholders’ General Meeting for adoption of annual financial reports;
- proposal to the Shareholders’ General Meeting for the distribution of the net profits or for covering of losses reported in the annual financial report;
- review and supervision of the activities of Management Board;
- conclusion of transactions between members of the Management Board and the Company and terms and conditions of such transactions as well as conduct of legal disputes against the members of the Management Board;
- commencement or settlement of judicial or arbitral proceedings which are out of the ordinary course of business or have a material effect on the Company;
- election and removal of the members and the Chairman of the Management Board and the appointment and removal of branch managers (general representatives);
- appointment and recalling of procurators as well as conclusion of agreements with procurators;
- approval of organization of the Internal Audit and any changes thereof;
- review and supervision of the activities of Internal Audit Function, approval of Internal Audit plans;
- review and supervision of the activities of Audit Committee and other committees and commissions reporting to the Supervisory Board, approval of their working procedures;
- the approval of the Company’s internal regulations concerning the Internal Audit and remuneration and supplementary benefits of Management Board members and approval of “System of Governance Framework Policy”;
- the approval of the “Regulations of the Supervisory Board”, the “Regulations of the Management Board” and the “Regulations of the Audit Committee”;
- the approval of the Regulations of the Company’s branches;
- approval of other transactions which are not within the delegated authority of the Management Board;
- other functions specified in the “Regulations of the Supervisory Board” or assumed by the Supervisory Board based on delegated authority from the Shareholders’ General Meeting;
- other functions within the competence of the Supervisory Board under the Regulatory Requirements and Business Requirements.

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 of Compensa has four members: Olga Reznik, Tanel Talme, Viktors Gustsons (Latvian branch manager) and Tomas Milašius (Lithuanian branch manager). The current term of office of the Management Board expires on 30th of June 2023. Until 31st of March 2022 Olga Reznik was the Chairman of the Management Board and Tomas Milašius was the Deputy Chairman, as of 1st of April 2022, Tomas Milašius has been appointed as the Chairman of the Management Board.

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.)

The Management Board has the following responsibilities:

- conducting of daily operations of the Company and representing the Company in all relations with any third parties within the scope of its competence as defined in “Articles of Association” of the Company, the resolutions of the Shareholders’ General Meeting and the Supervisory Board;
- regular and ad-hoc reporting to Supervisory Board;
- preparing, approval and submission to the Supervisory Board of the budget (Business Plan) for the following three fiscal years;
- approval and submission to the Supervisory Board, in accordance with applicable laws and instructions of the Supervisory Board, of the annual financial reports, making proposal for profit distribution or loss covering;
- conducting the affairs of the Company in accordance with the currently effective Business Plan as modified from time to time by the action of the Supervisory Board, provided only that, in the event of any emergency (pending prompt reference of the Supervisory Board), the Management Board may depart from the currently effective Business Plan to the extent necessary to preserve and protect the business and assets of the Company;
- preparing, approval and submission to the Supervisory Board of the Business Strategy, Risk Strategy and Investment and Risk Strategy;
- organising the accounting of the Company;
- review and supervision of the activities of employees and committees and commissions reporting to the Management Board;
- approval of Baltic Regulations and other relevant Business Requirements;
- implementing the effective internal control system;
- approval of the plans and reports of Compliance function;
- monitoring the development of risk exposure, organizing and supervising risk management process ensuring effectiveness of risk management system, including the approval of risk management related policies, guidelines and principles;
- approval of Risk Limit Factor and Acceptable Solvency Coverage Ratio (risk appetite, risk tolerances);
- approval of Risk Limits (risk tolerances);
- reviewing, challenging and approval of ORSA process, scenarios, assumptions and report;
- approval of Solvency and Financial Condition Report and regular supervisory reports;
- determining the scope and frequency of the review of the system of governance; approval of the results and actions following the review;
- establishment of key functions and appointment of holders of key functions other than Internal Audit;
- appointment of AML/CFT Function Holder and AML/CFT Officers;
- approval of Outsourcing arrangements as specified in “Outsourcing Policy”;
- approval of statutes of Departments and functions;
- ensuring compliance with Regulatory Requirements and Business Requirements, including VIG Holding guidelines and regulations;
- other functions specified in the “Regulations of the Management Board” or assumed by the Management Board based on delegated authority from the Supervisory Board;
- other functions within the competence of the Management Board under the Regulatory Requirements and Business requirements.

Individual members of the Management Board are responsible for organizing and managing business in the areas stated in the “Regulations of the Management Board”.

B.1.1.3 Committees and Commissions

The Company has following Committees and commissions:

- Audit Committee: an advisory body for the Supervisory Board in the matters related to accounting, auditing, risk management, internal control and internal audit, supervision, budgeting and compliance;
- Personnel Committee: an advisory body for the Supervisory Board in the matters related to personnel issues concerning Management Board members, including succession planning;
- Working Committee: an advisory body for the Supervisory Board in the matters related to dealing with urgent corporate matters concerning the Company;

- Investment Committee: an advisory body for the Management Board in the matters related to investments;
- Claims Handling Commissions: these are responsible for deciding the claims arising from insurance agreements in Company's head office and branches within the scope as determined in relevant Local Regulations. Composition and working procedure of the Commission are approved by relevant branch manager.

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 each key function are described in the Company's internal regulations approved by the Management Board, except for the IA function, whose tasks and responsibilities are 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 main responsibilities are:

- Development and updating of the Company's risk strategy;
- Performing Risk Bearing Capacity, allocation and limitation procedures, including initiating the input and approvals of the Management Board required in the process;
- Monitoring of limits established during limitation process, including calculating the required indicators and preparing quarterly Risk Limit Reports;
- Coordination of ORSA, i.e. initiating the inputs and outputs from/to ORSA process with other departments, initiating the input and approvals of the Management Board required in the process, preparing ORSA report;
- Performing Risk Inventory procedure;
- Perform risk reporting, including preparing and submitting risk reports;
- Development and updating of risk management and internal control procedures;
- Business continuity management, including development of internal documentation related to business continuity planning, testing the business continuity testing and preparing of reports;
- General risk management activities in the Company, including monitoring and evaluation the overall risk situation at Compensa, raising awareness of the Management Board and of employees, implementing best practice developments in the area of Risk Management.

To ensure operational independence and objectivity, the employees performing 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

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 Compliance function in the Company's branches.

The main tasks and responsibilities of the Compliance function include:

- Monitoring of changes in the legal environment and assessment of possible impact of such changes on the business operation of Compensa;
- Compliance risk management;
- Development and implementation of appropriate measures and processes to prevent non-compliance with applicable requirements, including development of internal regulations and organizing of trainings;
- Providing advice to ensure compliance with applicable requirements;
- Monitoring of compliance with applicable requirements, including carrying out compliance audits;
- Handling of compliance incidents.

B.1.2.3 Internal Audit Function

The IA function is performed by IA department and it forms an integral part of the Company's internal control environment, assessing the adequacy of and the compliance with the regulations.

IA assists the Supervisory 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:

- the adherence to approved Business and Risk strategy;
- the effectiveness of risk management, control and governance processes;
- the processes for strategy development, setting risk appetite and business planning;
- the reliability of financial and operational information;
- compliance with regulatory requirements as well as internal regulations and contracts;
- 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.

Actuarial function's responsibilities are:

- Coordination of the calculation of technical provisions;
- Issuing an opinion on the underwriting policy and reinsurance arrangements;
- Contributing to the effective implementation of the Risk Management system, if such contribution is requested from risk Management Function;
- Annual internal report to the Management Board and to VIG.

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.

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

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 principles for the remuneration and supplementary benefits of the members of the Supervisory Board are approved by the shareholder of Compensa.

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. According to the policy, the following persons are subject to fit and proper requirements and assessment:

- persons effectively running the Company;
- audit committee members;
- key function holders;
- persons having/ performing Key Functions;
- AML/CFT officers;
- data protection officer;
- investment specialist;
- outsourced key function;
- outsourced persons having/ performing Key Functions;
- 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.

B.2.2 Assessment of Fit and Proper Requirements

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.

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

- before appointing a person to the position subject to fit and proper requirements;
- before appointing a person to position for the fixed time period and before the extension;
- immediately after one year has passed since the last assessment;
- if there is a change in circumstances that affect or may affect the ability of the person 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. Full assessment includes the following process stages:

- preparing the job description and specification, which includes all requirements the person subject to assessment is expected to comply with;
- collection of necessary information and documents;
- 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 SYSTEMS

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. 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.

Within Compensa relevant processes and procedures are in place to perform the risk management in a group-wide consistent approach. The overall risk management includes the following steps:

- the 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 following processes support the risk management:

- Risk Bearing Capacity process (quantitative risks assessment)
- SCR Calculation (quantitative risks assessment);
- Risk Inventory (qualitative approach);
- ORSA.

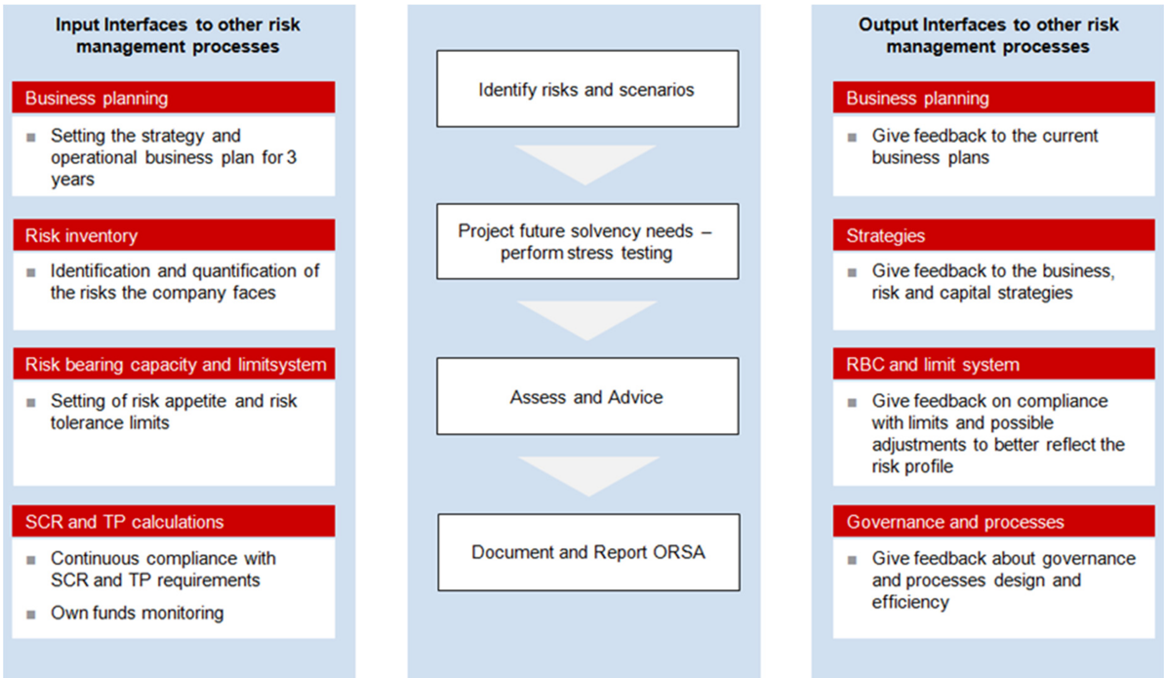
B.3.1 **ORSA Process**

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 - these 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, SCR, MCR and TP 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 risk identification are taking place 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.

B.3.4 **Risk Analysis and 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.

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.

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.

All major processes and procedures are documented and reported to Management Board and to VIG.

B.4 INTERNAL CONTROL SYSTEM

Company has to comply with the requirements of VIG Group ICS policy and local ICS policies should extend the VIG policy to company specific issues.

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.

The ICS is a continually operating process that provides an appropriate control environment with effective controls. The control environment must be well-based on the organizational and operational structure, with clear communication and monitoring procedures.

The internal control function is strongly supported by Compliance function, Actuarial function and Internal Audit function. Risk management function, Compliance function, Actuarial function, Data Protection Officer Function and AML/CFT Function form the second line of defence with main responsibility to monitor the risks and controls owned by Risk Owners on the 1st line of defence.

B.4.1 Implementation of the 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 reports on an annual basis to the Management Board. This report documents all the tasks that have been undertaken by the actuarial function and their results, findings and recommendations.

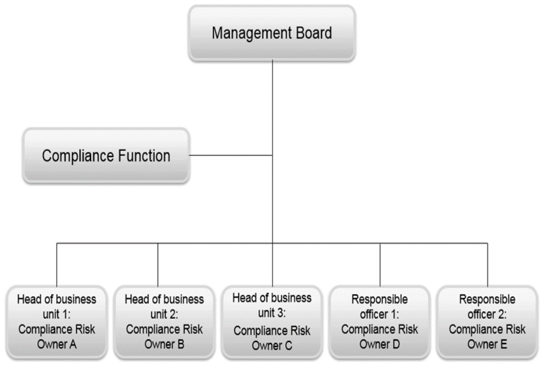
B.4.2 Implementation of the Compliance Function

Compliance Function is part of the compliance organization (Chart 3), which aims to ensure the Company's compliance with applicable regulatory requirements.

The Compliance Function operates independently from the operational business which is represented by Compliance Risk Owners who are accountable for managing compliance risks and ensuring compliance in their operational fields (first line of defence).

The Heads of Departments and other appointed responsible officers are regarded as owners of compliance risks.

Chart 3



The final decision-making power as regards compliance issues as well as the ultimate responsibility for the compliance risk assumed by the Company rest within the Management Board.

B.4.3 Implementation of the Internal Audit Function

IA 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 risk management, ICS as well as other elements of the Governance System.

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

IA 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 fulfil the function's role.

The IA is completely independent from the Management Board, ensuring the function's impartiality is not impaired. IA 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.

IA 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.

Required by Standards external assessment of IA quality was completed in 2019 by Deloitte.

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 non-critical outsourcing);
- Outsourcing needs' analysis;
- Outsourcing risk analysis;

- Assessment and selection of service provider;
- Approval of outsourcing and notification to FSA;
- 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 branch manager.

B.5.2 **Outsourcing of Critical or Important Functions and 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.

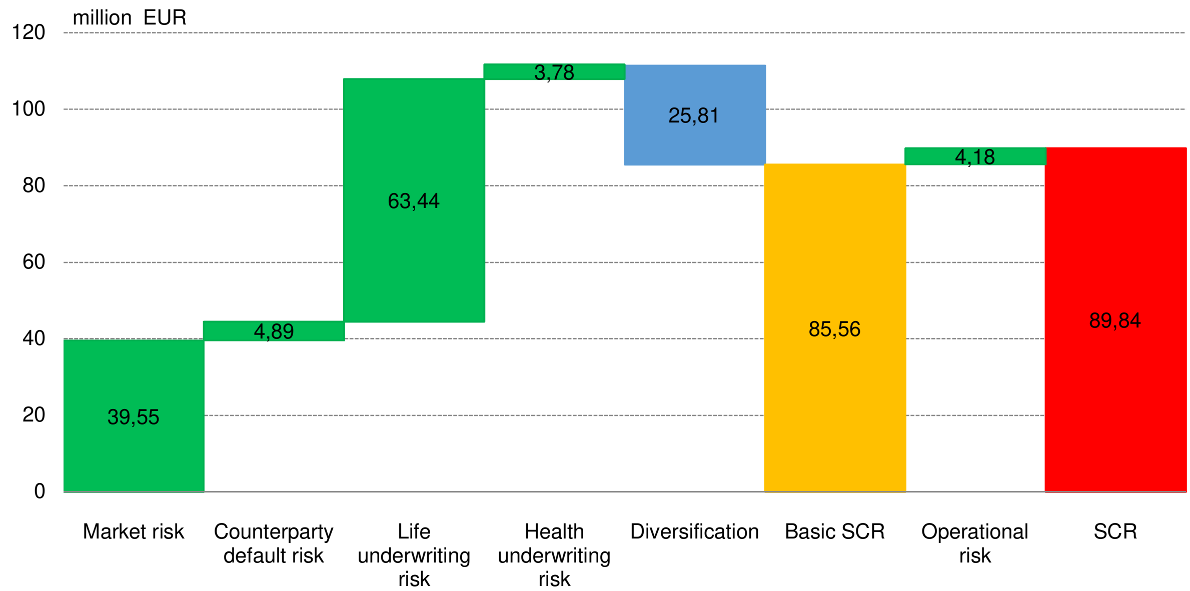
The Company generally accepts those risks that directly inherent to its insurance business.

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 Chart 4.

Chart 4. Risk profile at 31.12.2021



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.

In one year underwriting risk increased by 54%. SCR underwriting risk module is highly sensitive to changes in TP calculation and to business growth.

Increase in underwriting risk is due to the improvement of the TP calculation model and due to new derived assumptions used in calculations.

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. Expected future profit in premium has a significant impact on TP and leads to higher Mass Lapse SCR. By Company's 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.

The Company has reinsurance coverage for the mitigation of mass lapse risk with Munich Re, the relevant cover is 12 million euros.

Underwriting is one of the most important processes in the Compensa to mitigate the life insurance risk. 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 Munich Re.

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.

In one year market risk increased by 28%. Increase in market risk is due to increase of the business and increase in RFR.

Compensa has long-term liabilities with financial guarantees for policyholders and in the investment activity the Company has to take into account the characteristics of liabilities for the policyholders, therefore the Compensa has also relatively high market 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 IRS, which is reviewed at least once a year and 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. The Management Board shall discuss the matters related to investment activities at each meeting. The report on investments is presented to Supervisory Board quarterly.

To mitigate the market risk Compensa has conservative investment strategy, following the Prudent Person Principle (according to IAA §52), which requires that assets held to cover TP are invested in a manner appropriate to the nature and duration of those liabilities.

The primary goal of the IRS 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 aims to match asset cash flows to the liability profile by maturities. However, taking into account long maturities of liabilities, Compensa has to find trade-off between credit risk, liquidity risk and market risk.

Compensa's Asset-Liability Management policy sets guidelines for monitoring and analysis of assets-liabilities match and reporting of the information derived from the analysis. Results are taken into account while making operational investment decisions and they also form an essential focal point for establishing IRS for the future periods. IRS for 2022 remains conservative with bonds as a main asset class to guarantee stable returns and lower volatility.

Compensa's 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 strategic asset allocation 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. IRS establishes measurements implemented in case of limit violations.

Due to very limited extent of investments in equity (share of investments in equity in Compensa's assets at the end of 2021 stands at 2.2%), Compensa has decided not to prepare an engagement policy (Securities Market Act § 211[2]). Compensa has set a threshold for investments in equity the exceeding of which respective policy shall be drafted.

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 cash liquidity and portfolio liquidity forecasts on a quarterly basis. These forecasts assess whether 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 121 million euros as of 31.12.2021.

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, trade receivables and receivables from intermediaries, as well as any other credit exposures, which are not covered by spread risk (e.g. money into account).

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.

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 RISK SENSITIVITY AND STRESS TESTING

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 2021:

- change in RFR;
- change in equities;
- change in bonds spreads;
- change in life lapse rate;
- change in disability rate;
- change in expenses.

Sensitivity analysis showed that Company SCR is sensitive to financial environmental changes and to changes of the TP issues. The Company is aware of those risks and the management constantly keeps those risks under observation.

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 2021:

- Extraordinary growth in new Lithuanian Unit-Linked business;
- The growth of disability and mortality rate for Lithuanian portfolio;
- Continuation of low interest environment.

The solvency coverage ratio did not fall below the Solvency II requirement of 100% in 2022-2024 in ORSA 2021.

The biggest effect to the Company's solvency coverage ratio is expected from 'low interest rate environment' scenario.

Company continues active Asset-Liability matching and monitoring of developments on the market. Compensa is following the ECB interest rate curve on daily basis, financial situation monthly and development of the SCR and Own Funds on quarterly basis to have a clear capital plan in the event of the worse scenario.

C.8 ANY OTHER MATERIAL INFORMATION

There is no any other material information to report.

D VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

For Solvency II, the valuation method used is quoted market prices for the same assets in active markets. Listed market prices shall be used in accordance with the active markets criterion as defined in the International Accounting Standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002. If this method cannot be applied, alternative valuation techniques may be used. Alternative valuation techniques should be based as much as possible on external market inputs, such as quoted prices for similar assets in inactive markets or inputs available in other alternative markets. The insurer's use of company-specific inputs should be kept to a minimum.

The fair value of financial assets is determined as the market value of listed and non-listed shares and bonds, usually using the price of the last periods of the reporting period. In the case of units of UCITS, the fair value is the net asset value of the unit.

For non-actively traded bonds, fair value is determined using the discounted cash flow method, using the rate of return on similar instruments quoted in an active market.

Other receivables and deposits are recorded in the Solvency II balance sheet at the same value as in the IFRS reports. It is considered to be in line with the market as all receivables and deposits have a maturity of less than 12 months and the effect of applying discounting is considered to be insignificant.

D.1.1 **Differences from local GAAP**

Table 5 discloses the summary of differences in asset valuation between local GAAP (IFRS) and Solvency II reporting.

Table 5. Differences in asset valuation between local GAAP (IFRS) and Solvency II reporting (in EUR thousand).

Assets	Solvency II	IFRS	Difference	Explanation
Deferred acquisition costs	0	2 194	-2 194	Capitalized acquisition costs, i.e. deferred acquisition costs, are not recognized in the Solvency II balance sheet. According to the Solvency II Directive, cash flows from future acquisition costs are recognized in the calculation of technical provisions.
Intangible assets	0	1 360	-1 360	The various software used by the Company are recognized as intangible assets in the IFRS report. These assets are stated at cost less accumulated depreciation. As these assets are not traded in an active market, there are no intangible assets in the Solvency II balance sheet.
Deferred tax assets	40	40	0	Solvency 2 and IFRS values are equal
Right-of-use assets	0	1 203	-1 203	The IFRS report includes assets and lease liabilities related to operating leases for which the company is the lessee. Recognition is in accordance with IFRS 16. Solvency II reports assets under IFRS 16 Property, Plant and Equipment.
Property, plant and equipment for own use	1 476	272	1 203	In the report according to IFRS, tangible fixed assets include assets with a useful life of more than one year. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method. The Solvency II balance sheet

				also includes assets in accordance with IFRS 16.
Holdings in related undertakings, including participations	15 383	15 041	342	Associates are those entities over which the Company has significant influence but not control. Significant influence is presumed to exist when the entity owns, directly or through subsidiaries, 20-50% of the voting power of an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The acquisition cost of the investment includes transaction costs. The consolidated financial statements include the enterprise's share of the profits or losses of the associate from the date that the entity obtains significant influence over the associate until the date that the entity ceases to have significant influence over the investment. In a Solvency II report, the value of the holding must be either the market price or a proportionate amount of the associate's equity.
Equities	1 997	1 997	0	Solvency 2 and IFRS values are equal
Bonds	255 027	242 795	12 232	Bonds are stated in the IFRS report either at amortized cost (held-to-maturity portfolio) or at market price (available-for-sale portfolio) without accrued interest. Accrued interest is recorded in the line "Loans and receivables". In the Solvency II report, all bonds are recorded at market price with accrued interest.
Government Bonds	112 605	102 854	9 751	
Corporate Bonds	142 422	139 941	2 481	
Collective Investments Undertakings	37 998	37 998	0	Solvency 2 and IFRS values are equal.
Assets held for index-linked and unit-linked funds	139 816	139 816	0	Solvency 2 and IFRS values are equal.
Reinsurance recoverables	0	321	-321	Solvency 2 reporting is only recognized for overdue receivables.
Loans and receivables	**25 408**	**35 424**	**-10 016**	
Term deposits	1 000	1 000	0	Solvency 2 and IFRS values are equal.
Loans	18 520	18 003	517	In IFRS reporting, loans are carried at amortized cost using the effective interest method. Unearned interest is recorded in the line "Loans and receivables". The Solvency 2 value is calculated using the Mark-to-model model, one of the inputs of which is the market interest rate curve. The Solvency 2 value also includes accrued interest
Receivables from policy-holders and intermediaries	252	7 684	-7 432	Solvency 2 reporting is only recognized for overdue receivables.
Other receivables	5 566	5 566	0	Solvency 2 and IFRS values are equal.
Accrued interest (loans, bonds, term deposit)	0	3 170	-3 170	Solvency 2 reporting accrued interest on bonds and loans on the respective lines together with the principal

Any other assets, not elsewhere shown	69	0	69	In Solvency 2, Receivables from policy holders and intermediaries that have not yet matured.
Cash and cash equivalents	27 054	27 054	0	Solvency 2 and IFRS values are equal
Total assets	**504 198**	**505 514**	**-1 316**	

D.2 TECHNICAL PROVISIONS

D.2.1 **Valuation for Solvency Purposes**

D.2.1.1 Summary of TP as of 31 December 2021

Technical provisions are calculated as the sum of BE and RM.

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

	2021				2020			
	BE	**RM**	**Sum**	**Re-insurance**	**BE**	**RM**	**Sum**	**Re-insurance**
Medical expenses	3 671	321	3 992	0	4 937	271	5 209	0
Income protection	34	3	37	-0	35	3	39	-0
Total non-life	**3 706**	**324**	**4 030**	**-0**	**4 973**	**275**	**5 247**	**-0**
Life insurance with profit sharing	175 971	19 472	195 443	-1 617	239 996	16 206	256 202	-1 532
Unit linked life insurance	41 270	27 209	68 479	-2 080	22 527	14 462	36 989	-1 699
Other life insurance	69 813	2 138	71 951	-144	40 443	1 161	41 604	-157
Total life	**287 054**	**48 819**	**335 873**	**-3 841**	**302 966**	**31 829**	**334 795**	**-3 388**

FSA gave their consent for applying transitional deduction on homogenous risk group “Savings insurance with guaranteed interest” until 01.01.2032 (during which its effect decreases linearly.) The implementation of transitional deduction decreases BE of Life insurance with profit sharing by 24 million EUR, and it increases the company's own funds in the same amount of sum. By applying transitional deduction the resulting Solvency coverage ratio as of 31.12.2021 is 162.3%, and without applying it the Solvency coverage ratio as of 31.12.2021 is 135.5%, i.e. at level which remains above the Company’ safety level.

D.2.1.2 Methodology of valuation of technical provisions.

D.2.1.2.1 Life insurance BE

BE of obligations arising from life insurance contracts is calculated by projecting future cash flows related to the insurance contracts and discounting them with the RFR. The calculations are performed for each in force policy individually.

Compensa uses the deterministic approach in calculation of life insurance BE. 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 modelling policyholder bonuses. The bonuses are allowed for by making an adjustment to the discount rate curve. For the purpose of the 2021 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 most significant guarantee that has an effect on the BE is the guaranteed interest for business with profit sharing. Currently, the guaranteed interest exceeds the return implied by the RFR yield curve.

The methodology allows that per policy TP 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 TP of the insurance liability may be lower than the surrender value of the underlying contract. The calculation of TP 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 TP. 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.

D.2.1.2.2 Non-life insurance BE

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 RFR.

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.

Future premiums (non-due part of premium receivables) are subtracted from the unearned premium reserve.

Future cash flows from claims and expenses (including commissions) related to future premiums are estimated separately. The net present value is calculated by discounting the projected cash flows with the RFR.

D.2.1.2.3 BE of amounts recoverable from reinsurance (RR) – life insurance

BE of the reinsurers share in TP is calculated by directly projecting reinsurance premiums, reinsurers’ share in claims and discounting them at RFR. The resulting provision is adjusted for counterparty default risk.

D.2.1.2.4 BE of amounts recoverable from reinsurance (RR) – 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

RM 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 health insurance the whole SCRs for each future year are projected.

For life insurance individual SCR sub-modules are projected using risk drivers and taking into account the effect of diversification. The risk drivers are based on the applicable assumptions on the maturity and run-off pattern of the obligations.

The RM 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. RFR. 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;
- expenses;
- inflation rate;
- RFR.

Key non-life assumptions:

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

D.2.1.4 Changes in assumptions

The differences in assumptions are due to changes in experience caused by a stable growth of the portfolio.

There most significant changes in the assumptions in comparison with prior year was in inflation rate so it was increased accordingly.

Other assumptions changed due to difference between actual rates and expected rates.

There were no major changes in the products or distribution channels during the year.

D.2.1.5 Uncertainty associated with the amount of TP

The key assumptions associated with the key risks related to TP are:

- surrender assumptions;
- interest/ discount rate;
- rider loss ratios;
- mortality 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 and Mortality loss ratio assumptions are also derived based in the company's experience.

D.2.2 Differences to the Local GAAP

In Table 7 is the summary of TP valued under Solvency II and IFRS:

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

	Solvency II		IFRS valuation		Difference	
	TP	RR	TP	RR	TP	RR
Total health similar to non-life	4 030	-0	10 384	0	-6 354	-0
Life (excluding health and unit-linked)	267 394	-1 761	302 543	321	-35 149	-2 081
Unit linked life insurance	68 479	-2 080	139 845	0	-71 366	-2 080
Total	**339 903**	**-3 841**	**452 772**	**321**	**-112 869**	**-4 162**

RFR and expected profit in the future premium have significant impact on BE and cause main difference btw. Solvency II and IFRS values.

D.3 OTHER LIABILITITES

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.

D.4 ANY OTHER INFORMATION

No additional information is subject to 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, 2021 are disclosed in Table 8.

Table 8. Equity (in EUR thousand)

Share capital	11 604
Share premium	9 466
Statutory capital reserve	1 160
Other reserves	10 603
Retained earnings	13 547
Total equity	**46 380**

In the Solvency II 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 major part of the Compensa own funds are categorized as Tier 1 (highest quality) and only 0.03% of the own funds are categorized as Tier 3 (the value of net deferred tax assets.)

Company's own funds categories and values as of December 31, 2021 are disclosed in Table 9.

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

	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	124 710	124 710		
An amount equal to the value of net deferred tax assets	40			40
Total	**145 780**	145 780	0	40

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;
- TP calculated for Solvency II purpose are affected by low RFR of discounting curve on one hand and expected future profits taken into account in liabilities' cash flows on the other.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

Under the Solvency II principles, an insurer has to calculate its SCR 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 Compensa' SCR is based on the standard formula. The growth of SCR was caused by the improvement of the calculation model of TP, new derived assumptions used in calculation and the business growth.

The results of SCR submodules as of December 31, 2021 are presented in Table 10.

Table 10. SCR (in EUR million)

	2021	2020
Market risk	39,55	30,96
Counterparty default risk	4,89	3,73
Life underwriting risk	63,44	40,00
Health underwriting risk	3,78	3,42
Diversification	-26,00	-19,26
Basic SCR	85,66	58,85
Operational risk	4,18	3,66
Solvency capital requirement	**89,84**	**62,51**

MCR at 22.5 million euros, 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.

The input of used by Compensa to calculate the MCR is disclosed in the Annex S.28.02.01.

Management Board does not see any reasonably foreseeable risk that the Company would not be able to cover the Minimum and Solvency capital requirement with eligible own funds adequately.

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 SCR.

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 MCR and with the SCR during the reporting period.

ANNEX

S.02.01.02 BALANCE SHEET

		Solvency II value, in EUR thousand
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	40
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	1 476
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	311 405
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	15 383
Equities	R0100	1 997
Equities - listed	R0110	1 997
Equities - unlisted	R0120	
Bonds	R0130	255 027
Government Bonds	R0140	112 605
Corporate Bonds	R0150	142 422
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	37 998
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	1 000
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	139 816
Loans and mortgages	R0230	18 520
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	18 520
Reinsurance recoverables from:	R0270	-3 841
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-1 761
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	-1 761
Life index-linked and unit-linked	R0340	-2 080
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	252
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	5 566
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	27 054
Any other assets, not elsewhere shown	R0420	69
Total assets	R0500	**500 357**

Liabilities		Solvency II value, in EUR thousand
		C0010
Technical provisions – non-life	R0510	4 030
Technical provisions – non-life (excluding health)	R0520	
TP calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	4 030
TP calculated as a whole	R0570	
Best Estimate	R0580	3 706
Risk margin	R0590	324
Technical provisions - life (excluding index-linked and unit-linked)	R0600	267 394
Technical provisions - health (similar to life)	R0610	
TP calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	267 394
TP calculated as a whole	R0660	
Best Estimate	R0670	245 784
Risk margin	R0680	21 610
Technical provisions – index-linked and unit-linked	R0690	68 479
TP calculated as a whole	R0700	
Best Estimate	R0710	41 270
Risk margin	R0720	27 209
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	293
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	1 705
Insurance & intermediaries payables	R0820	2 334
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	2 885
Subordinated liabilities	R0850	0
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	0
Any other liabilities, not elsewhere shown	R0880	1 767
Total liabilities	R0900	**348 887**
Excess of assets over liabilities	R1000	**151 469**

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), in EUR thousand		
		Medical expense insurance	Income protection insurance	Total
		C0010	C0020	C0200
Premiums written				
Gross - Direct Business	R0110	25 302	122	25 424
Gross - Proportional reinsurance accepted	R0120			
Gross - Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	0	62	62
Net	R0200	25 302	60	25 362
Premiums earned				
Gross - Direct Business	R0210	22 931	114	23 044
Gross - Proportional reinsurance accepted	R0220			
Gross - Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	0	58	58
Net	R0300	22 931	56	22 986
Claims incurred				
Gross - Direct Business	R0310	18 412	29	18 440
Gross - Proportional reinsurance accepted	R0320			
Gross - Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	0	54	54
Net	R0400	18 412	-26	18 386
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	3 408	50	3 459
Other expenses	R1200			
Total expenses	R1300			3 459

		Line of Business for: life insurance obligations, in EUR thousand				
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Total
		C0210	C0220	C0230	C0240	C0300
Premiums written						
Gross	R1410		37 120	47 838	35 389	120 346
Reinsurers' share	R1420		1 481	1 741	178	3 401
Net	R1500		35 639	46 096	35 210	116 945
Premiums earned						
Gross	R1510		37 120	47 838	35 389	120 346
Reinsurers' share	R1520		1 481	1 741	178	3 401
Net	R1600		35 639	46 096	35 210	116 945
Claims incurred						
Gross	R1610	2 757	38 130	9 777	9 595	60 259
Reinsurers' share	R1620	1 737	476	597	95	2 906
Net	R1700	1 020	37 654	9 179	9 500	57 353
Changes in other technical provisions						
Gross	R1710		-7 230	38 682	27 304	58 756
Reinsurers' share	R1720		0	0	0	0
Net	R1800		-7 230	38 682	27 304	58 756
Expenses incurred	R1900		4 956	12 700	3 359	21 015
Other expenses	R2500					
Total expenses	R2600					21 015

S.05.02.01 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations, in EUR thousand		Total Top 5 and home country, in EUR thousand
		C0010	C0020	C0030	C0070
	R0010		LV	LT	
		C0080	C0090	C0100	C0140
Premiums written					
Gross - Direct Business	R0110		4 388	21 037	25 424
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140		62		62
Net	R0200		4 325	21 037	25 362
Premiums earned					
Gross - Direct Business	R0210		4 139	18 906	23 044
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240		58		58
Net	R0300		4 081	18 906	22 986
Claims incurred					
Gross - Direct Business	R0310		3 341	15 099	18 440
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340		54		54
Net	R0400		3 287	15 099	18 386
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		661	2 797	3 459
Other expenses	R1200				
Total expenses	R1300				3 459

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations, in EUR thousand		Total Top 5 and home country, in EUR thousand
		C0150	C0160	C0170	C0210
	R1400		LV	LT	
		C0220	C0230	C0240	C0280
Premiums written					
Gross	R1410	14 560	42 229	63 557	120 346
Reinsurers' share	R1420	182	117	3 102	3 401
Net	R1500	14 378	42 113	60 455	116 945
Premiums earned					
Gross	R1510	14 560	42 229	63 557	120 346
Reinsurers' share	R1520	182	117	3 102	3 401
Net	R1600	14 378	42 113	60 455	116 945
Claims incurred					
Gross	R1610	33 246	12 988	14 025	60 259
Reinsurers' share	R1620	137	94	2 674	2 906
Net	R1700	33 109	12 893	11 351	57 353
Changes in other technical provisions					
Gross	R1710	-18 244	36 145	40 855	58 756
Reinsurers' share	R1720	0	0	0	0
Net	R1800	-18 244	36 145	40 855	58 756
Expenses incurred	R1900	2 340	2 996	15 679	21 015
Other expenses	R2500				
Total expenses	R2600				21 015

S.12.01.02 LIFE AND HEALTH SLT TECHNICAL PROVISIONS

				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	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	200 095			41 270			69 813	311 178
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-1 617			-2 080			-144	-3 841
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	201 711			43 351			69 957	315 019
Risk Margin	R0100	19 472	27 209			2 138			48 819
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0110								
Best estimate	R0120	-24 124							-24 124
Risk margin	R0130								
Technical provisions - total	R0200	195 443	68 479			71 951			335 873

S.17.01.02 NON-LIFE TECHNICAL PROVISIONS

		Direct business and accepted proportional reinsurance in EUR thousand		
		Medical expense insurance	Income protection insurance	
		C0020	C0030	C0180
Technical provisions calculated as a whole	R0010			
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050			
Technical provisions calculated as a sum of BE and RM				
Best estimate				
Premium provisions				
Gross	R0060	2 029	28	2 057
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	9	9
Net Best Estimate of Premium Provisions	R0150	2 029	19	2 047
Claims provisions				
Gross	R0160	1 643	6	1 649
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	-9	-9
Net Best Estimate of Claims Provisions	R0250	1 643	16	1 658
Total Best estimate - gross	R0260	3 671	34	3 706
Total Best estimate - net	R0270	3 671	35	3 706
Risk margin	R0280	321	3	324
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0290			
Best estimate	R0300			
Risk margin	R0310			
Technical provisions - total				
Technical provisions - total	R0320	3 992	37	4 030
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0		
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	3 992	38	4 030

S.19.01.21 NON-LIFE INSURANCE CLAIMS

Accident year / Underwriting year	Z0010	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount, in EUR thousand)

		Development year													
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											0	R0100	0	0
N-9	R0160												R0160		
N-8	R0170												R0170		
N-7	R0180	6 506	774	2		0	0	0	0				R0180	0	7 283
N-6	R0190	5 755	544		0	0	0	0					R0190	0	6 299
N-5	R0200	6 748	609			0	0						R0200	0	7 357
N-4	R0210	7 809	956		0	0							R0210	0	8 765
N-3	R0220	11 049	1 013										R0220		12 062
N-2	R0230	13 476	1 232										R0230		14 708
N-1	R0240	13 162	1 114										R0240	1 114	14 277
N	R0250	16 185											R0250	16 185	16 185
												Total	R0260	17 299	86 936

Gross undiscounted Best Estimate Claims Provisions
(absolute amount, in EUR thousand)

		Development year												Year end (discounted data)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											0	R0100	0
N-9	R0160					0	0						R0160	0
N-8	R0170					0	0						R0170	0
N-7	R0180			-1	0	0	0	0	0				R0180	0
N-6	R0190		2		0	0	0	0					R0190	0
N-5	R0200	924	3		0	0	0						R0200	0
N-4	R0210	1 067	2		0	0							R0210	0
N-3	R0220	1 558	1		0								R0220	0
N-2	R0230	1 610											R0230	
N-1	R0240	1 411											R0240	
N	R0250	1 644											R0250	1 649
												Total	R0260	1 649

S.22.01.21 IMPACT OF LONG TERM GUARANTEES AND TRANSITIONAL MEASURES

Impact of long term guarantees and transitional measures, in EUR thousands

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions
		C0010	C0030
Technical provisions	R0010	339 903	24 124
Basic own funds	R0020	145 819	-24 124
Eligible own funds to meet Solvency Capital Requirement	R0050	145 819	-24 124
Solvency Capital Requirement	R0090	89 842	0
Eligible own funds to meet Minimum Capital Requirement	R0100	145 780	-24 124
Minimum Capital Requirement	R0110	22 460	0

S.23.01.01 OWN FUNDS

		Total, in EUR thousands	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			
initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	124 710	124 710			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	40				40
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	145 819	145 780			40
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	145 819	145 780			40
Total available own funds to meet the MCR	R0510	145 780	145 780			
Total eligible own funds to meet the SCR	R0540	145 819	145 780	0	0	40
Total eligible own funds to meet the MCR	R0550	145 780	145 780	0	0	
SCR	R0580	89 842				
MCR	R0600	22 460				
Ratio of Eligible own funds to SCR	R0620	162%				
Ratio of Eligible own funds to MCR	R0640	649%				

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	151 469
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	5 650
Other basic own fund items	R0730	21 109
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	124 710
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	121 153
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	121 153

S.25.01.21 SOLVENCY CAPITAL REQUIREMENT. STANDARD FORMULA

		Gross solvency capital requirement, in EUR thousand	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	39 552		
Counterparty default risk	R0020	4 888		
Life underwriting risk	R0030	63 442		
Health underwriting risk	R0040	3 781		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-26 002		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	85 661		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	4 181
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	89 842
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	89 842
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

S.28.02.01 MINIMUM CAPITAL REQUIREMENT. BOTH LIFE AND NON-LIFE INSURANCE ACTIVITY

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

		Non-life activities in EUR thousand	Life activities in EUR thousand
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	1 371	

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole, in EUR thousand	Net (of reinsurance) written premiums in the last 12 months, in EUR thousand	Net (of reinsurance/SPV) best estimate and TP calculated as a whole, in EUR thousand	Net (of reinsurance) written premiums in the last 12 months, in EUR thousand
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	3 671	25 302		
Income protection insurance and proportional reinsurance	R0030	35	60		

		Non-life activities in EUR thousand	Life activities in EUR thousand
		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		9 443

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole, in EUR thousand	Net (of reinsurance) written premiums in the last 12 months, in EUR thousand	Net (of reinsurance/SPV) best estimate and TP calculated as a whole, in EUR thousand	Net (of reinsurance) written premiums in the last 12 months, in EUR thousand
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			197 060	
Obligations with profit participation - future discretionary benefits	R0220			0	
Index-linked and unit-linked insurance obligations	R0230			43 351	
Other life (re)insurance and health (re)insurance obligations	R0240			69 957	
Total capital at risk for all life (re)insurance obligations	R0250				541 202

Overall MCR calculation, in EUR thousand		
		C0130
Linear MCR	R0300	10 814
SCR	R0310	89 842
MCR cap	R0320	40 429
MCR floor	R0330	22 460
Combined MCR	R0340	22 460
Absolute floor of the MCR	R0350	6 200
		C0130
Minimum Capital Requirement	R0400	22 460

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	1 371	9 443
Notional SCR excluding add-on (annual or latest calculation)	R0510	11 393	78 448
Notional MCR cap	R0520	5 127	35 302
Notional MCR floor	R0530	2 848	19 612
Notional Combined MCR	R0540	2 848	19 612
Absolute floor of the notional MCR	R0550	2 500	3 700
Notional MCR	R0560	2 848	19 612