Solvency and financial condition report of Sava Re d.d. 2020

Ljubljana, April 2021

Management Board of Sava Re d.d.

Marko Jazbec, Chairman of the Management Board

Jošt Dolničar, Member of the Management Board

Polona Pirš Zupančič, Member of the Management Board

Peter Skvarča, Member of the Management Board

CONTENTS

General information

All figures included in this report are consistent with those reported as part of the quantitative reporting procedure for the Slovenian Insurance Supervision Agency. The figures in this report are stated in thousands of euros. The report has been reviewed and approved by the Company's management and supervisory boards.

The Company's solvency and financial condition report has been reviewed by the auditing firm KPMG, who have issued an independent auditor's assurance report.

Summary

The year 2020 was marked by the Covid-19 pandemic, which increased uncertainty related to the achievement of business results and strategic goals, and affected the risks to which Sava Re is exposed. Due to the extraordinary situation in 2020, several interim ad hoc (partial) own risk and solvency assessments were conducted in addition to the regular ORSA, and subsequently considered at all Company levels and also reported to the Slovenian Insurance Supervision Agency. In this way, we monitored the impact of changes in the risk profile and market situation on the Company's solvency position on an ongoing basis.

Due to the impact of Covid-19, there has been an increase in certain risks. We have been operating in exceptional circumstances for almost a year and have obtained a better understanding of the risk than at the onset of the pandemic. We identify, monitor, analyse, and manage risks on a regular basis. We believe that these risks are well-managed at Sava Re.

Company profile

Sava Re, the parent of the Sava Insurance Group (hereinafter: the Group or the Sava Insurance Group), transacts reinsurance business. The insurance part of the Group is composed of eight insurers based in Slovenia and in the countries of the Adriatic region: the composite insurer Zavarovalnica Sava (SVN); the non-life insurers Sava Neživotno Osiguranje (SRB), Sava Osiguruvanje (MKD), Illyria (RKS) and Sava Osiguranje (MNE) and the life insurers Vita (SVN), Sava Životno Osiguranje (SRB) and Illyria Life (RKS). In addition to these (re)insurers, the Group consists of:

- Sava Pokojninska (SVN): a Slovenian pension company;
- Sava Penzisko Društvo (MKD): a pension fund manager based in North Macedonia managing second- and third-pillar pension funds;
- Sava Infond (SVN): a subsidiary managing investment funds;
- TBS Team 24 (SVN): a company providing assistance services relating to motor, health and homeowners insurance;
- ZTSR (SVN): a Sava Re associate company, a holding company and owner of the Diagnostic Centre Bled;
- G2I (GBR): an associate company marketing on-line motor polices;
- S Estate (RKS)[1]: a company based in Kosovo that owns some real property but is currently dormant.

With over 40 years of experience in international reinsurance, Sava Re provides a full range of reinsurance coverages. Building a globally diversified portfolio, it now conducts business with more than 350 clients in over 100 reinsurance markets worldwide. The Company's guiding principle is to build long-term relationships with clients and partners that allow creating stability throughout all economic cycles. The Company's preferred classes of business are property, engineering, marine hull and cargo, and energy.

Sava Re is a public limited company. We are a medium-sized company but with a global reach. With a team of about 130 people, Sava Re is headquartered in Ljubljana. We aim to lead and support all lines of treaty reinsurance business, both proportional and non-proportional reinsurance contracts with good capacity in order to provide our clients with:

- capacity,
- capital substitute, and

[1] Former Illyria Hospital.

- catastrophe covers.

Sava Re is rated "A" by the rating agencies Standard & Poor's and AM Best. Our core strengths lie in our regional knowledge, reliability, responsiveness, flexibility and our financial strength.

Business and performance

In 2020, Sava Re wrote EUR 191.7 million in gross premiums (2019: EUR 166.5 million), a 15.1% increase over 2019. Gross premiums written in Slovenia increased in 2020 by 11.8% or EUR 8.4 million (mainly due to higher premiums received from Zavarovalnica Sava). The growth in Zavarovalnica Sava's premium income was driven by the growth in non-life insurance of Zavarovalnica Sava in Slovenia and the international policies written under the freedom of services rules (FoS business) primarily related to property, ships hull and general liability. Gross premiums written from abroad increased by 17.5%, or EUR 16.7 million, due to the growth in non-Group business. The largest proportion of international business was sourced from Asia, and the main classes of business remained proportional and non-proportional property reinsurance.

Net claims incurred increased by 23.0% compared to 2019 to EUR 115.7 million. In 2020, exchange differences had a downward impact on claims incurred in the amount of EUR 6.9 million; in 2019, the impact was upward in the amount of EUR 1.6 million. Many claims in 2020 were connected to the Covid-19 pandemic (with a cumulative effect of EUR 10.8 million and EUR 3.3 million on non-Group and Group claims, respectively). Furthermore, past underwriting years for the non-Group portfolio performed worse in 2020 than in 2019 (claims related to the Covid-19 pandemic also affected the 2019 underwriting year).

Upon exclusion of exchange differences (2020: EUR -4.6 million) the net investment income relating to the investment portfolio totalled EUR 2.5 million, EUR 39.8 million below the 2019 figure. The largest contribution to total 2020 income was related to interest income, totalling EUR 3.0 million, down EUR 0.4 million year on year. Gains on the disposal of investments rose by EUR 0.8 million compared to 2019. Dividends received from subsidiaries in 2020 were significantly lower than in 2019 due to regulators' recommendation to insurers, reinsurers and pension companies to postpone dividend payouts due to Covid-19's impact on business. Compared to 2019, investment portfolio expenses increased by EUR 10.5 million. Interest expenses relating to the subordinated bond of Sava Re issued in October 2019 amounted to EUR 2.9 million in 2020 (2019: EUR 0.5 million). Expenses relating to impairment losses on financial investments or subsidiary companies amounted to EUR 3.0 million in 2020 (no impairment losses were recognised in 2019). In 2020, net exchange losses totalled EUR 4.6 million (2019: net exchange gains of EUR 1.4 million).

The Company's net result for 2020 was EUR -11.0 million (2019: EUR 38.6 million). The result deteriorated because of lower dividend income from subsidiaries and larger claims.

System of governance

The Company has in place a well-defined system of governance that includes:

- an adequate organisation, including management bodies, key functions and committees;
- an integrated risk management system;
- an internal control system.

The Company has four key functions as part of its risk management system: the actuarial function, compliance function, risk management function, and internal audit function. Furthermore, the Company has a risk management committee and actuarial committee.

To ensure efficient risk management, the Company has in place a three-lines-of-defence model with clearly defined division of responsibilities and tasks:

- The first line of defence constitutes all organisational units with operational responsibilities (development, sales and reinsurance management, provision of reinsurance services, financial operations, accounting, controlling, human resources and others).
- The second line of defence consists of the risk management function, actuarial function, compliance function and risk management committee.
- The third line of defence consists of the internal audit function.

The composition of the Company's management and supervisory boards changed in 2020. Details are provided in section B.1.1 *Governing bodies*.

Risk profile

The risk profile is dominated by market and non-life underwriting risk. To a lesser extent, the Company is also exposed to other types of risk: health underwriting risk, counterparty default risk and operational risk. The Company uses the Solvency II standard formula to calculate its capital requirement for these risks (hereinafter: the Standard Formula).

Apart from the above risks, which are captured by the Standard Formula, the Company is also exposed to liquidity risk, and additionally to various strategic risks as a result of the complex internal and external environment.

The table below shows the Company's solvency capital requirement in accordance with the Standard Formula (hereinafter: SCR) by risk module.

Solvency capital requirement by risk module

EUR thousand	31 December 2020	31 December 2019
SCR	**219,399**	**187,820**
Adjustments for TP and DT[2]	-1,555	-2,669
Operational risk	5,671	4,778
Basic solvency capital requirement (BSCR)	215,283	185,711
Diversification effect	-61,096	-56,149
Sum of risk components	276,379	241,860
Market risk	157,492	125,198
Counterparty default risk	11,655	14,256
Life underwriting risk	558	388
Health underwriting risk	2,722	2,711
Non-life underwriting risk	103,953	99,307

[2] Adjustment for loss absorbing capacity of technical provisions and deferred taxes.

Valuation for solvency purposes

Adjustments to equity (IFRS) for the SII valuation of the balance sheet

EUR thousand	31 December 2020	31 December 2019
IFRS equity	**333,869**	**343,921**
Difference in the valuation of participations	182,490	124,504
Difference in the valuation of other assets	-75,796	-83,413
Difference in the valuation of technical provisions	86,815	83,372
Difference in the valuation of other liabilities	9,278	16,934
Foreseeable dividends[3], distributions and charges	-16,300	-16,195
Subordinated liabilities in basic own funds	75,681	73,847
Solvency II eligible own funds	**596,036**	**542,969**

Capital management

The Company manages its capital to ensure that it has available, on an ongoing basis, sufficient own funds to meet its obligations and regulatory capital requirements. The composition of eligible own funds held to ensure capital adequacy must comply with regulatory requirements and ensure the achievement of the Company's strategic and operational goals.

The allocation of own funds to business activities must ensure the achievement of the Company's target return on equity.

The Company prepares its business and strategic plans based on the risk strategy, which determines the Company's risk appetite. When drafting the business and strategic plans, the Company makes sure that the plans are in line with the risk appetite, making adjustments if necessary. On the whole, the Company seeks to achieve an efficient allocation of capital.

The following table sets out the Company's capital adequacy.

The Company's capital adequacy

EUR thousand	31 December 2020	31 December 2019
Solvency capital requirement (SCR)	219,399	187,820
Eligible own funds to meet the SCR	596,036	542,969
Of which tier 1	*520,356*	*469,123*
Of which tier 2	*75,681*	*73,847*
Of which tier 3	*0*	*0*
Solvency ratio	**272%**	**289%**
Minimum capital requirement (MCR)	54,850	46,955
Eligible own funds to meet the MCR	531,326	478,514
Of which tier 1	*520,356*	*469,123*
Of which tier 2	*10,970*	*9,391*
Of which tier 3	-	-
MCR ratio	**969%**	**1,019%**

[3] In the realisation as at 31 December 2019 foreseeable dividends of EUR 16.2 million were taken into account, the distribution of which was postponed in 2020.

As at 31 December 2020, most eligible own funds of the Company are classified as tier 1. In addition, eligible own funds also include subordinated liabilities classified as tier 2 eligible own funds. As at 31 December 2020, the Company complied with the regulatory requirements at the level and quality of capital to cover the SCR and MSR because its solvency ratio substantially exceeded the regulatory requirement of 100% and stood at 272%, whereas the MCR ratio was 969%.

The Company also tested the adequacy of eligible own funds to cover the SCR and MCR several times during the year and found that it complied with the regulatory requirements throughout the year.

The risk strategy for 2020–2022 set the Company's target solvency ratio at 200%. This demonstrates that the Company is well capitalised, also by its own criteria.

A. Business and performance

A.1 Business

Name and legal form of the Company

Sava Re d.d.
Dunajska cesta 56
1000 Ljubljana
Slovenia

Sava Re transacts reinsurance business. In addition, it is the parent company of the Sava Insurance Group. In addition to Sava Re, the Group comprises one composite insurance company in Slovenia (Zavarovalnica Sava), one life insurance company in Slovenia (Vita), two life insurers based outside Slovenia (Sava Životno Osiguranje (SRB) and Illyria Life (RKS)) and four non-life insurers outside Slovenia (Sava Neživotno Osiguranje (SRB), Sava Osiguruvanje (MKD), Illyria (RKS) and Sava Osiguranje (MNE)).

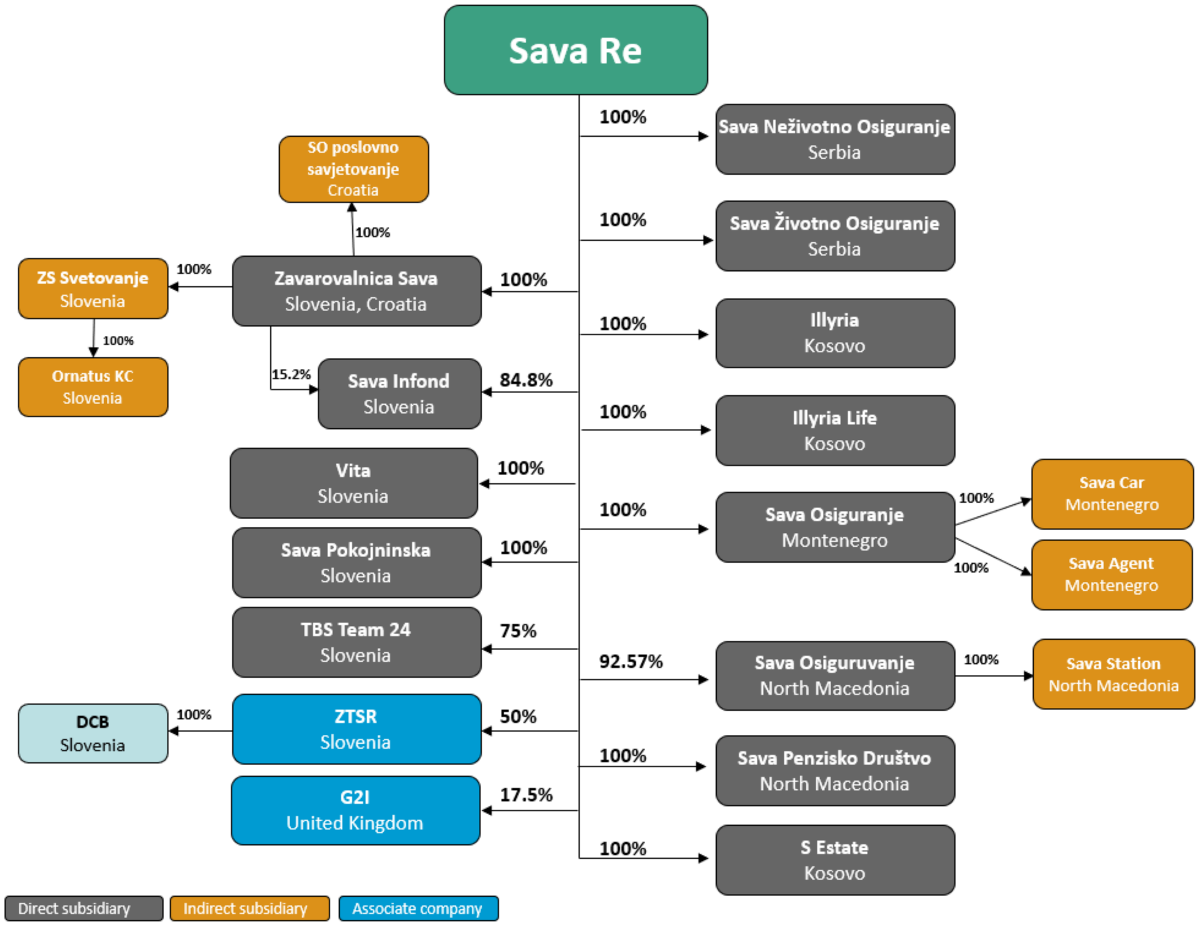
In addition to the above (re)insurers, the Sava Insurance Group consists of:

- Sava Pokojninska (SVN): a Slovenian pension company;
- Sava Penzisko Društvo (MKD): a pension fund manager based in North Macedonia managing second- and third-pillar pension funds;
- Sava Infond (SVN): a subsidiary managing investment funds;
- TBS Team 24 (SVN): a company providing assistance services relating to motor, health and homeowners insurance;
- ZTSR (SVN): a Sava Re associate company, a holding company and owner of the Diagnostic Centre Bled;
- G2I (GBR): an associate company marketing on-line motor polices;
- S Estate (RKS)[4]: a company based in Kosovo that owns some real property but is currently dormant.

The following chart shows the position of Sava Re within the legal structure of the Group.

[4] Former Illyria Hospital.

Position of Sava Re as at 31 December 2020



The following table provides details on all the subsidiaries and associates of Sava Re.

Subsidiaries and associates of Sava Re as at 31 December 2020

	Zavarovalnica Sava (SVN)	Sava Neživotno Osiguranje (SRB)	Illyria (RKS)	Sava Osiguruvanje (MKD)	Sava Osiguranje (MNE)
Registered office	Cankarjeva ulica 3, 2000 Maribor, Slovenia	Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Zagrebska 28A, 1000 Skopje, North Macedonia	Ulica Svetlane Kane Radević br. 1, 81000 Podgorica, Montenegro
Main activity	insurance	non-life insurance	non-life insurance	non-life insurance	non-life insurance
Share capital (EUR)	68,417,377	6,314,464	5,428,040	3,820,077	4,033,303
Book value of equity interest (EUR)	68,417,377	6,314,464	5,428,040	3,536,245	4,033,303
% equity interest (voting rights) held by Group members	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 92.57%	Sava Re: 100.0%
Profit or loss for 2020 (EUR)	48,896,888	1,437,546	601,381	540,674	1,759,863
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company

	Illyria Life (RKS)	Sava Životno Osiguranje (SRB)	S Estate (RKS)	Sava Pokojninska (SVN)	TBS Team 24 (SVN)
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia	Ljubljanska ulica 42, 2000 Maribor, Slovenia
Main activity	life insurance	life insurance	currently none	pension fund	provision of assistance services
Share capital (EUR)	3,285,893	4,326,664	1,800,000	6,301,109	8,902
Book value of equity interest (EUR)	3,285,893	4,326,664	1,800,000	6,301,109	6,677
% equity interest (voting rights) held by Group members	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 75.0%
Profit or loss for 2020 (EUR)	222,061	58,374	-180	499,727	518,743
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary	subsidiary pension company	subsidiary

	Sava Penzisko Društvo (MKD)	ZTSR (SVN)	G2I (GBR)	Sava Infond (SVN)	Vita (SVN)
Registered office	Majka Tereza 1, 1000 Skopje, North Macedonia	Miklošičeva cesta 19, 1000 Ljubljana, Slovenia	Bailey House, 4–10 Barttelot Road, Horsham, West Sussex, RH12 1DQ, UK	Ulica Vita Kraigherja 5, 2000 Maribor, Slovenia	Trg republike 3, 1000 Ljubljana, Slovenia
Main activity	fund management activities	activities of holding companies	insurance agency	investment fund asset management	life insurance
Share capital (EUR)	2,110,791	250,000	152,958	1,460,524	7,043,900
Book value of equity interest (EUR)	2,110,791	125,000	26,768	1,460,524	7,043,900
% equity interest (voting rights) held by Group members	Sava Re: 100.0%	Sava Re: 50.0%	Sava Re: 17.5% / 25.0%	Sava Re: 84.00 % / 84.85 % Zavarovalnica Sava: 15.00% / 15.15%	Sava Re: 100.0%
Profit or loss for 2020 (EUR)	1,580,100	301,725	-50,140	1,522,399	8,671,328
Position in the Group	subsidiary pension company	associate company	associate company	subsidiary	subsidiary insurance company

Name and contact details of the supervisory authority responsible for the prudential control of the company

Insurance Supervision Agency
Trg republike 3
1000 Ljubljana
Tel.: + 386 (1) 2528 600
Telefax: + 386 (1) 2528 630
Email: agencija@a-zn.si

Name and contact details of the Company's external auditor

KPMG SLOVENIJA, Podjetje za Revidiranje, d.o.o.
Železna cesta 8A
1000 Ljubljana
Slovenia
Telephone: +386 1 420 11 70
Telefax: +386 1 420 11 58
Email: kpmg.lj@kpmg.si

The financial statements of the controlling company have been audited by KPMG Slovenija, Podjetje za Revidiranje, d.o.o., who audited the financial statements of Sava Re and the Sava Insurance Group for 2020. In 2020, most of the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm. The 2020 financial statements of three Group member were audited by another audit firm. A contract for the auditing of the financial statements was signed with KPMG in 2019, covering the period 2019–2021. Sava Re complies with the provision on auditor rotation under the Insurance Act.

Holders of qualifying shares in the Company as at 31 December 2020

Shareholder	No. of shares	Holding	% voting rights
SDH d.d.	3,043,883	17.7%	19.6%
Intercapital securities Ltd. – fiduciary account	2,487,252	14.4%	16.0%

Source: Central securities register KDD d.d.
Notes:
Sava Re holds 1,721,966 own shares with no voting rights attached.
On 2 June 2016, Sava Re received a notice from Adris Grupa d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia (hereinafter: Adris Grupa), advising Sava Re of a change in major holdings in Sava Re. On 2 June 2016, Adris Grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04% and 21.15% of issued and outstanding shares, respectively. The Company has received no subsequent notice of any change in holding from Adris Grupa d.d.

Material lines of business transacted by the Company and its main markets

The Company writes reinsurance contracts in the Slovenian market and globally. The following two tables list Sava Re's most important markets in 2020 (with premiums written exceeding EUR 7.5 million[5]) and the Company's material lines of business. As evident from the first table, Sava Re (apart from its intra-Group business) sources most of its premiums from Asian markets.

[5] Materiality threshold of the Company based on the capital adequacy calculation as at 31 December 2020.

Countries where the Company wrote most of its premiums

EUR thousand	Premiums in 2020	Premiums in 2019	Index
Slovenia	79,642	71,210	111.8
South Korea	13,967	12,907	108.2
China	10,599	7,981	132.8
Other countries	87,476	74,431	117.5
Total	**191,683**	**166,529**	**115.1**

In terms of lines of business, proportional and non-proportional property reinsurance were the dominant lines, accounting for 60.7% of total gross premiums written in 2020 (2019: 61.2%). These were followed by proportional motor reinsurance lines, representing 17.4% of the total gross premiums written (2019: 18.8%).

Premiums by line of business

EUR thousand	Premiums in 2020	Premiums in 2019	Index
Proportional fire and other damage to property reinsurance	70,120	59,017	118.8
Non-proportional property reinsurance	46,272	42,975	107.7
Proportional other motor reinsurance	18,522	17,042	108.7
Proportional motor vehicle liability reinsurance	14,810	14,289	103.6
Proportional marine, aviation and transport reinsurance	13,465	8,744	154.0
Proportional general liability reinsurance	10,400	7,266	143.1
Proportional income protection reinsurance	5,544	5,109	108.5
Non-proportional casualty reinsurance	4,664	8,173	57.1
Non-proportional marine, aviation and transport reinsurance	4,077	997	408.9
Proportional miscellaneous financial loss reinsurance	1,741	1,517	114.7
Proportional credit and suretyship reinsurance	633	430	147.2
Non-proportional health reinsurance	544	385	141.4
Proportional medical expense reinsurance	296	1	58,620.8
Proportional legal expenses reinsurance	9	9	92.7
Life reinsurance	585	576	101.7
Total	**191,683**	**166,529**	**115.1**

Significant events in 2020

- In March 2020, ZTSR d.o.o, a 50-50 joint venture of Sava Re d.d. and Zavarovalnica Triglav d.d., completed the acquisition of the health-care provider Diagnostic Centre Bled d.o.o. (Diagnostični center Bled, d.o.o.).
- Having met all suspensive conditions of the sales and purchase agreement of 27 December 2019 in May 2020, Sava Re finalised the acquisition of a 100% stake in the company NLB Vita d.d. (now renamed Vita).
- In June 2020, the 36th general meeting of shareholders was held.
- In June 2020, the composition of the Sava Re management board changed. Srečko Čebron, member of the management board, retired as from 31 May 2020 whereupon Peter Skvarča entered his five-year term of office as a member of the management board on 19 June 2020.
- Following its regular annual rating review, the rating agency Standard & Poor's affirmed the "A" (strong) insurer financial strength rating on Sava Re and Zavarovalnica Sava. The outlook was stable.
- In line with the Company's amended 2020 financial calendar, the 37th general meeting of shareholders was called on 14 October 2020 to consider the distribution of dividends (EUR 1.05 per share). After the general meeting had been called, Sava Re was informed of new

circumstances that had arisen in certain EU insurance markets and in the United Kingdom that were in contrast to previously obtained legal advice. These mainly included legal and regulatory practices and other material facts related to potential additional adverse effects of the Covid-19 pandemic on the operations of Zavarovalnica Sava and Sava Re. These circumstances primarily related to Covid-19-related claims on policies written in the market of the Republic of Ireland (FoS business) and reinsurance contracts written in the United Kingdom for business interruption coverage as part of property policies, which under new court and regulatory practices could potentially have an adverse effect on the Group's business results and solvency position. The management board, with the consent of the supervisory board, decided that it was in the best interest of Sava Re, the Sava Insurance Group and its policyholders, in view of the described circumstances that may have a material impact on the Group's business performance and its solvency position up until year-end 2020 and in 2021, to cancel the general meeting of shareholders scheduled for 16 November 2020 and to temporarily suspend the payment of dividends. The Company announced the cancellation of the notice of the 37th general meeting of Sava Re d.d. on 6 November 2020, in the same way as the notice of the general meeting.

- Following its regular annual rating review in October 2020, the rating agency AM Best affirmed the "A" (excellent) insurer financial strength rating of Sava Re. The outlook was stable.

Impact of Covid-19 pandemic

2020 was marked by the Covid-19 pandemic (hereinafter: Covid-19), which increased uncertainty related to the attainment of business results and strategic goals, and affected the risks to which the Sava Insurance Group and Sava Re are exposed.

We already prepared and reported the first estimates of the impact of Covid-19 on the business, liquidity and capital requirements to the Insurance Supervision Agency in March 2020. We confirmed the resilience of Sava Re's solvency status in the face of the then current market circumstances, which have proven to be the bottom of the movement in the financial markets, as well as the resilience of the solvency position against a stress scenario with a high impact on financial investments based on the 2008–2009 financial crisis. We also verified the Company's liquidity position, which resulted in an assessment that the situation is stable and that the Company is able to fulfil its due financial obligations.

Given the significantly changed market circumstances and the potential impact on business results and solvency position, in the second and third quarters 2020, we prepared and, in August, confirmed the revised strategic plan 2020–2022 with a more detailed assessment of the impact of Covid-19, including new financial projections. We also reported the solvency position projections to the Insurance Supervision Agency as an ad hoc ORSA. The projections confirmed the compliance of the solvency position over the entire strategic period with statutory regulations as well as internal rules, and the ability to continuously ensure adequate liquidity. Based on the revised strategic plan, we drafted and confirmed the revised risk strategy for 2020–2022, which updates and defines the risk appetite for 2021–2022.

Along with monitoring the current business results and liquidity, at Sava Re we also regularly monitored capital adequacy, mainly in the light of the impact of Covid-19 on the (in)stability of the financial markets and other emerging circumstances. We regularly monitored the impact of Covid-19 and related risks, reporting on them in risk reports. The analyses and reports were taken into account by the management as the basis for business decision-making.

Due to the uncertainty, it was determined to be in the best Company's interest to temporarily suspend the payment of dividends. The decision on payment was postponed until the publication of the audited financial statements for 2020. Consequently, the solvency ratio of Sava Re was slightly higher than planned.

The basis for performing the own risk and solvency assessment for 2021 (hereinafter: 2021 ORSA) is the Sava Re business plan for 2021 and financial projections for 2022 and 2023. The business plan and financial projections also include the estimated impact of Covid-19 on operations. In addition to the solvency capital requirement (SCR) projections, solvency ratio, and financial projections, solvency projections of the SCR, and own risk assessment based on the business plan and financial projections, we also focused on the implementation of stress scenarios and the analysis of their impact in the 2021 ORSA. We identified scenarios that could occur and result in a significant impact on operations and/or the solvency position. These allowed us to test the robustness of capital adequacy. In the scenarios we also considered the potential impact on the Company's insurance portfolio. All scenarios confirmed the robustness of Sava Re's capital adequacy, which is significantly higher than the required regulatory amount, even if an individual scenario is realised.

In November 2020, Sava Re was informed of new circumstances that had arisen in certain EU insurance markets and in the United Kingdom related to potential additional adverse effects of the Covid-19 pandemic on the operations of Zavarovalnica Sava and Sava Re. The new circumstances primarily related to Covid-19-related claims on policies written in the market of the Republic of Ireland (under freedom of services rules) and reinsurance contracts written in the United Kingdom for business interruption coverage as part of property policies, which under new court and regulatory practices could potentially have an adverse effect on the Group's business results and solvency position. Based on current detailed analyses of its insurance exposure, we find that Covid-19-related business interruption claims, in the vast majority of cases, are not covered under the policies written directly under freedom of services rules in the European Union. Additional provisions were already made at the end of 2020 for business interruption claims under (re)insurance contracts that respond to Covid-19 claims. At year-end 2020, provisions were also set aside for the cost of defence, which could occur based on the current circumstances.

For details on Covid-19-related impacts on the Company's risk profile, see section C *Risk profile*.

In 2020, the Sava Insurance Group monitored the situation, adjusting its operations to the measures imposed by the government of the Republic of Slovenia and recommended by experts to protect the health of employees and clients, to prevent the spread of Covid-19, and to limit operational risks. For details, see the annual report of the Sava Insurance Group and Sava Re d.d. for 2020 (hereinafter: the "Company's annual report"), section 17.6.1 *Impact of Covid-19 pandemic,* posted on the Company's website.

Significant events after the reporting date

On 5 March 2021, Sava Re received a letter from the Insurance Supervision Agency stating that due to the uncertain situation regarding the spread of the Covid-19 pandemic and the associated uncertain consequences for the economy and the insurance sector, the Insurance Supervision Agency expects that, until 30 September 2021, insurance undertakings, reinsurance undertakings and pension companies suspend dividend payments, not enter into irrevocable commitments to pay dividends and refrain from buying own shares intended to reward shareholders. Furthermore, the recommendation of the Insurance Supervision Agency sets certain criteria that must be met by companies where, contrary to the recommendation, the management and supervisory boards decide to propose the appropriation of the distributable profit prior to the above date, and requires such companies to demonstrate compliance with the principle of prudence in their decisions. Evidence must be based on stress test results and their impacts on financial stability, liquidity and the solvency ratio. The Company published the ISA letter via the SEOnet system on 8 March 2021.

A.2 Reinsurance underwriting performance

In 2020, the Company realised a lower net result than in 2019. The impacts resulting in the lower profit are described below. The operations of Sava Re are described in detail in the Company's annual report.

Premiums, claims, expenses, and profit or loss

EUR thousand	2020	2019	Index
Gross premiums written	191,683	166,529	115.1
Gross claims paid	90,303	86,984	103.8
Net operating expenses[6]	24,472	23,946	102.2
Net profit or loss[7]	-10,991	38,582	-

Gross premiums written by material line of business

EUR thousand	2020	2019	Index
Proportional fire and other damage to property reinsurance	70,120	59,017	118.8
Non-proportional property reinsurance	46,272	42,975	107.7
Proportional other motor reinsurance	18,522	17,042	108.7
Proportional motor vehicle liability reinsurance	14,810	14,289	103.6
Other lines of business	41,958	33,207	126.4
Total	**191,683**	**166,529**	**115.1**

Gross premiums written by geographical area

EUR thousand	2020	2019	Index
Slovenia	79,642	71,210	111.8
International	112,041	95,319	117.5
Total	**191,683**	**166,529**	**115.1**

In 2020, gross premiums written in Slovenia rose by 11.8%, or EUR 8.4 million (increase in premiums written by Zavarovalnica Sava). The growth in Zavarovalnica Sava's premiums was driven by the growth in non-life insurance business of Zavarovalnica Sava in Slovenia and FoS business primarily related to property, ships hull and general liability. Gross premiums written from abroad increased by 17.5%, or EUR 16.7 million, due to the growth in non-Group business.

The composition of gross premiums written by material line of business in 2020 continues to be dominated by property business (fire and other damage to property and related business interruption policies; hereinafter: property business).

[6] Excluded are expenses relating to the management of subsidiary companies.

[7] Shown is the net profit or loss of Sava Re, including the net profit or loss of the Company's holding activities.

Gross claims paid by material line of business

EUR thousand	2020	2019	Index
Proportional fire and other damage to property reinsurance	33,692	33,135	101.7
Non-proportional property reinsurance	15,462	17,943	86.2
Proportional other motor reinsurance	10,960	11,324	96.8
Proportional motor vehicle liability reinsurance	9,337	9,643	96.8
Other lines of business	20,853	14,938	139.6
Total	**90,303**	**86,984**	**103.8**

Gross claims paid by geographical area

EUR thousand	2020	2019	Index
Slovenia	31,331	29,863	104.9
International	58,972	57,121	103.2
Total	**90,303**	**86,984**	**103.8**

In 2020, Sava Re’s gross claims paid increased by 3.8%, which is slower than the growth in gross premiums written (15.1%).

Net claims incurred increased by 23.0% compared to 2019 to EUR 115.7 million in 2020. In 2020, exchange differences had a downward impact on claims incurred in the amount of EUR 6.9 million; in 2019, the impact was upward in the amount of EUR 1.6 million. Many claims in 2020 were connected to the Covid-19 pandemic (EUR 10.8 million and EUR 3.3 million for the non-Group and Group portfolios, respectively). Furthermore, past underwriting years for the non-Group portfolio performed worse in 2020 than in 2019 (Covid-19-related claims also affected the 2019 underwriting year).

As a result, the net incurred loss ratio of Sava Re in 2020 was a 4.4 p.p. deterioration from 2019 and stood at 73.4%. The 2020 ratio, excluding the impact of exchange differences, was 10.2 p.p. lower and stood at 78.0% for 2020.

Net operating expenses

EUR thousand	2020	2019	Index
Acquisition costs, including change in deferred acquisition costs	40,498	35,724	113.4
Change in deferred acquisition costs (+/-)	717	1,267	56.6
Other operating expenses	13,423	13,467	99.7
Reinsurance commission income	-4,140	-3,063	135.2
Total	**50,497**	**47,395**	**106.5**

Net operating expenses by material line of business

EUR thousand	2020	2019	Index
Proportional fire and other damage to property reinsurance	12,683	12,550	101.1
Non-proportional property reinsurance	5,610	5,604	100.1
Proportional general liability reinsurance	1,331	1,074	123.9
Proportional marine, aviation and transport reinsurance	1,308	1,636	80.0
Other lines of business	3,540	3,082	114.9
Total	**24,472**	**23,946**	**102.2**
Expenses associated with subsidiary governance	26,025	23,449	111.0
Total	**50,497**	**47,395**	**106.5**

In 2020, acquisition costs (commissions) increased by 13.4%, and gross premiums written rose by 15.1%. The share of acquisition costs as a percentage of gross premiums written decreased by 0.4 p.p. to 21.1% compared to 2019.

Other operating expenses of Sava Re comprise reinsurance costs (50.0%) and Group management costs (50.0%). They decreased by 0.3% compared to 2019 as the result of lower reimbursement of expenses, cost of consulting services, and cost of attorney and notary services. Expenses by nature are shown in the Company's annual report, section 17.8 *Notes to the financial statements – statement of financial position* (note 36 *Operating expenses*).

The higher reinsurance commission income is primarily the result of increased commission income generated by Sava Re's retrocession business relating to reinsurance programmes of the Slovenian cedants.

Other technical income and other technical expenses

In 2020, the Company realised EUR 4.1 million (2019: EUR 3.1 million) of reinsurance commission income. The net effect of exchange differences relating to other technical expenses totalled EUR 2.8 million (2019: effect on other technical income of EUR 0.2 million).

A.3 Investment performance

The Company monitors the performance of its portfolio investment activities and investment property by investment register and for the Company as a whole. Net investment income and return on investments are monitored by class of investment as well as by type of income and expense. The following tables show income, expenses and net investment income by class of investment and type of income and expense.

Investment income and expenses by type

EUR thousand Type of income	1 January – 31 December	
	2020	2019
Interest income	3,047	3,463
Change in fair value and gains on disposal of FVTPL assets	1,029	628
Gains on disposal of other IFRS asset categories	1,054	294
Income from dividends and shares in Group companies and associates	2,590	36,948
Income from dividends and shares – other investments	234	830
Exchange gains	0	1,413
Diverse other income	1,173	1,052
Other income from alternative funds	311	180
Income relating to the investment portfolio	**9,437**	**44,808**
Income relating to the investment portfolio, excluding exchange differences	9,437	43,395
Type of expense	**1 January – 31 December**	
	2020	**2019**
Interest expenses	2,896	495
Change in fair value and losses on disposal of FVTPL assets	773	255
Losses on disposal of other IFRS asset categories	7	140
Impairment losses on subsidiaries and associates	2,570	0
Impairment losses on investments	429	0
Exchange losses	4,632	0
Other	284	202
Other expenses for alternative funds	0	0
Expenses relating to the investment portfolio	**11,591**	**1,092**
Expenses relating to the investment portfolio, excluding exchange differences	6,959	1,092
Net investment income from the investment portfolio	**-2,154**	**43,716**
Net investment income of the investment portfolio, excluding the effect of exchange differences	**2,478**	**42,303**

Income/expenses include income/expenses relating to investment property.

In 2020, income from the investment portfolio totalled EUR 9.4 million, down EUR 35.4 million year on year; excluding exchange differences, investment income declined by EUR 34.0 million. The largest contribution to total 2020 income was related to interest income, totalling EUR 3.0 million, down EUR 0.4 million year on year. Gains on the disposal of investments rose by EUR 0.8 million compared to 2019. Dividends received from subsidiaries in 2020 were significantly lower than in 2019 due to regulators' recommendation to insurers, reinsurers and pension companies to postpone dividend payouts due to Covid-19-related impacts on business.

Compared to 2019, investment portfolio expenses increased by EUR 10.5 million. Interest expenses relating to the subordinated bond of Sava Re issued in October 2019 amounted to EUR 2.9 million in

2020 (2019: EUR 0.5 million). Expenses relating to impairment losses on financial investments or subsidiary companies amounted to EUR 3.0 million in 2020 (no impairment losses were recognised in 2019). In 2020, net exchange losses totalled EUR 4.6 million (2019: net exchange gains of EUR 1.4 million).

Net investment income by class of asset

EUR thousand	Interest income/expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/expenses	Total	Income/expenses of associates
Held to maturity	**101**	**0**	**0**	**0**	**0**	**0**	**0**	**101**	**0**
Debt instruments	101	0	0	0	0	0	0	101	0
Other investments	0	0	0	0	0	0	0	0	0
At fair value through P/L	**343**	**256**	**0**	**30**	**0**	**0**	**-40**	**590**	**0**
Held for trading	0	0	0	0	0	0	0	0	0
Debt instruments	0	0	0	0	0	0	0	0	0
Equity instruments	0	0	0	0	0	0	0	0	0
Other investments	0	0	0	0	0	0	0	0	0
Designated to this category	343	256	0	30	0	0	-40	590	0
Debt instruments	343	127	0	0	0	0	-40	430	0
Equity instruments	0	130	0	30	0	0	0	160	0
Other investments	0	0	0	0	0	0	0	0	0
Investments in infrastructure funds	0	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	0	0	0
Available for sale	**2,445**	**0**	**1,047**	**203**	**-429**	**-4,632**	**676**	**-690**	**20**
Debt instruments	2,445	0	1,052	0	-109	-4,633	-22	-1,267	0
Equity instruments	0	0	-5	203	-321	1	388	267	20
Other investments	0	0	0	0	0	0	0	0	0
Investments in infrastructure funds	0	0	0	0	0	0	275	275	0
Investments in property funds	0	0	0	0	0	0	35	35	0
Loans and receivables	**109**	**0**	**0**	**0**	**0**	**0**	**0**	**109**	**0**
Debt instruments	109	0	0	0	0	0	0	109	0
Other investments	1	0	0	0	0	0	0	1	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**24**	**0**	**0**	**0**	**0**	**0**	**0**	**24**	**0**
Subordinated liabilities	**-2,871**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,871**	**0**
Total	151	256	1,047	234	-429	-4,632	635	-2,738	20

Movement in fair value reserve

EUR thousand	2020	2019
Balance as at 1 January 2020	**5,218**	**2,697**
Change in fair value	1,015	5,048
Transfer of the negative fair value reserve to the IS due to impairment	0	-1,794
Transfer from fair value reserve to the IS due to disposal	0	-142
Deferred tax	-193	-591
Balance as at 31 December 2020	**6,040**	**5,218**

The Company holds no securitised assets.

A.4 Performance of other activities

Other income and expenses

In 2020, the Company realised other income of EUR 861 thousand (2019: EUR 808 thousand) and EUR 242 thousand of other expenses (2019: EUR 289 thousand).

Other income mainly includes rental income and other finance income from investment property, collected bad debt relating to other receivables that had been written-off, and income from the use of holiday facilities. The other expenses item mainly comprises expenses relating to amortisation/depreciation of non-operating assets, expenses from investment property, penalties and damages, and tax non-deductible expenses.

A.5 Any other information

The Company has no other material information relating to its business.

B. System of governance

B.1 General information on the system of governance

B.1.1 Governing bodies

General

Sava Re has a two-tier management system with a management board that conducts the business and a supervisory board in charge of oversight. The governing bodies – the general meeting, and the supervisory and management boards – are governed by laws, regulations, the Company's articles of association, and internal rules. The Company's articles of association and the rules of procedure of both the general meeting and the supervisory board are posted on the Company's website, at www.sava-re.si.

The management board is autonomous in conducting the Company's business and decision-making. Before making major decisions that could significantly affect the operations, financial position or legal position of the Company, the management board notifies the supervisory board thereof in order to reach a consensus regarding such issues. The management board consults the supervisory board on business operations, strategy, risk management and matters concerning public relations.

The chairman of the management board informs the chairman of the supervisory board or the entire supervisory board about major events essential to assessing the Company's position and to conducting the business. When only the chair of the supervisory board is informed, the chair must communicate the information to other members of the supervisory board and, if necessary, call a supervisory board meeting. The management and supervisory boards collaborate closely for the benefit of the Company, in accordance with the law and good practice.

General meeting of shareholders

The general meeting of shareholders is the supreme body of the Company through which shareholders exercise their rights in company matters. The terms of reference of the general meeting are governed by its rules of procedure, which are posted on the Company's website.

Supervisory board

The supervisory board oversees the Company's conduct of business and appoints the members of the management board.

The supervisory board must comply with applicable regulations, particularly with the laws on companies, insurance business, the Company's articles of association and the rules of procedure of the supervisory board. In accordance with the law, the supervisory board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, it may meet more frequently. The terms of reference of the supervisory board are governed by its rules of procedure, which are posted on the Company's website.

Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which informs the general meeting of its decisions. Supervisory board members are appointed for a term of up to four years and may be re-elected. The supervisory board members elect a chair and deputy chair from among its members.

The supervisory board is composed so as to ensure responsible oversight and decision-making in the best interest of the Company. Its composition takes account of diversity in terms of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure a sound and prudent overseeing of the Company's affairs. In 2020, the Company sought to align the composition of the supervisory board with the Company's policy on the diversity of the management and supervisory boards. It is posted on the Company's website.

The supervisory board in 2020

Composition of the supervisory board in 2020

Member	Title	Beginning of term of office	Duration/expiry of term
Mateja Lovšin Herič	chair	16 July 2017	16 July 2021
Keith William Morris	deputy chair	16 July 2017	16 July 2021
Davor Ivan Gjivoje	member	7 March 2017	7 March 2021
Andrej Kren	member	16 July 2017	16 July 2021
Andrej Gorazd Kunstek	member, employee representative	12 June 2019	12 June 2023
Mateja Živec	member, employee representative	12 June 2019	12 June 2023

Supervisory board committees

Pursuant to legislation, the Code and best practice, the supervisory board appoints one or more committees, tasking them with specific areas, the preparation of draft resolutions of the supervisory board, the implementation of resolutions of the supervisory board, thereby offering it professional support.

The Company has established the following supervisory board committees:

- the audit committee,
- the risk committee,
- the nominations and remuneration committee, and
- the fit and proper committee.

Audit committee

The chief tasks of the audit committee are to:

- oversee the integrity of financial information;
- monitor the efficiency and effectiveness of internal controls, the operation of the internal audit department and risk management system;
- monitor the statutory audit of independent and consolidated financial statements; and
- perform other tasks assigned by a valid resolution of the supervisory board, in line with statutory requirements and best practices of peer companies or insurance groups.

In 2020, the audit committee comprised the following members: Andrej Kren (chair), Mateja Lovšin Herič and Ignac Dolenšek (external member).

Risk committee

The chief tasks of the risk committee are to:

- assess the impact of various types of risk on economic and statutory capital;
- assess the Group's overall risk governance framework, including the risk management policy, the risk strategy, and monitor risk;
- assess the appropriateness and adequacy of risk management documents to be approved by the supervisory board;
- perform other tasks assigned by a resolution of the supervisory board, in line with statutory requirements and best practices of peer companies or insurance groups.

In 2020, the risk committee comprised the following members: Keith William Morris (chair), Davor Ivan Gjivoje Jr. and Slaven Mićković (external member).

Nominations and remuneration committee

The chief tasks of the nominations and remuneration committee of the supervisory board include:

- drafting proposals for the supervisory board regarding the criteria for membership of the management board, and considering and drafting proposals concerning nominations to be decided by the supervisory board;
- preliminarily consider the proposal of the chair of the management board regarding the composition of the management board and the Company's governance, and draw up proposals for the supervisory board;
- carrying out the nomination procedure for a candidate for membership of the supervisory board who is a shareholder representative; and
- providing support in drawing up and implementing a system for remuneration, reimbursements and other benefits for management board members.

In 2020, the nominations and remuneration committee comprised the following members: Mateja Lovšin Herič (chair), Keith William Morris, Davor Ivan Gjivoje Jr. and Andrej Kren.

Fit and proper committee

The chief tasks of the fit & proper committee include:

- to carry out procedures for assessing the competence of the supervisory board, supervisory board committees and the management board as collective bodies, and to conduct fit and proper assessments of individual members of these bodies; and
- at the request of the Company's workers' council, to carry out a fit and proper assessment of any member of the supervisory board (employee representative) elected by the workers' council.

In 2020, the fit and proper committee comprised the following members: Mateja Živec (chair), Keith William Morris, Rok Saje (external member) and Andrej Kren (alternate member).

Management board

The management board runs the Company and represents it in public and legal matters. It is composed of at least two but no more than five members, of whom one is the chair. The chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. The chairperson and all members of the management board are employed on a full-time basis. The exact number of management board members and the areas for which they are responsible is laid down by the supervisory board in the "Act on the management board of Sava Re d.d."

The management board is composed in a manner to ensure responsible oversight and decision-making in the best interest of the Company. The management board's composition takes account of diversity of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure sound and prudent conduct of the Company's business. In 2020 the Company sought to align the composition of the management board with the Company's policy on the diversity of the management board.

The Company's policy on diversity of the management and supervisory boards is posted on the Company's website.

Terms of reference and operation of the management board

The management board operates in accordance with the applicable legislation, particularly the Slovenian Companies Act and the Insurance Act, as well as with the articles of association and the act on the management board and its rules of procedure. The terms of reference and operation of the management board are defined in more detail in the management board's rules of procedure.

Delimitation of competencies between the management and supervisory bodies is described in greater detail in the "Corporate governance policy of Sava Re d.d.", which is posted on the Company's website.

The management board in 2020

In 2020, the management board comprised the following members: Marko Jazbec (chair), Srečko Čebron (until 31 May 2020), Jošt Dolničar, Polona Pirš Zupančič and Peter Skvarča (since 19 June 2020).

In 2020, the composition of the Sava Re management board changed: Srečko Čebron retired on 31 May 2020 so that from 1 June 2020 the board operated temporarily with only three members. The Sava Re management board resumed as a four-member body on 19 June 2020 when Peter Skvarča started his five-year term of office.

The average age of the members of the management board is 47. All management board members are citizens of the Republic of Slovenia.

Composition of the management board in 2020

Full name	Marko Jazbec	Srečko Čebron	Jošt Dolničar	Polona Pirš Zupančič	Peter Skvarča
Function	chairman	member	member	member	member
Area of responsibility at management board level	• coordination of work of the management board • finance • general, HR, organisational and legal affairs • Public relations • compliance • internal audit • management of mutual funds • health business • projects • modelling	• reinsurance operations • actuarial affairs	• management of strategic investments in direct insurance subsidiaries carrying on non-life, life and pension business • information technology • innovation	• corporate finance • controlling • accounting • investor relations • risk management • actuarial department (since 1 June 2020)	• development of reinsurance and reinsurance underwriting, Group & non-Group • reinsurance protection • retrocession, Group & non-Group • development of reinsurance processes and technology • reinsurance technical accounting
First appointed	12 May 2017	09 February 2009	31 December 2008	14 January 2018	19 June 2020
End of term of office	12 May 2022	31 May 2020	1 June 2023	14 January 2023	19 June 2025

Reporting

The management board reports, at least quarterly, to the supervisory board in a comprehensive and accurate manner on:

- the implementation of business policies and other principles relating to business,
- the profitability of the Company, particularly return on equity,
- business performance, especially on business volumes, the financial situation and solvency,
- transactions that may have a significant impact on the profitability and solvency of the Company, and
- all material risks that have, or could have, a significant impact on the Company's capital adequacy.

B.1.2 Risk management

The risk management system is one of the key building blocks of the system of governance. The management board ensures that it has in place an effective risk management system based on an appropriate organisational structure. For more details on risk management, see section B.3 *Risk management system including the own risk and solvency assessment*.

B.1.3 Key functions of the risk management system

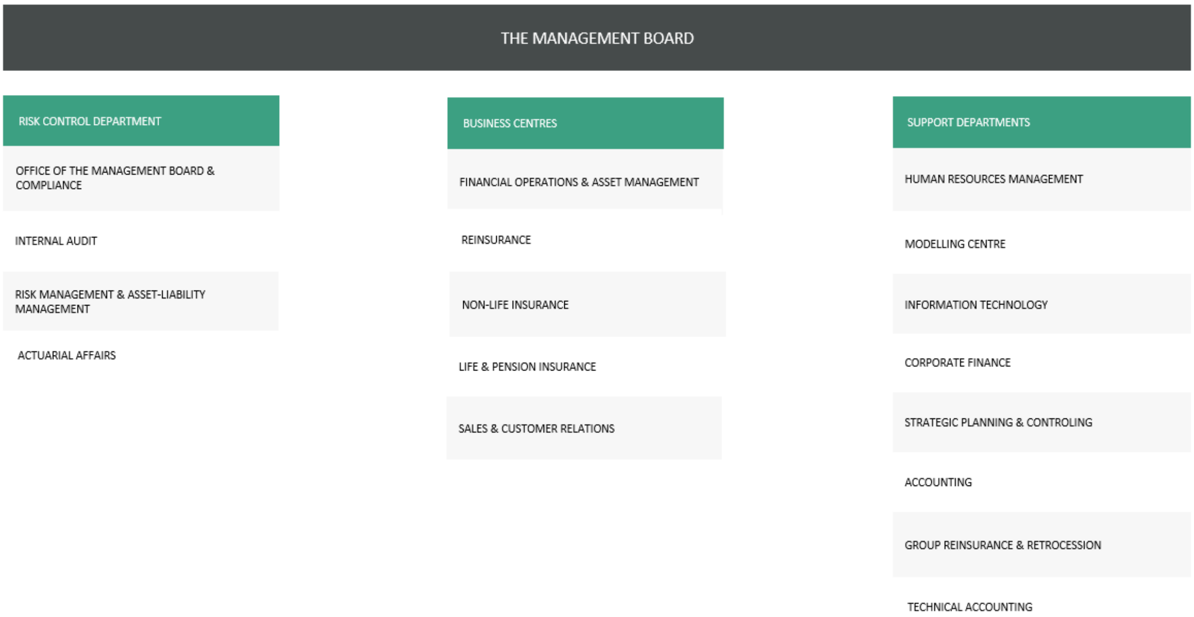
General

The Company has certain functions integrated into its organisational structure and decision-making processes. These are the risk management function, internal audit function, actuarial function and compliance function, defined by applicable law as the key functions of the governance system (hereinafter: key functions).

The key functions are integrated into the organisational structure and decision-making processes to strengthen the three-lines-of-defence framework in the Company's risk management system. All four key functions cooperate closely with each other, regularly exchanging information they need for their functioning.

The key functions perform their duties independently from each other and from other organisational units of the Company. The Company's key functions are organised as services of the risk management system and are directly subordinated to the Company's management board, as illustrated in the chart below.

Internal organisational chart of the Company as at 31 December 2020



Generally, the parent company's key function holders also act as key function holders at the Group level. They have access to all information, data and reports required for their smooth operation.

The main activities of the individual key function holders at the level of the Company are set out in the following section.

Role of individual key functions

The key functions perform duties as stipulated by insurance law, including regulations based thereon. The operation of the risk management function is discussed in detail in section B.3.1, the operation of the actuarial function in section B.6, the operation of the compliance monitoring function in section B.4.2, and the operation of the internal audit function in section B.5.

Reporting by key function holders

Individual key function holders report to the management and supervisory boards or individual supervisory board committees, if so stipulated by the Company's rules and regulations.

Detailed provisions on the scope, manner and frequency of reporting of any key function are set out in internal regulations governing each key function.

Cooperation among key function holders

The key function holders meet regularly, as a general rule once a month, to exchange opinions and discuss topical issues and specifics of the business in the current period. They also harmonise the various annual work plans of the key function holders they are required to draw up under the applicable legislation or internal acts. In addition, they exchange findings from individual audit reviews, findings and recommendations from the areas of work covered by each key function holder, and discuss the annual or other reports on the work of each key function holder. In accordance with the applicable legislation and internal acts, they report on findings and follow up on recommendations to management and supervisory bodies.

Annually, the Group level key function holders issue a joint statement that they have undertaken, with due care and in accordance with the rules of the profession, activities to ensure that all key risks that the Company is or could be exposed to in the course of its business operations, are monitored and that the risk management system established at the Company level is effective.

B.1.4 Committees of the governance system

The Company's management board sets up committees tasked with advisory roles based on resolutions. Such committees consider issues from specific areas, draft management board resolutions and oversee their implementation, and perform other tasks requiring specific expertise, thus providing professional support to the management board.

Committees are an integral part of the Company's system of governance, dealing with issues from various areas, such as risk management, asset and liability management, actuarial affairs, data quality management and information security.

The terms of reference, powers and composition of committees are set out in internal regulations adopted by the Company's management board. The Company has set up a risk management committee, a data quality management committee and a information security committee. An actuarial committee has been set up at the Group level. For details, see section B.6 *Actuarial function*. The committees are described below.

The risk management committee

The risk management committee is primarily responsible for drafting risk management recommendations and proposals for the management board and for monitoring the Company's risk profile. It also plays a crucial role in the communication process because it acts as a discussion forum on elements of the risk management system. In addition, it is responsible for reviewing the effectiveness of the risk management processes in place. The main objectives of the committee are to unify risk management practices throughout the Company and provide professional risk management advice to the Company's management board in order to ensure effective operation.

The chief responsibilities of the risk management committee are to:

- set up and review the functioning of the risk management system,
- regularly monitor key risks and the risk profile against the Company's risk appetite and review the compliance with the risk strategy,
- prepare recommendations for the management board relating to risk management,
- monitor quantitative risk assessment calculations and respond adequately,
- propose actions and measures to reduce risk,

- issue opinions relating to major business decisions with a significant impact on the risk profile, and
- identify and monitor any emerging new risks.

The data quality management committee

The data quality management committee is primarily responsible for data quality reports. The chief responsibilities of the data quality management committee are to:

- harmonise and amend the Company's data quality management policy with the Sava Insurance Group's framework policy,
- participate in the drafting of the data quality management annual report and approve it before submitting it to the management board,
- participate in redesigning the data quality management system, and
- foster awareness about the role of the data quality management system among employees.

The information security committee

The information security committee has been established to ensure effective protection of information at Sava Re. Information is a major business asset with direct effect on the Company's performance, its value and public image. The committee is composed of an interdisciplinary group of experts and is occasionally joined by specialists. It meets at least twice a year when security policies and other information security documents are adopted and in case of extraordinary events.

The chief responsibilities of the information security committee are to:

- share and exchange experience, information and sources related to information security and implementation among organisational units,
- assist in developing and maintaining policies and other internal IT system-related acts adopted by the Company,
- foster the development and maintenance of a high level of awareness about information security in the Company,
- confirm and adopt security policies,
- detect and assess any breaches of information security policies,
- in the event an identified breach of information security policies, alert the management and compliance function,
- cooperate in risk analysis and the selection of appropriate security controls, and
- monitor the information system risk management.

The committee may set up separate committees to carry out specific tasks.

B.1.5 Information about the remuneration policy

The Company's remuneration policy establishes the framework for the planning, implementing and monitoring remuneration systems and schemes that support the Company's long-term strategy and risk management policy.

The remuneration policy applies to all organisational levels of the Company and to all employees: the management board, senior and lower management, key function holders and other employees.

Principles of the remuneration policy

The Company's remuneration policy aims to build a remuneration system that is competitive and efficient as well as transparent and internally fair. The key principles of the policy incorporate the main principles of ethical and sustainable practices and operations.

The chief principles of the remuneration policy are:

- clear and transparent management,
- reliable and efficient risk management,
- compliance with regulatory requirements and principles of sound management,
- monitoring and adapting to market trends and practices,
- sustainable pay for sustainable performance, and
- employee motivation and retention.

Remuneration structure

The Company's remuneration structure includes:

- a base salary,
- performance-based pay,
- other benefits and incentives,
- remuneration upon termination of the employment contract.

The **base salary** is set based on the employee's role and position, taking into account knowledge acquired, professional experience, responsibilities, complexity of the job and the situation on the local labour market.

Performance-based pay depends on the Company's business performance and the employee's individual performance or, in the case of managers, also the performance of the unit they head. The aim of performance-based pay is to motivate and reward the most successful employees who significantly contribute to the achievement of sustainable performance, meet or exceed the agreed-upon objectives, strengthen long-term relationships with clients and generate income. Performance-based pay relating to an employee's individual performance depends on the attainment of predefined individual goals and other duties consistent with expected behaviours and competencies. Performance-based pay relating to business performance depends on a performance indicator, or a combination of several performance indicators, of the Group. Total performance-based pay generally ranges from 0% to 30% of the total annual remuneration.

The performance-based pay system and scheme for the management board are considered and approved by the supervisory board. Performance-based pay of the management board is based on the achievement of the board's goals and performance of the Company or the Group as a whole.

The performance-based pay system and scheme for the risk management system's key function holders are considered, determined and approved by the management board. If necessary, the supervisory board gives its consent to it. In addition to the Group's performance, performance-based pay of key function holders depends primarily on the attainment of the goals of each key function, which are strictly separate from the goals of the business functions they oversee.

The performance-based pay system and scheme for senior and junior management is considered, determined and approved by the management board. Performance-based pay of senior and lower management is based on a combination of performance assessment of the individual, the team they head, and the performance of the Group.

The system and scheme of remuneration for other employees is considered and approved by the management board. This is done with due regard to the statutory provisions relating to cooperation with social partners. Performance-based pay of other employees depends on a combination of the employee's assessed individual performance and overall performance of the Group.

The Company runs no share-option schemes.

Other benefits and incentives: The Company is running a collective voluntary supplementary pension insurance scheme funded by the employer. It has a contract in place on joining the pension company's pension scheme, entered into the pension scheme register with the Financial Administration of the Republic of Slovenia (second pension pillar). Employees had the option to join a third pillar pension scheme at the end of 2019, for which the maximum level of contributions paid by the Company depended on the type of employment contract (management board, employees with special powers, and other employees), level of gross salary, and seniority. Contributions to pension insurance schemes are accounted for as employee benefits.

Remuneration upon termination of the employment contract: Upon termination of a contract of employment, employees are eligible for severance pay in accordance with the law and their employment contract. Severance pay not prescribed by law is capped at six times the average monthly salary in the last year of employment in employment contracts. Exceptionally, where an employment contract is terminated on a consensual basis, additional severance pay may be paid; however, total severance payments must not exceed twelve times the average monthly salary in the last year of employment. Upon the termination of a contract of employment, any additional remuneration cannot include payments in the event of failure.

The Company granted no loans to its employees or members of the management or supervisory boards, and so there were no such transactions in 2020.

The Company has no additional pension schemes.

B.1.6 Material related-party transactions

Below are set out material transactions with related-parties, consisting of:

- owners and related enterprises,
- the members of the management board and supervisory boards, including the members of its committees, and employees not subject to the tariff section of the collective agreement,
- subsidiary companies, and
- associates.

Material transactions in 2020 include:

- total remuneration of the members of the management board and the supervisory board, including its committees, and employees not subject to the tariff part of the collective agreement of EUR 3.2 million (2019: EUR 4.0 million) and
- loans granted to subsidiaries of EUR 3.4 million as at 31 December 2020 (2019: EUR 3.6 million).

Because of the regulator's call for temporary suspension of dividend payments and due to potential risk, the Company did not pay out dividends in 2020 (2019 dividend payments totalled EUR 14.7 million). All related-party transactions are set out in detail in the Company's annual report, in section 17.10 *Related-party disclosures*.

B.2 Fit and proper requirements

B.2.1 General

In accordance with the law, the Company ensures that persons who effectively run and oversee the Company are properly qualified (fit) and suitable (proper) for doing so in a professional manner. To this end, the Company conducts fit and proper assessments of its employees: management and supervisory board members, members of the supervisory board's committees, key managers, key function holders of the risk management system and personnel overseeing outsourced activities. The assessment is carried out before the appointment to the role and periodically thereafter whenever circumstances arise that require a reassessment of whether such persons are still fit and proper.

In addition to the appropriate qualifications, experience and expertise (fitness) they must have, relevant personnel is required to demonstrate they have good repute and demonstrate high standards of integrity (propriety) as exemplified by their actions.

The assessment of a person's suitability (propriety) comprises an assessment of their integrity and financial soundness on the basis of relevant evidence about character, personal behaviour and business conduct, including any criminal, financial and supervision aspects, irrespective of the jurisdiction.

All relevant personnel are subject to the reporting duty regarding any new facts or circumstances, or changes to information submitted in the initial suitability assessment. An appropriately composed fit and proper committee assesses whether the new facts and changed circumstances or information are of such a nature as to require a fit and proper reassessment.

The HR function requires relevant personnel to sign personal statements at least once a year. Statements submitted by relevant persons confirm compliance with current fit and proper standards and their commitment to notify the human resources function immediately of any circumstances that may affect their fit and proper assessment.

In 2020, full fit and proper assessment procedures were carried out for new relevant personnel as well as an annual review based on annual statements for persons already assessed.

B.2.2 Fitness requirements for relevant personnel

Supervisory board and its committees

In assessing the fitness of members of the Company's supervisory board, including its committees, it is necessary to consider knowledge acquired through education and work experience. Requirements considered in the fitness assessment are:

- qualifications,
- sufficient professional experience, and
- general knowledge and experience.

The supervisory board is composed so as to ensure responsible oversight and decision-making in the best interest of the Company. Members are selected so that their professional expertise, experience and skills are complementary. The supervisory board, viewed as a whole, must have sufficient expertise. Individual members of the supervisory body with distinct special expertise may, in particular based on the assignment of responsibilities for a certain area, compensate for any less profound expertise of other members of the supervisory body in those areas.

Management board

In assessing the fitness of the members of the Company's management board, it is necessary to consider knowledge acquired through education and work experience. Based on this, the fitness assessment is made with consideration of the members' assigned responsibilities, taking into account the following requirements:

- qualifications,
- sufficient professional experience, and
- expertise and experience in the following areas: knowledge of the market, knowledge of the business strategy and business model, knowledge of the governance system for insurance companies, understanding financial and actuarial analysis, and understanding regulatory frameworks and requirements.

The management board, viewed as a whole, must have sufficient expertise. Its members must have relevant experience and knowledge of the areas mentioned above, depending on their specific area of responsibility. Individual members of the management board with distinct special expertise may, in particular based on the assignment of responsibilities for a certain area, compensate for any less profound expertise of other members in those areas.

Key function holders of the risk management system

In assessing the fitness of the key function holders of the risk management system, it is necessary to consider knowledge acquired through education and work experience. Based on this, the assessment is made considering assigned responsibilities for each key function. Requirements considered in the fitness assessment are:

- qualifications, including additional training, required licenses obtained or specialist examinations;
- sufficient professional experience relevant to a particular key function;
- general knowledge and experience.

Other relevant personnel

In assessing the fitness of other relevant personnel, it is necessary to consider knowledge acquired through education and work experience. Based on this, the assessment is made considering assigned responsibilities for individual areas. Requirements considered in the fitness assessment are:

- qualifications,
- sufficient professional experience relevant to a particular area of responsibility, and
- general knowledge and experience.

B.2.3 Suitability requirements for relevant personnel

Personal reliability and reputation

To ensure the sound and prudent management of the Company, relevant personnel must have the appropriate qualifications (fitness), be of good repute and demonstrate high standards of integrity (properness) through their actions. A relevant person is deemed to be proper, as long as there are no reasons to think otherwise. Circumstances that give rise to reasonable doubt regarding suitability are harmful to the reputation of both the relevant person and consequently the Company.

Personal reliability and good repute are assessed based on information compiled by collecting documents for carrying out the fit and proper assessment procedure.

Independence of relevant personnel

Relevant persons may experience conflicts of interest due to the nature of business relations. Any relevant person that experiences a conflict of interest in their work must disclose such conflict of interest and act in the interests of the Company. If this is not possible, such person must inform the Company's management or supervisory board, if a conflict of interest is perceived with any member of either the management or supervisory boards.

Time input

The members of the supervisory board and its committees must – in addition to business knowledge, relevant personal integrity, business ethics and independence – demonstrate that they have available time resources in the period when performing the function.

B.2.4 Assessment procedure

The fit and proper assessment procedure is conducted by a special committee set up according to an internal framework document (policy). During the assessment of relevant personnel, the Company's human resources function assists with the implementation of operational tasks, such as the acquisition, submission, processing and storage of documents and issuance of the assessment results.

The committees conduct fit and proper assessments and issue relevant results based on documents and statements compiled. Based on assessments thus obtained, they may take the necessary actions to ensure adequate qualifications of relevant personnel. The committees also conduct overall fit and proper assessments of the management and supervisory bodies as collective bodies.

B.3 Risk management system including the own risk and solvency assessment

The Company's management is aware that risk management is key to achieving operational and strategic objectives and to ensuring its long-term solvency. Therefore, the Company is continuously improving its risk management system.

The Company's strong risk culture is essential to its security and financial stability, and to achieving its goals. In order to establish good risk management practices, the Company promotes a risk management culture with appropriately defined remuneration for employees, employee training and relevant internal information flow.

The Company has in place a risk strategy that defines risk appetite and policies covering the entire framework of risk management, own risk and solvency assessments (hereinafter: "ORSA") and risk management for each individual risk category.

B.3.1 Risk management organisation

Systematic risk management includes an appropriate organisational structure and a clear delineation of responsibilities.

The efficient functioning of the risk management system is primarily the responsibility of the Company's management board. To ensure efficient risk management, the Company uses a three-lines-of-defence model, which clearly segregates responsibilities and tasks among the following lines:

- The first line of defence constitutes all organisational units with operational responsibilities (development, sales and reinsurance management, provision of reinsurance services, financial operations, accounting, controlling, human resources and others).
- The second line of defence consists of three key functions (the risk management function, actuarial function, compliance function) and the risk management committee.
- The third line of defence consists of the internal audit function.

The **management board** plays a key role and bears ultimate responsibility for the effectiveness of established risk management processes and their alignment with the Group's standards and the applicable legislation. In this regard, it has the following chief responsibilities:

- establishment of the risk strategy and approval of risk tolerance limits and operational limits,
- adoption of policies relating to the risk management system,
- implementing effective risk management processes, and
- monitoring operations in terms of risk and providing input for risk-based decision making.

The **supervisory board** approves the risk strategy, the risk management policy and the appointment of key function holders of the risk management system. In addition, the supervisory board reviews periodic risk management reports. A risk committee has been set up as part of the supervisory board to provide expertise in particular with regard to the Company's risk management.

The **first line of defence** involves all the Company's employees who are responsible for ensuring that operational tasks are performed in such a way as to reduce or eliminate risk. Additionally, risk owners are responsible for monitoring and assessing individual risks listed in the risk register. Line managers are responsible for ensuring that the operational performance of the processes for which they are responsible are conducted in a manner that reduces or eliminates risks, and that the frameworks laid down in the risk strategy are observed. The first line of defence is also responsible for monitoring and measuring risks, preparing data for periodic risk reports for individual areas of risk and identifying new risks.

The Company's **second line of defence** comprises the Company's risk management committee and three key functions: the actuarial function, risk management function and compliance function. The members of the committee and key function holders are appointed by the management board; key function holder appointments also require the consent of the supervisory board. The Company's key functions are independent, they are organised as management support services and report directly to the Company's management board. Their roles and responsibilities are defined in the policy of each key function and/or in the risk management policy that defines the risk management function.

The **risk management function** is mainly responsible for:

- setting up effective risk management processes and coordinating risk management processes already in place,
- identifying, assessing, monitoring, managing and reporting on risks,
- organising risks in a joint risk profile, indicating interdependencies,
- periodically monitoring the risk profile,
- preparing the risk strategy and setting risk tolerance limits,
- regularly reporting to the risk management committee, the management board, the supervisory board's risk committee, and the supervisory board,
- offering support to the management board in decision-making (including in relation to strategic decisions, such as corporate strategy, mergers and acquisitions, and major projects and investments), and
- reporting on potential hazards.

Details on duties, terms of reference, responsibilities and powers of the risk management function holder, procedures, obligations, time limits and reporting distribution lists are set out in the risk management policy.

In addition to the key functions, the second line of defence also includes the Company's **risk management committee** (for more information, see section B.1.4 *Committees of the governance system*. The committee includes the key representatives of the first line of defence with regard to the company's risk profile. The holders of other key functions of the risk management system are also invited to attend meetings of the committee. The committee is primarily responsible for monitoring the Company's risk profile, analysing risk reports and issuing recommendations to the management board.

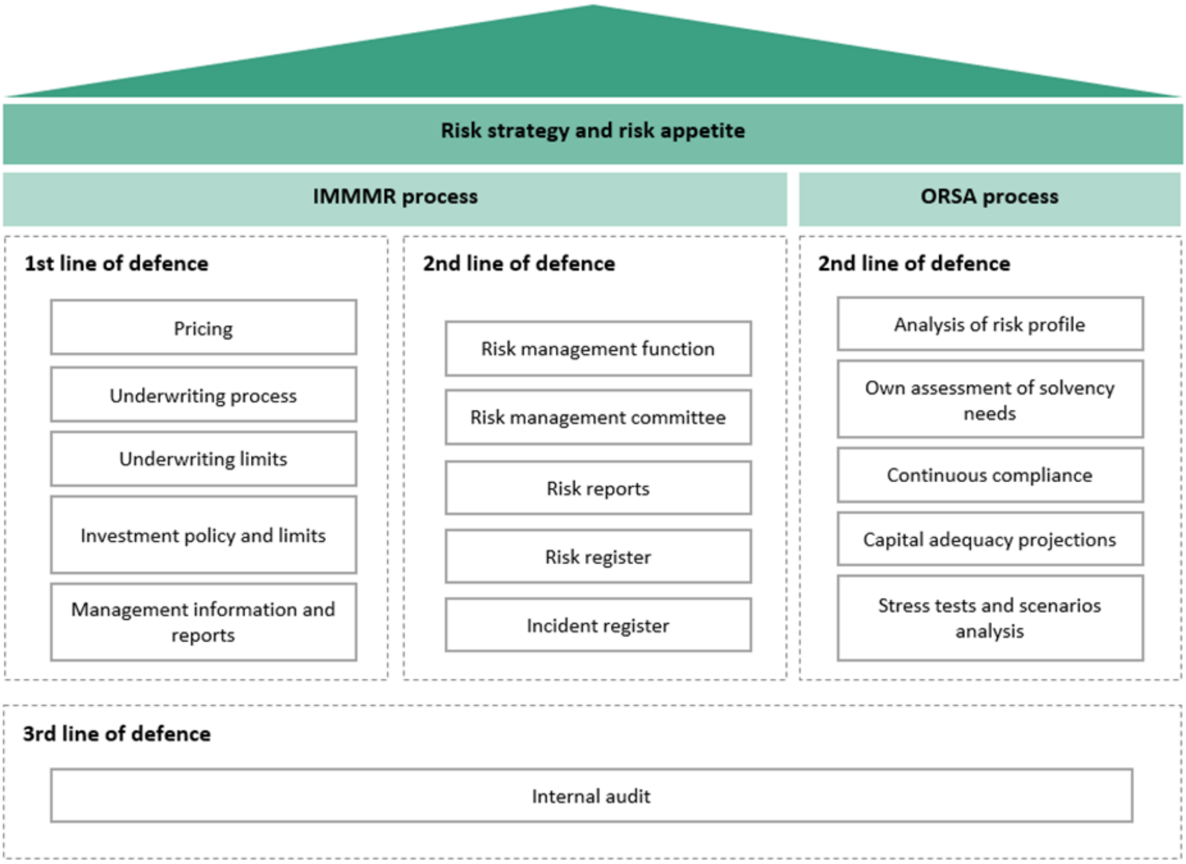
The **third line of defence** consists of the internal audit function. It is completely independent of the business areas and other functions. In the context of the risk management system, the internal audit function is responsible for the independent analysis, verification, and assessment of the performance and effectiveness of internal control and risk management systems.

B.3.2 Components of the risk management system

Risk management is integrated into all stages of business management and is composed of the following key elements:

- risk strategy,
- risk management processes within the first and second lines of defence, and
- the ORSA process.

The components of the risk management system are shown in the figure below.



Risk strategy

The Company seeks to operate in compliance with its business strategy and to meet its key strategic objectives while maintaining an adequate capital level. For this purpose, in 2019, the management board approved the risk strategy for 2020–2022 with the consent of the Company's supervisory board. Due to the Covid-19-related developments and the integration of Vita into the Group, a revised strategic plan for the period 2020–2022 was approved in August 2020. In accordance with the revised strategic plan, a revised risk strategy for the Sava Insurance Group and Sava Re for 2020–2022 was prepared. The risk strategy defines:

- the risk appetite,
- key risk indicators, and
- risk tolerance limits.

The Company's risk appetite is based on four major areas:

- the solvency ratio,
- the profitability of operating segments,
- the volatility of operating results by operating segment, and
- liquidity indicators.

Based on its risk appetite, the Company sets its risk strategy, risk tolerance limits and operational limits. Risk tolerance limits are limits set for individual risk categories included in the Company's risk profile, determining approved deviations from planned values. These limits are set based on the results of sensitivity analyses, stress tests and scenarios, and professional judgment.

The Company sets operational limits, such as underwriting and investment limits, in order to ensure that the activities of the first line of defence are carried out in accordance with the set risk appetite.

In addition, the Company ensures that it has in place well-defined and established escalation paths and management actions for breaches of operational limits.

For periodic monitoring of compliance with the risk strategy, the Company has defined a minimum set of risk measures for each risk category to allow for monitoring of the Company's current risk profile and capital position. The Company periodically reviews these risk measures.

Risk management processes

Risk management processes are inseparable from and fully integrated into business processes carried out in the Company. All organisational units are involved in the Company's risk management processes.

The main risk management processes are:

- risk identification,
- risk assessment (measuring),
- risk monitoring,
- determining appropriate risk control measures (risk management), and
- risk reporting.

Risk management processes are incorporated into all three lines of defence. The role of each line of defence is defined in the risk management policy. Risk management processes are also integrated into the decision-making system; all important and strategic business decisions are also evaluated in terms of risk.

Risk identification

In the process of risk identification, the Company identifies the risks it is exposed to. The key risks are listed in the risk register and make up its risk profile. The set of key risks is regularly reviewed and new risks are added if necessary.

Risk identification is both a top-down and a bottom-up process. Using a top-down approach, risk identification is conducted by the risk management function, the risk management committee and the management board. Such identification of new and emerging risks is based on monitoring the legal and business environment, market developments and trends, and expert knowledge. This process is mainly used by the Company with strategic risks, such as reputational risk and legal risk.

Bottom-up risk identification takes place in individual organisational units and with risk owners (the first line of defence). Risks thus identified are categorised and incorporated into the relevant processes of monitoring, measuring, managing and reporting.

Risk identification is performed on an ongoing basis, especially for major projects and business initiatives, such as the launch of a new product, investment in a new asset class or an acquisition. In addition, once a year the Company conducts a regular review of its entire risk register.

Risk assessment

The Company has established a periodic assessment of the risks it is exposed to. Both qualitative and quantitative methods are used to measure risk. In addition, the Company has set up a modelling department for the development of own quantitative models for Group-wide risk assessment.

The Company thus measures risks by:

- using the Standard Formula,
- calculating the assessment of the overall solvency needs as part of its own risk and solvency assessment (ORSA),
- analysing stress tests and scenarios,
- conducting qualitative risk assessment in the risk register, and
- using various risk measures that allow simplified measuring and monitoring of the current risk profile.

Risk monitoring

Risk monitoring is conducted at several levels: at the level of individual organisational units and risk owners: the risk management department, the risk management committee, the management board, the supervisory board's risk committee, and the supervisory board. A standard set of risk measures is defined and monitored on a regular basis. Both risks and risk management measures are subject to monitoring and control. Adverse events and the implementation of relevant corrective measures to prevent the recurrence of an individual event are also monitored.

Risk management

The Company's management board is responsible for risk management and the use of various risk management techniques and measures. In its decisions, the management board takes into account the cost benefit aspect of actions as well as recommendations, if any, issued by the risk management committee or key functions.

Whenever the need arises to adopt a new risk control measure, the Company conducts an analysis of the measure in terms of its economic and financial viability. Elimination or mitigation of risks must be more cost effective than mitigation of the potential impact should the risk materialise, taking into full account the probability of such an event and its financial implications.

The Company makes improvements to its internal control environment on a regular basis. In 2020, we reviewed certain key processes, including internal controls in place, laying down plans for further improvement in these internal controls.

Based on its capital adequacy the Company – already in the business planning process – examines the impact of the business strategy on its capital position with regard to both the regulatory aspect and the ORSA. If decisions are made during the financial year that have a significant impact on the risk profile but have not been assessed in terms of risk during the business planning process, the Company assesses the impact of these decisions on its risk profile and capital adequacy, and verifies compliance with the risk appetite. If any business decision fails to comply with the risk appetite or any risk tolerance limit is exceeded, the Company is required to document such deviation and take relevant action to resolve the situation.

Risk reporting

The Company also has in place periodic risk reporting. Risk owners report on each category of risk to the risk management function, including a predetermined set of significant risk measures and qualitative information. Based on this, the risk management function in cooperation with risk managers prepares a risk report covering the Company's entire risk profile. The report is first discussed by the risk management committee, followed by the management board, risk committee and supervisory board.

Own risk and solvency assessment (ORSA)

In addition to the mentioned risk management processes, the Company also conducts ORSA as defined in its own risk and solvency assessment policy. The ORSA is a process that includes identification of the differences between the Company's risk profile and the assumptions of the Standard Formula, the own assessment of solvency needs, capital adequacy projections, stress tests and scenarios, and the link between the risk profile and capital management. In ORSA, all material risks are assessed, whether quantifiable or not, that may have an impact on the operations of the Company from either an economic or a regulatory perspective.

A comprehensive ORSA process is conducted at the Group level, including reporting in a joint report of the Sava Insurance Group.

The ORSA report has been prepared based on the Company's business and strategic plans, taking into account the current risk profile as well as any changes planned therein. The ORSA is primarily conducted to understand the own risk profile and the Standard Formula, and to analyse the impact of the changes in the risk profile on capital adequacy over the next three years. Throughout the ORSA, the Company's management board is actively involved in the process: it confirms the technical bases for the ORSA, reviews the ORSA, and challenges it before giving its formal approval.

The ORSA results are taken into account by other processes, especially capital management and risk management processes. ORSA is an integral part of the decision-making process conducted to ensure that the key decisions and the business strategy are adopted with consideration of risks and associated capital requirements. Based on ORSE results, we also check the compliance of the business strategy with the risk strategy. This establishes links between the business strategy, the risks taken in the short, medium and longer term, the capital requirements arising from those risks, and capital management.

The ORSA process is extensive and spans a large part of the year. Based on input from the business and strategic plans and the risk strategy, the SCR is calculated and Solvency II valuations are made for items of the balance sheet and Solvency II eligible own funds for the entire term of the strategic plan. Based on projections, continuous compliance with the regulatory requirements regarding capital and technical provisions is reviewed. In addition, compliance with the risk strategy is reviewed.

Based on the results of the suitability analysis of the Standard Formula for the Company's risk profile, the own solvency model is then used to conduct an own risk and solvency assessment for a three-year period. In addition, stress tests and scenario analyses relevant to the (planned) risk profile of the Company are conducted.

The Company conducts the ORSA process at least once a year. The ORSA report is considered by the risk management committee and confirmed by the management board; it is also considered by the supervisory board's risk committee whereas the supervisory board takes note of it. However, in case of a major change in the risk profile or eligible own funds that has not been anticipated in the business or strategic plans, the Company conducts an ad hoc ORSA. The Company reports (at least) annually to the regulator on the ORSA. After the results are approved, they are also circulated to all the heads of business units.

The ORSA is subject to continuous improvement, both with regard to risk assessment as well as in terms of its integration into the Company's ongoing processes and business decision-making.

B.4 Internal control system

B.4.1 Internal control system

The purpose of the Company's internal control system is to identify, measure, monitor, and manage risks at all levels of operations, including reporting on risks that the Company is or may be exposed to in its operations. In addition, the system ensures compliance with the Company's internal rules and meets the requirements of other risk management laws and regulations.

The Company seeks to make employees aware of the importance of internal controls and involves employees in the implementation of internal control procedures. Procedures for reporting to the appropriate level of management with regard to potential problems, deviations, non-compliance with the code of conduct or other policy violations or illegal actions must therefore be presented to all employees in plain language and are clearly stated in documents available to all employees.

The Company has in place a policy of internal controls aimed at setting up an effective and reliable system of internal controls. The policy sets out the basic principles, framework of and roles for the system of internal controls as part of the Company's system of governance.

B.4.2 Compliance function

The compliance function is organised as one of the four key functions constituting the risk management system. Being an internal control function, it is part of the second line of defence in the internal risk management system, consisting of three lines of defence. Its main duty is to manage the risks arising from non-compliance with the law.

The compliance function is organised within the department "Office of the management board and compliance". Although the compliance function is not organised as an independent organisational unit, it is ensured that the compliance function holder has direct access to the management board at all times. The compliance function holder also has other responsibilities; therefore, relevant measures have been taken by the Company to avoid potential conflicts of interest for the function holder when in the compliance function holder's role.

The compliance function holder is authorised by the management board subject to the consent of the supervisory board.

The chief responsibilities of the compliance function are to:

- monitor and periodically assess the adequacy and effectiveness of regular procedures and measures to address any deficiencies in compliance with regulations and other commitments;
- advise and assist in the coordination of the Company's operations with the obligations imposed by regulations and other commitments;
- assess potential impacts of changes in the legal environment on the operations of the Company in terms of compliance with its regulations and other commitments, and report on them to the Company's management board, individual organisational units, and business and key functions;
- identify and assesses risks to the Company's compliance with regulations and other commitments, and, if necessary, propose recommendations and guidelines for the management of compliance risk;
- inform the management and supervisory boards of the Company's compliance with regulations and other commitments and the risk assessment regarding compliance with regulations and other commitments;

- coordinate with top management regarding compliance matters and offer consulting services to them;
- cooperate in exchanging compliance-related questions, best practices and experiences at the controlling company level with other control and supervision functions;
- coordinate the preparation and adoption of policies and rules between the parent company and Group subsidiaries;
- coordinate the preparation of comments on draft insurance-related legislation;
- participate in setting up and updating compliance programmes in certain separate areas, including internal controls for compliance of operations, taking into account the requirements and capacities of processes and resources available, according to the requirements of specific legislation or regulations, and factors of the broader business and professional environment (e.g. commitments assumed through contracts, declarations and other collective activities aimed at raising the standards of fair business in the broader environment);
- prepare a draft annual compliance monitoring plan covering the identification and assessment of the main compliance risks that the Company faces for submission to the management and supervisory boards;
- compile period reports, submitting them to the management and supervisory boards; and
- draw up reports on the findings related to individual compliance audits, submitting them to the Company’s management board.

B.5 Internal audit function

Internal auditing in the Company is carried out by an independent organisational unit, the internal audit department, which reports to the management board and is functionally and organisationally separate from other organisational units. Its organisational position ensures autonomy and independence of operation. The internal audit is part of the internal control system of the Company that ensures independent, regular and comprehensive review and assessment of the adequacy of the Company's governance, risk management and control procedures. Internal audit reports directly (orally and in writing) to the management board, the audit committee and the supervisory board.

The internal audit function, being an internal control function, is part of the third line of defence of the Company's risk management system.

The chief responsibilities of the internal audit are to:

- set up a risk-based, permanent and comprehensive supervision of the Company's operations aimed at verifying and assessing whether the processes of risk management, control procedures and corporate governance are appropriate and function in a manner that ensures the achievement of the following major goals of the Company:
    - effective and efficient operation of the Company;
    - business and financial efficiency, including safeguarding assets against loss;
    - reliable, timely and transparent internal and external accounting and non-financial reporting;
    - compliance with laws, other regulations and internal rules;
- assess whether the Company's information technology supports and furthers the Company's strategies and goals;
- assess fraud risk and the procedures for its management in the Company (although the expertise of a person whose primary task is to identify and investigate cases of fraud is neither expected nor required);
- offer advice, and
- carry out other tasks subject to the law.

Internal audit conducts internal audit reviews in accordance with the hierarchy of rules of internal auditing adopted by the Slovenian Institute of Auditors on the basis of the law governing auditing, and written rules of the internal audit function. The internal audit function operates in accordance with the adopted internal audit policy, which defines the purpose, powers, responsibilities, and tasks of the internal audit function. Furthermore, it establishes the position of the internal audit within the organisation, including the nature of the functional responsibilities of the head of internal audit with regard to the supervisory body, authorises access to records, personnel, premises and equipment relevant to the performance of engagements, and defines the scope and activities of the internal audit.

The internal audit function annually submits the annual work plan and the annual report of the internal audit service to the management and supervisory boards, including its audit committee.

The internal audit function holder has been appointed by the management board with the consent of the supervisory board upon the prior opinion of the audit committee and also serves as the director of the internal audit department.

The internal audit must be independent, and internal auditors must be impartial and unbiased, and avoid any conflicts of interest. The director of the internal audit must confirm to the supervisory body, at least annually, the organisational independence of the internal audit as part of the annual reporting on the activities of the internal audit service.

Pursuant to the Insurance Act and based on outsourcing agreements Sava Re d.d. has been performing, since 1 February 2018 and for an indefinite duration, the key functions of the internal audit of Zavarovalnica Sava and Sava Pokojninska. In 2019, Sava Re signed a contract – in compliance with the Investment Funds and Management Companies Act (ZISDU-3[8]) – with Sava Infond, under which the latter transferred the performance of the internal audit key function to Sava Re as of 1 January 2020, for an indefinite period. Pursuant to the Insurance Act, in January 2021, Sava Re concluded an outsourcing agreement with Vita, under which, on 22 January 2021, the latter transferred the performance of the key function of its internal audit to Sava Re for an indefinite period.

[8] Slovenian Investment Funds and Management Companies Act (Zakon o investicijskih skladih in družbah za upravljanje).

B.6 Actuarial function

The actuarial function is an administrative concept comprising all the persons performing actuarial tasks of the second line of defence as detailed below. Actuarial function performers are employed in the areas of the actuarial function. They also perform first-line-of-defence actuarial tasks. Although the actuarial function is part of the second line of defence, it is organised in a way that prevents any one person from both implementing (first line) and controlling (second line) the same tasks.

The Company's actuarial function holder is responsible for carrying out the actuarial function. The appointment was made by the management board with the consent of the supervisory board.

The chief responsibilities of the Company's actuarial function are to:

- coordinate the calculation of technical provisions and ensure their consistency with applicable regulations;
- ensure the appropriateness of the methodologies, underlying models and assumptions made in calculating technical provisions so that they reflect key risks and are sufficiently stable;
- assess the sufficiency and quality of the data used in calculating technical provisions and to provide recommendations on how to adapt processes in order to improve data quality;
- compare best estimate provisions established in accordance with Solvency II principles (hereinafter SII provisions) against experience and, in the event of any deviation, suggest changes to the assumptions and valuation models used;
- oversee the use of approximations in calculating SII provisions;
- examine the appropriateness of the underwriting policy and express an opinion on the adequacy of insurance premiums, taking into account all underlying risks and effects of changes in the portfolio, options and guarantees, anti-selection, inflation and legal risks;
- verify the adequacy of reinsurance arrangements;
- participate in introducing and implementing the risk management system, in particular with respect to the development, use and monitoring of adequacy of the models underlying the calculation of capital requirements for underwriting risk and the conduct of own risk and solvency assessment;
- prepare, at least annually, a written report to be submitted to the management and supervisory bodies, and the local supervisory authority; reports on the implementation of the above tasks and their results, clearly identifying any weaknesses by issuing recommendations on how to eliminate them; and
- serve on the risk management committee.

In accordance with the risk management policy, the actuarial function actively cooperates in setting up and implementing the Company's risk management system as part of the second line of defence.

The key function holders of the Sava Insurance Group companies serve on the Group's actuarial committee, the membership of which is regulated in the its rules of procedure. Within its powers and in line with the rules of procedure appended to this policy, the Group's actuarial committee adopts decisions in the form of proposals and recommendations for the management board of Sava Re, other key functions of the Group and the Group's risk management committee, which are implemented in line with the rules of procedures of the Group's actuarial committee. The members of the actuarial committee have a responsibility toward the Company to communicate information about relevant arrangements to relevant parts of the Company.

B.7 Outsourcing

In accordance with the provisions of the applicable Insurance Act, the Company has adopted a policy and rules that govern the outsourcing of critical or important operational functions or activities. The policy defines the framework for outsourcing critical or important operational functions: contracts on outsourcing in general, when they might be entered into, how they should be maintained and documented, and how to ensure compliance with the applicable outsourcing guidelines. The policy outlines the steps and responsibilities in the process of outsourcing functions or activities, defining the standards of management and control of such a process. The policy further defines the registering of outsourced operations comprising all contracts considered as outsourced and defines how to document the whole decision-making process, collect the necessary documents and the signing of such contracts. The policy states that each outsourced operation must have an administrator, whose main responsibility is to oversee the outsourced function or activity. By signing the contract, all providers of outsourced services undertake to act in accordance with the applicable law and cooperate with the local supervisor. The Company must notify the local regulator of its intention to outsource an operation before entering into the relevant contract.

In 2020, the Company had no outsourced operations.

B.8 Any other information

The Company has in place a transparent and appropriate risk-based governance system.

The Sava Re corporate governance policy sets out the main governance principles, taking into account the Company's goals, mission, vision and values. The purpose of the policy is to define the foundation of the Company's system of governance, the basic management rules, rules of corporate governance and a transparent organisational structure with clear and transparent allocation and segregation of roles and responsibilities. Corporate governance is a combination of processes and frameworks used by the management and supervisory boards, and supervisory board committees for communicating, directing, controlling and monitoring a company's operations in order to achieve the company's goals. The policy was last amended in December 2017, with the most recent review in December 2020.

The internal audit report on the audit review of corporate governance completed in January 2018 also confirms that the Company has in place an adequate system of governance. In addition, the internal audit department issued an opinion in its 2020 annual report on internal auditing that – based on all tests and methods used in individual audit areas – internal controls at Sava Re are adequate and that the degree of their reliability is good. Moreover, it believes that the governance of Sava Re has proved appropriate and is being improved on an ongoing basis in order to achieve major business goals, and that risks are well managed with the efficiency and economy of operations in mind.

C. Risk profile

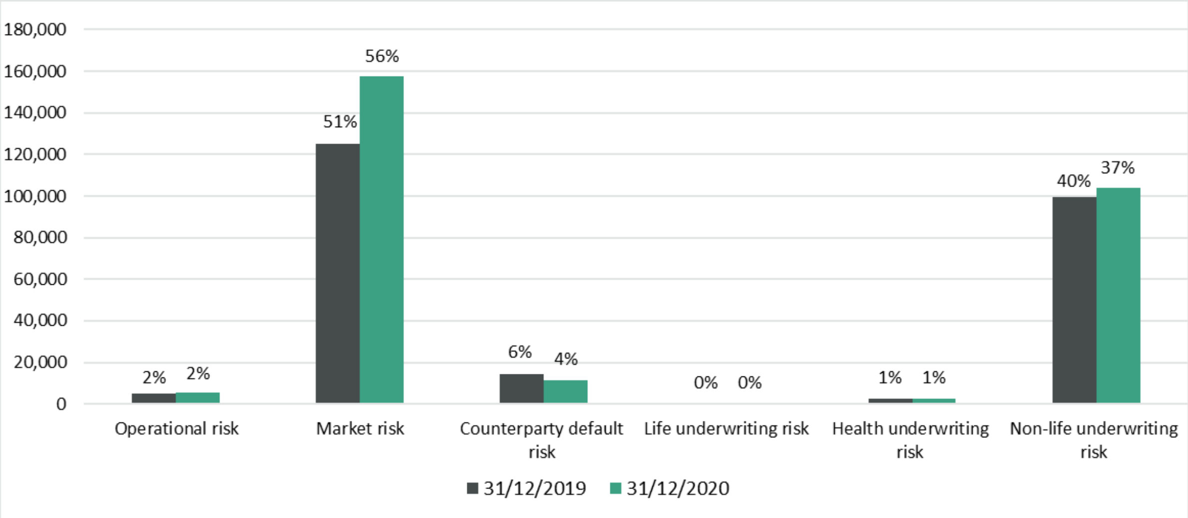
The Company's operations are exposed to various types of risk. These are identified, measured, managed, monitored, and reported on in accordance with the processes described in section B.3 *Risk management system including the own risk and solvency assessment*. The main risk categories that the Company is exposed to are:

- underwriting risk,
- market risk,
- credit risk,
- liquidity risk,
- operational risk, and
- strategic risk.

The following subsections discuss individual risk categories, except strategic risk, which is discussed in subsection C.6 *Other material risks*.

The Company regularly measures some of the above risk categories using the Standard Formula, whereas other risks (in particular those not readily quantifiable) are measured using the methods described in section B.3 *Risk management system including the own risk and solvency assessment*. The chart below shows the Company's risk profile in accordance with the Standard Formula.

Undiversified SCR by risk module (EUR thousand)[9]



At year-end 2020, the risk profile continues to be dominated by non-life underwriting and market risks; other risk categories are small. In 2020, there was a rise in market risk, mostly as the result of an increase in the value of participations in subsidiaries and associates. In addition, there was an increase in non-life underwriting risk reflecting increased premium and reserve risk due to portfolio growth, especially higher best estimate claims provisions. The proportion of non-life underwriting risk decreased due to the higher market risk.

Covid-19-related impact on the Company's risk profile

There has been a notable increase in certain risks due to Covid-19. We have been operating in exceptional circumstances for almost a year and have obtained a better understanding of the risk

[9] The proportion of an individual module is calculated as the proportion out of the sum of all modules.

than at the onset of the pandemic. We identify, monitor, analyse and manage risks on a regular basis. We believe that these risks are well-managed at Sava Re. Below, we set out potential Covid-19-related risks:

- We do not expect that Covid-19 will have a significant negative impact on non-life insurance risks, whereas in some cases, as is evident from section A.1 *Business*, Covid-19 even had a positive impact on the exposure to such risks. We estimate that there may be a potential increase in insurance claims, mainly in business interruption reinsurance business. Exposure to the risk of such claims has increased primarily due to case law in certain countries.
- Given its low exposure, life underwriting risk remains low.
- Regarding counterparty risk, certain counterparties may have their credit ratings downgraded or may default on payments due.
- Market risk remains high, despite prompt reactions from central banks across the world. In 2021, we expect increased credit and interest rate risk. We expect these increased credit risks will result in lower credit ratings for commercial issuers, especially in industries that were significantly hurt by lockdowns (e.g. tourism, services). We see the increased interest risk primarily as a risk that the recession will delay the expected normalisation of market interest rates. Should the current optimistic investor view on the outcome of the Covid-19 crisis change, we could see another widening of credit spreads on corporate bonds and downgrading of debt securities. There was also an increased volatility in securities markets due to Covid-19.
- Liquidity risks remain slightly elevated due to the situation, but are still low and well managed.
- Strategic risks remain slightly elevated due to the uncertain situation.
- The Company's operational risks resulting from Covid-19 are well managed.

Cyber risks increased; however, they are well managed due to increased cyber security. A number of measures have already been introduced in this area that will enable us to detect any intrusions and malicious activity against the Company's IT systems.

Covid-19 related uncertainty persists in 2021, as it is impossible to assess how long measures for the containment of the autumn/winter virus wave in Europe will last, and how much of an adverse impact they will have on the economy. We expect slower economic growth and ongoing measures restricting movement will impact the Company's business. However, based on the above-listed risks, we do not expect that they will in any way compromise the solvency of Sava Re because risks are well managed and the solvency ratio is high.

C.1 Underwriting risk

The Company's exposure to underwriting risk arises out of its accepted reinsurance contracts. This risk is related to the risks underwritten and associated processes, and arises from the uncertainty related to the occurrence, scope and timing of obligations.

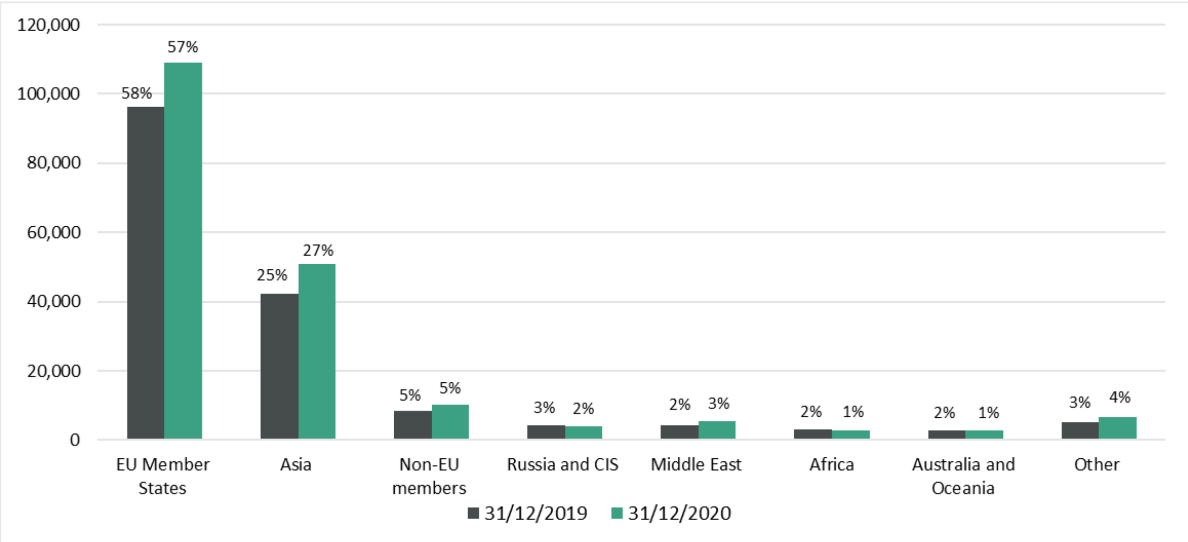
Underwriting risk is generally divided into:

- non-life underwriting risk,
- life underwriting risk (including annuities stemming from non-life reinsurance business),
- health underwriting risk (including accident reinsurance).

The Company is exposed to all three types of underwriting risk. Life underwriting risk includes the majority of risk relating to accepted life reinsurance business ceded from within the Sava Insurance Group, whereas accepted life reinsurance business from non-Group cedants along with accident reinsurance business is discussed under health insurance risk. This is because, due to its annual coverage period and technical basis, such life reinsurance business is similar to accepted accident reinsurance business.

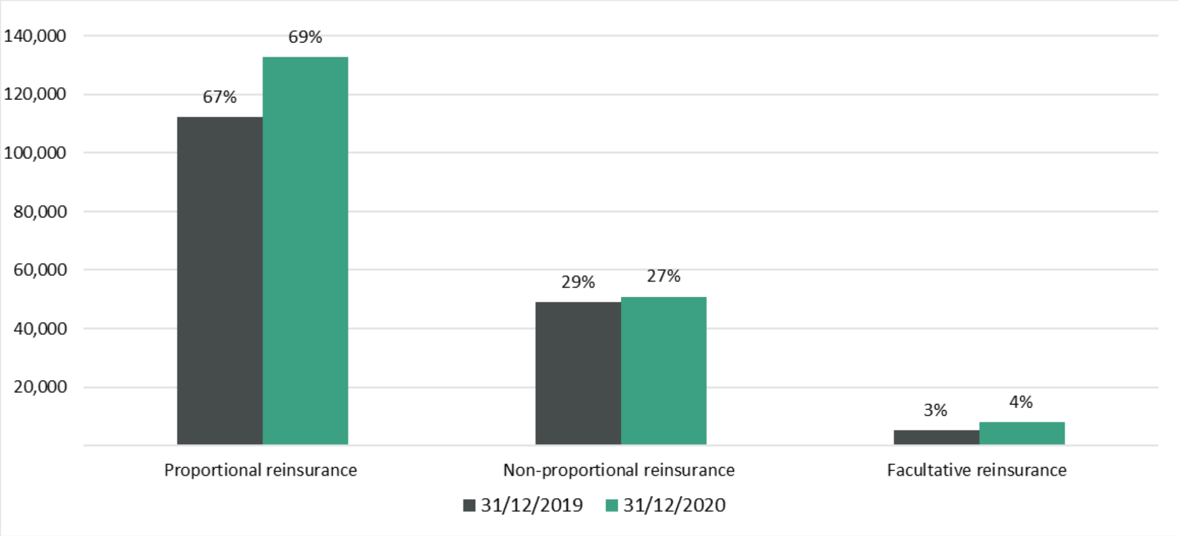
The chart below shows gross premiums written by three different criteria: geographical area, form of reinsurance and insurance group.

Gross premiums written by geographical area (EUR thousand)

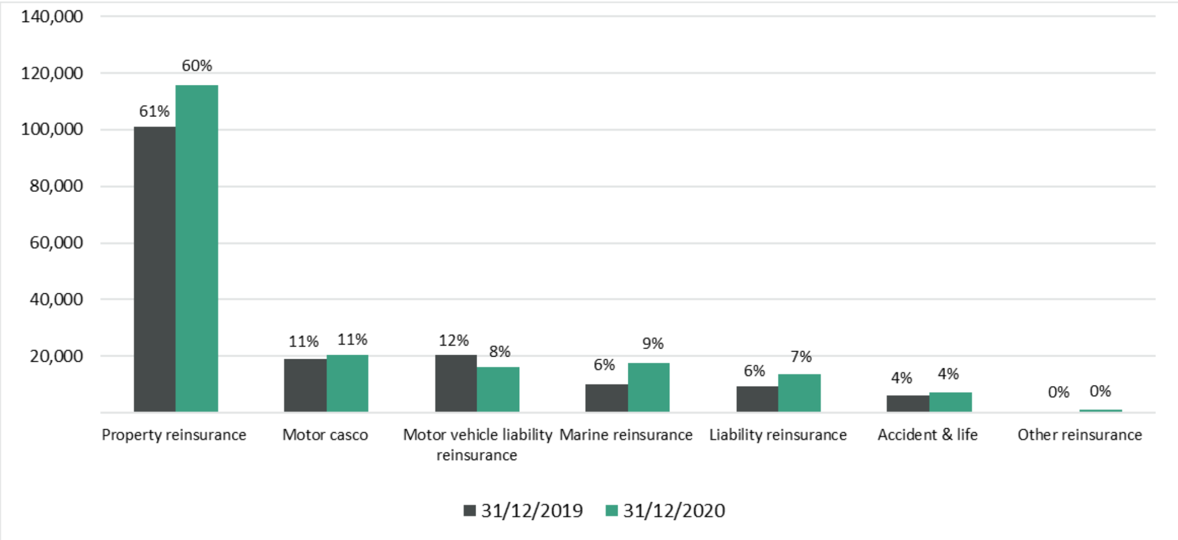


As can be seen, the Company's largest exposure is to EU markets (especially in Slovenia) and Asia, while diversification is also being achieved through exposure to other markets.

Gross premiums written by form of reinsurance (EUR thousand)



Gross premiums written by insurance group (EUR thousand)



In terms of premiums, the reinsurance portfolio is dominated by proportional and property reinsurance business. Other major insurance groups are fairly evenly represented.

C.1.1 Risk exposure

The Company is mainly exposed to the following non-life underwriting risks and risks associated with not-similar-to-life-technique health insurance business (hereinafter: NSLT health business):

- **Premium risk** is the risk that premiums written are insufficient to meet the obligations arising from reinsurance contracts. This risk depends on many factors, such as inadequate assessment of market developments, poor assessment of claims development, use of inadequate statistics, intentionally inadequate pricing in certain lines of business expected to be offset by other lines of business, or inadequate assessment of external macroeconomic factors that may change significantly during the term of a contract. These include:
    - underwriting process risk,
    - pricing risk and
    - risk of unexpected increase in claims.

In line with the portfolio composition, premium risk predominantly arises from property reinsurance business, both proportional, the predominant form of reinsurance in terms of premium income, and non-proportional reinsurance business, which is relatively riskier due to claims volatility.

- **Reserve risk** is the risk that technical provisions are insufficient to meet the obligations arising from (re)insurance contracts due to inadequate methods, inappropriate, incomplete and inaccurate data, inefficient procedures and controls or inadequate expert judgement, or misreporting, resulting in unreliable information about the Company's financial position. These include the following risks:
  - risk related to data availability and accuracy,
  - risk related to adequacy of methods and assumptions used,
  - risk of calculation error,
  - risk stemming from complex tools used in processes yielding misleading results.

  Similar to premium risk, property reinsurance is the largest contributor to reserve risk, but since the Company's has been focusing on this business for many years, the proportion of associated best estimate technical provisions is also the largest.
- **Catastrophe risk** includes the risk of occurrence of a catastrophic event; such events are rare but their financial impact is too high to simply be covered by otherwise appropriate premiums and provisions. Catastrophe risk may materialise as an extreme event or as a large number of catastrophic events in a short period. The risk also includes an excessive geographical accumulation of risks. The Company's portfolio is geographically well diversified and also further balanced through the retrocession programme, and so the relatively high capital requirement results from the aggregation of a large number of such requirements for various smaller natural perils and regions and various man-made catastrophic events, and is due to the fact that coverage against catastrophic events is the Company's primary and most important role.
- **Lapse risk** is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level or volatility of lapse rates. The Company is not significantly exposed to this type of risk.

The Company has a minor exposure to the following **life underwriting risks**:

- biometric risks, which are divided into:
  - mortality risk,
  - longevity risk
  - disability-morbidity risk,
- life-expense risk,
- revision risk,
- lapse risk, being the risk of early termination of life insurance contracts, includes terminations due to surrenders, conversion to paid-up status, and premium default,
- life catastrophe risk.

Other underwriting risks, such as economic environment risk and policyholder behaviour risk, may be relevant, but their effect is already indirectly accounted for in the above non-life and life underwriting risk.

C.1.2 Risk measurement

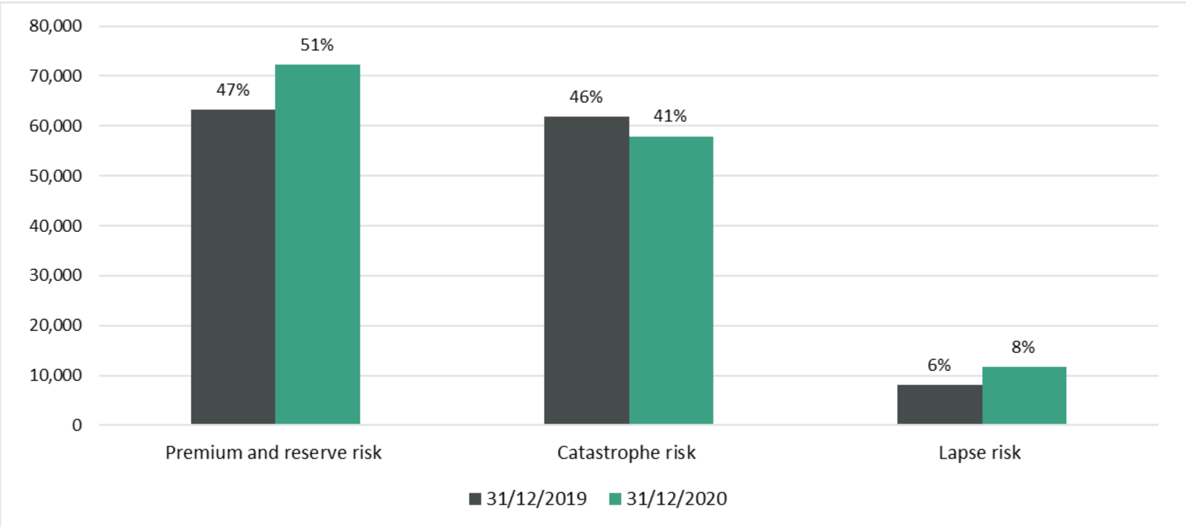
The Company uses the Standard Formula for quantitative assessment of underwriting risk. To this end, it does not apply undertaking-specific parameters for individual companies, in accordance with article 104(7) of Directive 2009/138/EC. The Company also uses its own assessment (as part of ORSA) for the quantitative assessment of underwriting risk.

As at 31 December 2020, the Company was exposed to non-life underwriting risk in the amount of EUR 104.0 million (31 December 2019: EUR 99.3 million), health NSLT underwriting risk in the amount of EUR 2.7 million (31 December 2019: EUR 2.7 million) and life underwriting risk in the amount of EUR 0.6 million (31 December 2019: EUR 0.4 million). The capital requirement for non-life underwriting risk, health NSLT underwriting risk and life underwriting risk accounted for 36.9%, 1.0% and 0.2%, respectively, of the sum of the SCR of all risk modules. Premium and reserve risks, followed by catastrophe risk, represented the largest proportion of the undiversified non-life underwriting risk.

On 31 December 2020, the Sava Re non-life underwriting risk module increased, chiefly because of the increase in the premium and reserve risk submodule as the result of a rise in best estimate provisions set aside for FoS claims and Covid-19-related claims in Anglo-Saxon markets as well as due to premium growth. The catastrophe risk sub-module decreased slightly due to lower exposure reflecting a smaller volume of accepted reinsurance business renewed on 1 January 2021. There was also a minor increase in the lapse risk sub-module owing to larger future expected profits.

The chart below shows the composition of non-life underwriting risks, the largest category of underwriting risks.

Undiversified non-life underwriting risk by risk sub-module (EUR thousand)[10]



Non-life underwriting risk is measured quantitatively, also as part of the ORSA. Premium and reserve risks are estimated using undertaking-specific parameters (hereinafter: USP). The own assessment for premium and reserve risk is significantly lower than the calculation under the Standard Formula. Consequently, the own assessment of the capital requirement for non-life underwriting risk is lower compared to the Standard Formula.

In addition to this quantitative risk measurement, the Company also monitors its exposure to non-life underwriting risk quarterly, analysing the combined ratios of individual contracts and homogeneous risk groups, verifying the adequacy of technical provisions, monitoring aggregate

[10] The proportion of an individual submodule is calculated as the proportion out of the sum of all risk submodules.

exposures to natural catastrophes by geographical location, and monitoring major new contracts. Based on all interim information, the Company monitors the underwriting risk profile to detect any changes, which allows the management to respond in a timely manner.

C.1.3 Risk concentration

The Company considers the risk related to natural catastrophes to be the largest non-life underwriting risk. The Company's largest exposure to natural catastrophes is in Slovenia, other exposures are relatively well diversified globally.

The table below shows the ten largest gross exposures to natural catastrophes by country as at 31 December 2020.

Ten largest gross exposures to natural catastrophes[11]

EUR thousand	31 December 2020	31 December 2019
Slovenia	276,415	276,769
Croatia	49,999	53,282
China	38,233	44,318
Serbia	33,469	34,179
Greece	32,399	24,276
Germany	32,353	22,042
Great Britain	31,142	37,011
Turkey	31,046	21,814
Japan	30,830	30,573
Republic of South Africa	30,669	18,571
Total	**586,555**	**596,957**

C.1.4 Risk management

The Company manages underwriting risk mainly through an established underwriting process, as set out in internal reinsurance underwriting guidelines. These define the requirements for partners, the minimum required level of information about the business and the expected profitability range. In addition, they also define the underwriting process and levels of authority so that appropriate controls are included in the process. The Company also manages underwriting risk by means of geographical diversification, aggregate exposure limits and an appropriate reinsurance (retrocession) programme.

The Company annually reviews and sets underwriting limits. These limits relate to the sums insured or probable maximum loss figures of individual contracts and to reinsurance premiums, all for assumed shares in the Company's retention, as well as to the expected aggregate exposure to catastrophic risk by geographical area. Underwriting limits must also be confirmed by the holder of the actuarial function to ensure their consistency with the Company's risk appetite. Underwriting limits are an integral part of the reinsurance underwriting guidelines. For more complex transactions,

[11] The balances as at 31 December 2019 are presented for comparison; they are not necessarily the highest exposures in the year.

these guidelines also define the process of approving risk acceptance, including roles and responsibilities, and escalation procedures.

In addition to the above, the Company analyses the impact of various stress tests at risk levels. In the calculation as at 31 December 2020, we tested the impact of a **10% increase in the volume measure for the premium risk of non-life and NSLT health insurance** at the level of premium and reserving risk and the overall SCR. A 10% increase in the premium volume measure would result in a 4.9% increase in the premium and reserving risk of non-life insurance (31 December 2019: 5.3%) and a 6.5% increase in the premium and reserving risk of NSLT health insurance (31 December 2019: 6.4%). The increase does not materially affect the Company's solvency. The impact of the stress test is at the same level as at 31 December 2019.

We also analysed the impact of a **10% increase in the volume measure for the reserving risk of non-life and NSLT health insurance** at the level of premium and reserving risk and the overall SCR. A 10% increase in the provision volume measure would result in a 5.1% increase in the premium and reserving risk of non-life insurance (31 December 2019: 4.7%) and a 3.5% increase in the premium and reserving risk of NSLT health insurance (31 December 2019: 3.6%). The increase does not materially affect the Company's solvency. The impact of the stress test is at the same level as at 31 December 2019.

Impact of stress test on eligible own funds, SCR and Company's solvency ratio (for non-life and NSLT health business)

EUR thousand	Eligible own funds	Difference from base value	SCR	Difference from base value	Solvency ratio	Difference from base value
Base values as at 31 December 2020	**596,036**		**219,399**		**272%**	
Increase in volume measure for premium risk	596,036	0	221,476	2,076	269%	-3 p.p.
Increase in volume measure for reserve risk	596,036	0	221,574	2,174	269%	-3 p.p.
Base values as at 31 December 2019	**542,969**		**187,820**		**289%**	
Increase in volume measure for premium risk	542,969	0	189,834	2,014	286%	-3 p.p.
Increase in volume measure for reserve risk	542,969	0	189,602	1,781	286%	-3 p.p.

Below, we provide a detailed presentation of how individual non-life and health NSLT underwriting risks are managed, along with an overview of life underwriting risk management.

Premium risk

Premium risk is mainly managed through proper reinsurance underwriting and quarterly performance monitoring by class of insurance, if necessary also by contract or partner, and through measures taken on this basis.

Underwriting process risk is managed by means of additional training of underwriters; by producing understandable, clear and detailed instructions; and by defining appropriate underwriting limits that are consistent with the Company's risk appetite as defined in its risk strategy, business strategies and retrocession programme. In addition, we pay special attention that contracts are entered into with verified and trusted cedants, and that there are appropriate limits on exposure concentration by geographical area and homogeneous risk groups in order to meet the required risk diversification. Significant reinsurance underwriting process risks include the risk of error in the assessment of the probable maximum loss (hereinafter: PML), especially by the cedants of the Sava Insurance Group.

To reduce this risk, the Company provides guidance on PML assessment, cooperates with its cedants' underwriters when underwriting large risks, offers relevant training and ensures that the retrocession programme covers PML error.

As regards **price risk**, the Company is only able to manage such risk indirectly, because it must follow the fortunes of its cedants in proportional reinsurance treaties. This is why the verification of cedants constitutes the main part of the underwriting process. The Company can manage product design risk directly only as regards the contractual terms and conditions, which, if inappropriate, may include associated risks that the Company, unaware of such when entering into the contract, fails to take account of when setting the premium. This can arise owing to poor and inadequate information provided by the cedant, or due to inadequate interpretation of the terms and conditions. To properly assess all risks, the Company must fully understand all positive and negative aspects of the contract and the associated risks. Before entering into a contract, the Company therefore analyses in detail both the partner and the market, collects the information available (from the media, competitors, clients), monitors the applicable regulations and the related requirements, and observes trends in historical claims data (for the entire market) and forecasts. In addition, the Company may use special clauses in reinsurance contracts to limit performance volatility; for example, sliding scale or profit commissions, or loss ratio ceilings.

As regards **claims risk**, this can be related to an incorrect risk assessment in the underwriting process, new types of claims, changes in case law, increased awareness of policyholders of their rights, changes in macroeconomic circumstances, activities adversely affecting the environment or an inappropriate retrocession programme. This risk is mitigated through in-depth assessments of risks during reinsurance underwriting and prudent granting of underwriting authority. As with product design risk, the Company can manage this risk through the use of special clauses in proportional reinsurance contracts that limit the reinsurer's share of unexpected claims and by not accepting unlimited layers under non-proportional contracts. Also central to reducing this risk is the annual testing of the appropriateness of retrocession protection using a variety of stress tests and scenarios, and setting appropriate retentions.

Reserve risk

The Company manages reserve risk by means of robust processes and effective controls as regards the calculation of IFRS and Solvency II technical provisions. In addition, it conducts annual backtesting of the appropriateness of technical provisions, analysing the major reasons for their insufficiency. All experience so gained is then used in calculating future technical provisions. An effective calculation process for technical provisions comprises several key steps. By documenting and understanding such a process, the Group can identify and describe potential risks, such as:

- risk related to data availability and accuracy,
- risk related to the adequacy of methods and assumptions used,
- risk of calculation error,
- risk associated with supporting IT systems and tools.

Controls are put in place for the mitigation of each identified risk. These controls ensure data quality and mitigate the risks associated with calculating technical provisions. The design and operational effectiveness of controls are reviewed at least annually or whenever a significant change occurs in the process or methods and models used to calculate the technical provisions.

Examples of controls include:

- reconciliation of technical provision items with accounting records,
- peer review of actuarial methods and assumptions,
- changes to management controls relating to the IT tools used in the process,
- actuarial review and approval of the level of technical provisions.

The process by which technical provisions are calculated is subject to periodic approval. Where substantial changes have been made to the process, the methodology or models used in the calculation of technical provisions, a validation is carried out in accordance with the reporting schedule.

Lapse risk

It is estimated that lapse risk, being the risk of early termination of reinsurance contracts, is less important for the Company, because the vast majority of reinsurance contracts are entered into for one year, and the risk is also managed by developing and maintaining good business relations with cedants and closely monitoring the market situation.

Catastrophe risk

The Company manages catastrophe risk through prudent reinsurance underwriting, geographical diversification and relevant retrocession protection against natural and man-made catastrophes.

To protect against potential natural disasters, the Company has in place catastrophe covers (CAT XL) to protect its retention, for both Group and non-Group business. However, before the operation of the non-proportional cover, the Slovenian portfolio is protected by a surplus retrocession cover providing protection at the individual risk level (including PML error), and an earthquake quota share cover. Thus, in case of a major event, the Company would suffer a loss in the amount of the priority of the CAT XL cover plus a reinstatement premium. If the Company continued to make use of the cover, reinstatement provisions would start operating, i.e. the Company would protect itself by a new cover for the remaining period of cover, which is an ordinary instrument available in international reinsurance markets, the price of which is lower than the initial cover because of the shorter period of exposure. To protect against a larger frequency of natural disasters, the Slovenian portfolio is additionally protected by an aggregate cover, thanks to which, in case of a number of events in excess of the priority, the Company would suffer a loss below the sum of the priorities. The non-Group portfolio is additionally protected against a higher frequency of catastrophic events through a sublimit. This ensures that the Company remains solvent even if several catastrophic events occur in any one year.

The Company also considered various scenarios and their impact on business operations and the solvency position. We selected scenarios based on the own risk profile, striving to identify events with a potentially maximum impact on the operations and capital adequacy, and taking into account their probability of occurrence.

Catastrophe risk is a major risk for the Company. Therefore, as part of the annual ORSA process, the Company tests catastrophe scenarios in terms of their impact on solvency. To date, the following has been tested: an earthquake in Ljubljana with a return period of 1000 years (including default of lead retrocessionaire), a Kyrill-type hurricane (2007), an Andrew-type hurricane (1990), an earthquake in China, an earthquake in Turkey, the scenario of three catastrophic events in Slovenia in one year (two hail storms and one flood), the impact of two hurricane events in the Caribbean as in 2017, a scenario of two major Japanese typhoons occurring in one year, and a scenario of a large scale terrorist attack on France that triggers major riots resulting into further medium-sized claims. In each of these cases, eligible own funds would be impacted by the amount of the claim payment, which would also have an effect on the profit or loss for the year (in which the event happened); nevertheless, Sava Re would maintain a large surplus of eligible own funds over the SCR. The solvency ratio would drop by a few percentage points but remain within the Company's target capitalisation range.

Life underwriting risk

We estimate that life underwriting risk is less significant for the Company. The risk is mitigated through a unified underwriting process in the Sava Insurance Group, nurturing good business relations with non-Group cedants of long standing and closely analysing the market situation. Procedures put in place to mitigate lapse risk include monitoring lapses in absolute and relative terms and overseeing cedant measures taken to minimise policy lapses. Procedures put in place to manage mortality risk include consistent application of underwriting protocols, which specify in detail the deviation from normal mortality risk, use of appropriate mortality tables and adequate retrocession protection. Procedures put in place to manage life expense risk include monitoring the macroeconomic situation (e.g. inflation) and planning service expenses for the coming years.

C.2 Market risk

Market risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments. Market risks include the following types of risk:

- **Interest rate risk** is the risk of a change in market interest rates adversely affecting the value of interest-rate-sensitive assets and liabilities. Interest-rate-sensitive investments include bonds, deposits, loans, and bond and mixed mutual funds. Interest-rate-sensitive liabilities mainly include technical provisions and subordinated debt. When calculating the capital requirement for interest rate risk, the amount of interest-rate-sensitive assets is considered on the assets side, and best estimate technical provisions, subordinated debt and employee provisions are considered on the liabilities side.
- **Equity risk** is the risk of a fall in the level of equity prices resulting in a fall in the value of equities. Participations in subsidiaries and associates are exposed to this risk, as well as investments in equities, and equity and mixed mutual funds.
- **Property risk** is the risk of a fall in the value of property due to changes in the level and volatility of property prices. This risk affects own-use property, investment property and real-estate funds.
- **Currency risk** is the risk of a drop in the value of assets or increase in the level of liabilities due to changes in the level of currency exchange rates.
- **Spread risk** is the risk of the sensitivity of the values of assets to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. This risk affects bonds, deposits, loans, and bond and mixed mutual funds.
- **Market concentration risk** is the risk of a suboptimal diversification of the asset portfolio or an increased exposure to the default of a single counterparty or group of counterparties.

C.2.1 Risk exposure

As at the date of this report, the Company had the following composition of assets, which affects its exposure to market risk.

Investments included in the calculation of market risk (Solvency II valuation)

EUR thousand	31 December 2020	Structure as at 31 December 2020	31 December 2019	Structure as at 31 December 2019
Asset class				
Bonds	**232,260**	**29.9%**	**246,097**	**36.9%**
Government bonds	133,452	17.2%	137,915	20.7%
Corporate bonds	98,807	12.7%	108,182	16.2%
Mutual funds	**16,387**	**2.1%**	**9,655**	**1.4%**
Deposits	**0**	**0.0%**	**22,001**	**3.3%**
Equity investments	**510,844**	**65.8%**	**372,373**	**55.9%**
Participations	501,587	64.6%	362,682	54.4%
Listed shares	7,942	1.0%	8,056	1.2%
Unlisted shares	1,314	0.2%	1,635	0.2%
Property	**12,236**	**1.6%**	**12,349**	**1.9%**
Own-use property	3,155	0.4%	3,310	0.5%
Other property	9,080	1.2%	9,040	1.4%
Loans and mortgages	**4,968**	**0.6%**	**4,216**	**0.6%**
Total	**776,694**	**100.0%**	**666,691**	**100.0%**

The value of assets that the Company includes in the calculation of market risk was EUR 776.7 million as at 31 December 2020 (31 December 2019: EUR 666.7 million). The increase in investments in 2020 is mainly due to the increase in the value of investments in subsidiaries and associates, and the acquisition of the insurer Vita.

Their composition shows that the majority of the Company's financial investments consists of strategic participations and fixed-rate financial instruments. The predominance of fixed-rate financial instruments in portfolio investments reflects the Company's policy to manage financial investments so that assets and liabilities are matched.

Variable-rate investments account for a relatively small proportion of portfolio investments [12] because the majority of equity investments consists of participations. Portfolio investments show a relatively high exposure to interest rate and credit risk.

C.2.2 Risk measurement

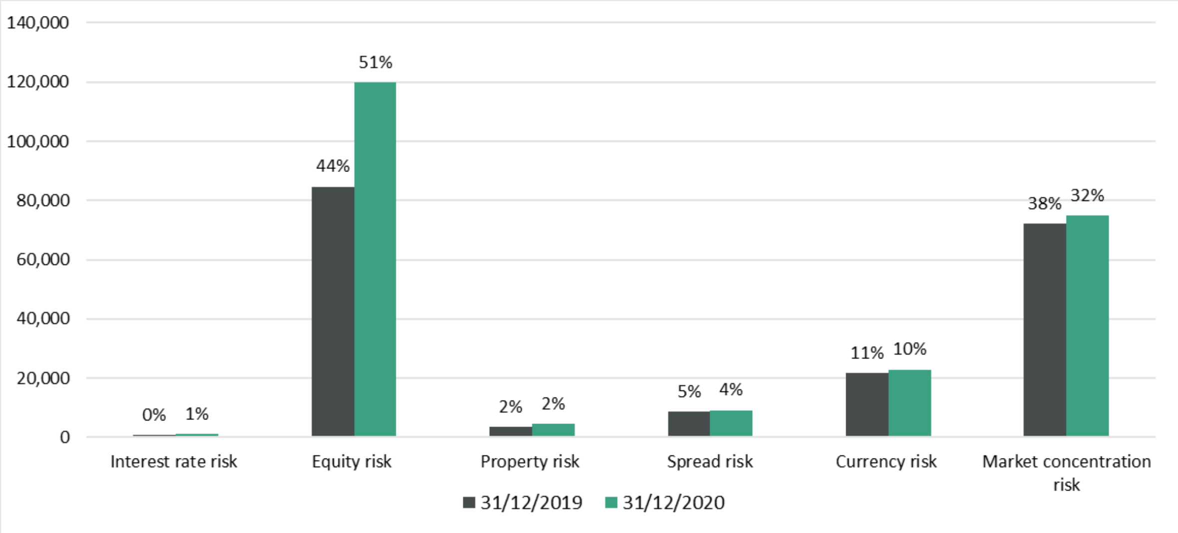
For the quantitative assessment of market risk, the Company uses the Standard Formula in addition to its own risk assessment.

The solvency capital requirement in accordance with the Solvency II Standard Formula for market risk stood at EUR 157.5 million as at 31 December 2020 (31 December 2019: EUR 125.2 million, representing 55.8% of the sum of the SCR of all risk modules. The higher capital requirement is largely due to the higher exposure to subsidiaries and associates, which increases equity risk and market risk concentration. The Company holds participations in EU-based insurers of EUR 381.1 million, participations in non-EU-based insurers of EUR 45.3 million and participations in other companies of

[12] Assets included in the calculation of market risks less participations in subsidiaries.

EUR 75.2 million. The investment in the insurer Vita increased participations in EU-based insurers by EUR 115.9 million compared to 2019. The Company's exposure to participations in subsidiaries and associates thus represents a material proportion of the capital requirement for equity risk and market risk concentration.

Undiversified market risk by risk sub-module (EUR thousand)[13]



Interest rate risk accounts for a relatively small proportion of the capital requirement for market risk. The Company regularly monitors, analyses and addresses the scope of the assumed interest rate risk. We believe that, with its specific measures and internal controls, it manages interest rate risk well.

Equity risk is the largest type of market risk, with 51% of total market risk. The major part of the capital requirement stems from participations in subsidiaries and associates. Equity risk arising from portfolio investments is relatively low due to the smaller exposure.

Property risk. The proportion of property within the investment portfolio is capped through the Company's limits system and therefore relatively small. Consequently, property risk that the Company is exposed to is low.

Spread risk represents a relatively small proportion of market risk and contributed 4% to the capital requirement. The Company has a limits system in place to manage credit risk, which defines maximum exposures to a single issuer, region, sector and credit rating, and thus prevents the assumption of risks inconsistent with the Company's risk appetite.

Currency risk represents 10% of market risk. Both assets and liabilities are exposed to this risk. The monitoring and management of currency risk is presented in greater detail in the Company's annual report, section 17.6.4.2.1.3 *Currency risk*. As at 31 December 2020, the Company reported highly matched assets and liabilities in accordance with IFRSs. Nevertheless, the Company still had some currency mismatches under the Solvency II methodology as the result of lower SII provisions compared to IFRS provisions.

Market risk concentration is the second-largest market risk, accounting for 32%. The level of this risk is due to the Company's participations in subsidiaries that are not EU-based insurance companies,

[13] The proportion of an individual submodule is calculated as the proportion out of the sum of all risk submodules.

which are considered a single exposure under the Standard Formula. The risk level is also affected by participations in associates, which are treated as a separate exposure, and exceed the exposure threshold in concentration risk. Portfolio investments are exposed to only minor market concentration risk because the Company monitors and regulates its exposure, i.e. concentration, of portfolio investments by region, sector and asset class. thus preventing any large concentrations in the investment portfolio and limiting the risk. The Company's portfolio broken down by theses parameters and by rating is shown in the Company's annual report, section 17.6.4.2.3 *Credit risk*.

When assessing the risks associated with the investment portfolio, the Company also regularly monitors other risk measures, i.e. performance of the investment portfolio:

- duration,
- volatility, and
- market and book return, and net investment income.

As part of its asset and liability matching procedures, the Company calculates and monitors the following for each asset and liability portfolio on a quarterly basis:

- risk measures: modified duration, convexity and key rate duration,
- estimated future cash flows,
- the change in fair value, and
- the currency structure of assets and liabilities.

In addition to the Standard Formula, the Company also uses its own solvency model to monitor and assess market risk. In our own calculation of risk, we assess the following financial risks: equity risk, interest rate risk and credit risk of financial investments. The valuation of equities is conducted using the capital asset pricing model (CAPM), where, for each equity instrument, a stock index is determined representing market return in the model (relevant economic scenario generators are used as a basis). In its own model, the Company includes all marketable equity securities sufficiently liquid to allow it to estimate, with sufficient accuracy, the parameters of the model using historic data. For other investments, the Company uses stresses prescribed by the Standard Formula. In the own assessment, interest rate risk is assessed for all assets and liabilities. To this end, each currency representing a relatively small proportion of the portfolio is translated into a modelled currency with which it had the most stable exchange rate over the past five-year period[14]. In its own model, the Company also assesses the credit risk of financial investments, which also captures market concentration risk and spread risk. The own model only considers financial investments without participations in subsidiaries and associates. These are taken into account in the calculation of equity risk in the same way as in the Standard Formula, whereas in the calculation of market risk concentration, exposures relating to participations in subsidiaries and associates that are not EU-based insurers are considered as individual exposures.

C.2.3 Risk concentration

In 2019, Sava Re's financial investments in subsidiaries and associates included one larger exposure, i.e. the investment in Zavarovalnica Sava, the value of which accounted for 71.9% of the entire value of financial investments in subsidiaries and associates in 2019. In 2020, in addition to the change in the value of existing subsidiaries, Vita joined the Group, resulting in a decline in the exposure to the largest company to 58.1%. As at 31 December 2020, Sava Re's total exposure to the risk of financial investments in subsidiaries and associates was EUR 501.6 million (31 December 2019: EUR 362.7

[14] The currencies modelled are the euro, US dollar, Chinese yuan, Indian rupee, Korean won and Russian ruble.

million). The United States represents the largest concentration in a single issuer. The Company's largest regional concentration is in Slovenia. The Company is aware of the risks related to these concentrations and is actively managing them by gradually reducing exposures and setting adequate maximum exposure limits in its limits system.

C.2.4 Risk management

The framework for the market risk management is set out in the Company's asset and liability management policy and investment risk management policy. These define:

- basic investment guidelines,
- measures to be used in monitoring investment performance,
- measures to be used in monitoring investment risks,
- monitoring the compliance of the portfolio with the limits system,
- persons responsible in the investment process.

In the management and monitoring of market risk, the Company takes account of the following:

- its risk appetite as set out in the risk strategy,
- operational limits for financial investments,
- performance and risk measures relating to investments and liabilities.

The Company's main method of matching assets and liabilities is through matching and hedging. If possible and cost effective, the Company does so by matching assets to liability cash flows. The Company does not use derivative financial instruments for asset and liability matching.

The Company manages the risks arising from the financial investments portfolio by regularly monitoring and analysing issuers' financial data, monitoring the market prices of financial instruments, regularly analysing asset and liability management figures submitted to the risk management committee and analysing sensitivity tests for material parameters of market risk.

The Company mostly manages the risk arising from its participations in subsidiaries through clearly set business and risk management strategies, which the Group companies must consider, and through active Group governance.

Regarding market risk, we carried out four stress tests applying various parameters that affect the level of the solvency capital requirement for market risk and the level of the Company's eligible own funds, and consequently the solvency position. The table below shows the results of individual stress tests.

Impact of stress tests on eligible own funds, SCR and Company solvency ratio

EUR thousand	Eligible own funds	Difference from base value	SCR	Difference from base value	Solvency ratio	Difference from base value
Base values as at 31 December 2020	**596,036**		**219,399**		**272%**	
Increase in interest rates of 100 basis points	594,305	-1,731	218,473	-511	272%	0 p.p.
Decrease in interest rates of 100 basis points	597,136	1,099	220,097	698	271%	-1 p.p.
Fall in value of equity securities of 20%	593,636	-2,400	219,137	-262	271%	-1 p.p.
Decrease in value of property of 25%	592,434	-3,602	219,610	211	270%	-2 p.p.
Decrease in value of participation in Zavarovalnica Sava of 20%	537,714	-58,322	209,935	-9,465	256%	-16 p.p.
Decrease in value of participation in insurer Vita of 20%	578,143	-17,893	216,454	-2,946	267%	-5 p.p.
Base values as at 31 December 2019	**542,969**		**187,820**		**289%**	
Increase in interest rates of 100 basis points	541,339	-1,631	187,366	-455	289%	0 p.p.
Decrease in interest rates of 100 basis points	544,001	1,031	188,936	1115	288%	-1 p.p.
Fall in value of equity securities of 20%	540,856	-2,113	187,663	-157	288%	-1 p.p.
Decrease in value of property of 25%	540,191	-2,779	188,054	234	287%	-2 p.p.
Decrease in value of participation in Zavarovalnica Sava of 20%	490,806	-52,163	180,469	-7,352	272%	-17 p.p.

The first sensitivity test was an **increase or decrease in interest rates**. We carried out a stress test of interest rate sensitivity by raising or lowering the base curve of the risk-free interest rate for all maturities by 100 basis points. Then, a new calculation was made of eligible own funds and the solvency capital requirement for all interest-rate-sensitive assets and liabilities. An increase in interest rates of 100 basis points resulted in a decrease in the Company's eligible own funds slightly below the Company's materiality threshold[15] as well as a decline in its SCR. Thus the impact of the stress test on the solvency ratio is relatively small and comparable with the calculation of the stress test impact as at 31 December 2019. A drop in interest rates of 100 basis points has an inverse impact on eligible own funds and the SCR, and the impact on the solvency ratio is similar to when interest rates are rising and comparable to the calculation of the impact as at 31 December 2019.

The second was a stress test of a **fall in the prices of the Company's equities**, which was carried out by decreasing equity prices by 20% as at the reporting date. We did not decrease the value of participations in subsidiaries and associates. The impact on equities was proportionate to the shock. This mainly resulted in a decrease of eligible own funds, as well as in a decline in the capital requirement within the equity risk sub-module. The decline in eligible own funds and the SCR is below the Company's materiality threshold, and the impact on the solvency ratio is very small and comparable to the calculation of the stress test impact as at 31 December 2019.

The impact of a change in property prices on the Company's solvency position was analysed through a stress test assuming a **25% fall in property prices**. The calculation was made using the amount of

[15] The materiality threshold is a measure of the Company tied to the level of eligible own funds and the solvency capital requirement. As at 31 December 2020, the Company's materiality threshold was EUR 7.5 million.

property as at the reporting date. This mainly resulted in a decline in eligible own funds, but the capital requirement of the property risk sub-module also decreased. The impact of a fall in property prices on eligible own funds and the SCR is below the materiality threshold. The impact of the stress test on the solvency ratio was thus relatively small. The impact is comparable to the impact calculation as at 31 December 2019.

As mentioned, the value of participations in subsidiaries has a material effect on the balance sheet and the level of the Company's market risk; we, therefore, tested the impact on the solvency position of a **20% fall in the value of the two largest participations in subsidiaries**, Zavarovalnica Sava and Vita. Investments in the Company's insurance subsidiaries are valued in the Solvency II balance sheet using the adjusted capital method as the excess of the companies' Solvency II assets over liabilities. The value of the participation in Zavarovalnica Sava was EUR 291.6 million in the Solvency II balance sheet as at 31 December 2020 (31 December 2019: EUR 260.8 million), accounting for 58.1% (31 December 2019: 72.0%) of the total value of its financial investments in subsidiaries and associates. The stress test assuming a 20% fall in the value of the participation in Zavarovalnica Sava materially reduces the eligible own funds and the Sava Re SCR. Because eligible own funds suffer a greater loss than the SCR, there is also a significant fall in the Company's solvency ratio, whereas its solvency is not compromised thanks to a still high solvency ratio. The impact on the Company's solvency position is similar to the impact of the stress test as at 31 December 2019. The value of the participation in the insurer Vita was EUR 89.5 million in the Solvency II balance sheet as at 31 December 2020, accounting for 17.8% of the total value of financial investments in subsidiaries and associates. The stress test assuming a 20% fall in the value of the participation in the insurer Vita materially reduces the eligible own funds of Sava Re as well as its SCR. Because eligible own funds suffer a greater loss than the SCR, there is also a drop in the solvency ratio; however, the solvency of Sava Re is not compromised thanks to a high solvency ratio.

In addition to stress tests in the ORSA, the Company considered a number of scenarios and their impact on its operations and solvency position. We selected scenarios based on the own risk profile, striving to identify events with a potentially maximum impact on the operations and capital adequacy, and taking into account their probability of occurrence. Regarding market risk, we tested the financial scenario designed based on the circumstances in financial markets during the financial crisis between 31 August 2008 and 31 July 2009. Based on the scenario, we calculated impacts on the investment portfolio, specifically as at 31 December 2020 and 31 December 2022. Such a scenario would have a very large impact on the Company's eligible own funds (the impact considerably exceeding the Company's materiality threshold). Such a decline in the value of investments would also result in a lower capital requirement for market risk and, consequently, a lower SCR for the Company. While such a scenario would reduce solvency, the solvency ratio would remain within the target capitalisation range[16] as defined in the risk strategy for 2020–2022.

We also tested the scenario of a fall in the prices of equity securities and alternative investments. The scenario envisages a fall in the value of listed shares of 20%, unlisted shares of 25% and 10% of property and infrastructure fund investments. The scenario has no significant impact on the solvency position, resulting in a solvency ratio lower by a few percentage points.

[16] The target solvency ratio for 2020–2022 is above 200%.

Prudent person principle

The Company makes investment decisions that take into account all investment-related risks, not only risks considered in the calculation of its capital requirement. In the optimisation process, strategic asset allocation is defined based on risk appetite.

Persons responsible for undertaking investment decisions assume and manage investment risk in line with the guidelines set out in the investment risk management policy, which is designed in accordance with the prudent person principle.

The Company invests all assets in such a way as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition, these assets are localised to ensure their availability.

Assets held to cover technical provisions are invested in a manner appropriate to the nature and duration of the reinsurance liabilities. These assets are invested in the best interest of all policyholders and beneficiaries.

The Company has in place a limit system based on the calculated maximum losses expected on individual issuers, limits for market risk concentration prescribed under the Standard Formula, limits based on risk appetite and acceptable volatility of return on financial investments. In addition to the limits set for individual asset classes, industries, regions and issuers, the Company has defined requirements regarding credit ratings of investments.

In the case of a conflict of interest, the Company ensures that the investment is made in the best interest of policyholders and beneficiaries.

C.3 Credit risk

Credit risk is the risk of loss or adverse change in the Company's financial position, resulting from fluctuations in the credit standing of issuers, counterparties and any debtors that the Company is exposed to.

C.3.1 Risk exposure

As part of credit risk, the Company is exposed to:

- counterparty default risk,
- spread risk, and
- market risk concentration.

Spread risk and market risk concentration are discussed and presented within the section C.2 *Market risk*, in accordance with the risk classification and measurement in the Standard Formula. Later in this section, we provide details regarding counterparty default risk.

Counterparty default risk includes losses due to unexpected default or deterioration in the credit standing of counterparties and debtors over the coming 12 months. Counterparty default risk covers risk-mitigating contracts, such as reinsurance arrangements and receivables from intermediaries, as well as any other credit exposures not covered in the spread risk sub-module of the Standard Formula (cash and cash equivalents). Credit risk relating to receivables arises out of delays in the payment of liabilities under inwards reinsurance business and recovery arrangements under subrogation rights. In order to avoid such delays, the Company closely monitors the payment behaviour of cedants, running procedures to collect overdue receivables. This explains the Company's low exposure to counterparty default risk.

Exposure to this risk is discussed in greater depth in the Company's annual report, section 17.6.4.2.3 *Credit risk*.

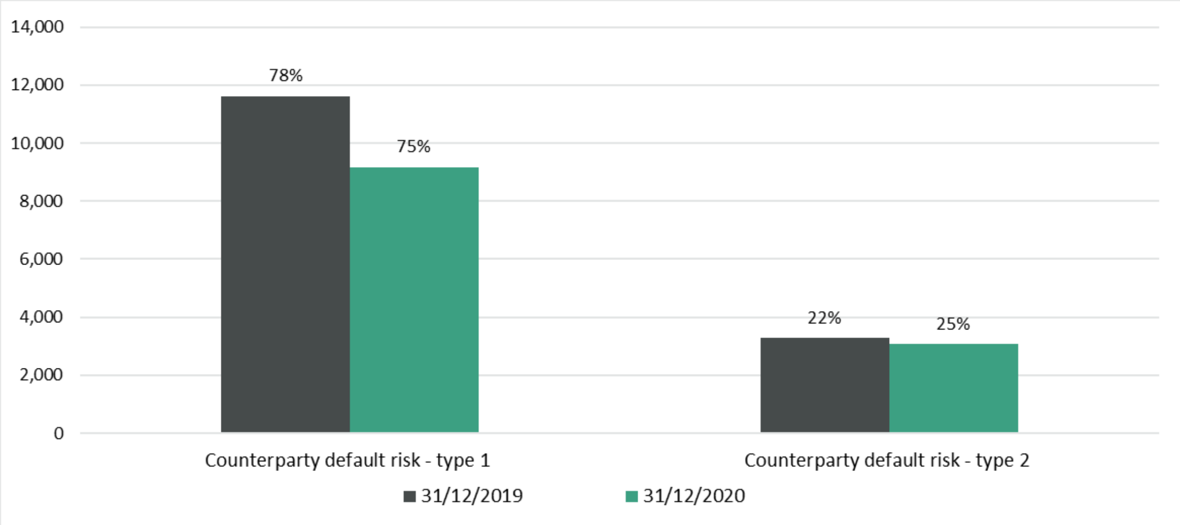
C.3.2 Risk measurement

The Company makes quantitative assessments of credit risk using the Standard Formula. As mentioned, spread and market concentration risks are assessed within the market risk module, whereas counterparty default risk is assessed in a separate counterparty default risk module. This section shows the results for counterparty default risk, and market risk is discussed in section C.2 *Market risk*.

The Company's solvency capital requirement in accordance with the Standard Formula for counterparty default risk amounted to EUR 11.7 million as at 31 December 2020 (31 December 2019: EUR 14.3 million, representing 4.1% of the sum of the SCR of all risk modules.

The chart below shows the structure of the counterparty default risk module in accordance with the Standard Formula.

Undiversified counterparty default risk by risk sub-module (EUR thousand)[17]



Type 1 risks include exposures related to reinsurance and co-insurance contracts, cash and cash equivalents, and deposits to cedants. Type 2 risks includes all receivables not included under type 1 risks other than: pending premium receivables, pending commission receivables, tax assets and deferred tax assets. Comparing year-end 2020 figures with figures as at 31 December 2019, there was a marked increase in the solvency capital requirement for cash and cash equivalents, while the underwriting part of counterparty default risk remained at a similar level as at 31 December 2019.

In addition to the calculation of the solvency capital requirement in accordance with the Standard Formula, the Company develops its own model (in ORSA) to assess credit risk relating to financial investments. In the model, we consider spread, migration and default risk for all investments in debt instruments. Closely interrelated, these risks are addressed within a single model in the ORSA. For more information on the own model for assessing market and credit risk, see section C.2.2 *Risk measurement*.

As regards counterparty default risk related to reinsurers and co-insurers, we believe that the Standard Formula appropriately evaluates the risk, and we therefore made no own calculations in this regard. In our own credit risk calculation, we also consider the diversification effect.

The Company has no significant concentration with counterparty default risk.

C.3.3 Risk management

The Company's investment portfolio is reasonably diversified in accordance with the Company's limits system in order to avoid large concentration of a certain type of investment, large concentration with any counterparty or economic sector, or other potential forms of concentration.

The Company manages its credit risk associated with assets under re(co)insurance contracts by limiting the exposure to a single re(co)insurer and by entering into contracts with highly rated partners.

[17] The proportion of an individual submodule is calculated as the proportion out of the sum of all risk submodules.

In order to avoid such delays, the Company closely monitors the payment behaviour of cedants, running procedures to collect overdue receivables.

The Company monitors and reports on credit risk exposure on a quarterly basis and is thus able to take timely action if necessary. Partners' credit ratings are also monitored, with a focus on any indications of their possible downgrading. To this end, a process has been put in place for reviewing external credit ratings by the credit rating committee.

As part of its review of reinsurer credit ratings in the capital adequacy calculation, the Company tested the impact of a deterioration in the credit standing of retrocessionaires and cedants, where there are exposures in the form of deposits with cedants. We assumed a rating downgrade for all partners by one notch, based on which we calculated the impact on the SCR and the solvency ratio. The impact is small and similar to the one as at 31 December 2019.

Impact of stress test on eligible own funds, SCR and Company solvency ratio

EUR thousand	Eligible own funds	Difference from base value	SCR	Difference from base value	Solvency ratio	Difference from base value
Base values as at 31 December 2020	**596,036**		**219,399**		**272%**	
Downgrade in reinsurers' credit ratings	595,936	-100	219,985	586	271%	-1 p.p.
Base values as at 31 December 2019	**542,969**		**187,820**		**289%**	
Downgrade in reinsurers' credit ratings	542,863	-107	188,423	603	288%	-1 p.p.

C.4 Liquidity risk

Liquidity risk is the risk that an entity will not have sufficient liquid assets to meet its obligations as they fall due, and will have to sell its less liquid assets at a discount or raise new loans. Liquidity risk should be understood as risk arising from short-term cash flows rather than risk arising from a long-term mismatch of assets and liabilities.

C.4.1 Risk exposure

The Company has substantial monetary obligations (mainly to policyholders), and it must therefore adequately manage its cash flows, ensuring an appropriate level of liquidity. The Company carefully plans and monitors cash flows (both inflows and outflows). Furthermore, it regularly monitors the receivables aging analysis, considering the impact of the settlement of receivables on its current liquidity.

C.4.2 Risk measurement

Liquidity risk is a risk difficult to quantify and hence is not covered within the Standard Formula. It is regularly monitored and managed by the Company.

To determine its exposure to liquidity risk, the Company monitors and analyses the following risk measures:

- cash in bank accounts,
- highly liquid assets as a percentage of total financial investments,
- liquidity buffer,
- the difference between the projected cash outflows and inflows for the next quarter, and the percentage of the liquidity buffer represented by this difference,
- all other legally required measures.

C.4.3 Risk concentration

The Company is not exposed to a concentration of liquidity risks, but it may in certain cases still face certain emergency liquidity needs.

C.4.4 Risk management

The Company defined liquidity risk as one of its key risk exposures in its risk strategy. In order to effectively manage liquidity risk, the Company has adopted a liquidity risk management policy, which sets out the risk management processes and risk measures, as well as the processes involved in the case of emergency liquidity needs. Due to the nature of liquidity risk, the Company does not manage such risk by holding additional capital, but through an appropriate strategy for ensuring sufficient liquidity.

The estimated liquidity requirement of the Company is composed of the estimated normal current liquidity requirement (arising from operations and investment maturities) and a liquidity buffer (estimated based on historic data on maximum weekly outflows).

The Company conducts an assessment of the normal current liquidity requirement within a period of up to one year based on projected three-month and weekly cash flows, which take account of the planned investment maturity dynamics and of other inflows and outflows from operations by using historical financial data from previous monthly and weekly liquidity plans and expectations regarding future performance.

Liquidity requirements are met by allocating funds to money market instruments in a percentage consistent with the estimated normal current liquidity requirement. In this regard, the Company maintains a liquidity buffer of highly liquid assets accounting for at least 20% of its investment portfolio (category L1A under the ECB methodology, investments in US government bonds, government and supranational issuers rated AAA and AA+, cash and cash equivalents, and UCITS[18] money market funds). As at 31 December 2020, 46% of the Company's investment portfolio qualified as highly liquid (31 December 2019: 48%), which demonstrates that the investment portfolio is very liquid.

In view of the above, we believe that liquidity risk is low and well managed.

Expected profits included in future premiums

Expected profits included in future premiums (hereinafter: "EPIFP") are those that the Company, in accordance with article 260(2) of Commission Delegated Regulation (EU) (2015/35) (hereinafter: "Delegated Regulation"), calculated as the difference between technical provisions without a risk margin calculated in accordance with Solvency II and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy. In the latter calculation, a 100% policy lapse rate is assumed, whereas for life, all policies are treated as paid-up.

EPIFP is calculated separately for each homogeneous risk group of non-life and NSLT health insurance business and for each underwriting year, in the amount of expected future premiums less the related expected claims, commissions and other expenses, as used for calculating best estimate provisions. EPIFP for life insurance is also calculated separately.

As at 31 December 2020, EPIFP totalled EUR 8,161 million (31 December 2019: EUR 5,184 thousand).

[18] Undertaking for collective investment in transferable securities.

C.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or external events.

C.5.1 Risk exposure

Operational risks are not among the Company's major risks. Nevertheless, some are relatively important, in particular:

- risk associated with the computer and communication system,
- risk associated with supervision and reporting,
- risk of loss of key, expert and high-potential employees,
- risk of incorrect data input and inadequate documentation,
- risk of inadequate communication,
- risks associated with clients, products and business practices,
- risk of damage to physical assets due to natural disasters or fire,
- compliance risk relating to laws and regulations, and
- risk of theft or fraud.

The Company's major risks also include cyber risks. It is important for the Company to lower this risk, as its realisation can lead to a complete interruption of business and extensive financial damage. This is why the Company regularly upgrades the management of and limits its exposure to cyber risks.

C.5.2 Risk measurement

At least annually, the Company calculates its capital requirement for operational risk using the Standard Formula. Such a calculation, however, is only of limited practical value because the formula is not based on the Company's actual exposure to operational risk, but on an approximation calculated mainly based on the Company's premiums, provisions and expenses.

As at 31 December 2020, operational risk calculated using the Standard Formula amounted to EUR 5.7 million (31 December 2019: EUR 4.8 million), representing 2.0% of the sum of the SCR of all risk modules.

Due to the above-mentioned reason, the Company assesses operational risks mainly by qualitatively assessing the related probability and financial severity within the risk register, and by analysing various scenarios. The Company makes quarterly risk assessments to obtain insight into the level of its current exposure to such risks.

C.5.3 Risk concentration

The Company is not exposed to significant concentrations of operational risk; there is, however, an increase in risks related to ongoing development projects (e.g. IT risk).

C.5.4 Risk management

The Company has in place various processes that ensure it can properly identify, measure, monitor, manage, control and report on operational risk, thus ensuring its effective management.

Accountability and operational risk management processes are set out in greater detail in the operational risk policy and the risk management rules.

The chief operational risk management measures that the Company implements are:

- maintaining an effective business processes management system and internal control system;
- awareness-raising and training of all employees on their role in implementing the internal control system and managing operational risks;
- assessing the adequacy and effectiveness of internal controls;
- maintaining a register of incidents to identify deficiencies in processes;
- maintaining a positive organisation climate, good business culture and continuous employee training,
- implementing appropriate policies as regards information security and developing IT to reduce cyber risk;
- designing a business continuity plan for all critical processes (in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruption);
- setting up IT-supported processes and controls in key business areas.

All major internal controls related to operational risk are included in the risk register. The Company monitors weaknesses and newly introduced improvements in internal controls.

The Company regularly reports on assessed operational risks in the risk report, which is submitted to the risk management committee, the management board, the supervisory board's risk committee and the supervisory board. If necessary, the risk management function and the risk management committee issue recommendations to the management board for further steps and improvements to operational risk management processes.

C.6 Other material risks

Other material risks faced by the Company primarily consist of strategic risks. These include the risk of an unexpected decrease in the Company's value due to adverse effects of management decisions, change in the business and legal environments, or market developments. Such adverse events could impact the Company's income and capital adequacy.

C.6.1 Risk exposure

The Company is exposed to a variety of internal and external strategic risks. The main strategic risks include:

- risk of an inadequate development strategy,
- risks associated with strategic investments,
- risk of market and economic conditions,
- political risk,
- reputation risk,
- project risk, and
- risk associated with change in law.

C.6.2 Risk measurement

Strategic risks are by their nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. They are also not included in the calculation of capital requirement in accordance with the Standard Formula.

Therefore, strategic risks relating to the risk register are assessed qualitatively by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated using qualitative analysis of various scenarios. Based on both analyses combined, the Company obtains an overview of the extent and change in the exposure to this type of risk.

C.6.3 Risk concentration

The Company manages strategic risks well and has no material exposure to concentration risk.

C.6.4 Risk management

The Company mitigates individual strategic risks mainly through preventive measures.

In addition to individual organisational units, the management board, the risk management committee and risk management functions are actively involved in identifying and managing strategic risks.

Strategic risks are also managed through on-going monitoring of the realisation of the Company's short- and long-term goals, and by monitoring regulatory changes in the pipeline and market developments.

Strategic risks arising from participations in subsidiaries and associates are among the largest risks of this type. The Company actively manages risks through:

- a governance system and clear segregation of responsibilities at all levels;
- risk management policies;
- systematic risk management as part of a three-lines-of-defence framework (discussed in detail in section B.3 *Risk management system, including the own risk and solvency assessment*);
- top-down setting of business and risk management strategies, taking into account both the Group as a whole as well as its individual members; and
- a comprehensive system of monitoring operations, reporting on business results and risks at all levels.

The Company is aware that its reputation is important for realising its business goals and achieving strategic plans in the long term. The risk strategy therefore identifies **reputation risk** as a key risk. The Company seeks to minimise the likelihood of actions that could have a material impact on the reputation of any Group company or the Group as a whole. In addition, the Company has taken steps aimed at mitigating reputation risk, such as setting up fit and proper procedures applicable to key employees, ensuring systematic operations of their respective compliance functions, having in place business continuity plans, developing stress tests and scenarios, and planning actions and responses in case risks materialise. Risks related to reputation are also managed through seeking to improve services, timely and accurate reporting to supervisory bodies, and well-planned public communication. A crucial factor in ensuring the Company's good reputation and successful performance is the quality of services; therefore, each and every employee is responsible for improving the quality of services and customer satisfaction.

The Company manages and mitigates **regulatory risk** through ongoing monitoring of legal changes and assessing such potential effects on operations in the short and longer term. In accordance with statutory regulations, the Company has established a compliance function to monitor and assess the adequacy and effectiveness of regular procedures and measures taken to remedy any deficiencies in the Company's compliance with regulations and other commitments.

Strategic risks also include **project risks**. The Company systematically monitors the risks for each key project, analysing and managing them to ensure the timely adoption of necessary measures. Key project risks are monitored and assessed by project team members as well as other stakeholders, also in the risk register.

The Company is paying increasing attention to **risks associated with sustainable development**. Sustainable development is among our top priorities in the 2020–2022 strategy period. Therefore, we have prepared and adopted a sustainable development strategy in cooperation with all Group subsidiaries. It provides for the disclosure of non-financial information relating to the environment, social issues, human resources, protection of human rights and anti-corruption policies. The Company adheres to the guidance provided by GRI (Global Initiative Reporting) standards, which cover sustainable development in a comprehensive way, looking at the Company's operations from all perspectives and taking account of all impacts – economic performance, impact on the environment and society at large. In connection with sustainable development, monitoring of sustainability risks and new legislation in the field of sustainability, a sustainability risk working group was set up at the Sava Insurance Group level in 2020 to monitor legislation relating to sustainability risk and developments in this field. The forthcoming amendments to the Solvency II delegated regulation and IDD[19] already foresee the integration of sustainability risk into the risk management system. In the coming years, we will continue our efforts to contribute to sustainable development; however, it will be a challenge to monitor risks associated with sustainable development and social

[19] Insurance Distribution Directive.

responsibility. In addition, we will focus on the effective implementation of SFDR[20] regulations. For more information on sustainable development, see the Company's annual report, section 13 *Sustainable development in the Sava Insurance Group*.

[20] Sustainable Finance Disclosure Regulation (SFDR).

C.7 Any other information

The Company has no other material information relating to its risk profile.

D. Valuation for solvency purposes

In accordance with article 174 of the Slovenian Insurance Act ("ZZavar-1"), assets are valued at amounts for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction. Liabilities are valued at amounts for which they could be transferred or settled between knowledgeable and willing parties in an arm's length transaction. The value of liabilities is not adjusted with respect to the Company's creditworthiness.

The valuation of assets is conducted in accordance with IFRSs as adopted by the European Commission. If the IFRSs allow for several valuation methods, a method has to be chosen that is consistent with Solvency II principles as set out in the Delegated Regulation and other Solvency II implementing regulations. For most other cases of assets and liabilities (apart from technical provisions; "TP") the IFRSs provide for valuation consistent with Solvency II principles.

The basis for the balance sheet in accordance with Solvency II ("SII balance sheet"), with assets and liabilities valued in accordance with the valuation principles set out in articles 174–190 of ZZavar-1, is the balance sheet drawn up by the Company for reporting purposes in accordance with IFRSs, referred to in this document as the IFRS balance sheet.

The reclassification and revaluation of SII balance sheet items is based on the IFRS balance sheet. This section describes the implementation of such reclassifications and revaluations for only those items where the Solvency II value ("SII value") differs from the IFRS value. For all other items, IFRSs are deemed to ensure a valuation consistent with Solvency II principles.

The tables below show the balance sheet as at 31 December 2019 and 31 December 2020 with IFRS values of assets and liabilities ("IFRS balance sheet") along with assets and liabilities in accordance with the valuation principles set out in articles 174–190 of ZZavar-1 ("SII balance sheet"), taking into account the revaluations and reclassifications of asset and liability items.

IFRS and SII balance sheets as at 31 December 2020

EUR thousand		IFRS	Revaluation	Reclassification	Solvency II
Assets					
1.	Deferred acquisition costs (D.1.1)	5,837	-5,837	0	0
2.	Intangible assets (D.1.2)	1,947	-1,947	0	0
3.	Deferred tax assets (D.1.3)	3,487	2,944	0	6,431
4.	Property, plant and equipment held for own use (D.1.4)	2,411	745	0	3,155
5.	Property, plant and equipment other than for own use (D.1.5)	8,067	1,013	0	9,080
6.	Investments in subsidiaries and associates (D.1.5)	319,097	182,490	0	501,587
7.	Shares (D.1.5)	9,257	0	0	9,257
8.	Bonds (D.1.5)	231,665	594	0	232,260
9.	Investment funds (D.1.5)	16,387	0	0	16,387
10.	Deposits other than cash equivalents (D.1.5)	0	0	0	0
11.	Loans and mortgages (D.1.6)	4,968	0	0	4,968
12.	Reinsurers' share of technical provisions (D.1.7)	31,935	-7,220	-3,495	21,219
13.	Deposits to cedants (D.1.8)	7,261	0	0	7,261
14.	Insurance and intermediaries receivables (D.1.9)	79,663	0	-61,518	18,144
15.	Reinsurance and co-insurance receivables (D.1.10)	4,461	0	-585	3,876
16.	Other receivables (D.1.11)	2,629	0	0	2,629
17.	Own shares (D.1.12)	24,939	6,918	0	31,856
18.	Cash and cash equivalents (D.1.13)	27,080	0	0	27,080
19.	Other assets (D.1.14)	487	-487	0	0
Total assets		**781,579**	**179,211**	**-65,599**	**895,191**
Liabilities					
20.	Gross technical provisions – non-life and NSLT health (D.2)	282,627	-34,727	-48,471	199,429
21	Gross technical provisions – life (excl. index-linked and unit-linked) (D.2)	15,256	-3,555	-62	11,639
22.	Provisions other than technical provisions (D.3.1)	424	0	0	424
23.	Deferred tax liabilities (D.1.3)	76	7,910	0	7,986
24.	Financial liabilities other than financial liabilities owed to financial institutions	0	0	0	0
25.	Insurance and intermediaries payables (D.3.2)	40,566	0	-12,986	27,580
26.	Liabilities from reinsurance and co-insurance business (D.3.3)	4,824	0	-4,081	743
27.	Other trade payables (D.3.4)	1,509	0	0	1,509
28.	Subordinated liabilities (D.3.5)	74,805	876	0	75,681
29.	Other liabilities (D.3.6)	2,685	-997	0	1,688
Total liabilities		**422,772**	**-30,493**	**-65,599**	**326,679**
Excess of assets over liabilities		**358,808**	**209,704**	**0**	**568,512**

IFRS and SII balance sheets as at 31 December 2019

EUR thousand		IFRS	Revaluation	Reclassification	Solvency II
Assets					
1.	Deferred acquisition costs	6,555	-6,555	0	0
2.	Intangible assets	1,294	-1,294	0	0
3.	Deferred tax assets	1,065	2,634	0	3,699
4.	Property, plant and equipment held for own use	2,586	724	0	3,310
5.	Property, plant and equipment other than for own use	8,180	860	0	9,040
6.	Investments in subsidiaries and associates	238,178	124,504	0	362,682
7.	Shares	9,691	0	0	9,691
8.	Bonds	243,106	653	2,338	246,097
9.	Investment funds	9,655	0	0	9,655
10.	Deposits other than cash equivalents	22,339	0	-338	22,001
11.	Loans and mortgages	4,216	0	0	4,216
12.	Reinsurers’ share of technical provisions	31,159	-5,575	-5,612	19,972
13.	Deposits to cedants	7,089	0	0	7,089
14.	Insurance and intermediaries receivables	89,538	0	-68,134	21,404
15.	Reinsurance and co-insurance receivables	4,215	0	-673	3,542
16.	Other receivables	3,271	0	0	3,271
17.	Own shares	24,939	6,057	0	30,995
18.	Cash and cash equivalents	52,931	0	-2,000	50,931
19.	Other assets	441	-441	0	0
Total assets		**760,448**	**121,566**	**-74,418**	**807,596**
Liabilities					
20.	Gross technical provisions – non-life and NSLT health	252,951	-33,189	-52,882	166,880
21.	Technical provisions – life (excl. index-linked and unit-linked)	8,388	2,709	-11	11,087
22.	Provisions other than technical provisions	467	0	0	467
23.	Deferred tax liabilities	0	6,368	0	6,368
24.	Financial liabilities other than financial liabilities owed to financial institutions	88	0	0	88
25.	Insurance and intermediaries payables	44,374	0	-15,241	29,133
26.	Reinsurance and co-insurance payables	6,713	0	-6,285	428
27.	Other trade payables	1,680	0	0	1,680
28.	Subordinated liabilities	74,823	-976	0	73,847
29.	Other liabilities	2,107	-800	0	1,307
Total liabilities		**391,589**	**-25,888**	**-74,418**	**291,283**
Excess of assets over liabilities		**368,859**	**147,454**	**0**	**516,313**

The Company’s off-balance sheet items include contingent assets in the amount of its cancelled subordinated instruments (31 December 2020: (EUR 10.0 million), regarding which the Company continues procedures to protect its interests. In addition, off-balance sheet items as at 31 December 2020 include contingent liabilities associated with commitments to make payments into alternative funds, in the amount of EUR 13.1 million.

D.1 Assets

Following are individual categories of assets, along with the valuation methods for material categories.

D.1.1 Deferred acquisition costs

Deferred acquisition costs are stated at nil in the Company's SII balance sheet.

D.1.2 Intangible assets

The Company holds no intangible assets that may be sold separately and for which it cannot demonstrate market values for identical or similar assets. The SII value of intangible assets is stated at nil.

D.1.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are defined based on identified temporary differences. These are differences between the tax value and the book value of assets or liabilities. Temporary differences may be taxable temporary differences, either amounts to be added to the taxable profit in future periods, or amounts to be deducted from the taxable profit in future periods. Deferred taxes are thus recognised as either deferred tax assets or liabilities as a result of accounting for current and future tax implications.

Deferred tax liabilities are the amounts of income taxes recoverable in future periods depending on:

- deductible temporary differences,
- the carryforward of unused tax losses to future periods, and
- the transfer of credits utilised to future periods.

If a company has a loss in its income statement for tax purposes, until the covering of such a loss (there is no time limit under the Slovenian Corporate Income Tax Act ZDDPO-2), the company is not subject to payment of corporate income tax, but it can recognise deferred tax assets, thus reducing its deferred tax expenses. In the statements for tax purposes, a company does not show unused tax losses.

As a general rule, the recognition of deferred tax liabilities is mandatory, while deferred tax assets only need to be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In the SII balance sheet, deferred tax assets and liabilities are accounted for on all revaluations apart from:

- the revaluation of the participations in subsidiaries and associates item if such participations are considered strategic investments; in such cases, revaluation differences are treated as permanent differences and do not meet the requirements of temporary differences and, therefore, there is no basis for accounting for deferred taxes with regard to this item;
- the revaluation of the "own shares listed on a stock exchange" item because it does not constitute a taxable temporary difference; and
- revaluation of the subordinated liabilities item as it does not represent a taxable temporary difference.

In 2020 deferred tax assets and liabilities were accounted for using a tax rate of 19%. In accordance with Solvency II principles, the Company is reporting a net deferred tax liability resulting from revaluations in the amount of EUR 1.6 million (2019: EUR 2.7 million). The table below shows a detailed overview by individual item.

Deferred tax assets and liabilities

EUR thousand	31 December 2020			31 December 2019		
	MRSP value	Revaluation	SII value	MRSP value	Revaluation	SII value
Deferred tax assets	**3,487**	**2,944**	**6,431**	**1,065**	**2,634**	**3,699**
Deferred acquisition costs	0	1,109	1,109	0	1,245	1,245
Intangible assets	0	370	370	0	246	246
Financial investments	677	0	677	786	0	786
Reinsurers' share of technical provisions	0	1,372	1,372	0	1,059	1,059
Other items of deferred tax assets	2,810	93	2,903	279	84	363
Deferred tax liabilities	**76**	**7,910**	**7,986**	**0**	**6,368**	**6,368**
Property, plant and equipment held for own use	0	141	141	0	137	137
Property, plant and equipment other than for own use	0	192	192	0	163	163
Financial investments	0	113	113	0	124	124
Gross technical provisions (TP)	0	7,274	7,274	0	5,791	5,791
Other items of deferred tax liabilities	76	189	266	0	152	152

The largest impact at the level of deferred tax assets arises from the revaluation of the reinsurers' share of technical provisions. Based thereon, a total of EUR 1.4 million of deferred tax assets was recognised as at 31 December 2020 (31 December 2019: EUR 1.1 million).

The largest impact at the level of deferred tax liabilities arises from the revaluation of gross technical provisions. Based thereon, a total of EUR 7.3 million of deferred tax liabilities was recognised as at 31 December 2020 (31 December 2019: EUR 5.8 million).

D.1.4 Property, plant and equipment held for own use

Every three years, the Company has the fair values of its properties held for own use appraised by independent external property appraisers. Equipment for own use represents an immaterial amount and is stated at the same amounts in both the SII and IFRS balance sheets. The presentation of SII right-of-use assets is the same as in the IFRS balance sheet.

D.1.5 Investments

Property, plant and equipment other than for own use

The methodology is consistent with the methodology used for property, plant and equipment held for own use, which is described in detail in section D.1.4 *Property, plant and equipment held for own use*.

Participations

Two methodologies are applied, one for the revaluation of participations in insurance companies and one for participations in non-insurance companies.

Participations in insurance companies

In the SII balance sheet, participations in insurance companies are valued on a market-consistent basis. This can be obtained in the following ways:

- market prices that are directly observable, or
- on the basis of an adjusted equity method of valuation (net asset value of the share of participations with adjustment to SII value).

For equity investments in the insurance subsidiaries of Sava Re not listed in a regulated market, market value for the purpose of capital requirement calculation is calculated in accordance with the Standard Formula, on the basis of an adjusted equity method of valuation – the excess of an insurer's SII assets over liabilities – because none of the Company's subsidiaries is a member of any stock exchange.

Where Sava Re holds less than a 100% interest in a subsidiary, proportionate adjustments are made.

Participations in non-insurance companies

In the SII balance sheet, the Company measures participations in non-insurance companies using the IFRS equity method in accordance with article 13(5) of the Delegated Regulation. The value of goodwill and other intangible assets that would be valued at nil under the asset valuation methodology is deducted from the obtained value of the company.

Shares

The Solvency II revaluation methodology for listed shares is consistent with the methodology used for the IFRS balance sheet.

Because unlisted equities represent an immaterial proportion of the Sava Re investment portfolio, they are not stated at fair value in the SII balance sheet but rather at IFRS balance sheet amounts.

Bonds

All bonds, other than bonds classified as held to maturity, are valued in the SII balance sheet in accordance with IAS 39. Bonds classified as held to maturity are revalued to fair value in the SII balance sheet based on their market value as at the reporting date.

Investment funds

Since investment funds are valued at market value in the IFRS balance sheet, no revaluation is necessary for the SII balance sheet.

Alternative funds

The value of alternative funds (real-estate and infrastructure funds, private debt funds, private equity funds) for the purpose of IFRS reporting is shown on the basis of the unit value (net asset value per unit) provided by the fund manager or as the value of assets invested. Fund managers generally make valuations using methods that comply with International Private Equity and Venture Capital Valuation standards, such as discounting of cash flows and the multiples method.

We assume that both approaches used in the IFRS balance sheet are the best approximation for market valuation; therefore, the value of these investments in the SII balance sheet are consistent with the IFRS balance sheet presentation.

Deposits other than cash equivalents

Deposits other than cash equivalents are not revalued as it is assumed that the IFRS value is a sufficiently good approximation of the SII value.

In the SII balance sheet, the deposits other than cash equivalents item takes into account the reclassification of deposits with an original maturity of up to three months from the cash and cash equivalents item to the deposits other than cash equivalents item.

D.1.6 Loans and mortgages

The Company's assets do not include loans and mortgages to individuals, but only other loans, which are loans granted to subsidiaries. The SII balance sheet and the IFRS balance sheet valuations are the same.

D.1.7 Reinsurers' share of technical provisions

The amount of the reinsurers' share of technical provisions is measured by the Company's actuarial function. This document only summarises the methodology set out in detail in the Company's rules on making best estimate provisions. These rules take into account the guidelines set out in the Company's underwriting and reserving risk policy.

The Company's core business is accepted reinsurance, which is why, for the sake of clarity, we use the term *retrocession* for the insurance of such business with subsequent reinsurers: reinsurance ceded.

In the calculation of the retroceded premium provision, the Company takes into account reclassifications of items for accrued not-past-due commission receivables relating to retrocession business and for accrued not-past-due liabilities relating to retrocession premiums.

In view of the relatively small volume of retrocession, we cannot use the same actuarial methods for calculating retroceded provisions as we do for gross provisions. Instead, based on retrocession data, a simplification is used to calculate the share of retrocession for each homogeneous group and every underwriting year by taking into account the type of retrocession. The calculated share of retrocession is used in non-life business lines to calculate the technical gross best estimate premium and claims provisions from the gross technical best estimate premium and claims provisions (before including expenses, future premium and commission cash flows, and without taking into account the time value of money). In life business, the share of retrocession is used to calculate the retroceded undiscounted best estimate provisions. Retrocessionaires' shares of provisions for expenses are not accounted for. The currency structure and the time value of money are taken into account in the same way as for gross best estimate provisions. In terms of cash flows, a potential expected time lag in payments from retrocessionaires is checked against gross payments, based on historical data on claims paid. Adjustments for a counterparty's anticipated default are made on the basis of the amount of the reinsurers' share of technical provisions (for IFRS balance sheet valuation) being divided according to the credit ratings of counterparties (retrocessionaires) and the probability of default associated with these ratings.

D.1.8 Deposits to cedants

Because deposits to cedants constitute short-term investments, their IFRS balance sheet value is considered a sufficiently good approximation of SII market value. The market value of such deposits is therefore not calculated in the model, whereas the SCR calculation uses the IFRS value as the market value.

D.1.9 Insurance and intermediaries receivables

The SII valuation of receivables does not differ from the IFRS balance sheet valuation.

In the SII balance sheet, the Company eliminates from the insurance and intermediaries receivables item not-past-due receivables as at the balance sheet date, specifically not-past-due receivables for premiums arising out of accepted reinsurance. The Company takes the item into account as future cash flows when calculating gross best estimate premium provisions, where they are also reported as a reclassification.

D.1.10 Reinsurance and co-insurance receivables

The SII value of receivables does not differ from the valuation in the IFRS balance sheet.

In the SII balance sheet, the Company eliminates not-past-due receivables from the reinsurance and co-insurance receivables item as at the balance sheet date, specifically not-past-due commission receivables arising from retroceded business. The Company takes the item into account as future cash flows when calculating the reinsurers' share of best estimate premium provisions, where it is also disclosed as a reclassification.

D.1.11 Other receivables

Other receivables include short-term receivables from government and other institutions, short-term receivables from leasing out premises and equipment, and similar.

The valuations for the SII balance sheet and the IFRS balance sheet are the same.

D.1.12 Own shares

Own shares are listed on a regulated market; therefore, they are restated at the closing stock market price for the purposes of the SII balance sheet as at the SII balance sheet valuation date.

D.1.13 Cash and cash equivalents

The SII balance sheet and the IFRS balance sheet valuations are the same. Deposits with an original maturity of up to three months are treated in the SII balance sheet in the same way as deposits with longer maturities, and they are therefore reclassified to deposits other than cash equivalents.

D.1.14 Any other assets, not elsewhere shown

Other assets include short-term deferred costs and short-term accrued income. Short-term deferred costs comprise prepaid costs of insurance, licenses, rent and similar. In the SII balance sheet, other assets are recognised at the same amounts as in the IFRS balance sheet, except for prepaid costs, which are stated at nil.

D.2 Technical provisions

In the calculation of the gross premium provision, the Company uses reclassified items for accrued not-past-due receivables for premiums relating to accepted reinsurance and for accrued not-past-due commission payables relating to accepted reinsurance.

The valuation of gross technical provisions is carried out by the Company's actuarial function. This document only summarises the calculation methodology for best estimate provisions in the valuation of SII balance sheet items, which is described in greater detail in the Company's rules on setting best estimate provisions. These rules take into account the guidelines set out in the Company's underwriting and reserving risk policy. The valuation of the reinsurers' share of the SII technical provisions is discussed under valuation of assets, in section D.1.7 *Reinsurers' share of technical provisions*.

The calculations are made at the line-of-business level, with a distinction made between Group and non-Group business. The accepted life insurance business of the Group (which accounts for the bulk of liabilities associated with the Company's accepted life business) is generally valued using life techniques based on expected cash flows. In accordance with the nature of liabilities, data availability and the proportionality principle, the Company's non-Group life business is valued using non-life and not-similar-to-life techniques (NSLT); therefore, the Company classifies these liabilities as NSLT health.

Technical provisions are made up of a best estimate and a risk margin.

The Company sets separate best estimate provisions for life business (including best estimate claims provisions) and best estimate provisions for reported annuities stemming from non-life business, based on expected cash flows from reinsurance business accepted from cedants.

Best estimate provisions for non-life lines of business (including NSLT health) consist of best estimate premium provisions and best estimate claims provisions. The calculation is based on the classification of business by underwriting year.

The calculation of best estimate provisions for non-life business includes the following steps:

- calculating the "technical" gross provision, which consists of best estimate claims (either incurred or future) relating to business written prior to taking into account the time value of money;
- breaking down the "technical" gross provision into the "technical" premium provision (for future claims) and the "technical" claims provision (for claims incurred, but not yet settled);
- taking into account future expenses relating to in-force contracts;
- taking into account future cash flows from premiums and commissions, including booked, but not past-due, premiums and commissions; and
- preparing expected future cash flows, taking into account the currency structure of cash flows and discounting.

Gross technical provisions are calculated using the chain-ladder method applied to cumulative paid claims triangles, using the Bornhuetter–Ferguson (hereinafter: BF) modification. If claims triangles are too dispersed, ultimate losses are assessed based on loss ratios. The expected incurred loss ratio for an underwriting year is set as the selected average of a pre-assessed naive loss ratio set by expert judgment, multi-year averages, information from the reinsurance underwriting department, and the IFRS incurred loss ratio (excluding provisions at the portfolio level). Greater weight is assigned to the realised ratio for less recent years for which the development is known, whereas for more recent years the naive loss ratio is assigned greater weight. For payment development or cash flow, the pattern obtained from the triangle development is applied. The results of all methods are then summarised in a joint overview, based on which the best estimate ultimate losses are selected, which is used to calculate gross technical provisions. The expense portions take account of future loss adjustment and administrative expenses relating to contracts written. The basis for the split of cash inflows by currency is the currency structure for the IFRS valuation of the balance sheet, specifically the structure of the sum of the claims provision and unearned premiums, net of deferred commissions. Future cash flows split on this basis are discounted using the appropriate risk-free interest rate curves, in which case the Company does not apply the matching adjustment, volatility adjustment, transitional adjustment of the risk-free interest rate term structure or the transitional deduction referred to in Directive 2009/138/EC.

The Company calculates the risk margin in line with the Delegated Regulation. A simplified calculation method is used for projecting the solvency capital requirement, taking into account the level 2 hierarchy referred to in article 61 of the "Decision on detailed instructions for the valuation of technical provisions". The total solvency capital requirement for each future year is calculated based on the ratio of the best estimate in that future year to the best estimate technical provisions as at the valuation date. The risk margin so obtained is allocated to individual lines of insurance, using the ratio of calculated capital requirements.

D.2.1 Values of SII technical provisions

The following tables set out the values of gross best estimate provisions, the reinsurers' share of best estimate provisions and the risk margin by line of business.

Best estimate provisions by line of business as at 31 December 2020

EUR thousand	Gross amount	Reinsurers' share	Risk margin
Proportional medical expense reinsurance	38	0	9
Proportional income protection reinsurance	2,815	28	354
Proportional workers' compensation reinsurance	0	0	0
Proportional motor vehicle liability reinsurance	12,118	3	986
Other proportional motor reinsurance	7,298	36	928
Proportional marine, aviation and transport reinsurance	11,095	1,472	1,238
Proportional fire and other damage to property reinsurance	62,368	4,927	6,729
Proportional general liability reinsurance	8,328	385	1,544
Proportional credit and suretyship reinsurance	1,007	0	310
Proportional legal expenses reinsurance	-3	0	1
Proportional assistance reinsurance	0	0	0
Miscellaneous financial loss	3,520	173	414
Non-proportional health reinsurance	679	1	92
Non-proportional casualty reinsurance	17,571	7,487	1,236
Non-proportional marine, aviation and transport reinsurance	5,755	-91	1,370
Non-proportional property reinsurance	41,888	933	9,741
Accepted life reinsurance	11,505	5,864	134
Total portfolio	**185,982**	**21,219**	**25,087**

Best estimate provisions by line of business as at 31 December 2019

EUR thousand	Gross amount	Reinsurers' share	Risk margin
Proportional medical expense reinsurance	30	0	4
Proportional income protection reinsurance	2,779	43	374
Proportional workers' compensation reinsurance	0	0	0
Proportional motor vehicle liability reinsurance	11,333	11	1,078
Other proportional motor reinsurance	7,157	53	916
Proportional marine, aviation and transport reinsurance	5,360	-721	1,469
Proportional fire and other damage to property reinsurance	47,892	3,647	7,183
Proportional general liability reinsurance	6,837	228	1,461
Proportional credit and suretyship reinsurance	817	0	243
Proportional legal expenses reinsurance	-1	0	0
Proportional assistance reinsurance	0	0	0
Miscellaneous financial loss	-278	52	95
Non-proportional health reinsurance	542	2	85
Non-proportional casualty reinsurance	16,594	8,731	1,248
Non-proportional marine, aviation and transport reinsurance	5,053	148	1,227
Non-proportional property reinsurance	38,126	2,052	9,255
Accepted life reinsurance	10,982	5,727	104
Total portfolio	**153,223**	**19,972**	**24,743**

Gross best estimate provisions increased by EUR 32.8 million in 2020, of which EUR 14.6 million relates to Group business and EUR 18.2 million to non-Group business. In Group business, the increase chiefly stems from portfolio growth and adverse claims development in FoS business, whereas provisions made for motor lines of business shrank during the Covid-19 crisis due to lower loss frequency. In non-Group business, the increase in gross best estimate provisions reflects portfolio growth and reserve strengthening for Covid-19 claims, in particular those incurred in Anglo-Saxon markets (mainly in proportional fire and non-proportional non-life reinsurance business).

The main differences in the valuation of (gross) SII and IFRS technical provisions are (in the calculations of differences for IFRS provisions, gross provisions less deferred commissions are considered):

- SII provisions are based on the cash flow principle, whereas IFRS provisions are based on the principle of earned income less expenses. Thus, the SII provisions are reduced by not-past-due premium receivable (and increased by the associated not-past-due commission payables), which are recorded in the IFRS balance sheet under insurance receivables (or payables). As at 31 December 2020, a proportion of 59.9% (2019: 68.9%) of the difference between the gross SII and IFRS provisions related to the reclassification of not-past-due receivables and payables (without an effect on the amount of eligible own funds).
- SII provisions are expected to suffice for the repayment of obligations merely in the case of the weighted average of all potential scenarios (random fluctuations should be partly covered by the risk margin), whereas the IFRS provisions should suffice in almost all cases. As at 31 December 2020, a proportion of 25.5% (2019: 14.6%) of the difference between gross IFRS and SII provisions related to the different levels of prudence used in making assumptions and to more detailed segmentation of the IFRS provision calculations.
- Assumptions for shares of claims considered in exposure, measured as premiums less commission, in the IFRS and the SII valuation of technical provisions, in the two most important

lines of business, for the most recent underwriting year, which is subject to the greatest uncertainty due to unexpired coverage: for proportional reinsurance of fire and other damage to property, these shares total 105.6% in IFRS calculations and 89.4% in SII calculations (2019: IFRS 94.1%; SII 91.8%). For non-proportional non-life reinsurance, the IFRS share is 87.6%, and the SII share is 64.8% (2019: IFRS 86.7%; SII 77.8%).
- SII provisions also include all future expected profits (EPIFP) arising from the inward reinsurance portfolio. Future profits from the inward reinsurance portfolio, which are already recognised in accordance with SII principles and reduce SII provisions, account for 10.7% of the difference between the gross IFRS and SII provisions as at 31 December 2020 (2019: 9.7%) (referring to gross future profits before retrocession and before income tax).
- SII provisions take into account the time value of money in non-life business, whereas IFRS provisions are generally not discounted. As at 31 December 2020, 3.9% of the difference between gross IFRS and SII provisions arose from discounted non-life lines of business (2019: 6.9%).

D.2.2 Description of the level of uncertainty associated with the value of SII technical provisions

Regarding the impacts on best estimate premium and claims provisions, the Company chose sensitivity to assumptions about the loss ratio for the sensitivity analysis. A 5% increase in BF ratios and naive loss ratios in all homogeneous groups and underwriting years in which the methods use these ratios, would raise gross best estimate provisions for 2020 by 6.0% (2019: 5.8%). The Company also carried out a sensitivity test assuming a 10% reduction in written but not-past-due premiums and commissions as part of premiums and commissions; gross best estimate provisions would increase by 2.7% (2019: 3.6%), which, however, does not affect the change in eligible own funds (reclassification). In addition, the Company also tested sensitivity to a 50% increase in other expenses considered (excluding commissions, which are included directly); gross best estimate provisions would increase by 0.5% (2019: 0.3%).

To test the sensitivity of best estimate provisions for the life business, the Company chose the two most material shocks for the portfolio of these liabilities in accordance with the Standard Formula. In the longevity shock, best estimate provisions for 2020 increased by 4.7% (2019: 3.8%), and by 3.9% in the annuity revision shock (2019: 3.2%).

In addition, we provide the effect of changes in interest rates for discounting. A downward shock in the Standard Formula would result in a 1.1% rise in gross best estimate provisions (2019: 1.9%); an upward shock in the Standard Formula would lead to a 3.7% decrease in gross best estimate provisions (2019: 4.1%).

The Company identified no other areas of uncertainty. The sensitivity calculations presented show that SII technical provisions are moderately sensitive to insensitive to changes in the above assumptions. The sensitivity analysis thus revealed no area or assumptions that would cause a major uncertainty of established SII technical provisions.

D.3 Other liabilities

D.3.1 Provisions other than technical provisions

Other provisions comprise the net present value of employee benefits, including severance pay upon retirement and jubilee benefits.

The value of other provisions under the SII methodology is the same as in the IFRS balance sheet.

D.3.2 Insurance and intermediaries payables

Insurance and intermediaries payables comprise payables for claims and commission relating to inward reinsurance contracts.

The Solvency II valuation of insurance and intermediaries payables does not differ from the IFRS valuation.

From this item of liabilities, the Company eliminates not-past-due commission payables relating to accepted reinsurance business as at the balance sheet date, reporting them as a reclassification. The Company takes the item into account as future cash flows when calculating gross best estimate premium provisions, where they are also reported as a reclassification.

D.3.3 Reinsurance and co-insurance payables

Reinsurance and co-insurance payables comprise premium payables for outward retrocession business.

The Solvency II valuation of reinsurance and co-insurance payables does not differ from the IFRS valuation.

The Company eliminates non-past-due retrocession premium payables from reinsurance and co-insurance payables as at the IFRS balance sheet date, which is reported as a reclassification. The Company takes the item into account as future cash flows when calculating the reinsurers' share of best estimate premium provisions where it is also disclosed as a reclassification.

D.3.4 Other payables

Other payables of the Company comprise short-term payables to employees for accrued salaries and reimbursement of expenses, tax liabilities, trade payables for operating expenses, and other payables.

The SII valuation does not differ from the IFRS balance sheet valuation.

D.3.5 Subordinated liabilities

The Company's subordinated bond was admitted to trading on the regulated market of the Luxembourg Stock Exchange. In the SII balance sheet, liabilities arising from the subordinated bond issue are valued at fair value based on prices quoted by Bloomberg.

D.3.6 Any other liabilities, not elsewhere shown

Under other liabilities the Company chiefly recognises accrued costs (expenses) and long-term liabilities from leases that qualify for valuation under IFRS 16.

Within the any other liabilities item, we value at nil any deferred commissions relating to accepted co-insurance and reinsurance, and other deferred income. The Solvency II valuation of other liabilities does not differ from the IFRS valuation.

D.4 Alternative methods for valuation

Periodically (every three years) the Company obtains market value appraisals of its property for own use and investment property assets from an independent external appraiser. We estimate that these appraisals are most representative of the amount for which the appraised properties could be exchanged between knowledgeable parties in arm's-length transactions.

For equity investments in Sava Re insurance subsidiaries not listed in a regulated market, the SII value of the capital requirement is calculated using the Standard Formula, applying an adjusted equity method of valuation as the excess of the insurance company's assets over its liabilities in the SII balance sheet (in accordance with article 13(4) of the Delegated Regulation). Where Sava Re holds less than a 100% interest in a subsidiary, proportionate adjustments are made.

In the SII balance sheet, the Company measures its equity investments in non-insurance companies using the IFRS equity method in accordance with article 13(5) of the Delegated Regulation. The value of goodwill and other intangible assets that would be valued at nil in accordance with the asset valuation methodology is deducted from the obtained value of the company.

Unlisted shares are measured at cost. The market value calculated using the internal model, which largely takes into account unobserved input, is only used for impairment testing.

D.5 Any other information

The Company has no other material information relating to valuations.

E. Capital management

The Company's capital management is defined in the capital management policy of the Sava Insurance Group and Sava Re d.d., laying down the goals and key activities related to capital management. Capital management is inseparable from the risk strategy, which defines the risk appetite.

The Company's capital management objectives are:

- optimal capitalisation in the long term as defined under the risk strategy,
- an adequate degree of financing flexibility,
- ability to achieve adequate profitability for operating segments that tie up capital, and
- ability to report an adequate return on equity and adequate dividend yields for shareholders.

The Group manages its capital to ensure that it has available, on an ongoing basis, sufficient funds to meet its obligations and regulatory capital requirement. The composition of own funds held to ensure capital adequacy must comply with regulatory requirements and ensure an optimal balance between debt and equity capital. The amount of own funds must be sufficient, at all times, to at least meet the statutory solvency capital requirement, as well as to satisfy the requirements of its target credit rating and other objectives.

An important input element of capital management and business planning is the risk strategy, including the risk appetite set out therein. The risk strategy sets the target level of the solvency ratio in relation to capital and capital adequacy. The Company's risk appetite in connection with capital adequacy is set at a level in line with the Group's risk strategy, and statutory and rating agencies' requirements.

Every year the Company prepares a financial plan for the next three-year period. The first phase of the annual verification of the potential for capital optimisation and additional allocation of capital includes a review of the results of the last calculation of the amount and structure of eligible own funds and the SCR. A business plan for the following three-year period and a capital management plan are prepared based on this, including measures required to achieve the target capital allocation.

Eligible own funds, the SCR and consequently the Company's solvency ratio are calculated based on three-year projections of financial parameters. Calculations verify the alignment with the risk appetite, whereupon adjustments to the business plan are made, if necessary. The planned use of capital duly includes capital consumption items, such as regular dividends, own shares and projects that require additional capital.

In allocating capital to business segments, adequate return on equity is a prerequisite. Taking into account the business aspect, we strive to maximise the ratio of return generated by a particular operating segment tying up capital to allocated capital in terms of the capital allocated to cover risks (the optimum ratio of return to risk).

E.1 Own funds

As at 31 December 2020, the Company reported an excess of assets over liabilities of EUR 568.5 million (31 December 2019: EUR 516.3 million).

The following is then deducted from basic own funds, i.e. the excess of the Company's assets over its liabilities:

- own shares of EUR 31.9 million,
- foreseeable dividends of EUR 16.3 million; that is, the amount stated in the management and supervisory boards' proposed resolution for the general meeting,
- other items in accordance with the provisions of ZZavar-1.

Added to the excess of the Company's assets over its liabilities are subordinated liabilities, as these are part of the Company's basic own funds.

For the purposes of determining basic own funds, the Company's basic own funds are reduced by the total value of participations in other financial and credit institutions (excluding insurers) exceeding 10% of the Company's own-fund items (paid-up share capital plus capital reserves). Similarly, for the purposes of determining basic own funds, basic own funds are reduced by part of the value of all participations in financial and credit institutions that exceeds 10% of the Company's own-fund items (other than those alone exceeding 10% and thus being excluded). As at 31 December 2020, the Company is not reporting such exclusions from own funds.

As at 31 December 2020, the Company did not report adjustments for other items in accordance with ZZavar-1.

Ancillary own funds are items that do not constitute basic own funds and that the Company may call up to absorb its losses. They include unpaid share capital or uncalled initial funds, letters of credit and guarantees, and any other legal commitments received by the Company. As at 31 December 2020, the Company reported no ancillary own funds.

The table below shows the structure of the Company's own funds.

Structure of own funds

EUR thousand	31 December 2020	31 December 2019
Ordinary share capital (gross of own shares)	71,856	71,856
Share premium account related to ordinary share capital	54,240	54,240
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0
Subordinated mutual member accounts	0	0
Surplus funds	0	0
Preference shares	0	0
Share premium account related to preference shares	0	0
Reconciliation reserve (= (1) - (2) - (3) - (4) - (5))	394,259	343,027
(1) Excess of assets over liabilities	568,512	516,313
(2) Own shares (held directly and indirectly)	31,856	30,995
(3) Adjustment for own-fund restricted items with respect to matching adjustment portfolios and ring-fenced funds	0	0
(4) Foreseeable dividends, distributions and charges	16,300	16,195
(5) Other basic own fund items	126,096	126,096
Subordinated liabilities	75,681	73,847
Amount equal to the value of net deferred tax assets	0	0
Total basic own funds after deductions	**596,036**	**542,969**

Total basic own funds after deductions increased by EUR 53.1 million compared to the balance as at 31 December 2019, attributable to suspended dividend distribution for 2019, the acquisition of Vita and appreciations in the value of the Company's other participations in subsidiaries and associates.

The table below shows adjustments to IFRS equity in the valuation of the Solvency II balance sheet.

Adjustments to IFRS equity for the SII valuation of the balance sheet

EUR thousand	31 December 2020	31 December 2019
IFRS equity	**333,869**	**343,921**
Difference in the valuation of participations	182,490	124,504
Difference in the valuation of other assets	-75,796	-83,413
Difference in the valuation of technical provisions	86,815	83,372
Difference in the valuation of other liabilities	9,278	16,934
Foreseeable dividends, distributions and charges[21]	-16,300	-16,195
Subordinated liabilities in basic own funds	75,681	73,847
Solvency II eligible own funds	**596,036**	**542,969**
Of which tier 1	*520,356*	*469,123*
Of which tier 2	*75,681*	*73,847*
Of which tier 3	*0*	*0*

As can be seen from the table, the majority of the difference in assets stems from the revaluation of participations in subsidiaries and associates, with the difference predominantly relating to the revaluation of insurance companies. With liabilities, the largest difference is in the revaluation of

[21] Foreseeable dividends of EUR 16.2 million were taken into account in the realisation as at 31 December 2019; the distribution of these dividends was postponed in 2020.

technical provisions in line with Solvency II requirements. A detailed description of the valuation methodology used is provided in section D *Valuation for solvency purposes*.

The Company covers the minimum capital requirement (“MCR”) and SCR with eligible own funds. In accordance with the law, the Company is not permitted to use just any kind of own funds to meet its capital requirement. For this purpose, the Solvency II legislation classifies own funds into three tiers. These differ in terms of permanence and loss absorbency. Thus, tier 1 funds include own funds that mostly meet the conditions laid down in items one and two of article 196(1) of ZZavar-1; such items are available to absorb losses at all times (permanent availability) and, in the event of the Company’s winding-up, they become available to the holder only after all of the Company’s other obligations are met. It is important whether an item of own funds has a maturity, whether the absence of incentives to repay has been confirmed and whether the item is free of encumbrances.

The Company includes the following in its tier 1 own funds:

- paid-up ordinary shares;
- paid-up capital reserves; and
- reconciliation reserves set as the excess of assets over liabilities, less paid-up ordinary shares and capital reserves, and less the value of own shares and foreseeable dividends.

The Company’s tier 1 eligible own funds do not include eligible own fund items that are dated or with the subordination feature or subject to early redemption.

Tier 2 funds include own fund items that mostly exhibit the features from item two of article 196(1) of ZZavar-1; in the event of the Company’s winding-up, such items become available to the holder only after all of the Company’s other obligations are met and paid. It is important whether an item of own funds has a maturity, whether the absence of incentives to repay has been confirmed and whether the item is free of encumbrances.

The Company classifies its subordinated liabilities, subordinated debt with a duration of 20 years and a contractual opportunity to redeem after 10 years as tier 2 eligible own funds. Subordinated liabilities have the feature of subordination.

Tier 3 is for own fund items classified as neither tier 1 nor tier 2. They include letters of credit and guarantees that are held in trust for the benefit of insurance creditors by an independent trustee and are provided by credit institutions. Classified as tier 3 are also own funds from net deferred tax assets.

The Company holds no tier 3 own funds.

The following table includes statutory restrictions as to how the SCR and MCR are to be met.

Restrictions for own funds designated to meet the SCR and MCR

	Tier 1	Tier 2	Tier 3
SCR coverage	min. 50%	no restrictions	max. 15%
MCR coverage	min. 80%	max. 20%	not eligible

The two tables below show the amounts of eligible own funds to meet the SCR and MCR. They are classified into the statutory tiers described above.

Eligible own funds to meet the SCR

EUR thousand	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2020	596,036	520,356	75,681	0
As at 31 December 2019	542,969	469,123	73,847	0

Eligible own funds to meet the MCR

EUR thousand	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2020	531,326	520,356	10,970	-
As at 31 December 2019	478,514	469,123	9,391	-

As at 31 December 2020, the Company's eligible own funds mainly included tier 1 funds and were free of any ancillary own funds. The Company classifies its subordinated liabilities – i.e. its subordinated debt issued in 2019 – as tier 2 funds. Due to regulatory restrictions, the Company is only permitted to count subordinated liabilities, being eligible own funds to meet the Company's MCR, up to 20% of the MCR. There were no items subject to regulatory transitional arrangements among the disclosed eligible own funds.

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement (SCR)

The Company calculates its SCR and MCR in accordance with the Standard Formula.

Compared to the calculation as at 31 December 2019, the calculation as at 31 December 2020 takes into account the amendment to Delegated Regulation 2015/35, which sets out the method of calculating capital adequacy using the Standard Formula, specifically the amendments set out in Delegated Regulation 2019/981 applicable as from 1 January 2020. New parameters have been applied in the calculation of the level of premium and reserve risk for non-life and NSLT health business. The impact of this change on SCR does not exceed the Company's materiality threshold.

The table below shows the total amount of SCR, SCR by risk module, the amount of eligible own funds and the Company's solvency ratio.

Solvency capital requirement by risk module

EUR thousand	31 December 2020	31 December 2019
SCR	**219,399**	**187,820**
Adjustments for TP and DT	-1,555	-2,669
Operational risk	5,671	4,778
Basic solvency capital requirement (BSCR)	215,283	185,711
Sum of risk components	276,379	241,860
Diversification effect	-61,096	-56,149
Market risk	157,492	125,198
Counterparty default risk	11,655	14,256
Life underwriting risk	558	388
Health underwriting risk	2,722	2,711
Non-life underwriting risk	103,953	99,307
Eligible own funds	**596,036**	**542,969**
Solvency ratio	**272%**	**289%**

As at 31 December 2020, the largest proportion of SCR arises from market risk and increased compared to 31 December 2019 as the result of a new strategic investment in Vita and an increase in the value of other participations. Non-life underwriting risk also increased compared to 31 December 2019, as the result of portfolio growth and increased best estimate provisions. For details regarding changes in individual modules, see section C *Risk profile*.

Due to the nature of the reinsurance business, the Company is mainly limited with regards to input data for certain calculations and therefore has to make certain simplifications. Thus, the Company does not have available data on each individual insurance contract required to calculate the prescribed shock for lapse risk. Therefore, it used a simplification where the shock is delivered at the level of lines of business and underwriting years, separately for Group and non-Group portfolios.

The catastrophe risk module calculation requires assumptions about the scenarios on the basis of which calculations are made of the impact of the reinsurance programme.

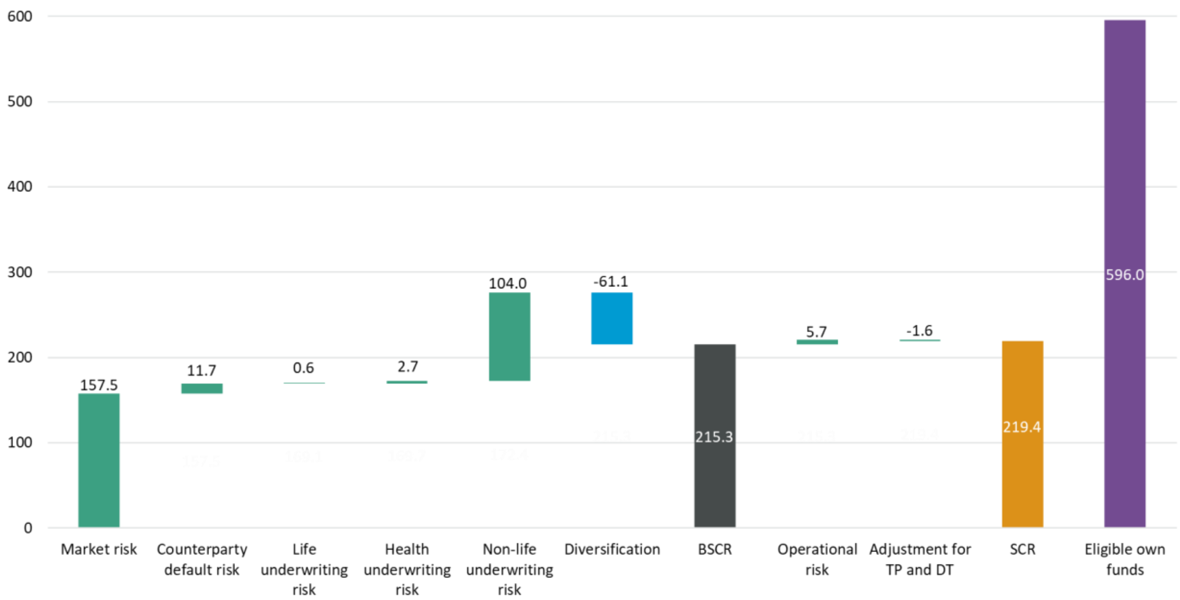
The Company also has a relatively small portfolio of accepted life reinsurance business (from annuities related to non-life insurance and term life insurance). The Company makes separate calculations for accepted life reinsurance business for most cedants in the Group. For this reinsurance business, it calculates the SCR in the life insurance risk module based on the calculations of Group companies. The capital requirement for accepted non-Group life reinsurance is calculated in line with the nature of the business in the NSLT health insurance module.

The Company calculates its SCR without using the simplifications referred to in articles 88–112 of the Delegated Regulation. Nor does it use undertaking-specific parameters in calculating the SCR for non-life and NSLT health business.

As at 31 December 2020, the Company adjusted the SCR for deferred taxes in the amount of EUR 1.6 million. The adjustment for the loss-absorbing capacity of deferred taxes is calculated in accordance with the Delegated Regulation and article 23 of the "Decision on the terms and method of covering losses by reducing technical provisions and deferred taxes". Adjustments have been made in the amount of the maximum adjustment for loss absorbency of deferred taxes that may be taken into account without providing evidence, i.e. up to the amount of net liabilities for deferred taxes in the SII balance sheet.

The chart below shows the individual risk modules of the Standard Formula, the Company's SCR and its eligible own funds as at 31 December 2020.

Solvency capital requirement by risk module as at 31 December 2020 (EUR million)



As evident from the graph above, eligible own funds significantly exceed the SCR, as reflected in the Company's high solvency ratio of 272% as at 31 December 2020 (31 December 2019: 289%).

A major criterion for determining the risk appetite in the Sava Insurance Group's risk strategy is the solvency ratio. In accordance with its capital management policy, the Company is striving – in the long term – to achieve capital adequacy as defined in its risk strategy. In line with the applicable risk strategy, the solvency ratio must be above 200%, based on which the Company is well capitalised as at 31 December 2020, even by internal criteria.

In December 2020, the financial projections and the calculation of eligible own funds, the SCR and the solvency ratio for 2020–2023 were also confirmed. For the period 2020–2023, the Company's solvency ratio is planned at a level in line with the risk strategy.

E.2.2 Minimum capital requirement

Sava Re calculates the MCR in accordance with articles 248–251 of the Delegated Regulation. Non-life MRC is calculated as the linear combination of written premiums after deduction of premiums for reinsurance contracts and technical provisions, net of the risk margin after deduction of amounts recoverable under reinsurance contracts. The linear combination captures all segments of non-life insurance. Input data are shown in the table below.

Input data for the Company's MCR calculation

EUR thousand 31 December 2020	Net best estimate technical provisions	Net premiums written
Medical expense insurance and proportional reinsurance	38	296
Income protection insurance and proportional reinsurance	2,787	5,425
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	12,115	14,810
Other motor insurance and proportional reinsurance	7,262	18,522
Marine, aviation and transport insurance and proportional reinsurance	9,623	8,331
Fire and other damage to property insurance and proportional reinsurance	57,441	57,326
General liability insurance and proportional reinsurance	7,942	10,058
Credit and suretyship insurance and proportional reinsurance	1,007	633
Legal expenses insurance and proportional reinsurance	0	9
Assistance insurance and proportional reinsurance	0	0
Miscellaneous financial loss insurance and proportional reinsurance	3,347	1,265
Non-proportional health reinsurance	678	544
Non-proportional casualty reinsurance	10,084	2,593
Non-proportional marine, aviation and transport reinsurance	5,846	3,428
Non-proportional property reinsurance	40,955	38,308

Input data for the Company's MCR calculation

EUR thousand 31 December 2019	Net best estimate technical provisions	Net premiums written
Medical expense insurance and proportional reinsurance	30	1
Income protection insurance and proportional reinsurance	2,736	4,988
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	11,322	14,289
Other motor insurance and proportional reinsurance	7,104	17,041
Marine, aviation and transport insurance and proportional reinsurance	6,081	6,703
Fire and other damage to property insurance and proportional reinsurance	44,245	47,925
General liability insurance and proportional reinsurance	6,609	7,132
Credit and suretyship insurance and proportional reinsurance	817	430
Legal expenses insurance and proportional reinsurance	0	9
Assistance insurance and proportional reinsurance	0	0
Miscellaneous financial loss insurance and proportional reinsurance	0	1,099
Non-proportional health reinsurance	540	385
Non-proportional casualty reinsurance	7,863	3,365
Non-proportional marine, aviation and transport reinsurance	4,906	435
Non-proportional property reinsurance	36,074	36,059

Life MCR is calculated as a linear combination of technical provisions, net of the risk margin and capital at risk.

Inputs for calculating the Company's life MCR

EUR thousand	31 December 2020	31 December 2019
Other life and health reinsurance obligations	5,642	5,256
Capital at risk for all life reinsurance obligations	172,011	121,040

The table below shows the amount of the Company's minimum capital requirement.

Minimum capital requirement

EUR thousand	31 December 2020	31 December 2019
Linear required MCR	38,297	31,940
Absolute MCR floor	3,600	3,600
Combined MCR	54,850	46,955
MCR	**54,850**	**46,955**
Eligible own funds to meet the MCR	531,326	478,514
MCR ratio	**969%**	**1,019%**

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 to calculate the SCR.

E.4 Difference between the Standard Formula and internal model used

There are no differences between the Standard Formula and internal model because the Company does not use an internal model for the calculation of the SCR.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

As at 31 December 2020, the Company is compliant with legislation, its high solvency ratio being substantially higher than the statutory 100%. Moreover, as at 31 December 2020, the Company had a major surplus of eligible own funds above the minimum capital requirement.

Based on the projections of the solvency capital requirement and eligible own funds, we estimate that the Sava Re solvency ratio will remain above the statutory 100% during the entire three-year projection period, as required by law. Therefore, the Company does not expect any further steps or measures in terms of ensuring compliance with its capital requirement.

E.6 Any other information

The Company has no other material information relating to capital management.

Appendix – Glossary of selected terms

English term	Slovenian term	Meaning
Adjustment for the loss-absorbing capacity of technical provisions and deferred taxes	**Prilagoditve za TP in DT**	Adjustment because of the capacity to absorb losses by reducing technical provisions and through deferred taxes.
Basic solvency capital requirement – BSCR	**Osnovni zahtevani solventnostni kapital – BSCR**	The basic solvency capital requirement within the framework of the standard formula is an amount based on the statutory calculation of the following risks: non-life underwriting risk, life underwriting risk, health underwriting risk, market risk and counterparty default risk.
Business continuity procedures	**Načrt neprekinjenega poslovanja**	Document that includes procedures for ensuring the continuous operation of key business processes and systems. The contingency plan is an integral part of the business continuity plan and sets out technical and organisational measures to restore operations and mitigate the consequences of severe business disruptions.
Capital asset pricing model	**CAPM**	Model describing the relationship between risk and expected return on assets.
Eligible own funds	**Primerni lastni viri sredstev**	Own funds eligible to cover the solvency capital requirement.
Freedom of service	**FOS**	Business written under the freedom of services principle.
IFRS	**MSRP**	International Financial Reporting Standards. EU-wide uniform set of rules governing the accounting of business transactions.
Market value	**Tržna vrednost**	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The amounts are based on prices in active and liquid markets that a company has access to and are commonly used.
Minimum capital requirement – MCR	**Zahtevani minimalni kapital – MCR**	The minimum capital requirement is equal to the amount of own funds below which policyholders, insured persons and other beneficiaries of insurance contracts would be exposed to an unacceptable level of risk if the insurer were allowed to continue operating.
Modified duration	**Modificirano trajanje**	Modified duration measures the portfolio's sensitivity to parallel shifts in the interest rate curve. A change in interest rates of +/-1% has an impact of approximately -/+MD% on the portfolio.
Operational limits	**Operativni limiti**	Operational limits for particular areas are determined on the basis of expressed risk tolerance limits. Underwriting limits or investment limits used by first-line-of-defence staff in the day-to-day risk management process to keep the Company within its set risk appetite range.
Over the counter market	**Trg OTC**	A transaction in the OTC market is one between two parties in securities or other financial instruments outside a regulated market.
Own risk and solvency assessment – ORSA	**Lastna ocena tveganj in solventnosti – ORSA**	Own assessment of the risks associated with the Company's business and strategic plans and assessment of the adequacy of own funds to cover risks.
Probable maximum loss – PML	**Največja verjetna škoda – PML**	This is the maximum loss for a risk an insurer assesses could occur in one loss event. Normally, it is expressed as a percentage of the sum insured; in extreme cases, it equals the sum insured (PML is 100% of the sum insured).
Risk appetite	**Pripravljenost za prevzem tveganj**	Risk level that a company is willing to take in order to meet its strategic goals. At Sava Re defined based on the acceptable solvency ratio, the liquidity ratio of the assets, profitability of insurance products and reputation risk.

Risk management system	**Sistem upravljanja tveganj**	The risk management system is a set of measures taken by an insurer to manage (i.e. to identify, monitor, measure, manage, report) material risks arising from both the operations of a company and the external environment in order to enhance the implementation of strategic objectives and minimise any loss of own funds.
Risk profile	**Profil tveganj**	All of the risks that the Company is exposed to and the quantification of these exposures for all risk categories.
Risk Register	**Register tveganj**	List of all identified risks maintained and periodically updated by the Company.
Risk tolerance limits	**Meje dovoljenega tveganja**	Limits for risk categories included in the Company's risk profile and for risk measures monitored as part of day-to-day risk management. Set annually and aligned with the risk appetite as stated in the Company's risk strategy and based on sensitivity analyses, stress tests and scenarios, or professional judgment.
Scenario	**Scenarij**	Scenarios seek to determine the impact of multiple changes in parameters, such as concurrent changes in different risks types affecting the insurance business, the value of financial assets and a change in interest rates.
Solvency and financial condition report – SFCR	**Poročilo o solventnosti in finančnem položaju – PSFP**	Insurance and reinsurance companies publish solvency and financial condition reports at least annually. The report includes a description of its business and operations, its governance system, risk profile, valuation for Solvency II purposes, structure and quality of own funds, and the level of the minimum and solvency capital requirement.
Solvency capital requirement – SCR	**Zahtevani solventnostni kapital – SCR**	The SCR is an amount based on the regulatory calculation of all quantifiable risk, including non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk and operational risk.
Solvency ratio	**Solventnostni količnik**	Ratio of eligible own funds to the solvency capital requirement. It represents a company's capital adequacy in accordance with the Solvency II principles. A solvency ratio in excess of 100% indicates that the company has more than sufficient resources to meet the solvency capital requirement.
Standard formula	**Standardna formula**	Set of calculations prescribed by Solvency II regulations used for generating the solvency capital requirement.
Stress test	**Stresni test**	In a stress test, a single parameter is changed to observe the effect on the value of assets, liabilities and/or own funds as well as any effects on the value of the parameter itself.
Tier of capital	**Kakovostni razred kapitala**	Items of own funds are classified into three tiers based on certain criteria (such as duration and whether basic or ancillary).
Undertaking-specific parameters – USP	**Parametri, specifični za posamezno podjetje – USP**	Insurance and reinsurance undertakings may, within the design of the standard formula, replace standard deviations for premium and reserve risk of NSLT health underwriting for business for which a system for equalising health risk is used by parameters specific to the undertaking concerned, in accordance with article 104(7) of Directive 2009/138/EC.
Unit value	**Vrednost enote premoženja – VEP**	The value of a unit or share is the worth of individual units of a sub-fund and is regularly published.

Quantitative Reporting Templates

All amounts in the quantitative reporting templates are in thousands of euros.

S.02.01.02 Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	6,431
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	3,155
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	768,571
Property (other than for own use)	**R0080**	9,080
Holdings in related undertakings, including participations	**R0090**	501,587
Equities	**R0100**	9,257
Equities – listed	**R0110**	7,942
Equities – unlisted	**R0120**	1,314
Bonds	**R0130**	232,260
Government Bonds	**R0140**	133,452
Corporate Bonds	**R0150**	98,807
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	16,387
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	4,968
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	4,968
Reinsurance recoverables from:	**R0270**	21,219
Non-life and health similar to non-life	**R0280**	15,356
Non-life excluding health	**R0290**	15,326
Health similar to non-life	**R0300**	29
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	5,864
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	5,864
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	7,261
Insurance and intermediaries receivables	**R0360**	18,144
Reinsurance receivables	**R0370**	3,876
Receivables (trade, not insurance)	**R0380**	2,629
Own shares (held directly)	**R0390**	31,856
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**	27,080
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	895,191

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	199,429
Technical provisions – non-life (excluding health)	R0520	195,443
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	170,946
Risk margin	R0550	24,497
Technical provisions – health (similar to non-life)	R0560	3,987
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	3,531
Risk margin	R0590	456
Technical provisions – life (excluding index-linked and unit-linked)	R0600	11,639
Technical provisions – health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	11,639
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	11,505
Risk margin	R0680	134
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	424
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	7,986
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	27,580
Reinsurance payables	R0830	743
Payables (trade, not insurance)	R0840	1,509
Subordinated liabilities	R0850	75,681
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	75,681
Any other liabilities, not elsewhere shown	R0880	1,688
Total liabilities	R0900	326,679
Excess of assets over liabilities	R1000	568,512

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

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross – Direct Business	**R0110**									
Gross – Proportional reinsurance accepted	**R0120**	296	5,544	0	14,810	18,522	13,465	70,120	10,400	633
Gross – Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	119	0	0	0	5,134	12,794	342	0
Net	**R0200**	296	5,425	0	14,810	18,522	8,331	57,326	10,058	633
Premiums earned										
Gross – Direct Business	**R0210**									
Gross – Proportional reinsurance accepted	**R0220**	296	5,562	0	14,730	18,012	13,798	67,126	9,257	936
Gross – Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	123	0	0	0	5,418	12,165	302	0
Net	**R0300**	296	5,439	0	14,730	18,011	8,379	54,961	8,955	936
Claims incurred										
Gross – Direct Business	**R0310**									
Gross – Proportional reinsurance accepted	**R0320**	838	1,013	0	8,703	10,022	10,897	49,387	3,825	-18
Gross – Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	-68	0	0	-2	4,572	3,158	-10	0
Net	**R0400**	838	1,080	0	8,703	10,024	6,324	46,229	3,835	-18
Changes in other technical provisions										
Gross – Direct Business	**R0410**									
Gross – Proportional reinsurance accepted	**R0420**	0	0	0	-3	-1	-147	4	-3	-50
Gross – Non-proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	-3	-1	-147	4	-3	-50
Expenses incurred	**R0550**	45	634	0	509	816	1,308	12,683	1,331	151
Other expenses	**R1200**									
Total expenses	**R1300**									

Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**					Line of Business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross – Direct Business	**R0110**								
Gross – Proportional reinsurance accepted	**R0120**	9	0	1,741					135,541
Gross – Non-proportional reinsurance accepted	**R0130**				544	4,664	4,077	46,272	55,557
Reinsurers' share	**R0140**	0	0	477	0	2,071	649	7,964	29,550
Net	**R0200**	9	0	1,265	544	2,593	3,428	38,308	161,548
Premiums earned									
Gross – Direct Business	**R0210**								
Gross – Proportional reinsurance accepted	**R0220**	8	0	1,461					131,327
Gross – Non-proportional reinsurance accepted	**R0230**				525	7,217	4,103	45,120	56,966
Reinsurers' share	**R0240**	0	0	459	0	4,378	603	7,787	31,237
Net	**R0300**	9	0	1,143	525	2,839	3,500	37,333	157,056
Claims incurred									
Gross – Direct Business	**R0310**								
Gross – Proportional reinsurance accepted	**R0320**	1	0	4,822					89,490
Gross – Non-proportional reinsurance accepted	**R0330**				327	2,780	3,809	26,885	33,801
Reinsurers' share	**R0340**	0	0	1,115	0	163	-152	-646	8,132
Net	**R0400**	1	0	3,707	327	2,616	3,961	27,531	115,159
Changes in other technical provisions									-
Gross – Direct Business	**R0410**								
Gross – Proportional reinsurance accepted	**R0420**	0	0	-5					-205
Gross – Non-proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	-5	0	0	0	0	-205
Expenses incurred	**R0550**	5	0	167	90	558	535	5,610	24,443
Other expenses	**R1200**								0
Total expenses	**R1300**								24,443

		Line of Business for: **life insurance obligations**						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Insurance with profit participation	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	0	0	0	0	0	585	585
Reinsurers' share	**R1420**	0	0	0	0	0	0	0	267	267
Net	**R1500**	0	0	0	0	0	0	0	318	318
Premiums earned										
Gross	**R1510**	0	0	0	0	0	0	0	567	567
Reinsurers' share	**R1520**	0	0	0	0	0	0	0	224	224
Net	**R1600**	0	0	0	0	0	0	0	343	343
Claims incurred										
Gross	**R1610**	0	0	0	0	0	0	0	938	938
Reinsurers' share	**R1620**	0	0	0	0	0	0	0	359	359
Net	**R1700**	0	0	0	0	0	0	0	579	579
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	0	0	0	0	0	0	28	28
Other expenses	**R2500**									0
Total expenses	**R2600**									28

S.05.02.01 Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		C0010						C0070
	R0010		CN	HR	IN	JP	KR	
		C0080	China	Croatia	India	Japan	Korea (Republic of)	C0140
Premiums written								
Gross – Direct Business	**R0110**							
Gross – Proportional reinsurance accepted	**R0120**	72,076	6,558	3,335	670	2,983	10,343	95,964
Gross – Non-proportional reinsurance accepted	**R0130**	7,566	4,040	370	3769	3,333	3,624	22,703
Reinsurers' share	**R0140**	23,258	0	272	0	0	1	23,531
Net	**R0200**	56,384	10,599	3,432	4439	6,316	13,966	95,136
Premiums earned								
Gross – Direct Business	**R0210**							
Gross – Proportional reinsurance accepted	**R0220**	69,060	5,520	3,211	844	2,941	10,484	92,061
Gross – Non-proportional reinsurance accepted	**R0230**	10,287	4,125	371	3682	3,217	3,543	25,226
Reinsurers' share	**R0240**	25,218	0	226	0	0	0	25,444
Net	**R0300**	54,130	9,645	3,357	4527	6,159	14,027	91,844
Claims incurred								
Gross – Direct Business	**R0310**							
Gross – Proportional reinsurance accepted	**R0320**	41,260	2,739	2,657	935	916	9,861	58,368
Gross – Non-proportional reinsurance accepted	**R0330**	3,892	2,315	323	543	-547	7,681	14,207
Reinsurers' share	**R0340**	8,660	0	210	0	0	0	8,869
Net	**R0400**	36,492	5,054	2,771	1478	369	17,542	63,706
Changes in other technical provisions								
Gross – Direct Business	**R0410**							
Gross – Proportional reinsurance accepted	**R0420**	4	-11	-5	-1	-5	-18	-36
Gross – Non-proportional reinsurance accepted	**R0430**	0	0	0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	4	-11	-5	-1	-5	-18	-36
Expenses incurred	**R0550**	17,837	2,239	843	514	1,332	4,079	26,843
Other expenses	**R1200**							0
Total expenses	**R1300**							26,843

S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees		
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	**R0010**									0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**									0
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	**R0030**									11,505
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									5,864
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	**R0090**									5,642
Risk margin	**R0100**									134
Amount of the transitional on Technical Provisions										
Technical provisions calculated as a whole	**R0110**									0
Best Estimate	**R0120**									0
Risk margin	**R0130**									0
Technical provisions – total	**R0200**									11,639

		Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees			
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**	0						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**	0						
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	**R0030**	11,505						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	5,864						
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	**R0090**	5,642						
Risk margin	**R0100**	134						
Amount of the transitional on Technical Provisions								
Technical provisions calculated as a whole	**R0110**	0						
Best Estimate	**R0120**	0						
Risk margin	**R0130**	0						
Technical provisions – total	**R0200**	11,639						

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
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 calculated as a whole	R0050						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Premium provisions							
Gross	R0060	22	87	0	1,284	1,710	1,115
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	-19	0	0	13	153
Net Best Estimate of Premium Provisions	R0150	22	107	0	1,284	1,697	962
Claims provisions							
Gross	R0160	16	2,727	0	10,835	5,588	9,980
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	47	0	3	23	1,319
Net Best Estimate of Claims Provisions	R0250	16	2,680	0	10,831	5,565	8,660
Total Best estimate – gross	R0260	38	2,815	0	12,118	7,298	11,095
Total Best estimate – net	R0270	38	2,787	0	12,115	7,262	9,623
Risk margin	R0280	9	354	0	986	928	1,238
Amount of the transitional on Technical Provisions							
Technical provisions calculated as a whole	R0290	0	0	0	0	0	0
Best Estimate	R0300	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0
Technical provisions – total							
Technical provisions – total	R0320	47	3,169	0	13,104	8,227	12,333
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	0	28	0	3	36	1,472
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	47	3,141	0	13,101	8,191	10,861

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
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 calculated as a whole	**R0050**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Premium provisions							
Gross	**R0060**	-1,973	-86	168	-5	0	-431
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	387	110	0	0	0	2
Net Best Estimate of Premium Provisions	**R0150**	-2,360	-196	168	-5	0	-433
Claims provisions							
Gross	**R0160**	64,340	8,414	839	2	0	3,951
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	4,540	275	0	0	0	171
Net Best Estimate of Claims Provisions	**R0250**	59,801	8,138	839	2	0	3,781
Total Best estimate – gross	**R0260**	62,368	8,328	1,007	-3	0	3,520
Total Best estimate – net	**R0270**	57,441	7,942	1,007	-3	0	3,347
Risk margin	**R0280**	6,729	1,544	310	1	0	414
Amount of the transitional on Technical Provisions							
Technical provisions calculated as a whole	**R0290**	0	0	0	0	0	0
Best Estimate	**R0300**	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0
Technical provisions – total							
Technical provisions – total	**R0320**	69,097	9,872	1,317	-2	0	3,934
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	4,927	385	0	0	0	173
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	64,170	9,487	1,317	-2	0	3,761

		Accepted non-proportional reinsurance				Total Non-Life obligation
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**					
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**					
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Premium provisions						
Gross	**R0060**	-40	-404	-459	-14,273	-13,285
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	64	-300	-627	-216
Net Best Estimate of Premium Provisions	**R0150**	-40	-468	-160	-13,646	-13,069
Claims provisions						
Gross	**R0160**	719	17,976	6,214	56,160	187,761
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	1	7,423	209	1,560	15,572
Net Best Estimate of Claims Provisions	**R0250**	718	10,552	6,005	54,600	172,189
Total Best estimate – gross	**R0260**	679	17,571	5,755	41,888	174,476
Total Best estimate – net	**R0270**	678	10,084	5,846	40,955	159,121
Risk margin	**R0280**	92	1,236	1,370	9,741	24,953
Amount of the transitional on Technical Provisions						
Technical provisions calculated as a whole	**R0290**	0	0	0	0	0
Best Estimate	**R0300**	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0
Technical provisions – total						
Technical provisions – total	**R0320**	771	18,807	7,126	51,628	199,429
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	1	7,487	-91	933	15,356
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	770	11,320	7,216	50,695	184,074

S.19.01.21 Non-life Insurance Claims Information

Accident year / underwriting year	Z0020	2

	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											681
N-9	R0160	16,672	36,952	15,465	5,416	2,160	1,594	815	565	441	267	
N-8	R0170	17,908	39,032	11,512	5,835	2,460	1,420	1,826	700	835		
N-7	R0180	14,830	29,319	13,345	6,486	2,325	1,280	2,018	1,121			
N-6	R0190	19,140	46,004	10,458	4,638	2,335	1,010	454				
N-5	R0200	20,423	42,986	12,717	5,221	2,618	2,691					
N-4	R0210	17,600	40,036	13,651	6,093	3,068						
N-3	R0220	18,641	42,340	10,682	7,377							
N-2	R0230	15,563	45,027	13,481								
N-1	R0240	17,262	45,911									
N	R0250	14,294										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	681	681
	R0160	267	80,347
	R0170	835	81,528
	R0180	1,121	70,724
	R0190	454	84,038
	R0200	2,691	86,656
	R0210	3,068	80,449
	R0220	7,377	79,041
	R0230	13,481	74,071
	R0240	45,911	63,172
	R0250	14,294	14,294
Total	R0260	90,180	715,002

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											9,613	R0100	9,496
N-9	R0160	0	0	0	0	4,346	3,844	3,104	3,544	3,874	3,669		R0160	3,563
N-8	R0170	0	0	0	6,023	4,948	5,121	3,047	2,879	2,318			R0170	2,233
N-7	R0180	0	0	14,093	8,040	5,378	5,247	4,371	2,980				R0180	2,842
N-6	R0190	0	21,694	10,912	6,595	5,586	3,975	3,418					R0190	3,259
N-5	R0200	60,808	28,857	14,399	9,219	6,507	4,511						R0200	4,336
N-4	R0210	60,818	29,078	16,829	10,551	7,298							R0210	7,104
N-3	R0220	66,657	33,019	20,905	17,066								R0220	16,643
N-2	R0230	50,227	41,985	23,285									R0230	22,837
N-1	R0240	58,280	52,006										R0240	51,305
N	R0250	64,775											R0250	64,143
												Total	R0260	187,761

S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	71,856	71,856		0	
Share premium account related to ordinary share capital	**R0030**	54,240	54,240		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	394,259	394,259			
Subordinated liabilities	**R0140**	75,681		0	75,681	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
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**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0				
Total basic own funds after deductions	**R0290**	596,036	520,356		75,681	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400	0				
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	596,036	520,356		75,681	0
Total available own funds to meet the MCR	R0510	596,036	520,356		75,681	
Total eligible own funds to meet the SCR	R0540	596,036	520,356		75,681	0
Total eligible own funds to meet the MCR	R0550	531,326	520,356		10,970	
SCR	R0580	219,399				
MCR	R0600	54,850				
Ratio of Eligible own funds to SCR	R0620	271.67%				
Ratio of Eligible own funds to MCR	R0640	968.69%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	568,512	-
Own shares (held directly and indirectly)	R0710	31,856	-
Foreseeable dividends, distributions and charges	R0720	16,300	-
Other basic own fund items	R0730	126,096	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	0	-
Reconciliation reserve	R0760	394,259	-
Expected profits			-
Expected profits included in future premiums (EPIFP) – Life business	R0770	1,485	-
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	6,676	-
Total Expected profits included in future premiums (EPIFP)	R0790	8,161	-

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	157,492	-	-
Counterparty default risk	R0020	11,655	-	-
Life underwriting risk	R0030	558	None	
Health underwriting risk	R0040	2,722	None	-
Non-life underwriting risk	R0050	103,953	None	-
Diversification	R0060	-61,096	-	-
Intangible asset risk	R0070	0	-	-
Basic Solvency Capital Requirement	R0100	215,283	-	-

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	5,671
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-1,555
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	219,399
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	219,399
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for Article 304	R0440	0

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	1

Calculation of adjustments due to loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	1,555
LAC DT justified by reversion of deferred tax liabilities	R0650	1,555
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	19,885

S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL result	R0010	38,058

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	38	296
Income protection insurance and proportional reinsurance	R0030	2,787	5,425
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	12,115	14,810
Other motor insurance and proportional reinsurance	R0060	7,262	18,522
Marine, aviation and transport insurance and proportional reinsurance	R0070	9,623	8,331
Fire and other damage to property insurance and proportional reinsurance	R0080	57,441	57,326
General liability insurance and proportional reinsurance	R0090	7,942	10,058
Credit and suretyship insurance and proportional reinsurance	R0100	1,007	633
Legal expenses insurance and proportional reinsurance	R0110	0	9
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	3,347	1,265
Non-proportional health reinsurance	R0140	678	544
Non-proportional casualty reinsurance	R0150	10,084	2,593
Non-proportional marine, aviation and transport reinsurance	R0160	5,846	3,428
Non-proportional property reinsurance	R0170	40,955	38,308

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL result	R0200	239

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	5,642	
Total capital at risk for all life (re)insurance obligations	R0250		172.011

Overall MCR calculation

		C0070
Linear MCR	R0300	38,297
SCR	R0310	219,399
MCR cap	R0320	98,730
MCR floor	R0330	54,850
Combined MCR	R0340	54,850
Absolute floor of the MCR	R0350	3,600
		C0070
Minimum Capital Requirement	R0400	54,850