Solvency and Financial Condition Report

UNIQA Biztosító Zrt.
31 December 2019

Table of Contents

Executive Summary

The following summary presents in a compact way the most important facts regarding the solvency situation of UNIQA Biztosító Zrt. and gives an overview of the report content.

In **Chapter A. Business and Performance** we present the company and the underlying business model with the most important figures presenting the business volume, the claims side and the investment result.

- UNIQA Biztosító Zrt., owned to 100% by UNIQA International AG, provides its customers with Property and casualty-, health- and life insurance products.
- Insurance products are provided for retail clients as well as corporate clients and the insurance products are sold via a multi channel strategy, like exclusive sales, general agencies, brokers and bank sales.

With this wide range product portfolio and the strong sales channel UNIQA Biztosító Zrt. covers the insurance and risk protection needs of its clients. An integral part of the insurance products is the service for the customer. It is the clear target for UNIQA Biztosító Zrt. to deliver excellent service quality to our clients.

With this approach UNIQA Biztosító Zrt. diversifies the insurance technical risk and has well composed portfolio in force as shown on Figure 1.

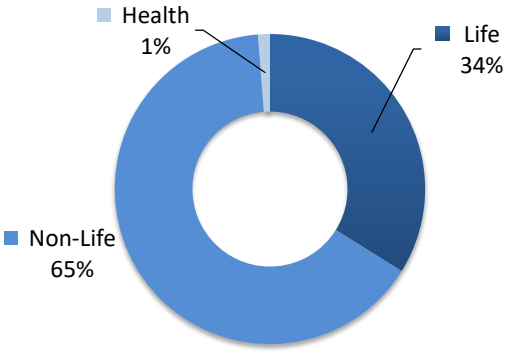

Figure 1. Share of portfolio segments by Gross Written Premium in 2019

We served our customers in the new, customer-oriented structure (retail, corporate, direct) in 2019. Thanks to our end-to-end processes and continued process streamlining efforts, we have attained a new level in customer experience. In a unique achievement on the Hungarian market, individual feedback from nearly 100 thousand customers has showed our customer satisfaction rising to 4.8 (where 1 is ‘dissatisfied’ and 5 is ‘very satisfied’).

We continued to streamline our processes in the retail business line so that we can serve customers in the ways most convenient for them and meet their changing needs, using digital channels wherever possible. In this context, our live chat customer service is increasingly important and has been elevated to a new level of efficiency and customer service through the launching of our chatbot.

First introduced in 2018, our CHERRISK model continues grow, with over 100,000 users in the ecosystem by the end of the year. The success of the model has convinced UNIQA Group to introduce CHERRISK in other countries in 2020.

Risk underwriting, risk assumption and pricing rules were brought in line with market price changes, which boosted the portfolio's technical result significantly. The cost structure of the portfolio was improved through cost optimization measures affecting the entire Company, in which our transitioning to digital communication with customers played a key role. In personal insurance, we continued to simplify our processes and created the technical possibility for transitioning to fully digital processes.

The gross written premium volume of UNIQA Biztosító has shown constant growth over the last years and insurance claims and benefits also developed in the same periods which results favorable change in Combined ratio. Nominal expense level decreased versus 2018 via implemented cost savings initiatives on fix, maintenance expenses and via focusing on digital solutions. UNIQA Biztosító achieved a profit (before tax) of 2047 m HUF and close the year with 54 percent growth versus 2018. In 2019 the Company continued to process the strategic transformation started in the previous year and made further significant progress supporting the future growth and strengthening of capital position. Detailed figures to the various Lines of Business are shown in chapter A.2.

As shown in **Chapter B. System of Governance**, UNIQA Biztosító developed an organisational structure in line with the legal requirements and which reflects the principles of the "three lines of defence". This organisational concept clearly differentiate between the parts of the organisation which take and actively manage business risks (first line of defence) and parts of the organisation which overview and monitor the risk situation (second line of defence). The third line of defence manages the independent monitoring of the 1st and the 2nd line of defence. Further details are described in the chapter B.3.2.

The Board of UNIQA Biztosító Zrt. is supported by various committees in the decision making process (please see related details in B.1.4). These committees cover issues regarding executive management, risk management, product development management and reserving. Structured management information and reporting points are defined and discussed. Furthermore the Solvency 2 key functions, the actuarial function, the risk management function, the compliance function and the internal audit function are implemented with the respective processes. Clear remuneration rules (B.1.6) and the requirements to the business qualifications („Fit") and personal integrity („Proper") of persons which lead the company and other key functions (B.2), are part of a state of the art governance model.

A central part of the governance structure is the risk management system. It defines the responsibilities, the processes and the general rules which enable the company to manage the risks in an efficient and proper way. It is the clear aim of the risk management system to support the management to safeguard the management of financial losses and to provide the information for operative and strategic business decision making. In that respect the own risk and solvency assessment process plays an important role.

The capital requirement to be covered by own funds, defined as a potential economic loss within one year with a probability of 1:200, is the main pillar in quantitative focus of Solvency II. In **Chapter C. Risk Profile** the details of the composition of the capital requirement can be found. Furthermore the background information to the calculation details is provided. The section comprises information to the major risks an insurance company is facing: the insurance technical risks, market risks, credit- and

counterparty default risks and furthermore operational risks. As multiline insurer UNIQA Biztosító Zrt. is very well diversified.

The subsequent overview shows the capital requirement of the different risk modules, the whole solvency capital requirement and the related own funds.

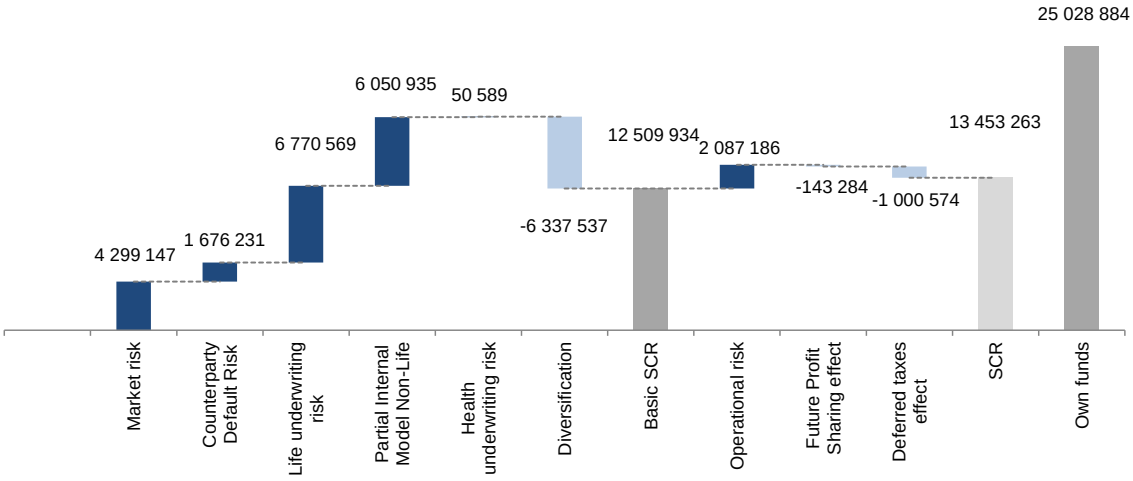

Figure 2. Overview of capital requirements and own funds (Thousand HUF)

The underwriting risk of the life and non-life business dominate the risk profile of UNIQA Biztosító followed by market risk.

The Solvency 2 ratio with 186% shows capitalization of UNIQA Biztosító Zrt. complying with the Solvency 2 Delegated Regulation (details see C.7). This ratio is also in line with MNB Guideline 6/2016. (VI.14.) and the undertakings internal limit system. Stress test and sensitivity calculation regarding risk drivers and the impact on the solvency situation are made on a regular basis to receive additional information regarding the quality and level of capitalization.

Furthermore UNIQA Biztosító Zrt. is the only insurance company in Hungary which uses a Partial Internal Model for the calculation of the solvency capital requirement of the non life underwriting risk for solvency requirement calculations. The model was approved by the College of Supervisors in December 2017. The model is used to gather further deep insight and additional analysis for the management of the underwriting risk non-life.

In **Chapter D. Valuation for Solvency Purposes** the methods for the valuation of the single balance sheet positions for the setup of the economic balance sheet are explained and these balance sheet positions are compared with the local gaap values.

Finally in **Chapter E. Capital Management** the derivation from the economic capital to the eligible own funds is performed. UNIQA Biztosító Zrt.'s capital consists of tier 1 capital and from first quarter of 2019 a tier 2 capital strengthens its solvency position. The eligible own fund amounts to 25,028,884 thousand HUF and covers the solvency capital requirement of 13,453,263 thousand HUF.

In this chapter (section E.6) we also introduce the latest developments regarding COVID-19 pandemic since during the completion of the report, the COVID19 epidemic appeared also in Hungary. Our initial

estimates show that the Solvency position of the company is well established and is not in danger from this pandemic.

A. Business and Performance

A.1 Business

UNIQA BIZTOSÍTÓ Zrt.
Róbert Károly körút 70-74
1134 Budapest
www.uniqa.hu

UNIQA Biztosító Zrt. is supervised by the Hungarian National Bank.

Felügyelet – MNB
Krisztina körút 39
1013, Budapest
www.mnb.hu/felugyelet

For the current financial year PwC Auditing Ltd. was our appointed auditor.

PricewaterhouseCoopers Könyvvizsgáló Kft.
Bajcsy-Zsilinszky út 78.
1055 Budapest
www.pwc.com/hu

Shareholder structure

The direct shareholders of UNIQA Biztosító Zrt. was simplified during the year 2019. UNIQA Biztositó Zrt. is owned to 100% by UNIQA International AG.

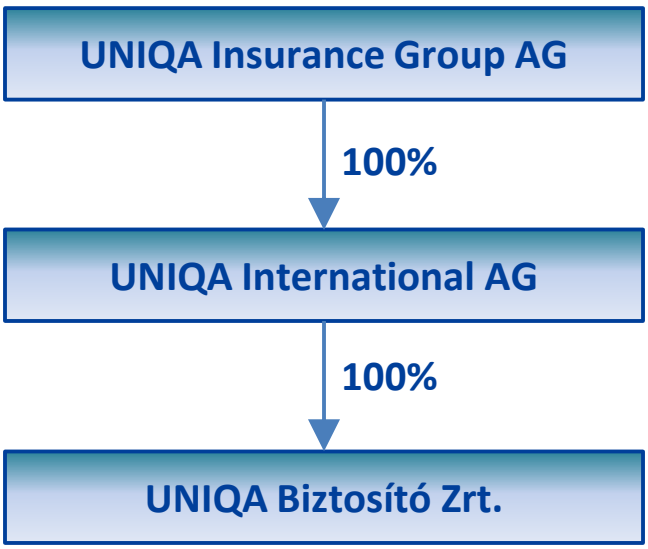

Figure 3. Shareholder structure of UNIQA Biztosító Zrt.

Essential business units

Name of the business unit	Share % (direct)
UNIQA Claims Services International Kft.	99,00%
UNIQA Ingatlanhasznosító Kft.	99,98%
Első Közszolgálati Pénzügyi Tanácsadó Kft.	88,32%
UNIQA Számítástechnikai Szolgáltató Kft.	96,68%
DEKRA-EXPERT Műszaki Szakértő Kft.	50,00%
UNIQA Software Service Kft.	100,00%
CherryHUB BSC Kft.	45,00%

Table 1. Subsidiaries of UNIQA Biztosító Zrt.

Business division and business performance

We served our customers in the new, customer-oriented structure (retail, corporate, direct) in 2019. Thanks to our end-to-end processes and continued process streamlining efforts, we have attained a new level in customer experience. In a unique achievement on the Hungarian market, individual feedback from nearly 100 thousand customers has showed our customer satisfaction rising to 4.8 (where 1 is ‘dissatisfied’ and 5 is ‘very satisfied’).

We shifted our focus to conventional risk insurances in all our sales channels. As a result, home insurance and accident insurance increased in weight within our portfolio.

In our corporate business line, we place ever greater emphasis on risk engineering in addition to our traditional insurance services. This is a service where we examine the risks of our customers from all possible angles and help them identify what financial and human threats they face over and above their conventional risks.

We continued to streamline our processes in the retail business line so that we can serve customers in the ways most convenient for them and meet their changing needs, using digital channels wherever possible.

In this context, our live chat customer service is increasingly important and has been elevated to a new level of efficiency and customer service through the launching of our chatbot.

First introduced in 2018, our CHERRISK model continues grow, with over 100,000 users in the ecosystem by the end of the year. The success of the model has convinced UNIQA Group to introduce CHERRISK in other countries in 2020. In addition to our traditional insurance operations, help from the members of CHERRISK has allowed us to support over ten charitable causes.

Non-Life Insurance

Risk underwriting, risk assumption and pricing rules were brought in line with market price changes, which boosted the portfolio’s technical result significantly. The cost structure of the portfolio was

improved through cost optimization measures affecting the entire Company, in which our transitioning to digital communication with customers played a key role.

In MTPL, the continued rise in the amounts of foreign travel personal injury claims is still an important factor impacting our profits. As MTPL premiums have gradually aligned on the market with the expected compensation for damages, portfolio profitability has improved.

Personal insurance

In 2019 the asset funds underlying our unit-linked insurances achieved outstanding performance on the market. We boosted further the corporate personal insurance portfolio in our corporate customer base. Our sales results in the segment increased thanks to the comprehensive customer-level risk management embedded in our structure.

In personal insurance, we continued to simplify our processes and created the technical possibility for transitioning to fully digital processes.

In 2019, the importance of information to customers was a priority within our training courses; to reflect this, we revised our sales technique materials and our curriculum.

We focused primarily on our products for corporate customers in health insurance as well, thus contributing to our comprehensive corporate services.

Personal insurance sales volumes grew steadily in most channels in the second half of the year. The profitability of the personal insurance portfolio was a significant factor in the rise of profitability at UNIQA Insurance.

A.2 Underwriting Performance

The following chapter presents the technical performance of the UNIQA Biztosító Zrt. during the reporting period. The information is qualitatively and quantitatively presented in both aggregated form as well as broken down to the essential business units and geographic areas, where UNIQA Biztosító Zrt. operates during the reporting period. Subsequently, the information presented in this report is compared to the data collected in the last reporting period and presented in the financial statements of the company.

Premium development

The Company achieved gross written premium of 72 billion HUF. Life related part is 25.3 billion HUF with 0.9 bn HUF Health part, whereas non-Life premium is 46.9 billion HUF. Total GWP increased by 6.2% versus last year mainly driven by Non-Life growth. UNIQA Biztosító Zrt. closed the reporting period with successful new business acquisition and policy renewals. Non – Life gross written premium increased by 3.7 billion HUF versus prior year, the majority of the growth derive from Motor vehicle liability insurance and Fire insurance.

In the aspect of premium paying frequency 90% of the gross written premium derive from contracts with regular payment.

Premiums, claims and expenses - Non Life

Gross (th HUF)	2019	2018
Premiums written	46 893 457	43 180 398
Premiums earned	45 801 136	41 349 386
Claims incurred	22 213 307	20 986 366
Changes in other technical provisions	-321 442	-497 588
Expenses incured	15 112 823	14 309 587

Table 2. Gross premiums, claims and expenses comparison - Non Life

Premiums, claims and expenses by line of business - Non Life

in Thousand HUF	Premiums written - Gross 2019	Premiums earned - Gross 2019	Claims incurred - Gross 2019	Changes in other technical provisions - Gross 2019	Expenses incured - Gross 2019
Medical expense insurance	-	-	-	-	-
Income protection insurance	3 518 839	3 398 957	1 064 824	- 245 886	1 713 927
Workers' compensation insurance	-	-	-	-	-
Motor vehicle liability insurance	14 450 583	14 006 359	8 439 224	- 248 474	3 993 442
Other motor insurance	14 176 219	14 038 326	8 315 612	62 220	4 025 591
Marine, aviation and transport insurance	453 519	452 261	- 46 323	8 820	130 594
Fire and other damage to property insurance	9 240 464	9 008 439	2 756 579	47 032	3 340 529
General liability insurance	2 190 495	2 183 906	884 353	59 079	760 418
Credit and surety insurance	-	-	-	-	-
Legal expenses insurance	16 532	16 878	14 498	-	5 309
Assistance	774 831	766 926	221 789	- 20 357	389 451
Miscellaneous financial loss	2 071 975	1 929 084	562 752	16 123	753 562
Total	**46 893 457**	**45 801 136**	**22 213 307**	**- 321 442**	**15 112 823**

Table 3. Gross premiums, claims and expenses by line of business - Non Life

The gross premium written of Life business for reporting period was 25.3 billion HUF, 3 percent growth versus prior year driven by increase in unit-linked new business insurance acquisition.

Life insurance portfolio lifecycle is on maturity stage. Table below excludes investment result.

Premiums, claims and expenses - Life

Gross (th HUF)	2019	2018
Premiums written	25 365 410	24 851 258
Premiums earned	25 527 210	24 702 385
Claims incurred	23 418 672	21 934 472
Changes in other technical provisions	-11 122 198	7 496 112
Expenses incurred	5 939 387	7 065 751

Table 4. Gross premiums, claims and expenses comparison - Life

Premiums, claims and expenses by line of business - Life

in Thousand HUF	Premiums written – Gross 2019	Premiums earned - Gross 2019	Claims incurred - Gross 2019		Changes in other technical provisions - Gross 2019	Expenses incurred - Gross 2019
Health insurance	893 962	889 179	353 379		-	5 082
Insurance with profit participation	1 314 571	1 327 160	2 597 174		1 298 092	1 473 767
Index- and unit-linked insurance	21 196 779	21 362 838	19 919 606	-	12 420 290	4 453 451
Other life insurance products	1 960 098	1 948 033	548 513		-	7 088
Total	**25 365 410**	**25 527 210**	**23 418 672**	**-**	**11 122 198**	**5 939 387**

Table 5. Gross premiums, claims and expenses by line of business - Life

The company net Non-Life premium without reinsurance part is 22.6 billion HUF, which results 10% improvement versus previous year. The 63 percent of Non-Life premium derive from MTPL and CASCO, both line of business increased through the business year partly due to 2019 introduced MTPL insurance tax driven pricing initiatives and successful new acquisition.

Nominal value of claims are increased driven by the portfolio growth and non-life underwriting performance was also affected by some larger claims and changing weather conditions, moreover average claims are also increased due to significant claims inflation. Nevertheless underwriting profit increased during the year 2019.

Premiums, claims and expenses - Non Life

Net (th HUF)	2019	2018
Premiums written	22 629 814	20 615 600
Premiums earned	22 051 190	19 744 644
Claims incurred	10 766 731	9 944 978
Changes in other technical provisions	-173 181	-369 924
Expenses incured	6 530 672	6 886 696

Table 6. Net premiums, claims and expenses comparison - Non Life

Premiums, claims and expenses by line of business - Non Life

in Thousand HUF	Premiums written - Net 2019	Premiums earned - Net 2019	Claims incurred - Net 2019	Changes in other technical provisions - Net 2019	Expenses incured - Net 2019
Medical expense insurance	-	-	-	-	-
Income protection insurance	3 189 107	3 074 263	999 665	- 246 765	1 533 404
Workers' compensation insurance	-	-	-	-	-
Motor vehicle liability insurance	6 896 713	6 672 945	3 542 639	13 410	1 541 909
Other motor insurance	6 594 657	6 525 712	4 122 441	30 535	949 291
Marine, aviation and transport insurance	171 369	170 760	942	4 410	50 868
Fire and other damage to property insurance	3 366 763	3 264 567	1 132 789	13 696	1 249 157
General liability insurance	604 415	607 911	390 357	23 868	376 021
Credit and surety insurance	-	-	-	-	-
Legal expenses insurance	16 532	16 878	14 498	-	5 309
Assistance	771 485	764 474	214 465	- 20 357	389 451
Miscellaneous financial loss	1 018 774	953 679	348 936	8 023	435 264
Total	**22 629 814**	**22 051 190**	**10 766 731**	**- 173 181**	**6 530 672**

Table 7. Net premiums, claims and expenses by line of business - Non Life

Premiums, claims and expenses - Life

Net (th HUF)	2019	2018
Premiums written	24 934 544	24 395 604
Premiums earned	25 105 249	24 253 632
Claims incurred	23 320 846	21 816 170
Changes in other technical provisions	-11 122 200	7 496 197
Expenses incurred	5 724 490	6 837 296

Table 8. Net premiums, claims and expenses comparison - Life

Premiums, claims and expenses by line of business - Life

in Thousand HUF	Premiums written – Net 2019	Premiums earned - Net 2019	Claims incurred - Net 2019	Changes in other technical provisions - Net 2019	Expenses incurred - Net 2019
Health insurance	791 349	791 661	353 379	-	5 082
Insurance with profit participation	998 592	1 011 182	2 597 174	1 298 090	1 258 870
Index- and unit-linked insurance	21 196 779	21 362 838	19 919 606	- 12 420 290	4 453 451
Other life insurance products	1 947 825	1 939 569	450 687	-	7 088
Total	**24 934 544**	**25 105 249**	**23 320 846**	**- 11 122 200**	**5 724 490**

Table 9. Net premiums, claims and expenses by line of business - Life

More than 99% of the insurance activity - relates to direct gross premium written both for Life and Non-Life - acquired from territory of Hungary.

Insurance benefits

Total gross claims incurred were 45.6 billion HUF for business year, nominal increase versus 2018 is 6%, in line with the increase of the portfolio size the volume of claims incurred are also increased. Non-Life P&C claims ratio shows 1.6 percent improvement in comparison with 2018. In case of Life major part relates to Index- and unit-linked insurance as surrenders and partial surrenders are continuously high.

in Thousand HUF	Non Life 2019	Health 2019	Life 2019	Non Life 2018	Health 2018	Life 2018
Premiums written (gross)	46 893 457	893 962	24 471 448	43 180 398	892 963	23 958 296
Premiums earned (net)	22 051 190	791 661	24 313 589	19 744 644	811 548	23 442 084
Insurance benefits	10 593 550	353 379	11 845 267	9 575 054	372 823	28 939 544
Operating expenses	6 530 672	0	5 724 490	6 886 696	0	6 837 296

Table 10. Gross premiums, claims and expenses by line of business - Total

Operating expenses

Nominal expense level decreased versus 2018 via implemented cost savings initiatives on fix, maintenance expenses and via focusing on digital solutions.

UNIQA Biztosító Zrt. closed the year with arising positive technical result and last year profit before tax was also highly improved during 2019. In 2019 the Company continued to process the previous year started strategic transformation and made further significant progress supporting the future growth and strengthening of capital position.

A.3 Investment Performance

In the following section, the investment result of UNIQA Biztosító in the reporting period is presented.

		2018	2019
I.	**Investment property**	0	0
II.	**Financial assets accounted for using the equity method**	0	0
III.	**Variable-income securities**	**0**	**0**
1.	Available for sale	0	0
2.	Fair value through profit or loss	0	0
IV.	**Fixed-income securities**	**1 394 142**	**1 630 836**
1.	Available for sale	1 394 142	1 630 836
2.	Fair value through profit or losses	0	0
V.	**Loans and other investments**	**-2 866**	**-55 940**
1.	Loans	-2 866	-55 940
2.	Other investments	0	0
VI.	**Derivate financial instruments (trading portfolio)**	**0**	**0**
VII.	**Investment administration expenses, interest paid and other investment expenses**	**-176 530**	**-294 040**
Total (fully consolidated figures)		**1 214 746**	**1 280 856**
Reclassification of technical interest income			0

Table 11. (Net) Investment income [THUF] according to local GAAP

The direct investment portfolio of UNIQA Biztosító, including shares in associated companies, current cash held in financial institutions, excluding investment of unit-linked life insurance was HUF 43,474 million (31 December 2018: HUF 37,853 million).

Net investment income was HUF 1,280.9 million, which compares to HUF 1,214.7 million a year earlier. Asset composition within the direct portfolio remained weighed heavily toward locally issued government bonds (86,2% of the direct investment portfolio) in line with the matching portfolio concept. 2% of the portfolio was invested in foreign issued government bonds. We invested 3,1% of the portfolio in foreign corporate bonds, 0,8% in money-market funds, while 4,7% of the portfolio was cash held in financial institutions. 3,3% of the portfolio was loans to affiliated company. Generated investment income derived almost exclusively from the fixed income portfolio; the company did not have equity, investment property or derivative financial instrument positions for investment purposes. Admin expenses increased substantially (from HUF 177 million to 294 million) due to higher interest paid after intra group subordinated debt.

Information about directly in equity reported profits and losses

UNIQA Biztosító did not have equity positions in the direct investment portfolio in the reporting period.

A.4 Performance of Other Activities

In 2019, there was no significant item on other income at UNIQA Biztosító Zrt.

The following material other expenses were incurred:

Other expenses - HUF thousand	Staturory Values 2018	Staturory Values 2019
Local business tax	**334 136**	**360 835**
Impairment of receivables	**0**	**0**

Table 12. Other expenses

There was no significant change in the value of local business tax in 2019 compared to 2018. The UNIQA Biztosító Zrt. didn't account any impairment of litigated receivables in 2018. In 2019, UNIQA Biztosító Zrt. has set aside a HUF 75 million impairment of litigated receivables.

A.5 Any Other Information

Employees

In 2019 the members of the Supervisory Board received no remuneration or advances in connection with their activity; the total personnel expenditures related to the members of the Board of Directors in 2019 amounted to HUF 162,130 thousand; loans were granted in the amount of HUF 0. No pension payment obligations exist towards former members.

Expenses for the auditor of the financial statements

In 2019, the Company recognised a cost of HUF 58,203 for the audit of the current year's financial statements and for the inspection of the consolidation data supply to the parent company.

B. System of Governance

B.1 General Information on the System of Governance

According to Solvency II, insurance and reinsurance companies shall have in place an effective governance system which provides for sound and prudent management of the business and which corresponds to the nature, extent and complexity of their business activities. Such a system includes at least an adequate transparent organizational structure with a clear allocation and adequate separation of responsibilities as well as an effective system for ensuring the conveyance of information.

The aim of this chapter is to describe the organizational structure with clearly defined roles, responsibilities and tasks of the corporate bodies as well as the governance and other key functions of the UNIQA Biztosító Zrt.

The corporate bodies of UNIQA Biztosító Zrt. consist of the following:

B.1.1 General Meeting

The General Meeting is the shareholders' meeting of the UNIQA Biztosító Zrt., in which the shareholders exercise their rights.

The main tasks and decisions of the General Meeting are the followings in particular:

- approval of the financial report, decision regarding the appropriation of taxed profits;
- decision on the change of the corporate form;
- appointment and removal of Management Board members, procurers;
- appointment and removal of Supervisory Board members;
- appointment and removal of Audit Committee members;
- appointment and removal of the Statutory Auditor;
- decision on the amendment of the Statutes;
- decision on other matters which fall into exclusive competence of the General Meeting in accordance with the law or the Statutes.

B.1.2 Supervisory Board

The Supervisory Board controls the Management Board to ensure that the Management Board and the middle management implement proper measures to create a sustainable company value. The Supervisory Board meets as necessary, but at least once every quarter of the calendar year.

The main tasks and decisions of the Supervisory Board are the followings in particular:

- Supervision of the management in order to protect the interests of the company;
- Assessment of all motions brought before the General Meeting, and presenting its opinion thereof;
- Written report on financial report with the auditor's report prior to the annual General Meeting;
- Ascertaining that the insurance or reinsurance company has a comprehensive control system in place affording suitable facilities for effective operation;
- Supervision of the activities of the person performing the internal control function.

B.1.3 Audit Committee

The Audit Committee assists the Supervisory Board to exercise proper control of the financial reporting system, makes a recommendation concerning the election of the Auditor and assists in the cooperation with the auditor. The Audit Committee meets at least once a year.

The main tasks and scope of the Audit Committee are the followings in particular:

- The tasks of the audit committee according to the Civil Code Section 3:291 and Act on Insurance Business Section 116 subsection 7:
    - Reviewing the efficiency of the internal audit, risk management systems and the financial reporting process and in case it is needed, it proposes recommendations;
    - Monitoring the annual and consolidated financial report prepared according to the legal regulations;
    - Reviewing and monitoring compliance with the regulations on independence on the part of the auditor person or company;
- Giving opinion on the financial report prepared according to the Act C of 2000 on Accounting (Accounting Act);
- Making recommendation concerning the person and remuneration of the auditor;
- Preparation of the contract to be concluded with the auditor.

B.1.4 Management Board and Committees

The Management Board runs the company's business on its own responsibility in proper and accurate way. The Management Board is responsible for all matters which are not assigned to the General Meeting, the Supervisory Board or the Audit Committee. The Management Board meets at least once per quarter.

The Management Board of UNIQA Biztosító Zrt. regulates the goals and strategies. Particularly it is responsible for the implementation, development and supervision of the governance system. It defines the risk strategy, the organisation of set-up and structure and provides a robust internal monitoring and control system.

Management Board structure

- CEO (Chief Executive Officer)
- Director of Retail Insurance
- Director of Corporate Insurance
- CFRO (Chief Finance and Risk Officer)

The allocation of responsibilities of the Management Board of the UNIQA Biztosító Zrt. is illustrated below:

CEO	Directorate of Retail Insurances	Directorate of Corporate Insurances	CFRO
Legal and Corporate Services	Claims Settlement	Corporate Personal Insurances	Risk Management*
HR	Customer Service	Corporate Non-life Insurances	Controlling
Strategy and Transformation	Retail Product Management	Broker sales	Finance and Accounting
Marketing	Exclusive Sales	Bank sales	Actuaries*
IT and Operations	Alternative Sales		Asset Management
Internal Audit*			Compliance*
			Financial Compliance Officer**

Figure 4. Allocation of responsibilities of the Management Board

* The internal control functions are independent of any activity and line of business, which shall be controlled/supervised by them. In case of the Risk Manager, the Chief Actuary and the Compliance Officer the employer's rights shall be exercised by the Management Board, rights related to organising work have been delegated to the responsible board members. In case of the Internal Auditor the employer's rights shall be exercised by the CEO.

** With aiming the efficiency and compliance and within the "three lines of defence" concept, between the first and the second lines of defence the Management Board has appointed the Financial Compliance Expert.

Committee structure of UNIQA Biztosító Zrt.

In order to support the work of the Management Board and the operation of the company, numerous separate committees have been developed to cover the core topics of UNIQA Biztosító Zrt.:

- Product Portfolio Committee;
- Risk Management Committee.
- Data Protection Committee;
- Committee for Conflict of Interest;
- Information Security Management Forum (IBMF);
- Asset Liability Management Committee (ALCO);
- Operation Committee (Organization of Business Continuity);
- Outsourcing Supervisory Committee; and
- Reserve Committee.

The figure below provides an overview of the characteristics of these committees:

Committee	Responsibility
Product Portfolio Committee	The Product Portfolio Committee is a regular forum, where the sales and insurance technical departments are equally represented. The Committee monitors the life cycle of the products from the beginning to the point of abandoning of the products and it draws up measures in order to achieve its strategic objectives. The Product Portfolio Committee regulates and monitors the product development processes and it has a supporting role in decision making.
Risk Management Committee	The Risk Management Committee prepares recommendations for the Management Board as an independent control function and it supports the work of the Risk Management.
Data Protection Committee	The aim of the Data Protection Committee is having an efficient personal data management in accordance with the legal requirements.
Committee for Conflict of Interest	The aim of the Committee is to review at least yearly the Conflict of interest policy regarding the investment based insurance products.
Information Security Management Forum (IBMF)	The aim is the information security controll within the Company, and on the Forum the Report is presented to the participants by IT Security Officer and the Director of IT and Operations about the Security Report reagrding the evaluation of the past period, furthermore it contains proposals for the improvement of the information security management.
Asset Liability Management Committee (ALCO)	During its investment and reserving activities, UNIQA Biztosító Zrt. acts in such a way as to fulfill its undertaken liabilities at all times. UNIQA Biztosító Zrt. is committed as a priority to adequete ALM strategy. The members of ALCO shall ensure the recognised and distinct reserves and the cover statements for them in monthly repports.
Operation Committee (Organization of Business Continuity)	UNIQA Biztosító Zrt. operates the Operation Committee as part of the business continuity framesystem (BCP) and the disaster response (DRP). The scope of the Operation Committee is the announcement of disaster situation within the company and the decision-making in relation to dealing with and to prevent disaster situations and also the management of insurance emergency situations - as described in the Act on Insurance Business section 320.
Outsourcing Supervisory Committee	The operation of such Committee is a must in case there is a contractual relationship between UNIQA Biztosító Zrt. and an outsourcing service provider company for critical or essential outsourcing activity where any executive officer or their close relative is the chief executive officer according to the Act on Insurance Business Section 50. The aim of the committee is to provide evaluation and controll continouosly at highest level primarily focusing on the conformity of the outsourced activities (service providing), efficiency of the outsourced activity and evaluation of the strategic performance.
Reserve Committee	The aim of Reserve Committee is to monitor the Solvency I and IFRS reserves.

Figure 5. Overview of committees

B.1.5 Key Functions

The following shows the tasks and organisational integration of the four mandatory key functions required by Solvency II:

- Actuarial Function
- Risk Management Function
- Compliance Function
- Internal Audit Function

Each of the key functions generates regular reports which are presented to the Management Board and /or the Audit Committee and/or the Supervisory Board. The reported information is used in the monitoring and decision making process.

UNIQA Biztosító Zrt. has defined the Asset management and Claim handling as other key functions.

Actuarial function

The Actuarial Function is provided by the Actuarial Department which department is headed by the Director of Actuaries who is responsible for and coordinates the tasks of the Department and is the Chief Actuary as well (Director of Actuaries). The holder of employer's right is the Management Board

that delegated the rights of work organisation to the CFRO and the department belongs to CFRO in the organisation structure.

The Director of Actuaries may report directly to the Management Board according to the management system the Actuarial Function is independent from any other governance and key functions. The involvement of the Actuarial Function in the work of the different committees (Risk Committee) provides opportunity for him/her to receive information from and to inform directly the Management Board.

In order to the proper separation of the lines of defence, the actuaries who undertake the tasks of pricing – as part of the actuary department – has direct reporting opportunity according to the management system to the appropriate (L/NL) member of the Management Board

The Actuarial Function supports Risk Management in the Solvency Capital Requirement (SCR)-calculations and provides the Technical Provision calculations (maintains methodologies, processes and models and carries out the calculations). Within the guidelines of the actuarial function, it is set that conflicts of interest resulting from new tasks under Solvency II are to be avoided. The table below summarizes the tasks of the actuarial function:

Actuarial function
• Coordination of the technical provision calculation for the solvency balance sheet;
• Determination of the calculation process and development of fundamental methods;
• Coordination of the embedded value calculations;
• Assessment of the underwriting policy and reinsurance agreement;
• Validation of models, assumptions, data and results of calculations;
• Support of risk management;
• Preparation of actuarial reports, especially of the annual report of the actuarial function;
• Coordination of the technical provision calculation and information for the Management Board about the reliability and appropriateness of technical provision calculation;
• Providing the appropriateness of the applied methodology and the underlying models, and the assumptions observed in the technical provison calculation;
• Assessment of the sufficiency and quality of data used for technical provison calculation;
• Comparison of best estimate and data of experience; and
• Distribution of return on investment in Life business.

Figure 6. Actuarial Function

Risk Management Function

The Risk Management function of UNIQA Biztosító Zrt. reports directly to the Management Board, it is supervised by the Management Board. The Risk Management function is, within UNIQA Biztosító Zrt., independent of further governance and key functions.

The Risk Management function is responsible for the efficient implementation of the risk management system and the monitoring thereof. The processes and models of risk management in UNIQA Biztosító

Zrt. are carried out in line with UNIQA Group standards. A close cooperation with the actuarial function is decisive for fulfilling the main tasks. In the context of the partial internal model, the risk management function has additional tasks.

The main tasks of the risk management function are specified below:

Risk Management function
• Execution, maintenance and coordination of the risk management at UNIQA Biztosító Zrt.;
• Execution of UNIQA Group's risk management regulations and guidelines at UNIQA Biztosító Zrt.;
• Specification of and continuous follow-up on UNIQA Biztosító Zrt's risk exposure and risk profile;
• Execution, maintenance and development of the limit system;
• Identification, follow-up and reporting the risks;
• Make risk calculations:
o SCR;
o ECR;
• Administration and development of risk models:
o Partial Internal Model for NL insurance business;
• Supporting the activity of asset-liability management;
• Operating the own risk and solvency-assessment system;
• Reporting:
o Supplying of concerning data to Supervisory Authority;
o SFCR Report;
o RSR Report;
o ORSA Report;
• Preparation to the Risk Committee meetings;
• Communication to the affected parties (eg. Supervisory auditors, external auditors).

Figure 7. Risk Management Function

Compliance function

Compliance Function at UNIQA Biztosító Zrt. is exercised independently from other organizational units and internal control functions, it is supervised by the Management Board. The Compliance Officer who is appointed by the entire Management Board is responsible for ensuring that the tasks of the Compliance Function defined in the Compliance Policy are properly carried out. The Compliance Function regularly reports to the Management Board, the Supervisory Board, the Audit Committee, the Group Compliance Function and to the Risk Committee about its operation and about the compliance risks. Compliance risks can also be reported to the respective member of the Management Board of the impacted business unit.

Main fields of activity of the Compliance Function are the following:

Compliance function
• As part of its early warning task, it monitors the changes of legislative acts and other regulatory tools (e.g. supervisory regulatory tools) (hereinafter: regulatory environment).
• In case of changes in the regulatory environment, it initiates the review - and if it is necessary - the modification of internal processes and internal regulations.
• According to the annual compliance plan:
o it performs risk analyses,
o monitors compliance with the regulatory environment,
o evaluates the measures taken with regard to identified compliance risks,
o examines whether internal regulations comply with the regulatory environment,
o organises trainings concerning compliance relevant topics.
• It provides advice about compliance risks.
• It draws up and updates the Compliance Policy and the Compliance Standard according to the guidelines of UNIQA Group Compliance Function as well as other compliance-related internal regulations (such as about policy management, conflicts of interest, evaluation of fitness and propriety, Code of Conduct etc.).
• It maintains records specified in the Compliance Standard (declarations of conflicts of interest, gifts and invitations above a predetermined threshold).

Figure 8. Compliance Function

Internal audit

The internal audit function is carried out by the Internal Audit department of the UNIQA Biztosító Zrt. and is directly subordinated to the Supervisory Board of the UNIQA Biztosító Zrt. It is an exclusive function and cannot be conducted together with other non-audit functions. This guarantees their independence and therefore warrants efficient supervision and evaluation of the efficiency of the internal control system and other components of the governance system. The tasks of the internal audit are summarized below:

Internal Audit function
• Overall responsibility for audit activities within the companies of the UNIQA Biztosító Zrt.;
• Creation of a risk based multi-year audit plan for the UNIQA Biztosító Zrt. and obtainment of authorization –if necessary – of the Supervisory Board when substantial changes to the audit plan occur,
• Conducting of planned and special audits within the companies of the UNIQA Biztosító Zrt.;
• Initiation of special audits in case of imminent danger;
• Annual reporting of the audit plan fulfilment;
• Securing of the audit reporting required by law;
• Verifying the effectiveness and efficiency of internal policies of UNIQA Biztosító Zrt.;
• Verifying the activity of UNIQA Biztosító Zrt. In respect of legality, security, transparency and prudential requirements;
• Audit of the regular and ad-hoc data supply to the Supervisory Authority
• Interface between the UNIQA Biztosító Zrt. and Supervisory Authority
• Regulary reporting the planned and ad-hoc audits to the Management Board, Audit Committee and the Supervisory Board.

Figure 9. Internal Audit Function

B.1.6 Remuneration

The aim of remuneration within the companies of UNIQA Biztosító Zrt. is to achieve balance between market trends, statutory and regulatory requirements, expectations and shareholders, and the needs of employees. The core principles of the UNIQA Biztosító Zrt. are:

Internal fairness includes the fair treatment of employees within an entity/department, referring to its area of responsibility and individual characteristics. **External competiveness** refers to a target market positioning of individual parts of compensation package to ensure the motivation and long-term commitment of employees of UNIQA Biztosító Zrt. In order to **prevent an extensive risk-taking** the size and structure of compensation packages, compensation vehicles as well as risk types are being matched. These are subordinate to the individual functions and involve legal requirements as well as **economic sustainability**, which applies the agreed personal cost budget and the supervision of the effects of personnel costs on the short- and long-term profit commission statement.

Particularly important during the organisation and supervision of salary packages is the alignment with UNIQA Biztosító Zrt. business strategy and the long-term strategic plans. The implementation of these plans is a performance-related (variable) component of the remuneration package under incorporation of the participation and performance of individuals, teams, groups and companies. Within the remuneration policy it is distinguished among:

- Level 1: top executive roles with the most significant business impact
- Level 2: management roles within the UNIQA Biztosító Zrt.
- Level 3: Team leaders, Group Function experts

Base salary

Decisions concerning the base salary are being made in consideration of the profession (complexity and hierarchy level) and individual characteristics (experience, skills, talent and potential) of the employee. Market benchmark indices as well as the compensation strategy of UNIQA Biztosító Zrt. form the basis for setting and updating salary ranges for various levels of jobs. In general, the size of

base salary aims at an adequate balance between the fixed and variable components, which limit an extensive risk aversion.

General, strategic salary related decisions – yearly adjustments, structural changes, etc. - are taken by the Management Board, depending on the function. They are proposed and administered by Human Resources Department of UNIQA Biztosító Zrt..

On the operational level, individual and or package decisions are taken – depending on the level of the position - by the Supervisory Board or the Management Board or by the Functionally responsible Board member.

Individual packages as well as the generic policy are administered by Human Resources Department of UNIQA Biztosító Zrt..

Variable pay

UNIQA Biztosító uses two types of variable remuneration that are bound to different timescales: short-term variable pay refers to the performance and contribution of level 1, 2 and 3 managers within a one-year period.

Long-term variable pay refers to a performance within a four-year period and is bound to a long-term, sustainable business development of UNIQA Biztosító. The long-term, sustainable pay (also referred to as “deferred payment”) is only offered to UNIQA Holding functions or to UNIQA Board functions with the most significant business impact.

Long-term variable pay or “deferred payment”

This type of variable pay is defined, regulated and managed as per UNIQA International standards. All related activities are done by central function, except if payment are to be made locally, where the local Human Resources department covers the payroll related duties.

Short-term variable pay

The short-term variable pay aims at compensation of level 1 and 2 managers for short-term realization of economic targets of UNIQA Biztosító Zrt.. In case the company generates appropriately favourable earnings, respectively achieves its targets, eligible managers have the opportunity to participate on its financial results in the form of a short-term variable pay. It is designed in a way that supports reasonable balance between fixes and variable pay. The target premium depends on the complexity of the tasks of the respective manager. The goal premium of each person is checked periodically and communicated to the respective person within the first months of a financial year, depending on organisational changes as well as changes in complexity of tasks and market practice.

UNIQA Biztosító Zrt. – reflecting the difference in ability to impact the company result - defined three variable remuneration levels, respectively Directors , Managers and Team Leaders.

Based on market specificities – other expert and/or standard positions – might be rewarded by additional variable pay. The eligibility criteria, the so called “bonus” objectives as well as the amount or percentage paid (versus the monthly fixed payment) are defined by the given business organisation and approved by Human Resources Director and by the Board of Directors.

The annual plan, including the minimum and maximum values of payments both of the respective company of UNIQA Biztosító Zrt. or UNIQA Biztosító Zrt. and the individuals are being defined and passed by the Supervisory Board or the Management Board.

The end-of-year results of UNIQA Biztosító are evaluated by the Controlling Department. The fulfilment of the individual objectives are validated by the direct managers and the bonus amount is calculated by the Human Resources department. Before payment, the calculation are randomly checked by Internal Audit.

B.2 Fit and Proper Requirements

The aim of applying rules concerning fitness and propriety is to ensure that the members of the Supervisory Board and the Management Board (senior executives), the non-management officers as well as the key functions are sufficiently qualified and reliable for the tasks entrusted to them.

B.2.1 Supervisory Board and Management Board

Corporate fitness requirements

Members of the Supervisory and Management Board are required to collectively possess at least qualification, experience, and knowledge about the following fields of competence:

- insurance and financial markets;
- business strategy and business model;
- system of governance;
- financial and actuarial analysis;
- regulatory framework and requirements.

Collective “fitness” means that members of the Supervisory and Management Board are not each expected to possess expert knowledge, competence and experience within all of those areas but the Supervisory and the Management Board as a whole has to possess the collective knowledge, competence and experience in order to provide for a sound and prudent management.

Fitness requirements of members

Fitness requirements for members of the Supervisory Board and the Management Board are the following:

- management experience and
- university-level degree and
- that they are not in the employ of an insurance or reinsurance company in the capacity of auditor.

In addition to a university-level degree, UNIQA Insurance Group AG requires the candidate to have a degree in a relevant subject (business management, legal or natural science degree), and/or completed external or internal professional training or corresponding education.

Assessment of fitness

The assessment of the person’s fitness should consider both the theoretical experience obtained through education and training and the practical experience gained from previous positions.

When assessing the theoretical experience, particular consideration should be given to the level and profile of the education and whether it relates to the areas of insurance, finance, economics, law, administration, etc.

Beyond the mandatory provisions of Bit., practical and professional experience gained from previous positions should be assessed, with particular regard to

- length of service,
- nature and complexity of the business in which the position was held, including its organizational structure,
- scope of competencies, decision making powers and responsibilities,
- professional knowledge gained through the position about the line of business and its risks,
- number of subordinates.

Propriety requirements of members and their assessment

Regarding propriety – beyond having no prior criminal record and beyond the obligatory provisions of Bit. – every conviction or condemnatory decision of a court, authority and professional chamber should be taken into consideration. In case of infringements that do not automatically exclude the propriety of a person, the assessment should be done on a case-by-case basis. Consideration needs to be given to the severity and the type of the infringement, the level of appeal (definitive vs. non-definitive convictions), the lapse of time, as well as the person's subsequent conduct. The assessment is based on the excerpt from criminal record, the declaration of the applicant and on publicly available data. It is also important to pay attention to any existing or potential conflict of interests, as well as to circumstances that give rise to a reasonable doubt about the persons' honesty, repute, integrity, character, personal behaviour, and financial soundness.

B.2.2 Non-management Officers According to Bit. and the Key Function Holders

UNIQA Biztosító Zrt. operates the following key functions:

- Risk management Function;
- Internal Audit Function;
- Compliance Function;
- Actuarial Function;
- Asset management Function;
- Claims handling Function.

Fitness requirements

When assessing the fitness of non-management officers and key functions, UNIQA Biztosító Zrt. extends the scope of requirements beyond what is laid down in mandatory legal provisions in terms of qualification, educational degree and experience if it is required by UNIQA Insurance Group AG.

The person responsible for claims handling function has to have a university-level degree in the relevant field – such as in particular in the field of natural sciences, economics, law, or engineering – or has at least five years of experience in claims handling at an insurance company. The end of professional experience must be within ten years of the date of the beginning of employment.

Assessment of fitness

Criteria taken into account at the assessment are identical with those applied in the case of senior executives.

Propriety requirements and their assessment

Criteria and their assessment are identical with those applied in the case of senior executives.

B.2.3 Process of Fit and Proper Assessment

The assessment of fitness and propriety is implemented in the external and internal recruitment process. When assessing certain competencies, the professional qualification, knowledge and previous experiences are taken into consideration.

Collecting the documentation required for the decision on fitness and propriety of members of the Supervisory and the Management Board is the task of Group HR in close cooperation with the General Secretary.

As a result of prior assessment by Group HR a proposal regarding the fitness and propriety of the relevant person is submitted to the person/body responsible for the assessment. As regards the members of the Supervisory Board and the Management Board it is the Board of UNIQA International AG that is responsible for the assessment and the final decision.

Collecting the documentation which is required for the decision on fitness and propriety of non-management officers and key function holders is the task of the HR Department of UNIQA Biztosító Zrt.

The HR Department submits a proposal regarding the fitness and propriety of the relevant person to the respective member of the Management Board who is responsible for the assessment and the final decision.

Re-assessment

Members of the Supervisory and Management Board, non-management officers and key function holders are obliged to notify the body/person responsible for Fit and Proper assessment about any essential changes to the documentation, declarations and other information or data provided by them in the course of the assessment procedure.

The body/person responsible for Fit and Proper assessment considers and decides whether a re-assessment is required based on the changes. In the cases indicated in the internal regulation on fitness and propriety a re-assessment must be performed.

Ensuring continuous compliance

Members of the Supervisory and Management Board, non-management officers and key function holders are obliged to continue and update their education and knowledge relevant for their position.

Trainings attended by persons subject to fit and proper assessment have to be documented in their personal file. Moreover, these persons have a duty to report changes in respect to the facts and data that form the basis of their fitness and propriety.

Based on the report about changes, the body/person responsible for the assessment might initiate a re-assessment or take other appropriate measures.

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

B.3.1 General Information

The risk management system, as part of the governance system, serves the identification, the valuation and the surveillance of short and long-term risks which UNIQA Biztosító Zrt. is exposed to. The internal guidelines in line with UNIQA Group uniform standards include a detailed description of the organisational and process structure.

B.3.2 Risk Management, Governance and Organisational Structure

The organisational structure of the risk management system reflects the concept of the “three lines of defence”. It is precisely defined in the following sections.

First line of defence: Risk management within the business activities

The persons responsible for the business activities have to build up and maintain an adequate control environment in order to identify and monitor the risks associated with the business and the processes.

Second line of defence: Supervisory functions, including the risk management function

The risk management function and the control functions must monitor the business activities, however, without intruding into the operative execution.

Third line of defence: Internal and external examination

Internal and external examination allow for an independent examination of the structure and effectiveness of the complete internal control system (including risk management and compliance).

The organisational structure of the risk management system and the most significant responsibilities within UNIQA Biztosító Zrt. are depicted below:

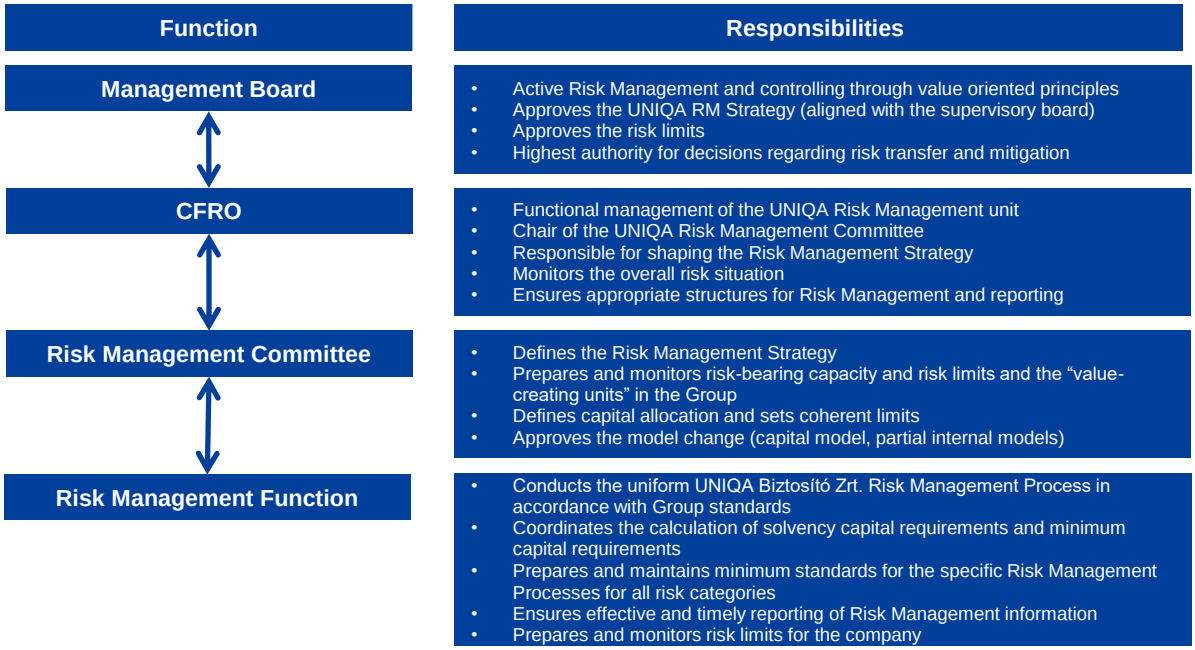

Figure 10. Organisational structure of the risk management system

Management Board functions

The Management Board of UNIQA Biztosító Zrt. is responsible for establishing the business strategy and determining the associated risk strategy. The core components of the risk management system and the associated governance are embedded in the UNIQA Biztosító Zrt. Risk Management Policy which was adopted by the Management Board.

On the level of the UNIQA Biztosító Zrt. Management Board, the function of the Chief Finance and Risk Officer (CFRO) is a separate position. This ensures that the topic of risk management is represented in the Management Board.

The risk management committee is a core component within the risk management organisation. It monitors and controls the risk profile of the UNIQA Biztosító Zrt. The aims are the control and the monitoring of the short and long-term risk profile as it is defined within the risk strategy of UNIQA Biztosító Zrt. Moreover, the committee is responsible for defining, controlling and monitoring the risk-bearing capacity and the risk limits.

B.3.3 Risk Strategy

The risk strategy describes how the company deals with risks, which represent a potential threat for achieving strategic business goals. The main purposes are maintaining and protecting the financial stability, the reputation and the profitability of UNIQA Biztosító Zrt. in order to meet the obligations towards the clients, share- and stakeholders. Last but not least, UNIQA Biztosító Zrt.'s carefully formulated risk strategy contributes to complying with the Supervisory requirements and recommendations regarding continuous capital adequacy.

The risk strategy is prepared by the risk management function of UNIQA Biztosító Zrt. and is approved by the Management Board.

A core component of the risk strategy is the definition of the risk categories. UNIQA prefers risks which can be influenced and controlled efficiently and effectively according to a reliable model. The risk profile mainly focuses on underwriting risks. The table below provides an overview of the defined risk preferences structured by risk categories.

Risk category	Risk appetite		
	low	medium	high
Underwriting Risk Non-Life			X
Underwriting Risk Life			X
Underwriting Risk Health			X
Market Risk	X		
Credit Risk / Counterparty Default Risk		X	
Operational Risk	X		
Strategic Risk	X		
Liquidty Risk	X		
Concentration Risk	X		
Reputational Risk	X		
Emerging Risk	X		

Table 13. Risk appetite

UNIQA Biztosító Zrt. defines its risk appetite on the basis of the “Solvency Capital Requirements” (SCR) but corresponds to the further development of the European Insurance and Occupational Pensions Authority (EIOPA) standard formula for the SCR. The calculation of the underwriting risks within the property and casualty insurance is performed by means of a partial internal model (PIM), which following the Regulatory approval is also used for regulatory capital requirement beginning with Dec 2017.

B.3.4 Risk Management Process

On the one hand, the risk management defines the risk categories, which are in the focus of the risk management processes. On the other hand, it provides the organisation and process structure to ensure a transparent and optimal risk management process.

The risk management process delivers information on the risk profile regularly and enables the top management to take control measures in order to achieve the long-term strategic objectives. The process focuses on company-relevant risks and is defined for the following risk categories:

- Underwriting risk (property and casualty insurance, health insurance, life insurance)
- Market risk / Asset-Liability Management (ALM) risk
- Credit risk / Default risk
- Liquidity risk
- Concentration risk
- Strategic risk
- Reputation risk
- Operational risk
- Contagion risk
- Emerging risk

For these risk categories, risks are regularly identified, evaluated and reported according to a Group-wide standardised risk management process. Guidelines, that aim to regulate the processes, are implemented for most of the risk categories mentioned above. The figure below depicts the risk management process of UNIQA Biztosító:

Figure 11. Risk management process

Risk and context identification

The risk identification is the starting point for the risk management process. All significant risks are recorded systematically and described as detailed as possible. In order to process a risk identification as complete as possible, different approaches are used simultaneously. In addition, all risk categories, departments, processes and systems are taken into account.

Risk assessment

The risk categories of market risk, underwriting risk, counterparty default risk and concentration risk are evaluated by means of quantitative methods based on the Solvency II requirements[1] for the SCR and the ECM (Economic Capital Model) approach. For the results of the standard approach, risk drivers are identified and analysed in order to assess whether the risk situation is reflected adequately (in accordance with the ORSA process). All other risk categories are evaluated quantitatively or qualitatively using proper risk scenarios.

Limits and early warning indicators

Within the limit and early warning system, the risk bearing capacity and the capital requirements are determined regularly based on the risk situation and thereby, the level of coverage is derived. If critical

[1] Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

coverage thresholds are reached, a precisely defined process is set in motion, which aims to bring the level of solvency coverage back to a non-critical level.

Monitoring and controlling

The process of the monitoring and controlling of risks focuses on the continuous audit of the risk environment and the fulfilment of the risk strategies. The risk manager of UNIQA Biztosító Zrt. performs the process and is thereby supported by the Risk Management Committee.

Reporting

As a result of the risk analysis and the monitoring, a risk report is prepared for UNIQA Biztosító. All risk reports have the same structure and provide an overview of the main risk indicators, the risk bearing capacity, the solvency requirements and the risk profile. Furthermore, a reporting form is available to provide a monthly update regarding the major risks of UNIQA Biztosító Zrt.

Besides the evaluation according to Solvency II, operational and other significant risks are evaluated regularly by means of expert assessments. The quantitative and qualitative risk evaluations are consolidated in a risk report and are placed at the disposal of the management.

B.3.5 Committees Relevant to Risks

An overview of the committees has already been presented in chapter B.1.4. In particular, the Risk Management Committee represents a key element within the risk management organisation. This committee is responsible for the control of the risk profile and the related definition and monitoring of the risk bearing capacity and risk limits.

B.3.6 Governance of the Partial Internal Model

The partial internal model is subject to UNIQA Group Model Governance policy and the related standards that, both at the Group and the local level, set out the governance requirement for the partial internal model. In particular, the model governance framework covers the following areas:

- Roles and responsibilities
- Internal Control System for the partial internal model
- Model validation
- Model change process
- Data quality
- Expert judgement

Roles and responsibilities

Roles and responsibilities regarding the partial internal model are the following:

Managing Board

- Approves the application to the supervisory authorities for approval of the internal model, as well as the application for approval of any subsequent major changes made to that model
- Responsible for putting in place systems which ensure that the internal model operates properly on a continuous basis
- Uses the results of PIM for steering the strategy of the company

Board Member responsible for risk management and finance

- Approval or rejection of the model and its results based on the outcome of the validation
- Approval of new assumptions that cause a major model change
- Approval of the application to the supervisory authorities for an approval of a major model change

Risk Management Committee

- Regular discussion of the model results and of the results of model validation
- Internal approval of major model changes
- Delegation of specific partial internal model related tasks to expert sub-committees, as described below

Internal Model Subcommittee

- Ongoing discussion of the partial internal model at a technical level
- Regarding the locally owned model components, decision on model changes to be implemented and development of these changes
- Internal approval of minor model changes, notifying the Risk Management Committee
- Approval of methodology assumptions

Validation Subcommittee

- Discussion of the validation results and decision on the validation outcome

Risk Management Function

- Local implementation of model governance standards
- Planning and coordination of the model calculation
- Definition and review of internal controls
- Preparing, maintaining and updating the model documentation
- Performing independent validation of the model including suitability assessments, preparing validation reports
- Monitoring the ongoing compliance of the model with the requirements for internal model approval
- Suggesting areas for model improvements

Actuarial Function

- Coordination of data collection for the partial internal model
- Model parameterisation, including documentation in the Parameterisation Report
- Preparing model inputs
- Performing dependent validation tests on the model inputs, supporting independent validation with quantitative inputs

Internal Audit Function

- Independent validation of model governance , use test, data quality and documentation

Internal Control System for the partial internal model

A comprehensive control checklist, covering every data collection and calculation step, is completed during each partial internal model calculation process. Control responsibilities ensure that the four-eyes principle is observed. In addition, internal controls apply to the model validation process.

Model Vaildation

Comprehensive requirements for the validation process are set out by the UNIQA Group Validation Sub-Policy. The following types of validation are distinguished:

- Initial validation
- Ongoing validation
- Ad-hoc validation

The initial validation of the partial internal model was performed in 2015 and it is to be repeated at regular 5-year intervals beginning from the regulatory approval of the model. The scope of the initial validation program includes the review of all sub-models and all model components: coverage and use, model structure and methodology, data, model parameterisation, computational processes and results testing, model-specific governance. The initial validation program also includes a non-model specific part, covering model governance, use test, data quality management, profit and loss attribution, calibration standards and compliance with partial internal model requirements.

An ongoing validation process is performed parallel to each annual partial internal model calculation, where a successful validation result is required for the approval of the model results. The ongoing validation program includes the following tests:

- Documentation appropriateness
- Data quality assessment
- Profit & Loss attribution
- Use test and risk mitigation
- Model Back-testing
- Model re-parameterisation including expert judgment
    - Goodness of Fit
    - Sensitivity and Stability Analysis
    - Analysis of Change
    - Model versus Plan
    - Scenario-, Stress- and Reverse-Stress-Testing
    - Diversification effects
- Emerging risk assessment and model assumptions

An ad-hoc validation process is triggered by model changes, changes in the risk profile or the need for re-validation of the problem areas identified by an earlier validation process.

Model Change Process

Standards for the model change process are set out in UNIQA Group Model Change Sub-Policy. Qualitative and quantitative criteria are defined for classifying a model change as either a minor or a major one (a major model change requiring regulatory approval before use). Triggers for model changes include emerging risk assessments and the weaknesses identified in the validation process. There are rules for the reporting, documentation, validation and approval of model changes. As a general rule, a model change can not be used before it is successfully validated and approved.

Data Quality

The partial internal model is subject to the UNIQA Group Data Quality Sub-Policy. Data quality requirements include the definition of data dictionaries and data flows as well as data quality assessments.

Expert Judgement

Areas of expert judgement include the setting of methodology assumptions and regular expert judgement during the model parameterisation. Both are subject to UNIQA Group Expert Judgement Sub-Policy. In particular, the assumptions of the model have to be identified, documented, assessed for materiality and regularly validated.

B.3.7 The Company's Own Risk and Solvency Assessment

UNIQA's Own Risk and Solvency Assessment (ORSA) process is forward-looking and is an integral part of the business strategy, the planning processes and the total risk management concept at the same time. The results of the ORSA cover the following contents:

1. Standard formula: process, methodology, appropriateness and variations;
2. Assessment of the overall solvency needs: process, methodology, own funds (OF), overall solvency needs (OSN), stress and scenario analyses, risk mitigation;
3. Assessment of continuous compliance of the solvency-/minimal capital requirements (SCR/MCR) and technical provisions: process, SCR projection, stress and scenario analyses, technical provisions
4. Conclusions and action plans and
5. Appendix.

Integration of the ORSA process

The ORSA process is of significant importance to the entire UNIQA Biztosító Zrt.. A continuous exchange occurs between the ORSA and risk management processes, which supplies ORSA with the relevant inputs. It ensures an effective and efficient management of UNIQA Biztosító Zrt.'s risks and is therefore a crucial element for the fulfilment of all regulatory capital requirements (SCR and MCR) and the complete solvency requirements (internal perspective) both at the moment and throughout the whole planning period.

The reference date for the ORSA of UNIQA Biztosító Zrt. is 31 December of the previous year. This ensures that ORSA is up to date and that the results of the strategy and planning processes as well as the specification of the risk and strategy framework for the following year can be included. Next to the annual ORSA, unscheduled ORSA runs can also take place. For this purpose, UNIQA Biztosító Zrt. has defined various incidents which initiate the assessment process to determine whether an unscheduled ORSA is necessary. As soon as an initiating incident takes place, the Management Board of UNIQA Biztosító, is informed. The risk management department analyses, whether an unscheduled ORSA has to be performed. In form of a recommendation, the result is delivered to the Management Board, which decides, whether an unscheduled ORSA is necessary.

The ORSA 8-step approach

The ORSA process of UNIQA Biztosító Zrt. is based on an 8-step approach which is executed in an integrated way between the risk management function and the Management Board. In the paragraph below, UNIQA Biztosító Zrt.'s 8-step approach is explained.

Within the first step, the relevant risks for UNIQA Biztosító Zrt.'s ORSA process are identified and the methods and assumptions are defined. The second step covers the identification and evaluation of the risks, which UNIQA Biztosító Zrt. is exposed to. In the third step, a projection of the economic capital requirements, the SCR, as well as the application of stress (including reverse-stress) tests and scenario analyses are carried out. During the fourth step, the methods and results are recorded. In the fifth step, needs concerning the application of risk-minimising measurements as well as their potential application are evaluated. During the sixth step, UNIQA Biztosító Zrt.'s risk positions are monitored based on a stoplight system. If necessary, additional measurements are applied. The final ORSA report is created during step seven. In step eight, the application of risk limits covers the limitation of risks based on individual risk categories and the allocation of own funds to the identified risks.

The ORSA 8-step approach explained above is characterised by a continuous exchange of information between the various involved parties. The Management Board of UNIQA Biztosító carries the final responsibility of the approval of UNIQA Biztosító Zrt.'s ORSA and it discusses the methods and assumptions for the ORSA process with the risk management department. Furthermore, the Management Board is responsible for the approval of the results of the ORSA report. The participation of the Management Board of the company ensures that it is always informed about UNIQA Biztosító Zrt.'s risk positions and the Own Funds requirements resulting from it.

Risk identification

The identification of risks is the basis of a complete risk management and ORSA process. This identification process covers the risk exposures with regard to all risk categories as described in Section Risk profile. The risks are identified by the appropriate risk owner. This identification is based on various expert conversations regarding the risks. Consequently, particular risk-generating processes are analysed. Risk owners are chosen on basis of the extent of their radius of operation within the organisational structure.

Continuous fulfilment of solvency requirements

The overall solvency needs of UNIQA Biztosító Zrt. that are called economic capital requirement (ECR) represent the result of all capital requirements. For the particular risks, diversification effects are included according to the Solvency II standard formula for the individual risk modules and lines of businesses, for which the standard model is used. The risk evaluation occurs by means of the following methods: Solvency II standard approach, internal economic capital requirements, partial internal model or qualitative assessment of non-quantitative risks.

On the basis of projections, UNIQA Biztosító Zrt. guarantees that it continually ensures the regulatory capital requirements throughout the business planning period and beyond. This is the reason why the regulatory capital requirements SCR, the ECR and the available capital are projected over a planning period of five years. Moreover, stress tests are carried out by performing scenario and sensitivity analyses. These scenario analyses are based on possible future scenarios with a material influence on the capital and the solvency position of UNIQA Biztosító Zrt. By analysing the sensitivities, the influence on individual risk drivers is assessed by means of scenario tests. A hypothetical world, consisting of different risk drivers, is being analysed here. Based on the available capital and the risk appetite, the overall risk budget of UNIQA Biztosító Zrt. can be determined.

B.4 Internal Control System

B.4.1 Internal Control System

The Internal Control System (ICS) shall ensure the insurance company's compliance with applicable laws, regulations and administrative provisions and the effectiveness and the efficiency of the company's operations in light of its objectives as well as ensure the availability and reliability of financial and non-financial information. ICS is a framework that provides a standardized process, which guarantees that risks related to the effectiveness and efficiency of insurance activities, compliance and generation of reliable (non-) financial information will be minimized, prevented or eliminated through predefined controls and procedures. Special importance is attached to the transparent and efficient organisation of the process. Therefore, an internal control system for the reduction and avoidance of risks was implemented for all processes in which significant financial and/or operative risks as well as compliance risks can occur.

For UNIQA Biztosító Zrt. an internal guideline serves as base for the implementation of the internal control system. It defines the minimal requirements regarding organisation, methods and extent. The ICS guideline specifies that the internal control system has to be implemented based on an approved value chain from the Group, focusing on the processes on a higher level, with flexibility to customize to local needs. During the ICS process the local unit has to assure that all significant risks are identified based on a common risk catalogue developed by the Group. Main areas that are covered within the ICS, evaluated mainly on a qualitative basis, are: Sales, (Non-)Life Underwriting, Claims Management, Finance and Accounting, (Non-)Life Actuarial, Compliance, Legal, Risk Management, Reinsurance, Human Resources, Controlling, Customer Services, Marketing, IT & Operations, Strategy & Project Management, AML and Internal Audit. Additionally there are two main processes, IFRS and EBS, that are quantitatively evaluated.

The concept of the "Three lines of defence" is also valid for the ICS framework. There is a person in charge for each of the mentioned areas covered who is responsible for the organisation of an efficient internal control system within his or her field of responsibilities.

According to the ICS guidelines of UNIQA Biztosító Zrt., the following activities have to be carried out during the execution of the ICS process in the areas mentioned above:

- Scoping of relevant risks for the area from the common risk catalogue
- Risk and control self-assessment
- Monitoring
- Management reporting

In order to guarantee a continuous assessment of the control quality, a monitoring system for the examination of the control performance, transparency and efficiency is crucial and has to be established for every process. The assessment of these criteria should take place via standardised control assessment and has to be defined individually for each process.

The following criteria have to be taken into account:

- Design effectiveness – measures the effectiveness of the control based on the way the control is designed, i.e. expected risk mitigation effect
- Operational effectiveness – determines whether a control is effective during its operation

Each owner of the above mentioned areas annually submits an ICS report, which includes information on the control performance, as well as residual risk assessment and planned measures. Then also an overall ICS summary for the whole company is prepared. This includes an overall assessment of the areas covered in the ICS, risks identfied from the common risk catalogue, controls defined and evaluated, residual risk assessment and planned measures. The ICS summary for the company is created on an annual basis. It is brought to the attention of the CFRO and discussed with the Risk Management Committee.

B.4.2 Compliance Function

The Compliance Officer appointed by the entire Management Board is responsible for implementing the Compliance Function and for ensuring that the tasks defined in the Compliance Policy are carried out according to the annual compliance plan.

One of the main obligations of the Compliance Function is the monitoring of the changes of legislative acts and other regulatory tools (e.g. supervisory regulatory tools) (hereinafter: regulatory environment) and accordingly the initiation of the review - and if it is necessary - the modification of internal processes and internal regulations. As regards compliance risks, the Compliance Function provides advice to the senior executives and to the employees of UNIQA Biztosító Zrt.

The Compliance Function performs compliance risk analyses, monitors compliance with the regulatory environment, evaluates the measures taken with regard to identified compliance risks, and organizes trainings concerning compliance relevant topics and maintains records specified in the Compliance Standard.

The Compliance Function has to draw up and regularly update the Compliance Policy and the Compliance Standard according to the guidelines of the Group Compliance Function as well as other compliance-related internal regulations such as about policy management, conflicts of interest, evaluation of fitness and propriety, code of conduct etc.

As far as other internal regulations are concerned, the Compliance Function performs compliance checks occasionally. The Compliance Function is entitled to have access to all data and documents that are necessary to perform its tasks.

B.5 Internal Audit Function

“Internal Audit” function is one of the key functions under Solvency II framework Directive. In order to comply with the regulations, a separate department has been created for the Internal Audit function at UNIQA Biztosító Zrt. Internal Audit is directly subordinated to the Supervisory Board of UNIQA Biztosító Zrt. and the Chief Executive Officer of UNIQA Biztosító Zrt. exercises the employer’s rights over Internal Audit.

Responsibilities of the Internal Audit function:

- audit of the insurance activities of UNIQA Biztosító Zrt from a regulatory, security, transparency and efficiency (prudential) point of view
- audit of internal processes of UNIQA Biztosító Zrt with respect to the related internal policies
- checking the quality (accuracy) and completeness of the Regulatory data reports submitted to the Authority, at least quarterly

- providing independent and objective auditing and consultancy services, in order to improve business processes and enhance business value

Main tasks of the Internal Audit function:

- auditing of UNIQA Biztosító Zrt and its subsidiaries
- execution of planned and ad-hoc audits
- in case of immediate risk situations performs special investigation, which is approved by the Supervisory Board
- preparation of quarterly reports on the fulfilment of internal audit plan
- regular submitting and reporting of internal audit results to the Management Board, Audit Committee, and Supervisory Board of UNIQA Biztosító Zrt and to the heads of the audited departments
- preparation of annual report on the fulfilment of internal audit plan, submission of the report to the Supervisory Board
- monthly follow-up of the execution of audit findings
- performing internal audits required by the regulations
- audit of the proper operation and effectiveness of the internal policies of UNIQA Biztosító Zrt
- checking the quality (accuracy) and completeness of the Regulatory data reports of UNIQA Biztosító Zrt submitted to the Authority
- operating as a single point of contact between the Supervisory Authority (National Bank of Hungary), and UNIQA Biztosító Zrt

Organization

Internal audit function is performed by the Internal Audit Directorate at UNIQA Biztosító Zrt. The unit is managed and organized by the Internal Audit Director, who at the same time performs all tasks required by the Insurance Act.

Internal Audit is an exclusive function that cannot be performed together with other non-audit tasks. It guarantees the independence of Internal Audit and ensures the effective supervision and evaluation of the internal control system and the other management systems within UNIQA Biztosító Zrt.

In order to be able to fulfil the audit function, internal auditors are authorised to review all documents and data and to receive all necessary information that are needed to fulfil their audit assignment. Every employee of UNIQA Biztosító Zrt. and its subsidiaries, including the contractual partners of outsourced activities, is required to ensure the availability of all required documents and data without any delay and to give all information internal auditors need. Access to all rooms of UNIQA Biztosító Zrt has to be granted without any exception.

B.6 Actuarial Function

Within UNIQA Biztosító Zrt., the Actuarial Function is held by the head of Actuarial Department. The tasks of the Actuarial Function have already been described in chapter B.1.5. Key Functions.

The manager of the unit Actuarial Department, the Chief Actuary is defined as a key function within UNIQA Biztosító Zrt. and has to fulfil the Fit & Proper requirements as described in section B.2.2.

Within the annual Actuarial Function Report, the Actuarial Function reports to the Management Board. The report contains all activities completed within the reporting period, as well as their results. Here, especially optimisation potentials are highlighted and recommendations for actions are made in order to improve them, together with a follow-up on last year's recommendations. The report follows precisely defined structure specifications.

B.7 Outsourcing

The Outsourcing Policy of UNIQA Biztosító Zrt. provides for detailed rules regarding the types of outsourcing, as well as the entire process, the control and supervision and the termination of outsourcing.

Outsourcing of activities to legal entities in which UNIQA Insurance Group AG has at least a share (and/or voting rights) of 50% directly or indirectly, is defined as intragroup type of outsourcing, whereas outsourcing towards legal entities where UNIQA Insurance Group AG has less than the previously mentioned shares (and/or voting rights), belong to the category of external outsourcing. It is important to highlight that key functions are not allowed to be outsourced externally in their entirety.

An outsourcing agreement is defined as Group outsourcing if more than one legal entity of the UNIQA Group outsources the same business processes to one internal or external service provider.

The Outsourcing Policy defines also those functions and activities which are considered to be key.

As far as the process of outsourcing is concerned, detailed rules have been laid down regarding the criteria for choosing the eligible service provider. The Procurement Policy and the Outsourcing Policy specifies those organisational units that participate in the election of the service provider and in drafting the outsourcing agreement. It also names the cases that require prior approval of the Management Board or Supervisory Board and contains a list of mandatory elements of the outsourcing agreement. This latter is of particular importance in order to ensure that UNIQA Biztosító Zrt. is able to meet its obligations of effective control and supervision towards the service provider and that it is equipped with proper strategies of exiting the outsourcing arrangement in case of noncontractual delivery of services.

UNIQA Biztosító Zrt. has outsourced the following key functions and activities:

Activity	Jurisdiction of service providers	Type of outsourcing
Claims handling activities	Hungary	group internal
Other claims handling and claims adjustment activities related to life & non-life claims handling	Hungary	group internal
Certain activities related to asset management	Austria	group internal
Administration, back-office, electronic data procession	Hungary	group internal
Certain IT and telecommunication activities	Austria	group internal
Certain claims handling and service organization activities related to medical care	Hungary	group external

Table 14. Outsourced activities

B.8 Any Other Information

UNIQA Biztosító Zrt. places a high quality standard on the design of its governance system. In particular, strict adherence to the so-called “Three Lines of Defence” concept is crucial for a clear separation of roles and responsibilities. This is underscored by the development of a committee system by which the Board integrates the governance and key functions into the decision-making process in structured form. The governance system of the UNIQA Biztosító Zrt. is examined on an annual basis.

C. Risk Profile

C.1 Overview of the Risk Profile

The solvency capital requirement of UNIQA Biztosító Zrt. is calculated on the basis of the Solvency II standard formula and a partial internal model (PIM) for the calculation of the solvency capital requirement non-life integrated in into the Solvency II standard formula. The calculation approach serves the determination of the regulatory capital requirement for the company. The partial internal model covers non-life underwriting risk and health underwriting risk non-similar to life techniques. The calculation method of the partial internal model and the standard formula ensures that the capital requirement takes into account all quantifiable risks to which UNIQA Biztosító Zrt. is exposed to. An essential goal is to fully cover the existing business as well as the new business, which will be concluded within the next 12 months. New business is only considered in the non-life business line or health business line (similar to non-life). The underlying risk measure for both the partial internal model and the standard formula is 99.5 per cent VaR (Value-at-Risk) over a one-year time horizon. This means that the solvency capital requirement represents an amount of loss whose probability of occurrence over a one-year period is 1 in 200.

The solvency capital requirement is the sum of three components:

- Basic Solvency Capital Requirement (BSCR)
- Capital requirement for operational risk
- Adjustment for loss absorbency effects

The BSCR is calculated by aggregating the different risk and sub-risk modules taking into account correlation effects. Moreover adjustments for the loss-absorbing capacity of future profit sharing and deferred taxes are made. The sum of BSCR as well as capital requirements for operational risk and adjustments for future profit sharing and deferred taxes amounts to the SCR (Solvency Capital Requirement).

The following figure illustrates the composition of the corresponding risk and sub-risk modules. Each standard formula-based module is calculated by means of a scenario or a factor-based approach according to Delegated Regulation (EU) 2015/35 of the Commission[2]. In the partial internal model a probability distribution forecast is calculated via stochastic simulation.

[2] Delegated Regulation (EU) 2015/35 of the Commission from 10 October 2014 in addition to the Directive 2009/138/ EG of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

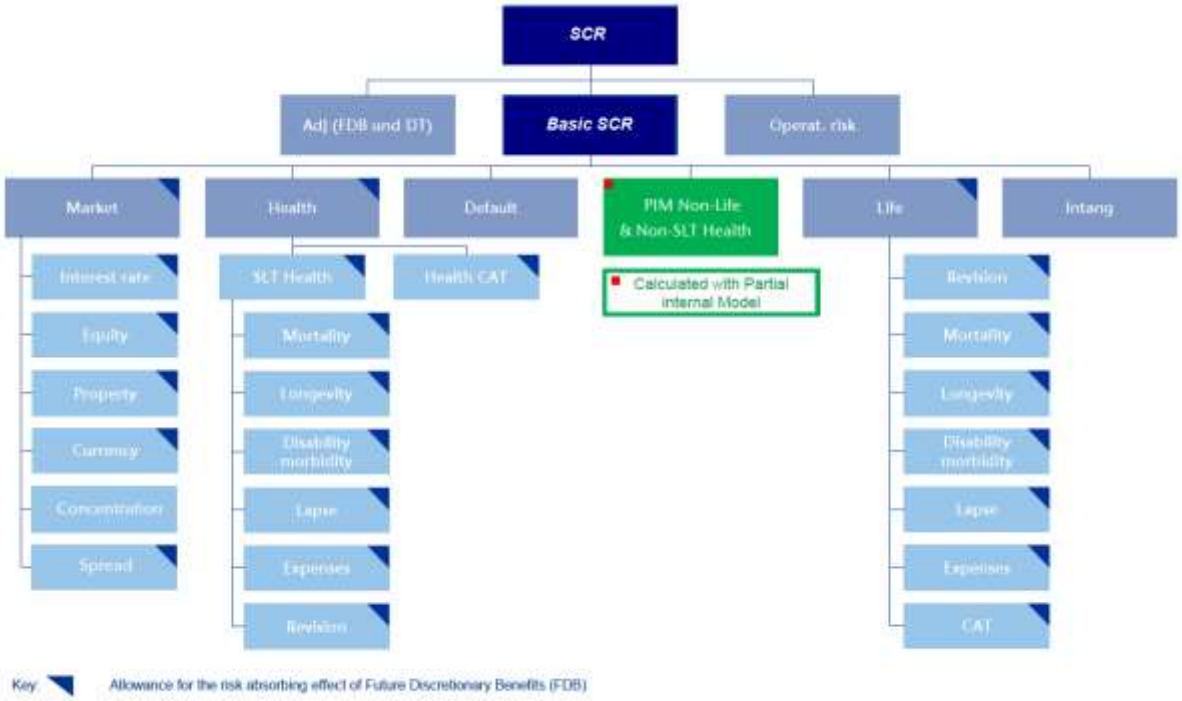

Figure 12. Risk Composition of the SCR

Table 15 illustrates the risk profile and the composition of the SCR of UNIQA Biztosító Zrt. as at 31 December 2019. The biggest risk driver of the company is life underwriting risk with a share of 36 per cent of the overall capital requirement (SCR). The detailed composition of the individual risk modules is described in the following sections. The solvency ratio as at 31 December 2019 is 186.0 per cent which indicates that UNIQA Biztosító Zrt. has sufficient capital to meet its risk profile according to Solvency II standards, as well as the internally-defined target level and is in line with the Supervisor's Guideline on Volatility Capital Buffer.

Position	2019 in Thousand HUF
SCR	**13 453 263**
Basic SCR	12 509 934
Market risk	4 299 147
Counterparty Default Risk	1 676 231
Life underwriting risk	6 770 569
Partial Internal Model Non-Life	6 050 935
Health Underwriting Risk	50 589
Diversification	(6 337 537)
Intangible assets (related risk)	-
Operational risk	2 087 186
Loss absorbency of future profit sharing	(143 284)
Loss absorbency of deferred taxes	(1 000 574)
Own funds to cover SCR	**25 028 884**
Solvency ratio	186,0%
Free surplus	11 575 621

Table 15. Risk profile and the composition of the SCR

C.2 Underwriting Risk

C.2.1 Description of Risk

Underwriting risk includes the following risk components:

- Non-life underwriting risk
- Life underwriting risk
- Health underwriting risk

Non-life underwriting risk

Non-life underwriting risk is defined as follows:

- The risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements.
- The risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

Life underwriting risk

Life underwriting risk is defined as follows:

- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the mortality rates which are ascribed to an increase (mortality risk) or decrease in the mortality rate (longevity risk).

- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the disability, illness and morbidity rates (disability-/morbidity risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the administrative expenses (operating expenses) of insurance and reinsurance contracts (life insurance expense risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the revision rates for annuity insurances, which are ascribed to changes in the legal environment (revision risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the lapse, cancellation, renewal and surrender rates of insurance policies (lapse risk).
- The risk of loss, or of adverse changes in the value of insurance liabilities, resulting from a significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events (life catastrophe risk).

Health underwriting risk

Health underwriting risk is defined as follows:

- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the costs incurred in servicing insurance and reinsurance contracts.
- The risk of loss, or of adverse changes in the value of insurance liabilities resulting from fluctuations concerning the timing, the frequency and the severity of insured risks, as well as the amount of performance regulations at the time of the provisioning.
- The risk of loss, or of adverse changes in the value of insurance liabilities, resulting from a significant uncertainty of pricing and provisioning assumptions in respect of outbreaks of larger epidemics and the risks related to them.

C.2.2 Risk Exposure

Non-life underwriting risk and health underwriting risk similar to non-life insurance

In UNIQA's partial internal model, non-life underwriting risk is modelled jointly with Health underwriting risk similar to non-life insurance (NSLT) which includes short-term accident and health insurance. These risks are displayed in Table 16 below. The amounts shown are allocated figures including diversification effects. The premium risk figures shown in the table also include catastrophe risk (the risk of natural catastrophes, man-made catastrophes and catastrophic accidents) and business risk (the risk that future premiums and costs deviate from the plans). The largest component of the risk module is non-life premium risk, which is dominated by the Fire and other property insurance, Motor vehicle liability insurance and Other motor insurance lines of business.

Position	in Thousand HUF	2019 in %
SCR non-life underwriting risk	**6 050 935**	
Non-life premium risk (allocated)	5 461 013	90,3%
Non-life reserve risk (allocated)	557 032	9,2%
Health NSLT premium risk (allocated)	-	0,0%
Health NSLT reserve risk (allocated)	32 890	0,5%

Table 16. Composition of the risk module non-life underwriting risk and health underwriting risk similar to non-life

Life underwriting risk

This risk module was the largest component of the company's SCR at the end of 2019, contributing 36 per cent of the basic solvency capital requirement (BSCR).

Table 17 illustrates the composition of the solvency capital requirements of life underwriting risk for each sub-risk module.

The biggest sub-risk is lapse risk: in this sub-module the most adverse one of three alternative shocks (increase in lapse rates, decrease in lapse rates, mass lapse scenario) is selected. For UNIQA Biztosító Zrt. the dominant scenario is the mass lapse shock. The second biggest sub-risk is expense risk: this sub-module reflects the impact of simultaneous significant shocks affecting both the level and the annual inflation rate of life underwriting expenses. The largest part of both lapse and expense risk is related to the unit-linked portfolio of the company.

The sub-risk modules for longevity and revision risk arise in respect of non-life annuities, mainly in respect of Motor TPL claims.

Position	in Thousand HUF	2019 in %
SCR life underwriting risk	**6 770 569**	
Mortality Risk	413 390	4,8%
Longevity Risk	26 985	0,3%
Disability Risk	44 831	0,5%
Lapse Risk	4 031 832	46,5%
Expense Risk	3 340 423	38,5%
Revision Risk	23 519	0,3%
CAT Risk	798 163	9,2%
Diversification	*(1 908 574)*	

Table 17. Composition of the risk module life underwriting risk

Health underwriting risk similar to life insurance

Health underwriting risk (similar to life insurance, SLT) includes long-term health insurance contracts. The tables below illustrate the composition of the solvency capital requirements of health underwriting risk (similar to life insurance) by sub-risk module, and of health catastrophe risk similar to life insurance. Disability and morbidity risk is the main risk driver within this risk module. The marginal catastrophe risk component reflects the mass accident risk related to accident riders supplementary to life insurance contracts.

Position	in Thousand HUF	2019 in %
SCR health underwriting risk	**50 589**	
Health underwriting risk similar to life	49 483	92,7%
Health insurance CAT risk similar to life	3 868	7,3%
Diversification	*(2 762)*	

Table 18. Composition of the risk module Health underwriting risk

Position	in Thousand HUF	2019 in %
SCR health underwriting risk similar to life	**49 483**	
Mortality risk	0	0,0%
Longevity risk	-	0,0%
Disability/Morbidity risk	43 278	67,0%
Lapse risk	16 829	26,0%
Expense risk	4 523	7,0%
Revision risk	-	0,0%
Diversification	*(15 148)*	

Table 19. Composition of the risk module Health underwriting risk - details

C.2.3 Risk Assessment

This section gives a brief overview of the risk quantification methods used for determining the solvency capital requirement.

Non-life underwriting risk and health underwriting risk similar to non-life insurance

Non-life underwriting risk, including health underwriting risk similar to non-life insurance is quantified by a partial internal model developed by UNIQA Group and approved by the regulator since late 2017. The partial internal model generates a probability distribution forecast of the economic underwriting result on a one-year time horizon via stochastic simulation. In particular, the following stochastic risk drivers are modelled:

- Premium Risk
    - Business risk: premium rates, risk years exposure and operating costs
    - Non-CAT claims: attritional losses and individual large losses
    - CAT claims:natural catastrophe losses and man-made catastrophe scenarios
- Reserve risk
    - Reserve run-off result

The capital requirement is determined as the 99.5 per cent VaR (Value-at-Risk) of the simulated economic underwriting loss. The probability distributions of the individual risk drivers are based on company-specific parameterisation derived from historical experience and forecast information.

Simulated natural catastrophes are drawn from event-loss tables generated by external catastrophe models. The aggregation of the stochastic variables is done by the Gaussian copula method, taking into account the dependencies between lines of business and between risk drivers.

The partial internal model uses a more granular line-of-business structure than the standard formula, which allows the modelling of the risk mitigating impact of individual reinsurance arrangements, including non-proportional reinsurance contracts. The calculation of non-life underwriting risks also covers unexpected losses generated by new business to be acquired within the following 12 months.

Life underwriting risk[3]

The solvency capital requirement for life underwriting risk and risk mitigation from future profit participation are calculated by applying the risk factors and methods which are described in the Delegated Regulations 2015/35 in the chapter concerning the module underwriting risk.

The solvency capital requirement per sub risk module is derived from the change of Best Estimates for guaranteed payments under shock. The following figure illustrates the Net Asset Value (NAV) approach.

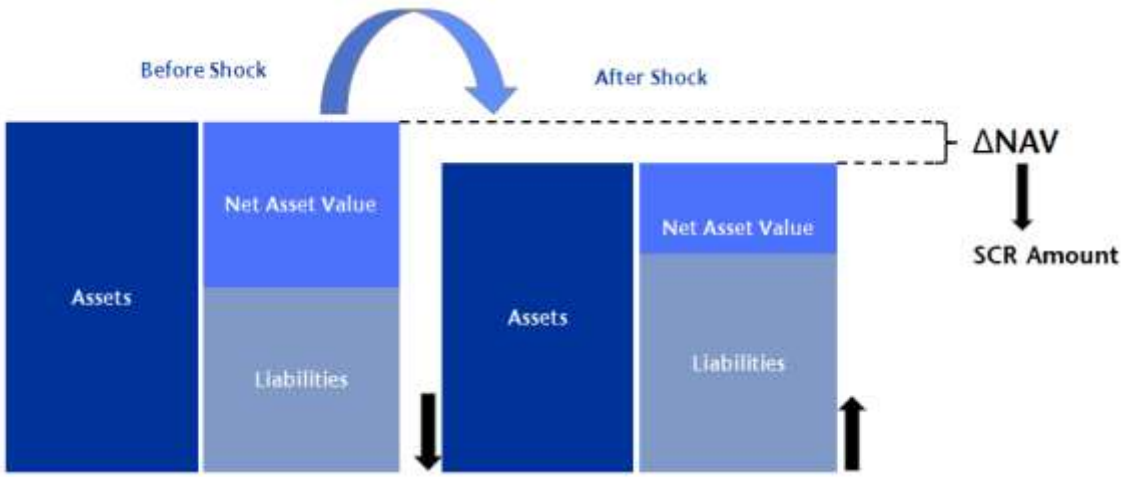

Figure 13. NAV approach

The following table illustrates the application of shocks per sub risk module under the NAV approach. The NAV is calculated on this basis.

[3] Delegated Regulation (EU) 2015/35, Chapter V, Section 3, Article 136ff

Sub risk module	Used shock
Mortality risk	Instantaneous permanent increase of mortality rate by 15%
Longevity risk	Instantaneous permanent decrease of mortality rate by 20%
Disability risk	A combination of the following instantaneous permanent changes: increase of disability and morbidity rate by 35% within the following 12 months, 25% within the time after the following 12 months, as well as a decrease of disability and morbidity rate by 20%.
Lapse risk	3 shocks are being used: • imminent and constant decrease concerning the exercise of option rights by 50% • imminent and constant increase concerning the exercise of option rights by 50% • a mass lapse based on a combination of different imminent events
Cost risk	A combination of the following imminent and constant events: • An increase of costs by 10%, as well as • An increase of cost inflation rate by 1 percent point
Revision risk	An imminent and constant increase of annual payments for annuities, which are exposed to a revision risk by 3%
CAT risk	An imminent, inconstant increase of 0.15 % of the mortality rates for the next 12 months expressed in percentage points

Table 20. Application of shocks per sub risk module under the NAV approach

In respect of almost all of the life insurance portfolio, the life underwriting risk sub-modules have been calculated according to the standard scenario-based approaches. In respect of part of life insurance business without profit participations (including group life insurance contracts), factor-based simplifications according to Articles 91, 93, 94 and 96 of the Delegated Regulation (EU) 2015/35 have been used to calculate the life mortality, life disability-morbidity, life expense and life catastrophe capital requirements. The capital requirements calculated via simplifications covered 26% of life mortality risk, 53% of life disability-morbidity risk, 0.5% of life expense risk and 91% of life catastrophe risk.

Undertaking-specific parameters have not been used in the calculation of life underwriting risk.

Applying the correlation factors, which are described in the Delegated Regulation 2015/35, the results of sub-risk modules are aggregated in order to determine the solvency capital requirement for life underwriting risk. Regarding lapse risk, the most adverse one of 3 scenarios (increase of lapse rates, decrease of lapse rates, mass lapse scenario) is taken into account in the aggregation.

Health underwriting risk similar to life insurance[4]

The Health SLT underwriting risk sub-modules have been calculated according to the standard scenario-based approach for the following relevant submodules: Longevity risk, Disability-morbidity risk, Lapse risk, Expense risk. Undertaking-specific parameters have not been used in the calculation.

Applying the correlation factors, which are described in the Delegated Regulation 2015/35, the results of sub-risk modules are aggregated for health underwriting risk (similar to life insurance).

In order to calculate the catastrophe risk for health insurance, three different stress scenarios are calculated. The scenarios include a) the mass accident risk, b) concentration risk for accidents and c) pandemic risks. The results of these scenarios are correlated into one catastrophe risk. As at end-of-year 2019, the health catastrophe risk profile of the company (other than those risks similar to non-life, covered by the partial internal model) only included the mass accident risk.

C.2.4 Risk Concentration

Material underwriting concentrations exist in non-life underwriting risk, in particular regarding catastrophe risk, as explained below. It is noted on the other hand that the probability of a catastrophic event causing a major loss due to this risk concentration is low, furthermore the risk for the company is strongly reduced via reinsurance arrangements covering catastrophic losses.

Non-life underwriting risk

The essential risk concentration is the exposure to natural catastrophe risk, most importantly to the earthquake and flood perils.

Regarding the earthquake peril, UNIQA Biztosító Zrt. has a risk concentration in the Budapest area (industrial and property risk concentration). While seismic activity in the area of Hungary has been moderate historically, nonetheless a number of destructive earthquakes have been recorded at return periods upward from hundred years. This includes some historical events in the larger Budapest area, which, if repeated, could cause significant gross loss to the company. Regarding floods, events affecting the Danube river catchment area may cause flooding simultaneously along several river sections in Hungary, which could hit insured property across a large geographical area.

Natural catastrophe risk is analysed by UNIQA Biztosító Zrt. via the natural catastrophe module of the company's Partial Internal Model Non-Life, approved by the regulator since late 2017. Alongside earthquake and flood, this model includes peril components covering also windstorm and hail events.

On the basis of the results of these models, appropriate risk management measures are taken. Uniform policies and standards are in place in UNIQA Biztosító Zrt., in line with those of UNIQA Group, aiming to guarantee existence of comprehensive risk management processes and risk mitigation measures that reduce the risks to a big extent. The most essential risk mitigation measures are appropriate guidelines for underwriting (for example no sale of flood insurance for buildings in unprotected floodplain areas) as well as the purchase of sufficient reinsurance protection to cover potential loss accumulation due to natural catastrophes.

[4] Delegated Regulation (EU) 2015/35, Chapter V, Section 4, Article 144ff

C.2.5 Risk Mitigation

Non-life underwriting risk

Increasing the profitability of the non-life portfolio of UNIQA Biztosító Zrt is an element of the company's strategy, consistent with the group-level UNIQA 2.0 strategy, which defines a long term strategy for UNIQA Group until 2020 and sharpens the focus on core business. A targeted continuous process of in-force management and a consistent assessment of tariffs are essential components. The latter represents a vital prerequisite for the calculation and the distribution of premiums adapted to risk.

Reinsurance is an essential risk mitigation technique for the non-life insurance of UNIQA Biztosító Zrt. It is additionally used in order to reduce the earnings volatility as capital and risk management tool and as a substitute of risk capital. UNIQA Re AG serves as a service entity within UNIQA Group. UNIQA Re AG is responsible for, coordination, internal arrangements and external reinsurance relationships and helps optimise the Group's risk capital commitments. This structure permits on the one hand to balance risks internally and on the other hand to acquire effective retrocession cover and is therefore crucial for the risk strategy of both the Group and UNIQA Biztosító Zrt. The organisation and the acquisition of reinsurance cover serve to control the necessary risk capital.

The effectiveness of the risk control and risk mitigation techniques described for non-life business is monitored within the Partial Internal Model (PIM) Non-life. A quantified measurement of reinsurance cover is effected by means of key figures, such as the Return on Risk Adjusted Capital (RoRAC) and the Economic Value Added (EVA), both before and after the deduction of reinsurance cover.

Use of reinsurance
UNIQA's risk mitigation technique is mainly reinsurance.

The reinsurance activities are centralised at the group-owned reinsurance company UNIQA Re AG (UNIQA Re) in Zurich. This structure allows balancing risks internally as well as purchasing efficient retrocession cover and is therefore central to UNIQA's risk strategy. UNIQA Re constitutes the central point of a complex system of reinsurance relationships within UNIQA Group, but also with external parties. UNIQA Group Reinsurance Policy defines the minimum group-wide standards how affected parties shall interact in that system.

The organisation and purchase of external reinsurance covers (retrocession) is of high importance to reduce the required risk capital and to balance results of UNIQA Group. All decisions concerning reinsurance cessions will be made taking into account their effects on needed risk capital. In particular an efficiency analysis of reinsurance cover has to be established for each class/contract. UNIQA Re has to make an adequate return on capital within the group's target and in addition, participates in the appropriate maximisation of the group's return. The risk appetite of UNIQA Insurance Group is reflected in its target net economic capital ratio as defined in the risk strategy. Therefore, the level of risk transfer to UNIQA Re is indirectly predefined via planning of the target net economic capital requirement (ECR). If the planned ECR is not in line with the target ECR, adjustment of reinsurance can be used as a substitute for available risk capital.

Based on the results of the UNIQA partial internal model, UNIQA Re and UNIQA Biztosító Zrt. regularly check the reinsurance structure and the conditions that are most appropriate to achieve solvency targets considering the underwriting risk profile. Generally, reinsurance is structured in such a way that the relief of required capital and capital costs is efficient compared to the cost of reinsurance.

The organisation and the purchase of external reinsurances provide essential advantages for the optimisation and controlling of the required risk capital. The amount of risk transfer to the UNIQA Re AG, Switzerland, as well as to external retrocessionaires are defined depending on the planning of the solvency capital requirements, which are defined by developing the risk strategy.

Life underwriting risk

As a classical risk mitigation technique, reinsurance is used. Concerning life insurance, the focus of the reinsurance program is the mitigation of large individual risks. In addition, group insurance contracts are covered by specific reinsurance arrangements.

In addition, the following classical risk control techniques are used in the context of life insurance :

- Risk selection when preselecting interested parties for life insurance products (for example by means of health checks)
- A prudent selection of mortality and life tables in order to make sure that they correspond with the policyholders within UNIQA Biztosító Zrt.

Apart from these classical risk control techniques, UNIQA Biztosító Zrt. applies a strategic program in order to ensure the sustainability of the business model. The aim of this strategic program is to pursue profitable life insurance business also in a low-interest rate environment with the existing risk budget.

The success of the strategic program is measured within the annual calculation of the Market Consistent Embedded Value (MCEV) and calculated as Value of In-Force (VIF) and New Business Value (NBV). The calculation of MCEV reflects the value of personal insurance as well as the current situation in the financial markets. The VIF corresponds with the net present value of all profits from life insurance, respectively the NBV with the net present value of future annual surpluses, which can be generated from new in-force business of the current year. This assessment basis represents the main instrument for monitoring the effectiveness of the techniques mentioned above.

The effectiveness of the described risk mitigation measures for life-business is monitored on an ongoing basis. A quantified measurement is effected by means of the key figures Embedded Value and New Business Value/Margin.

Health underwriting risk

As a classical risk mitigation technique, reinsurance is used.

In addition, classical risk control techniques are applied in the the context of health insurance, These include:

- Risk selection, in particular: targeted pre-selection of interested parties (for example by means of health checks)
- The consideration of premium adjustment clauses in different health insurance products in order to be able to adjust the premiums corresponding to the changes of calculation bases.

Besides the classic risk control processes, continuous in-force management is carried out on a regular basis. The effectiveness of the risk control techniques for health business is assessed by comparison of expected and occurred payments as well as contribution margin calculation.

C.3 Market Risk

C.3.1 Description of Risk

The market risk reflects the risk arising from the level or volatility of market prices of financial instruments, which have an impact upon the value of the assets and liabilities of the undertaking. It has to adequately reflect the structural incongruity between assets and liabilities, with special regard to their duration. As part of the SCR model, market risk is divided into the following sub-risk modules illustrated in Table 21 that are in line with Directive 2009/138/EC.

Sub risk module	Used shock
Currency risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.
Interest rate risk	The sensitivity of the values of assets, liabilities and financial instruments to changes of the interest rate curve or in the volatility of interest rates.
Equity risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
Property risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate.
Spread risk	The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate curve.
Concentration risk	Additional risks to an insurance or reinsurance company stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

Table 21. Sub-risk modules of market risk

C.3.2 Risk Exposure

The figure below shows the asset allocation of the non-unit linked investment portfolio of the UNIQA Biztosító Zrt. as at end-of-year 2019. The total volume of the non-unit linked investments displayed in the pie diagram was 45,290 million HUF at the end of the year.

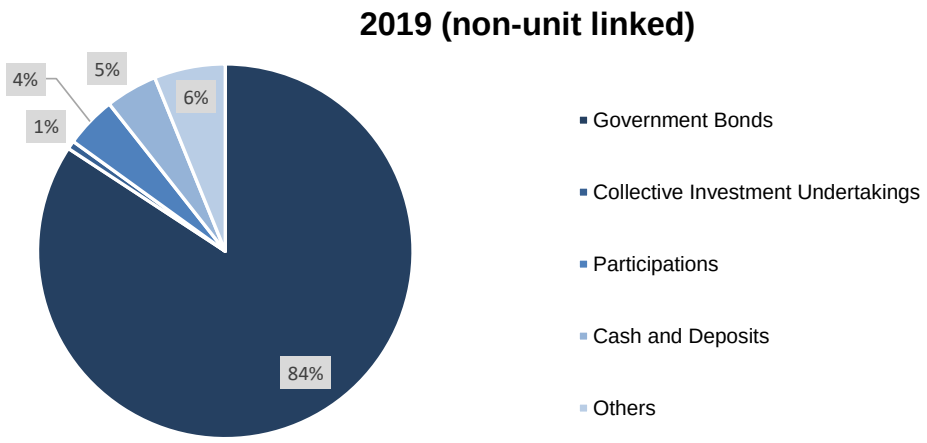

Figure 14. Asset allocation of the non-unit linked investment portfolio

In accordance with the prudent person principle, the investment activities in 2019 – just as in prior years – were strongly influenced by an investment approach oriented towards the liability side. Investments other than unit-linked have been dominated by Hungarian government bonds, selected to optimally match expected liability cash flows.

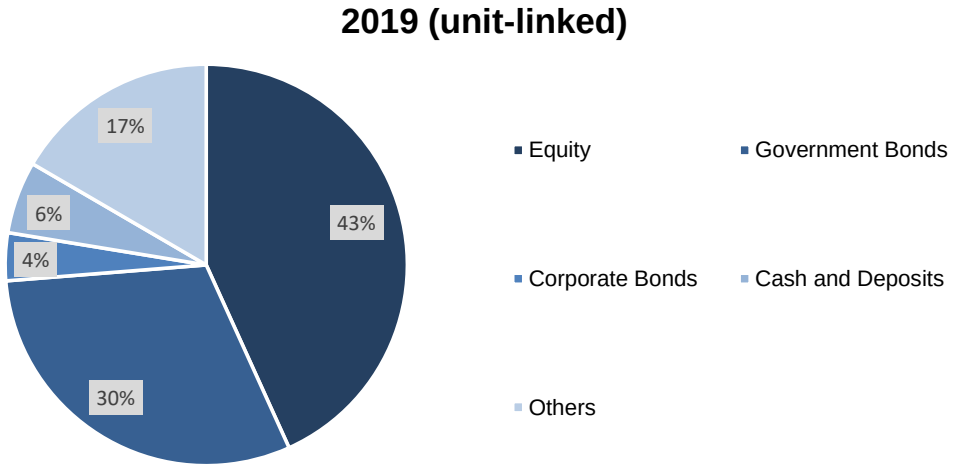

Figure 15. Asset allocation of the unit linked investment portfolio

Figure 15 shows the asset allocation of the unit linked investment portfolio, totalling 101,418 million HUF at the end of 2019. Unit-linked investments were driven by the policyholders' portfolio selections.

Table 22 illustrates the composition of the solvency capital requirements for the risk module market risk. Because extreme shocks for particular market risks usually do not occur simultaneously, the aggregated need for capital for individual sub risk modules is smaller than the sum of the risk requirements and therefore a pure addition would display an overestimation of risk.

Position	in Thousand HUF	2019 in %
SCR Market Risk	**4 299 147**	
Interest rate risk	1 478 425	19,7%
Equity risk	2 728 043	36,3%
Property risk	-	0,0%
Spread risk	499 680	6,6%
Concentration risk	2 021 196	26,9%
Currency risk	787 975	10,5%
Diversification	*(3 216 172)*	

Table 22. Composition of the solvency capital requirements for the risk module market risk

As at the end of 2019, market risk contributed 23% of the basic solvency capital requirement (BSCR) of the company. On the one hand this is a significant risk in the company's risk profile, on the other hand its level is moderate compared to the volume of the exposed assets (and liabilities). This is attributable to the fact that the dominant part of the market risk-exposed portfolio is unit-linked business where the investment risk is borne by the policyholders.

The three largest sub-risks of market risk is equity risk, concentration risk and interest rate risk. Of these sub-risks, equity risk is mainly attributable to unit-linked business, where the asset-side shocks are largely absorbed by the liability side, nonetheless a residual part of the shock affects the company's net asset value due to the impact on expected future profits. The second biggest sub-risk module is concentration risk, which is related to strategic participations and intra-group loans. The third biggest sub-risk module is interest rate risk, reflecting the sensitivity of technical provisions and their covering fixed-income investments to changes in the risk-free interest rate term structures.

There is also a significant currency risk component mainly attributable to unit-linked business, however this risk has been mitigated by the use of currency derivatives.

C.3.3 Risk Assessment[5]

UNIQA Biztosító Zrt. calculates the market risk according to the standard formula, as described in the Delegated Regulation (EU) 2015/35. Market risk consists of sub-risk modules, as defined in the standard formula, which are aggregated by a correlation matrix. For the correlation between interest rate risk and equity risk, property risk and spread risk, two alternate factors are specified depending on the relevant interest rate shock. In the case of UNIQA Biztosító Zrt. a zero correlation factor has been used as the scenario of an increase in interest rates causes a higher capital requirement for interest rate risk.

The calculation of the capital requirements for the different sub risk modules is elaborated on below.

Interest rate risk

The capital requirements for interest rate risk are calculated by applying two stress scenarios to all assets which are sensitive to interest rate changes and by determining the resulting loss of basic own

[5] Delegated Regulation (EU) 2015/35, Chapter V, Section 5, Article 164ff

funds. One of the scenarios simulates an increase in interest rates and the other one a decrease in interest rates. However, only the scenario which causes the more adverse change is considered relevant for the calculation of capital requirements. The scenarios are applied to the risk-free interest rate term structure for the respective currency published by EIOPA and the impacts on the capital requirements are ultimately aggregated. According to the standard approach, a distinction shall be made between the two following scenarios:

- Scenario for an increase in interest rates: The estimated increase of the interest rate fluctuates between 70 per cent for maturities up to two years and 26 per cent with maturities of 20 years. Starting from maturities of 20 years, the increase in interest rates is linearly reduced to 20 per cent for maturities of 90 years or more. In any case, the increase of interest rates amounts to at least one percentage point.
- Scenario for a decrease in interest rates: The estimated decrease of interest rates fluctuates between 75 per cent with maturities up to one year and 29 per cent with maturities of 20 years. Starting from maturities of 20 years, the decrease in interest rates is linearly reduced to 20 per cent for maturities of 90 years or more. The decrease of risk-free base interest rates equals zero.

In the case of the year-end 2019 calculation, the scenario of an increase in interest rates causes higher capital requirements and is therefore considered as the basis for the calculation of UNIQA Biztosító Zrt.

Equity risk

For the calculation of equity risk, UNIQA Biztosító Zrt. uses the standard approach according to Articles 168–169, 171–172 of Delegated Regulation (EU) 2015/35. It is based on calculating the impact of scenario-based shocks including a symmetric adjustment factor on the Net Asset Value and the resulting consequences on the basic own funds of the company.

In the context of the standard approach, Type 1 and Type 2 equity risks are distinguished:

- Type 1 equities: Equities listed in regulated markets in countries which are members of the EEA or the OECD.
- Type 2 equities: Equities listed in stock exchanges in countries which are not members of the EEA or the OECD, equities which are not listed commodities and other alternative investments. They also comprise all other assets other than those covered in the sub risk modules interest rate risk, property risk or spread risk, including exposures to collective investment undertakings where a look-through approach is not possible.

For the calculation of the capital requirements for equity risk the following scenarios shall be used:

- Scenario for Type 1 equities: An instantaneous decrease of the market value of 39 per cent plus a symmetric adjustment of up to (+/-) 10 per cent, as well as an instantaneous decrease of 22 per cent of the market value of strategic equity investments in related undertakings.
- Scenario for Type 2 equities: An instantaneous decrease of the market value of 49 per cent, plus a symmetric adjustment of up to (+/-) 10 per cent, as well as an instantaneous decrease of 22 per cent of the market value of strategic equity investments in related undertakings.

The capital requirements for Type 1 and Type 2 equity risk are aggregated by using a correlation factor of 0.75.

Property risk

The calculation of the capital requirements for property risk corresponds to a loss of basic own funds resulting from an instantaneous decrease of the value of all real estate values by 25 per cent. It is noted that, as at the end of 2019, UNIQA Biztosító held no assets or liabilities exposed to property risk.

Spread risk

The capital requirement for spread risk is calculated by aggregating the sum of the capital requirements under stress scenarios for bonds and loans, securitisations and credit derivatives. According to the standard formula, certain derogations apply to bonds, loans and derivatives related to certain organisations, governments and banks.

In the case of UNIQA Biztosító Zrt., only the calculation for bonds and loans has been relevant. Marginal exposures to securitisations and credit derivatives have been present only in those parts of the investments in collective investment undertakings where the look-through approach has not been possible. Regarding the derogations mentioned above, those relating to Member States' government bonds are relevant for the company's portfolio, resulting in a zero risk factor for Hungarian government bond investments.

The capital requirement for bonds and loans (excluded are mortgage loans for residential properties) is determined by a factor-based calculation under a stress scenario. The calculation assumes the market value of the instrument and considers credit rating and duration. It is assumed that the spreads of all instruments will rise, which will lead to an imminent decrease in the value of bonds. The shock of the spread risk of bonds and loans is a concave function of the duration.

Concentration risk

The capital requirement for the concentration risk is calculated by applying risk factors depending on the credit quality step, defined in accordance with the standard formula, to single name exposures in excess of pre-defined concentration thresholds. Thresholds are defined for each credit quality step. Provided that the thresholds are exceeded, the risk factors prescribed in the standard formula shall be applied to the surplus of risk exposure above the threshold and the sum of all requirements shall be aggregated

According to the standard formula, exceptions and derogations apply to the calculation of concentration risk, which exclude certain risk exposures from the calculation. Most importantly in the case of UNIQA Biztosító Zrt., unit-linked investments and cash-at-bank exposures in the scope of the counterparty default risk module are not included in the calculation base for determining the concentration thresholds. Furthermore the company's holdings in Hungarian government bonds are subject to a zero risk factor.

Currency risk

The capital requirements for currency risk are calculated by applying two foreign currency shocks, defined according to the standard formula, to every single relevant foreign currency and by determining the resulting consequences for the own funds. Currency risk concerns all currency

sensitive positions on the asset side and on the liability side. The consequences of the shocks for the original own funds are aggregated. According to the standard approach, every foreign currency whose exchange rate fluctuations effect the company's basic own funds is considered relevant.

Two shocks are applied to every currency for the calculation of currency risk. However, only the shock, which produces the greater adverse change, is considered relevant for the calculation of capital requirements. According to the standard approach, a distinction shall be made between the following foreign currency shocks:

- Increase in the value of the foreign currency in comparison to the local currency by 25 per cent.
- Decrease in the value of the foreign currency in comparison to the local currency by 25 per cent.

Look-through approach

According to Article 84 of Delegated regulation (EU) 2015/35, the capital requirement for market risk is calculated on the basis of each of the underlying assets of collective investment undertakings and other investments packaged as funds. Where the look-through approach cannot be applied because of the lack of available data, the Type 2 equity shock is applied to the asset value.

C.3.4 Risk Concentration

A significant concentration risk component has been present in the end-of-year 2019 market risk profile of the company due to intra-group exposures: strategic participations and intra-group loans.

In addition to the assessment of concentration risk according to the SCR standard formula, all issuers (groups of issuers respectively) are monitored in accordance with UNIQA Group Risk Management Standard, based on economic risk measurement.

C.3.5 Risk Mitigation

Derivative Instruments

Since late 2017, currency derivatives have been used by UNIQA Biztosító Zrt. as a risk mitigation technique to reduce the significant currency risk profile. Plain vanilla EUR and USD put options are held in order to protect the company's own funds against an extreme drop in the rates of these foreign currencies against the local currency. As these options have been selected to cover the tail risk, they are out-of-the-money under normal circumstances, however they are available to the company at a low cost and they respond to currency shocks in an asymmetrical manner: they gain a high value in the case of an extreme currency fall scenario. The use of currency derivatives as a risk mitigation technique, including the planning of derivative transactions, the selection of counterparties, the regular replacement of the instruments and the monitoring of the risk mitigating effect is regulated by the Solvency 2 Market Risk Mitigation Policy of the company.

Investment Limits

With the introduction of the UNIQA Group Limit & Trigger Standards and UNIQA Investment Process Standards, a harmonisation of the existing regulations for investment activities was introduced by Group Actuarial & Risk Management in the year 2016. UNIQA Group Limit & Trigger Standards has since then been integrated into UNIQA Group Risk Management Standard. These regulations were directed to all insurance companies with an asset management outsourcing agreement in force with

UNIQA Capital Markets GmbH (UCM) and contain detailed descriptions of all limits available by Group Actuarial and Risk Management as well as procedures relevant for dealing with those limits. The close cooperation between local and Group risk management is particularly important given the centralized responsibility of UCM for asset management. The risk management approach reflected in the limit system aims the measuring and controlling of asset-related market risks. Group Actuarial and Risk Management has made use of the Strategic Asset Allocation (SAA) approach. Based on the risk profile of the SAA, the premise of the market risk limits is that each market sub-risk, as well as consequently the total market risk of the portfolio stemming from the asset side, shall remain within a pre-determined range for the relevant calendar year. Investment limits are monitored every two weeks.

Asset-Liability Management

Projected cash flows of traditional life insurance (broken down by guaranteed interest rate), non-life insurance (broken down by currency) and health insurance are regularly reported by local actuaries to UCM via Group Actuarial Department. Asset allocations thereafter are managed centrally by UCM, aiming for an optimal match between the maturity and currency profiles of liabilities and covering investments. In coordination between UNIQA Group and local asset management and actuaries, held-to-maturity (HTM) bond portfolios have been established to match the projected cash flows stemming from life insurance contracts with 3.5% or higher guaranteed rates.

It is noted that the unit-linked portfolio, where the investment structure is driven by policyholders' risk appetite, is not in the scope of the ALM scheme.

C.4 Credit Risk

C.4.1 Description of Risk

In accordance with Directive 2009/138/EC (Article 105), credit risk or default risk shall reflect possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following 12 months. The credit risk/default risk covers risk mitigating contracts such as reinsurance agreements, securitisations and derivatives, as well as receivables from intermediaries and all other credit risks, which are not covered by the spread risk module. It shall take account of collateral or other securities held by or for the account of the insurance or reinsurance company and the risks associated therewith. For each counterparty, the credit risk/default risk shall take into account the overall counterparty risk exposure of the insurance concerning that counterparty, irrespective of the legal form of its contractual obligations to that company.

Credit risk or default risk is composed of the two following types:

- Risk exposure type 1: The class of type 1 exposures covers the exposures which may not be diversified and where the counterparty is likely to be rated. Among others, this type usually comprises: reinsurance agreements, derivatives, securitisations, bank deposits, other risk mitigating contracts, letters of credit, guarantees and products with third party guarantors.
- Risk exposure according to type 2: Usually comprises all exposures which are not covered by the sub-risk module spread risk, but are usually highly diversified and do not have a rating. Among others, this type usually comprises: receivables from intermediaries, receivables from policyholders, other receivables and mortgage loans.

C.4.2 Risk Exposure

With a contribution of 9% to the basic solvency capital requirement (BSCR) at end-of-year 2019, credit risk / default risk (CDR) is not a dominant but still a significant part of the company's risk profile.

Position	in Thousand HUF	2019 in %
CDR total	**1 676 231**	
CDR type 1 total	1 263 563	71,4%
CDR type 2 total	505 339	28,6%
Diversification	*(92 671)*	

Table 23. Composition of the solvency capital requirements for the risk module credit risk

Table 23 shows the composition of credit risk or default risk for the year 2019. A distinction is made between type 1 and type 2 of risk exposure.

With an 71.4 per cent share of the overall credit / default risk excluding diversification, type 1 risk exposure is the main driver of the risk. The solvency capital requirements for type 1 CDR result primarily from reinsurance arrangements, secondly from deposits at credit institutions, thirdly from derivatives.

Risk exposures of type 2 have a 28.6 per cent share of the overall CDR risk before diversification. Receivables from intermediates and policyholders are the main drivers for this risk exposure.

C.4.3 Risk Assessment[6]

The risk factors and methods described in the Delegated Regulation 2015/35, in the chapter concerning the module counterparty default risk, are used for the calculation of the solvency capital requirement for credit risk or default risk.

The capital requirement for type 1 exposures is determined based on the Loss-Given-Default (LGD) and Probability of Default (PD) of each counterparty. The definition of the standard formula includes precise definitions for the calculation of the LGD and PD dependent on the form of exposure. In addition it is specified to what extent the risk mitigating effect of collateral can be used. The capital requirement for type 2 exposures is calculated from exposed amounts by applying a factor-based formula including standard risk factors. The capital requirements for type 1 and type 2 CDR are aggregated by using a correlation factor of 0.75.

For the CDR calculation as at the end of 2019 UNIQA Biztosító Zrt. has used partial internal model inputs for determining the LGD of non-life reinsurance counterparties.

C.4.4 Risk Concentration

From the perspective of UNIQA Biztosító Zrt., the reinsurance exposure to UNIQA Re AG presents a counterparty risk concentration. On the other hand the establishment of an in-house reinsurance company centralising all business units' reinsurance cessions has been a strategic decision by UNIQA Group which allows the optimisation of external retrocessions at the Group level. UNIQA Re AG is

[6] Delegated Regulation (EU) 2015/35, Chapter V, Section 6, Article 189ff

responsible for the selection of external reinsurers. For that purpose, UNIQA Re has determined a policy which regulates the selection of counterparties and avoids external concentrations (e.g. there are limits on the share of individual external reinsurers in each contract and there is a minimum rating requirement in place).

C.4.5 Risk Mitigation

UNIQA Biztosító Zrt. uses the following measures in order to control credit risk or default risk:

- Limits
- Minimum ratings
- Reminder procedures

All reinsurance arrangements between UNIQA Biztosító Zrt. are coordinated with UNIQA Re AG and are subject to the standards determined by UNIQA Re. For external reinsurers, minimum ratings and an upper limit for the released exposure per reinsurer are defined.

In order to avoid concentrations concerning default risk and credit risk, limits on bank deposits are defined. These limits are monitored every two weeks.

Derivative instruments are also subject to limits and minimum counterparty rating reqirements.

To keep the level of receivables from insurance intermediates and insurance companies as low as possible, clear reminder procedures were implemented. These are subject to regular monitoring by precise evaluation possibilities.

C.5 Liquidity Risk

C.5.1 Description of Risk

Liquidity risk is composed of market liquidity risk and refinancing risk. Liquidity risk represents the risk that an asset cannot be traded fast enough to prevent a loss or make the required profit. Refinancing risk can arise if the insurance undertaking is unable to realise assets in order to settle their financial obligations when they are due.

C.5.2 Risk Exposure

The following table shows the expected profit in future premiums, as required by Article 295(5) of Delegated Regulation (EU) 2015/35 with regard to liquidity risk.

Position	2019 in Thousand HUF
Expected profit in future premiums	20 425 012
Of which non-life	111 735
Of which life	20 313 277

Table 24. Expected profit in future premiums

C.5.3 Risk Assessment and Risk Mitigation

The liquidity position of the company is monitored on an ongoing basis. In order to ensure that UNIQA Biztosító Zrt. can meet its payment obligations, a regular planning process is in place to ensure the

availability of appropriate amounts of cash to cover anticipated cash flows. As part of the planning process, UNIQA Biztosító Zrt. prepares a liquidity plan. The constant adjustment and monitoring of this plan is ensured by the liquidity management process.

C.6 Operational Risk

C.6.1 Description of Risk

Operational risk covers the risk of financial losses, caused by insufficient internal processes, systems, personal resources or external events. Operational risk includes legal risk, but not reputation risk and strategic risk. Legal risk is the risk of financial losses due to complaints or uncertainty in the applicability or interpretation of contracts, laws or other legal requirements.

The topics of the prevention of money laundering and terrorism financing are subject to special attention. Operational risk in connection to this topic results from missing or inadequate processes of identification, monitoring, as well as reporting to prevent potential money laundering operations.

C.6.2 Risk Exposure

UNIQA Biztosító Zrt. is exposed to operational risks in a diverse environment. These risks are regularly identified and monitored with the help of the risk management system of the company. Among others the following risks are considered significant:

- Process risks, in particular regarding product development and claims settlement
- Human Resources (HR) risks (possible shortage of personnel and dependence on individuals with the required know-how)
- IT risks (in particular the IT security and the high complexity of the IT landscape, as well as the risk of business interruption)
- Various project risks

The following table shows the composition of the SCR for operational risk as at end-of-year 2019.

	2019	
	Premium earned	Technical provisions gross
Reporting year		
Life (without unit-linked)	4 164 372	11 487 270
Non-Life	45 801 136	22 288 025
Previous year		
Life (without unit-linked)	4 140 969	
Non-Life	41 349 386	
Capital requirement for Operational Risk based on Premiums / Technical Provisions	**1 540 609**	**720 333**
25% of Unit-linked annual expenses	546 578	
Operational risk	**2 087 186**	

Table 25. Composition of the SCR for operational risk

As apparent in the table above, the dominant component of the capital requirement has been the premium-based risk charge. The component for unit-linked expenses also contributed significantly to the capital requirement.

C.6.3 Risk Assessment

For the calculation of operational risk, UNIQA Biztosító Zrt. uses a factor-based approach, according to the standard formula as described in Article 204 of Delegated Regulation (EU) 2015/35. The capital requirement for operational risk is calculated as:

The lower of the following values:

- Basic capital requirement for operational risk, or
- 30 per cent of the calculated basic solvency capital requirement (BSCR),

plus 25 per cent of the amount of expenses in respect of life insurance whose investment risk is borne by the policyholders (i.e. unit-linked business).

The basic capital requirement for operational risk is the higher of the following two calculation results:

- Premium-based calculation: 4 per cent of the gross premiums earned for life insurance obligations (excluded are the premiums where the policyholder bears the investment risk) and 3 per cent of the gross premiums earned for non-life insurance obligations. Furthermore, in case of an increase of these premiums by more than 120 per cent in comparison to the previous year, additional margins shall be added in accordance with the standard approach.
- Technical provisions-based calculation: 0.45 per cent of the gross best estimate of the technical provisions for life insurance obligations (excluded are the provisions where the policyholder bears the investment risk) and 3 per cent of the gross best estimate of the technical provisions for non-life insurance obligations.

Furthermore UNIQA Biztosító Zrt. performs an internal assessment process of operational risks by means of process owners and experts. These assessments are discussed with the management and the Board.

C.6.4 Risk Concentration

The risk concentrations within operational risk are evaluated regularly and include, for example, dependencies of distribution channels, major customers or key personnel. Depending on the result of the evaluation, adequate control measures are to be put in action (e.g. risk acceptance, risk minimization, etc.) In addition, the development of risk concentrations concerning operational risk is minimized by:

- A clear and structured governance model with adequate processes
- Operating a compliance function, responsible for conforming with the rules, as well as
- A clearly stated and structured Internal Control System

C.6.5 Risk Mitigation

Defining risk mitigating measures is an essential step in the risk management process for operational risks. In the risk strategy of UNIQA Biztosító Zrt. the risk preference for taking on operational risks is classified as “low”. Therefore, UNIQA Biztosító Zrt. shall try to reduce the operational risk as much as possible. The most important risk mitigation measures for operational risks are the following:

- Implementation and maintenance of an Internal Control System
- Optimisation and maintenance of processes
- Continuous education and training of personnel, as well as
- Preparation of emergency plans.

C.7 Stress and Scenario Analysis

UNIQA Biztosító Zrt. uses the following definitions for sensitivities, stress tests and scenarios, which are shown in Table 26.

Sensitivity	Recalculation of a Key Performance Indicator (KPI) based on the change of one input parameter. The change is not significant / extreme and can have either a positive or negative impact.
Scenario	Impact of a KPI based on the change of generally more than one input parameter. The change can have either a positive or negative impact. Scenarios are usually linked to events (e.g. historic scenarios).
Stress test	Recalculation of a KPI based on the change of one input parameter. The change is significant / extreme with a negative impact.
Combined stress test	Recalculation of a KPI based on the change of more than one input parameter. The change is significant / extreme with a negative impact.
Reverse stress test	Definition of a scenario that gives a predefined negative result of a KPI.

Table 26. Definitions for sensitivities, stress tests and scenarios

Motivated by the risk areas important for UNIQA Group and in light of the low interest rate environment, an important focus of the sensitivity analysis is interest rate sensitivities, in addition to other market risk scenarios. UNIQA Biztosító Zrt. evaluated the sensitivities, stress tests and scenarios presented in Table 27.

No.	Key sensitivities	Impact
1	Parallel shift interest rate +100 basis points (until LLP, not floored)	Own Funds
2	Parallel shift interest rate -100 basis points (until LLP, not floored)	Own Funds
3	Parallel shift interest rate +50 basis points (until LLP, not floored)	Own Funds
4	Parallel shift interest rate -50 basis points (until LLP, not floored)	Own Funds
5	Parallel shift interest rate +150 basis points (until LLP, not floored)	Own Funds
6	Parallel shift interest rate -150 basis points (until LLP, not floored)	Own Funds
7	Decrease of UFR by 50 basis points	Own Funds
8	Risk free yield curve UNIQA stress up 95%	Own Funds
9	Risk free yield curve UNIQA stress down 95%	Own Funds
10	No volatillity adjustment	Own Funds and SCR
11	Shock on equities	Own Funds
12	+10 per cent shock on foreign currencies	Own Funds
13	-10 per cent shock on foreign currencies	Own Funds
14	Government bonds: Credit spread +50bp & dynamic volatility adjustment	Own Funds
15	Corporate debt: Credit spread +50bp & dynamic volatility adjustment	Own Funds
16	Combined Scenario 1	Own Funds
17	Combined Scenario 2	Own Funds

Table 27. List of evaluated sensitivities, stress tests and scenarios

For most of the sensitivities only the own funds impact was calculated. However the sensitivity “no volatility adjustment” included the recalculation of the SCR too.

The sensitivities, stress tests and scenarios listed above are described in detail below.

Interest rate sensitivities

As described further below, the interest rates are only shocked for maturities where the underlying instruments can be classified as close to liquid. The last point at which an instrument can still be classified as liquid is the last liquid point (LLP). Afterwards interest rates are extrapolated to the unchanged Ultimate Forward Rate (UFR) with an unchanged convergence period. The UFR is a value that reflects the interest rates of the past decades, including forecasts on economic development in the EEA. The UFR is stressed from its base case value only in the sensitivity “decrease of UFR by 50 basis points”.

The following sensitivities focus on interest rates:

- 1. A parallel shift of the interest rate curve by +100 basis points until the last liquid point (LLP) and extrapolation towards the UFR afterwards
- 2. A parallel shift of the interest rate curve by -100 basis points until the last liquid point (LLP) and extrapolation towards the UFR afterwards

- 3. A parallel shift of the interest rate curve by +50 basis points until the last liquid point and extrapolation towards the UFR afterwards
- 4. A parallel shift of the interest rate curve by -50 basis points until the last liquid point and extrapolation towards the UFR afterwards
- 5. A parallel shift of the interest rate curve by +150 basis points until the last liquid point and extrapolation towards the UFR afterwards
- 6. A parallel shift of the interest rate curve by -150 basis points until the last liquid point and extrapolation towards the UFR afterwards
- 7. The Ultimate Forward Rate is decreased by 50 basis points
- 8. Risk free yield curve UNIQA stress up 95%
- 9. Risk free yield curve UNIQA stress down 95%
- 10. Use of the basic risk free yield curve as published by EIOPA without Volatility Adjustment (VA)

Equity and equity-related instruments

For equity exposures, the following sensitivity is evaluated:

- 11. An overall -30 per cent shock is applied to all equities, including derivatives on equity securities, private equity, hedge funds, fund certificates that are not decomposed, index securities, participations, etc. Contrary to the Solvency II methodology, no differentiation is made between “equity type 1”, “equity type 2” and “strategic participations”.

Foreign currency instruments

For foreign currency exposures, all currencies are shocked simultaneously. There are no exceptions for currencies which are pegged to the euro. The shocks are applied to all instruments where the underlying is an FX rate (FX forwards, FX options, etc.) and all positions where the quotation currency is different from the local reporting currency. The following sensitivities are calculated:

- 12. Foreign currency values increase by 10% relative to the reporting currency
- 13. Foreign currency values decrease by 10% relative to the reporting currency

Credit spreads

For credit spreads the following sensitivities are evaluated:

- 14. A widening of the credit spread for Government bonds by 50 basis points is assumed, independent of the rating. There is no exemption for specific exposures e.g. government bonds with dynamic volatility adjustment applied
- 15. A widening of the credit spread for Corporate bonds by 50 basis points is assumed, independent of the rating. There is no exemption for specific exposures e.g. government bonds with dynamic volatility adjustment applied

Combined scenarios

For a view on a more complex shock situation we also calculated two sensitivities with combined effects of multiple adverse events happening simultaneously. These scenarios are as follows:

- 16. Combined scenario 1 combines the following above sensitivities:

- Risk free yield curve UNIQA stress down 95% (9)
- Corporate debt: Credit spread +50bp incl. dynVA (14)
- Government bonds: Credit spread +50bp incl. dynVA (15)
- Equity shock (11)
- Currency down shock (13)

- 17. Combined scenario 2 combines the following sensitivities:
  - Risk free yield curve UNIQA stress up 95% (8)
  - Equity shock (11)
  - Inflation
  - Cost
  - Nat-Cat (Earthquake)

Results

The following table shows the results of scenarios, especially with regard to the change in Own Funds. The stressed SCR is only shown where it was recalculated.

	(in 1000 HUF)	Own Funds	Change in Own Funds	SCR
	Base case	25 028 884		13 453 263
	Key sensitivities			
1	Parallel shift interest rate +100 basis points (until LLP, not floored)	23 668 220	-5,4%	
2	Parallel shift interest rate -100 basis points (until LLP, not floored)	26 428 347	5,6%	
3	Parallel shift interest rate +50 basis points (until LLP, not floored)	24 329 666	-2,8%	
4	Parallel shift interest rate -50 basis points (until LLP, not floored)	25 706 915	2,7%	
5	Parallel shift interest rate +150 basis points (until LLP, not floored)	23 027 265	-8,0%	
6	Parallel shift interest rate -150 basis points (until LLP, not floored)	27 154 560	8,5%	
7	Decrease of UFR by 50 basis points	24 791 136	-0,9%	
8	Risk free yield curve UNIQA stress up 95%	22 570 191	-9,8%	
9	Risk free yield curve UNIQA stress down 95%	27 398 921	9,5%	
10	No volatillity adjustment	25 018 764	0,0%	13 459 640
11	Shock on equities	23 454 694	-6,3%	
12	+10 per cent shock on foreign currencies	25 598 048	2,3%	
13	-10 per cent shock on foreign currencies	24 459 938	-2,3%	
14	Government bonds: Credit spread +50bp & dynamic volatility adjustment	24 228 948	-3,2%	
15	Corporate debt: Credit spread +50bp & dynamic volatility adjustment	24 975 531	-0,2%	
16	Combined Scenario 1	24 356 621	-2,7%	
17	Combined Scenario 2	17 051 873	-31,9%	

Table 28. Results of scenarios

C.8 Other Material Risks

In addition to the risk categories described above, the UNIQA Biztosító Zrt. has also defined risk management processes for strategic risk, reputational risk and contagion risk.

Reputational risk is the risk of losses incurred as a result of potential damage to the reputation of the company, the deterioration of its image, or a negative overall impression due to a negative perception by clients, business partners, shareholders or the supervisory authority.

Strategic risk is the risk resulting from management decisions or the inadequate implementation of management decisions with an impact on current / future earnings and solvency. It comprises the risk arising from inadequate management decisions resulting from the failure to take a changing business environment into account.

Contagion risk is the possibility that adverse impacts occurring in other entities may have an impact on UNIQA Biztosító Zrt. or vice versa. Due to the fact that contagion risk can have many origins, there is no standardized approach on how to deal with contagion risk. First and foremost, getting an understanding for the correlation between the different types of risks is essential for identifying a potential contagion risk.

The most important reputational risks, as well as strategic risks are identified, assessed and reported similarly to operational risks. The risk management of UNIQA Biztosító Zrt. subsequently analyses whether the threat of an intragroup contagion is present.

C.9 Any Other Information

No other disclosure is made on the risk profile.

D. Valuation for Solvency Purposes

Methods stated in the Solvency II Directive and Delegated Acts are used for the derivation of the solvency balance sheet. They are based on the going concern-principle. Assets and liabilities are evaluated according to Art. 75. of the Solvency II Directive. Thereby, assets are valuated at the value for which they can be exchanged between knowledgeable, willing business partners independent from each other. Wherever available, marked-to-market values are used for the valuation. In case they are not available, marked-to-model values are used. Liabilities are valuated at the value that is used by knowledgeable and willing parties to transfer or meet them in the framework of a standard market transaction. In general, a marked-to-model approach that models future cash flows of the existing business is used for the valuation.

Foreign currency conversion

For the revaluation of items denominated in foreign currencies in the solvency balance sheet the following exchange rates of the Hungarian National Bank are used during the reporting period:

HUF prices as of balance sheet date	
CHF	304,39
CZK	13,01
EUR	330,52
GBP	387,82
PLN	77,59
RON	69,08
USD	294,74

Table 29. Exchange Rates

D.1 Assets

The following table shows the comparison between the evaluation of total assets according to Solvency II and Statutory values based on valuation date 31 December 2019.

	Assets [in Thousand HUF]	Solvency II	Statutory	Revaluation
1	Goodwill	n.a.	-	n.a.
2	Deferred acquisition costs	n.a.	3 482 308	n.a.
3	Intangible assets	-	1 109 224	- 1 109 224
4	Deferred tax assets	-	-	-
5	Pension benefit surplus	-	-	-
6	Property, plant & equipment (for own use)	1 108 858	1 321 314	- 212 456
7	Investments (except for assets for unit- and index-linked contracts)	41 838 329	39 546 226	2 292 103
7.1	Properties (except for own use)	-	-	-
7.2	Shares in affiliated companies, including participations	2 003 445	2 330 938	- 327 493
7.3	Shares	-	-	-
7.3.1	Shares - listed	-	-	-
7.3.2	Shares - not listed	-	-	-
7.4	Bonds	39 506 611	36 914 952	2 591 659
7.4.1	Government bonds	38 155 473	35 631 849	2 523 624
7.4.2	Corporate bonds	1 351 138	1 283 103	68 035
7.4.3	Structured debt securities	-	-	-
7.4.4	Asset backed securities	-	-	-
7.5	Undertakings for collective investment	328 265	300 336	27 929
7.6	Derivatives	8	-	8
7.7	Deposits except for cash equivalents	-	-	-
7.8	Other investments	-	-	-
7.9	Assets for unit- and index-linked contracts	101 416 740	101 576 577	- 159 837
8	Loans and mortgages	1 425 465	1 466 110	- 40 645
8.1	Policy loans	10 650	10 650	-
8.2	Loans and mortgages for private individuals	1 171	1 171	-
8.3	Other loans and mortgages	1 413 643	1 454 288	- 40 645
9	Recoverables from reinsurance contracts from:	11 409 773	16 543 624	- 5 133 852
9.1	Non-life insurances and health insurances similar to non-life	9 661 977	13 881 601	- 4 219 625
9.1.1	Non-life insurances except for health insurances	9 629 806	13 833 516	- 4 203 710
9.1.2	Health insurances similar to non-life	32 170	48 085	- 15 915
9.2	Life insurances and health insurances similar to life except for health insurances and unit- and index-linked insurances	1 747 752	2 662 023	- 914 271
9.2.1	Health insurance similar to life	22 445	30 530	- 8 085
9.2.2	Life insurance except for health insurance and unit- and index-linked insurances	1 725 307	2 631 493	- 906 186
9.3	Life insurances, unit- and index-linked	44	-	44
10	Deposit receivables	-	-	-
11	Receivables towards insurances and intermediaries	2 376 096	4 221 968	- 1 845 872
12	Reinsurance receivables	519 203	236 701	282 502
13	Receivables (trade, not insurance)	732 572	749 334	- 16 762
14	Own shares (held directly)	-	-	-
15	Contributions due regarding own-fund items or funds initially demanded but not yet deposited	-	-	-
16	Cash and cash equivalents	2 093 881	2 093 882	- 1
17	Other assets not reported elsewhere	1 797 233	2 262 939	- 465 706
	Total assets	**164 718 149**	**174 610 207**	**- 9 892 058**

Table 30. Assets based on valuation date 31 December 2019

The following asset classes are not classified as asset components of the UNIQA Biztosító Zrt. as at 31 December 2019 and were therefore not commented on:

- 1. Goodwill
- 5. Pension benefit surplus;
- 7.1 Properties (except for own use)
- 7.3 Shares
- 7.7 Deposits except for cash equivalents
- 7.8 Other investments
- 8.3 Other loans and mortgages
- 10. Deposit receivables

- 14. Own shares (held directly)
- 15. Contributions due regarding own-fund items or funds initially demanded but not yet deposited.

The following tables describe on an individual basis the basic principles, methods and key assumptions for each classes of assets on which the valuation for solvency purposes is based and illustrates substantial differences, both quantitatively and qualitatively, for valuation in accordance with local GAAP in the annual financial statement.

Deferred acquisition costs

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Deferred acquisition costs	n.a.	3 482 308	n.a.

Table 31. Deferred acquisition costs

Deferred acquisition costs include costs which occur within the underwriting of insurance risks and the selling of insurance contracts, especially at the time of conclusion of the contract.

Deferred acquisition costs are balanced in accordance with local GAAP. Thereby, in contracts of property and casualty insurance, accruals of the costs directly allocated to conclusion and an attribution over the anticipated contractual period or an attribution in accordance with the premium deficiency are made. In life insurance, deferred acquisition costs are amortized based on projections of estimated gross profits or gross margins. Deferred acquisition costs are to be valued at zero according to Solvency II, which leads to the difference in value.

Intangible Assets

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Intangible assets	-	1 109 224	- 1 109 224

Table 32. Intangible assets

Intangible assets include self-developed data processing software acquired for consideration licences as well as copyrights. Amortization of intangible assets is done according to their economic lifetime over a fixed period.

Intangible assets can be scheduled for Solvency II purposes if they can be sold separately and if market values can be determined reliably. Since both criteria were not met, these assets were not set in the solvency balance sheet, which explains the difference in value.

Deferred Tax Assets

The method of calculating deferred tax assets is based on the provisions of IAS. Due to the time-limited differences between the valuation of assets and liabilities in the solvency balance sheet in accordance with Solvency II and the tax balance sheets, deferred tax assets and liabilities are set up for Solvency II purposes according to local tax regulations of UNIQA Biztosító Zrt.

The starting point of valuing deferred tax assets for solvency purposes is the value of deferred tax assets in the IFRS balance sheet. This value is further adjusted for the valuation differences between economic and IFRS values (hidden losses multiplied by the tax rate). An effective tax rate of 9 % has been estimated for the purpose of the latter adjustments. For losses carried forward, deferred tax assets are recognised if their future usability, according to internal forecast, is likely to be the case. The intrinsic value of deferred tax assets of temporary differences is reviewed at each balance sheet date.

Deferred tax assets are set up in the solvency balance sheet based on different valuations in the tax balance sheet and the solvency balance sheet.

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Deferred tax assets	0	0	0

Table 33. Deferred tax assets

No deferred tax asset is calculated on reclassifications in order to avoid grossing up of deferred tax assets and liabilities.

Property, Plant and Equipment (for own use)

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Property, plant & equipment (for own use)	1 108 858	1 321 314	- 212 456

Table 34. Property, plant and equipment (for own use)

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. If parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items (main components) of property, plant and equipment.

The company regularly evaluates the market value of the main investment categories and revaluates them if the book value is estimated to be higher than the market value. Investments in rented properties are considered zero in SII, which explains the difference in value.

Shares in affiliated companies including participations

Assets [in Thousand HUF]	Solvency II	Statutory Values		Revaluation
Shares in affiliated companies, including participations	2 003 445	2 330 938	-	327 493

Table 35. Shares in affiliated companies, including participations

Participations are listed at carrying value. Subsidiaries are entities controlled by the company. The company controls a subsidiary if

- the company is able to exercise power over the subsidiary in which investments are held
- it is exposed to fluctuating returns from its participation and
- it is able to influence the amount of the returns as a result of its power.

Under Solvency II, the proportionate net asset value (determined according to Solvency II valuation principles) must be used as an investment value, provided that no exchange rate exists, in accordance with Article 13 of the Level 2 Regulation.

If the valuation of individual assets and liabilities in accordance with Article 75 of Solvency II Directive is not practicable for calculating the excess of assets over liabilities for related undertakings other than insurance or reinsurance, the participating undertaking may consider the equity method as prescribed in IFRS to be consistent with Article 75 of Solvency II Directive. In this case, the value of goodwill and other intangible assets that would be valued at zero (Article 12(2) Delegated Regulation), shall be deducted from the Participating undertaking Subsidiary. This valuation method was used for Participations which are not fully consolidated or quoted at Group level (which are not relevant for the UNIQA Group consolidation).

Shares in affiliated companies, including participations in local financial reports are shown in original transaction cost, which explains the difference in value.

Bonds

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Bonds	**39 506 611**	**36 914 952**	**2 591 659**
Government bonds	38 155 473	35 631 849	2 523 624
Corporate bonds	1 351 138	1 283 103	68 035
Structured debt securities	-	-	-
Asset backed securities	-	-	-

Table 36. Bonds

Under Solvency II bonds are listed at the current fair market value including accrued interest, which is established by using the official daily rate published by the State Government Debt Agency whereas available-for-sale bonds under Local GAAP are initially measured at their purchase price not including accrued interests. Bonds held to maturity under Local GAAP are initially measured at their purchase

price, but amortized by linear method: Disagio is shown under Any other assets, not elsewhere shown, whereas agio is shown under Any other liabilities, not elsewhere.

Bonds, for which a price quotation on an active market was present at the time of observation, have been recorded with the unaltered stock market or market price (mark-to-market). If no prices are quoted on active markets, the economic value was derived from comparable assets in consideration of a required adjustment of specific parameters (marking-to-market). If marking-to-market valuation was not possible, alternative valuation methods were used in the valuation (mark-to-model).

Undertakings for collective investment in securities

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Undertakings for collective investment	328 265	300 336	27 929

Table 37. Undertakings for collective investment in securities

Investment funds are valued at the last available daily net asset value issued by the fund manager and in case of non-domestic, non-local currency investment funds, multiplied by the relevant exchange rate.

Derivatives

Derivatives held in the portfolio are OTC FX options. Under Solvency II their value is based on the latest available market value received by the option writer partner. In Local GAAP the derivatives are off-balance items, thus it is not shown among the assets.

Assets for Unit- and Index-Linked Contracts

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Assets for unit- and index-linked contracts	101 416 740	101 576 577	- 159 837

Table 38. Assets for unit- and index-linked contracts

Assets for unit- and index-linked contracts are recognised for local financial statement as well as for the solvency balance sheet at the fair value. Due to the different observation dates for the local financial statements (30.12.2019) and Solvency II (31.12.2019) approaches are value differences.

Loans and Mortgages

Assets [in Thousand HUF]	Solvency II	Statutory Values		Revaluation
Loans and mortgages	**1 425 465**	**1 466 110**	**-**	**40 645**
Policy loans	10 650	10 650		-
Loans and mortgages for private individuals	1 171	1 171		-
Other loans and mortgages	1 413 643	1 454 288	-	40 645

Table 39. Loans and mortgages

When recognised, such assets are measured at carrying value in the local GAAP balance sheet and Solvency II as well.

Recoverables from reinsurance contracts

Recoverables from reinsurance contracts [in Thousand HUF]	Solvency II	Statutory Values		Revaluation
Recoverables from reinsurance contracts	**11 409 773**	**16 543 624**	**-**	**5 133 852**
Non-life insurances and health insurances similar to non-life	9 661 977	13 881 601	-	4 219 625
Non-life insurances except for health insurances	9 629 806	13 833 516	-	4 203 710
Health insurances similar to non-life	32 170	48 085	-	15 915
Life insurances and health insurances similar to life except for health insurances and unit- and index-linked insurances	1 747 752	2 662 023	-	914 271
Health insurance similar to life	22 445	30 530	-	8 085
Life insurance except for health insurance and unit- and index-linked insurances	1 725 307	2 631 493	-	906 186
Life insurances, unit- and index-linked	44	-		44

Table 40. Recoverables from reinsurance contracts

The item “Recoverables from reinsurance contracts“ includes the reinsurance share of technical provisions. According to the economic valuation approach of technical provisions under Solvency II, i.e. based on the discounted Best Estimate, future claims recovery cash flows from reinsurance counterparties less the expected future reinsurance premiums are recognised under reinsurance recoverables.

In the present Economic Balance Sheet, the following technical approaches have been used:

- Claims Provision recoverables, Non-Life and Health similar to non-life: Recoverables cash flows are calculated from the projected gross cash flows using gross-to-net proxy ratios, determined on the basis of the statutory amounts of claims provisions at a line-of-business granularity. An adjustment for counterparty default is applied following the simplified method described in Article 61 of Commission Delegated Regulation 2015/35.
- Premium Provision recoverables, Non-Life and Health similar to non-life: Recoverables cash flows are modelled in line with best estimate assumptions, including the modelling of reinsurance cash-flows based on the reinsurance model of UNIQA’s Partial Internal Model (PIM) Non-Life. The impact of proportional and non-proportional reinsurance agreements on future loss payments is thereby modelled in an explicit fashion. Apart from claims recoveries, reinsurance commissions and reinstatement premiums are included in the

recoverables cash flow. An adjustment for counterparty default is applied following the simplified method described in Article 61 of Commission Delegated Regulation 2015/35.

- Recoverables for Non-Life Annuities (included in the recoverables for Life technical provisions): Recoverables cash flows are calculated from the projected gross cash flows using gross-to-net proxy ratios, determined on the basis of the statutory amounts of claims provisions at a line-of-business granularity. An adjustment for counterparty default is applied following the simplified method described in Article 61 of Commission Delegated Regulation 2015/35.
- Recoverables, Life and Health SLT Business: Reinsurance recoverables for Life and and Health SLT business are considered as of low materiality and are currently not modelled in the cash flow projection models. The only life reinsurance recoverables taken into account in the economic balance sheet are the reinsurers' share of the claims reserve, with the statutory amount being used as a proxy.

Receivables towards insurances and intermediaries

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Receivables towards insurances and intermediaries	2 376 096	4 221 968	- 1 845 872

Table 41. Receivables towards insurances and intermediaries

This item includes receivables towards insurances and intermediaries. The local GAAP amount is adjusted in the economic balance sheet for the cancellation provision, reflecting the expected economic impact of the impairment of insurance premium receivables.

The year-end balance of accrued income in local GAAP contains insurance premium receivables, which are reclassified into insurance and intermediaries receivables.

Reinsurance receivables

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Reinsurance receivables	519 203	236 701	282 502

Table 42. Reinsurance receivables

This item includes receivables from reinsurers, which were not categorized in the item of deposit receivables. The local GAAP carrying amount is taken into account, adjusted in the economic balance sheet for the reinsurers' part of the cancellation provision, reflecting the expected write-back of reinsurance premiums due to the impairment of direct premium receivables.

Receivables (trade, not insurance)

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Receivables (trade, not insurance)	732 572	749 334	- 16 762

Table 43. Receivables (trade, not insurance)

This item includes all receivables which do not derive from the insurance business. When recognised, such assets are measured at carrying value.

The small difference is reclassified in the local GAAP to the position “Payables (trade, not insurance).

Cash and Cash Equivalents

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Cash and cash equivalents	2 093 881	2 093 882	- 1

Table 44. Cash and cash equivalents

Under this item credits at banks, cheques and cash balance are recognised. The valuation is achieved at an economic value which corresponds to the nominal value. There are minor rounding differences to Solvency II. Foreign currency cash balances are multiplied by the official exchange rates of the Central Bank of Hungary.

Other Assets Not Reported Elsewhere

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Other assets not reported elsewhere	1 797 233	2 262 939	- 465 706

Table 45. Other Assets not reported elsewhere

Other assets include all assets which are not already contained in the other items of the asset side. For economic valuation purposes, the local GAAP items displayed in this position are cleaned of accrued investment revenue and of unrealised gains on the HTM bond portfolio (as the latter items are considered to be part of the market value of the respective investments).

The year-end balance of accrued income in local GAAP contains also insurance premium receivables, which are reclassified into insurance and intermediaries receivables.

D.2 Technical Provisions

Due to the type of liabilities, technical provisions of UNIQA Biztosító Zrt. are solely valued as “Best Estimate plus Risk Margin”. A replication of technical cash flows by means of financial instruments and thus a valuation in total are not considered.

The calculation of provisions, based on the Best Estimate, is a matter of revaluation of technical provisions in accordance with IFRS or local GAAP on an economic valuation. By the use of assumptions regarding the Best Estimate in the calculation of these future cash flows (instead of cautious valuation assumptions), so called Best Estimate provisions or Best Estimate liabilities can be obtained. Options and guarantees (TVFOG), as far as they are relevant, are included in the Best Estimate of the provisions.

The following table shows the Solvency II provisions compared to the corresponding provisions in accordance with Local GAAP of UNIQA Biztosító Zrt. on 31.12.2019:

Evaluation of Technical Provisions

Technical provisions [thousand HUF]		Solvency II	Statutory Values	Revaluation
1	**Technical provisions - non-life insurance**	**22 809 002**	**28 461 835**	**- 5 652 833**
1.1	Technical provisions - non-life insurance (except for health insurance)	22 316 687	26 832 786	- 4 516 099
1.1.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
1.1.2	*Best Estimate*	*21 828 067*	*n.a.*	*n.a.*
1.1.3	*Risk margin*	*488 619*	*n.a.*	*n.a.*
1.2	Technical provisions-health insurance (similar to non-life)	492 315	1 629 049	- 1 136 734
1.2.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
1.2.2	*Best Estimate*	*459 957*	*n.a.*	*n.a.*
1.2.3	*Risk margin*	*32 358*	*n.a.*	*n.a.*
2	**Technical provisions– life insurance (except for unit- and index-linked insurances)**	**11 893 650**	**14 465 285**	**- 2 571 634**
2.1	Technical provisions– health insurance (similar to life)	- 9 545	984 466	- 994 011
2.1.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
2.1.2	*Best Estimate*	- *14 867*	*n.a.*	*n.a.*
2.1.3	*Risk margin*	*5 322*	*n.a.*	*n.a.*
2.2	Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	11 903 195	13 480 818	- 1 577 623
2.2.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
2.2.2	*Best Estimate*	11 502 138	*n.a.*	*n.a.*
2.2.3	*Risk margin*	401 058	*n.a.*	*n.a.*
3	**Technical provisions–unit- and index-linked insurances**	**93 908 991**	**104 164 201**	**- 10 255 210**
3.1	*Technical provisions calculated in total*	-	*n.a.*	*n.a.*
3.2	*Best Estimate*	*90 789 692*	*n.a.*	*n.a.*
3.3	*Risk margin*	*3 119 299*	*n.a.*	*n.a.*
4	**Other technical provision**	**n.a.**	**1 991 355**	**n.a.**
Technical provisions in total		**128 611 643**	**149 082 676**	**- 20 471 033**

Table 46. Evaluation of technical provisions

In the following paragraphs, the basic principles, methods and key assumptions, on which the evaluation for the solvency balance sheet is based, are described separately for technical provisions non-life and life. Furthermore, significant differences for the evaluation according to the local GAAP in the financial statement are quantitatively and qualitatively explained.

D.2.1 Technical Provisions Non-life

The methods used for the evaluation of the technical provisions are determined by the UNIQA Insurance Group AG and regulated in the UNIQA Group Best Estimate Standard non-life. This Group-standard is used in UNIQA Biztosító Zrt. in all lines of business of property and casualty insurance. The methods from non-life are used as well in health business which is practiced on a similar basis to that of a property and casualty insurance (Health- NSLT).

The methods chosen for the evaluation of technical provisions correspond to the current actuarial standards. Furthermore, they are selected in accordance with the materiality and complexity of the modelled risks.

In Solvency II the following parts of technical provisions are generally distinguished:

- Claims Reserve
- Premium Reserve
- Risk margin

In the calculation of the technical provisions all expenses that are also mentioned in Article 31 of the Delegated Acts are taken into account:

- Administrative expenses
- Investment management expenses
- Claims settlement expenses
- Acquisition expenses

The assumptions of future cost ratios within the cash flow projections are based on the planned expenses in the business plans of UNIQA Biztosító Zrt.

In order to evaluate each part, different methods are in place:

Claims Reserve

The **homogeneous risk group (HRG)** structure for estimation of claims outstanding is defined taking into account the nature and the risk profile of the products. The HRG structure is harmonised with the locally used controlling and accounting aggregations. Reinsurance structure is the basis of the HRG structure, however the latter one is less granular. The HRG structure is reviewed once in year by Actuarial Department and the related Product Department.

Claims triangles per homogeneous risk group and also information on individual atypical claims in some cases form the basis for the valuation of reserves of claims that have not yet been settled. Generally acknowledged static methods are used for the evaluation of the Best Estimate (if applicable):

- Chain ladder;
- Munich chain ladder;
- Cape Cod; and
- Bornhuetter-Ferguson

These methods are available on yearly and quarterly basis and they are calculated with incurred and payment figures as well.

In case these methods are not suitable (e.g. for business divisions where only limited claims data are available), other Best-Practice methods (e.g. based on incidence of loss/extent of damage) are applied.

Salvage, subrogation and ALAEs are included in the basis data. Salvage and subrogations are included with adjustment for their expected recovery rate. Annuities are taken into account as a lump-sum in the non-life claims provision calculation.

Large claims are handled separately in industrial business where the largest claims typically occur. CAT claims are not marked in the best estimate calculation, they are estimated together with other claims.

To determine the discounted best-estimate reserves, the cash flow patterns are determined from the paid claims triangles using the appropriate curve fitting method. Three different methods are available for modeller to choose the proper one or there is a possibility to use the historical cash flow pattern or make manual corrections. Undiscounted best estimate and cash flow patterns are reviewed by UNIQA Group actuaries.

Premium Reserve

The Premium Provision calculation process is an integral part of the Partial Internal Model (PIM) calculation and is used also for the Standard Approach.

For the calculation of the premium provision, the following categories of premiums – and related obligations – are considered:

- unearned premium; and
- unincepted premium (these provisions are estimated by modelling the cash flows within the contract boundaries and allowing for lapses)

Future premiums are considered within the contract boundary determined in accordance with Article 18 of Commission Delegated regulation 2015/35. In effect the contract boundary considered in non-life is the future date where the company has a unilateral right to terminate the contract. One-year and multi-year contracts are treated separately in the Premium Provision calculation. Lapses are distinguished from contract boundaries. Expected lapse rates, determined from historical experience, are used to adjust future premium cash flows.

Future claims are modelled consistently with PIM. Claims distributions are determined using the historical claims experience. Statistical goodness-of-fit criteria are used to select the most appropriate distributions for each segment. Expert judgement is used to supplement the data in those cases where sufficient historical experience is not available. The homogeneous risk group structure used for the Premium Provision calculation is more granular than the one used for Claims Provision, with the aim of closely reflecting the reinsurance structure. Three types of claims (attritional, large and CAT) are distinguished. Attritional claims are modelled via a total loss distribution, while a frequency-severity approach is used for the modelling of large claims. Catastrophe (CAT) claims are either derived from event sets generated by external natural catastrophe models, or (in the case of the Summer Storm peril) are parameterised using an internal frequency-severity approach. Payment patterns for future claims are determined separately by homogeneous risk group and claim type using triangle methods based on historical experience.

Operating expenses are modelled consistently with planning assumptions. Expected future acquisition cost, premium refund and insurance tax cash flows within the contract boundary are also included in the Premium Provision calculation.

Risk Margin

The risk margin is calculated as the present value of all future costs of capital of hypothetical reference undertakings taking over the insurance obligations of the company, calculated with the Solvency 2 standard cost-of-capital rate of 6% per annum.

Following Level 2 (Implementing measures solvency 2) Article 38(1), it is assumed that a non-life reference undertaking takes over the obligations related to non-life activities; accordingly non-life annuities are assumed to be transferred to the non-life reference undertaking. The reference undertakings are assumed to be empty before the hypothetical portfolio transfer. After the transfer, the reference undertakings raise eligible own funds equal to the SCR necessary to support the insurance obligations over their remaining lifetime. In line with Level 2 Article 38(1) it is also assumed that the reference undertakings do not take up new insurance obligations beyond the existing contract boundaries (e.g. it is assumed that contracts are terminated at the first possible future date where the company has a unilateral right to terminate a contract).

The future SCRs of the reference undertakings are approximated by scaling each relevant risk module (or submodule) proportionally to the projected value of the relevant risk driver(s).

Degree of Uncertainty

The parameters and assumptions used for the calculation of technical provisions are subject to natural uncertainty due to possible variations in the benefits and costs, as well as economic assumptions such as discount rates.

As UNIQA is building a Partial Internal Model to quantify it's Non-Life underwriting risk, the full distribution of the underwriting results is available and is used to get an understanding about the volatility in the Best Estimate reserve.

Overview of the BE as at Valuation Date 31.12.2019

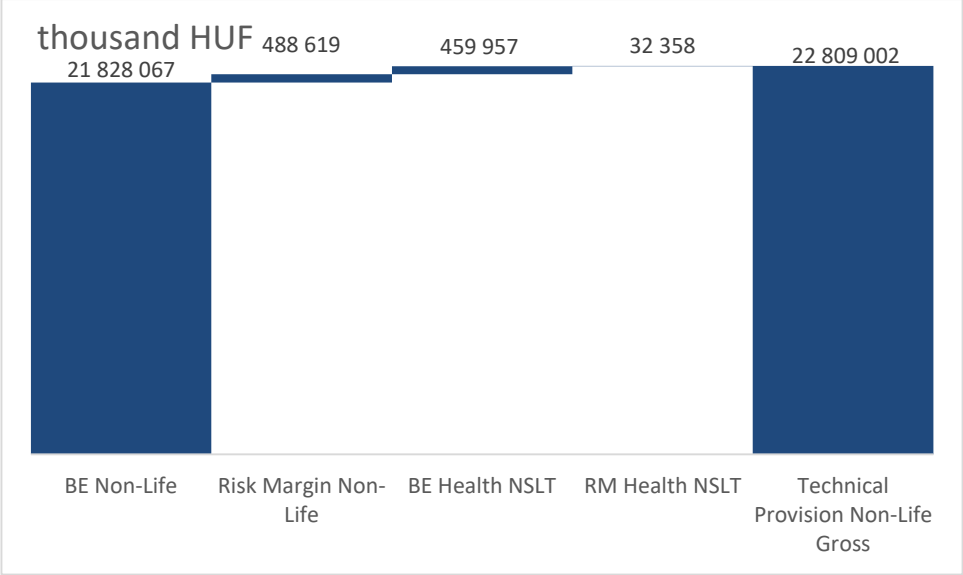

Figure 16. Technical provisions non-life & health-NSLT

The Best Estimate-reserves are mostly determined by claims reserves (CO), the premium reserve represents only a small part. In order to calculate the technical provisions, no significant simplified methods were used. The same applies to the calculation of the risk margin.

Reconciliation of Gross Technical Provisions Non-life & Health-NSLT to Local GAAP Balance Sheet

Technical provisions [thousand HUF]	Solvency II	Statutory Values	Revaluation
Technical provisions – non-life insurance	**22 809 002**	**28 461 835**	**- 5 652 833**
Technical provisions – non-life insurance (except for health insurance)	22 316 687	26 832 786	- 4 516 099
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	*21 828 067*	*n.a.*	*n.a.*
Risk margin	*488 619*	*n.a.*	*n.a.*
Technical provisions – health insurance (similar to non-life)	492 315	1 629 049	- 1 136 734
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	*459 957*	*n.a.*	*n.a.*
Risk margin	*32 358*	*n.a.*	*n.a.*

Table 47. Evaluation of gross technical provisions

In property and casualty insurance under Solvency II, the technical provisions are less valuated than under local GAAP. The main reasons are:

- Claims reserves in Solvency II are shown as discounted, which has significant effect since there are high reserve stocks of long processing liability insurances.
- The unearned premium (UPR) represents in the accounting – in accordance with IFRS and the local GAAP - the equivalent to the premium provision's Best Estimate. Since not the whole UPR can be provisioned but a small part net of claims and fixed costs, there is a revaluation effect in Solvency II. Acquisition commissions are already paid, thus they are no longer considered in the cash flow.
- When it comes to the calculation of net liabilities, external reinsurance business are taken into consideration.

The following table compares the changes of Solvency II technical provisions between the last and current period.

Technical provisions [thousand HUF]	31/12/2018	31/12/2019	Difference
Technical provisions – non-life insurance	**20 121 521**	**22 809 002**	**2 687 481**
Technical provisions – non-life insurance (except for health insurance)	19 741 108	22 316 687	2 575 578
Technical provisions calculated in total	-	-	-
Best Estimate	*19 350 931*	*21 828 067*	*2 477 136*
Risk margin	*390 177*	*488 619*	*98 442*
Technical provisions – health insurance (similar to non-life)	380 413	492 315	111 902
Technical provisions calculated in total	-	-	-
Best Estimate	*365 199*	*459 957*	*94 758*
Risk margin	*15 214*	*32 358*	*17 144*

Table 48. Comparison of gross technical provisions

Technical Provisions increased during the year driven by growth of Premium Provision. Main drivers are Fire and other damage to property insurance, MTPL and Motor Hull.

The following table shows the reconciliation of the Local GAAP values to Solvency II values per segment of the largest LoBs in non-life insurance:

Thousand HUF	Solvency II	Statutory Values	Revaluation
Technical provisions – non-life insurance	**22 809 002**	**28 461 835**	**-5 652 833**
Motor vehicle liability insurance	**11 847 131**	**13 278 192**	**-1 431 061**
Technical provisions calculated as a whole	*n.a.*	*13 278 192*	*n.a.*
Best Estimate	*11 608 112*	*n.a.*	*n.a.*
Risk margin	*239 020*	*n.a.*	*n.a.*
Other motor insurance	**4 165 911**	**4 134 059**	**31 851**
Technical provisions calculated as a whole	*n.a.*	*4 134 059*	*n.a.*
Best Estimate	*4 004 816*	*n.a.*	*n.a.*
Risk margin	*161 095*	*n.a.*	*n.a.*
Fire and other damage to property insurance	**3 526 406**	**3 512 293**	**14 112**
Technical provisions calculated as a whole	*n.a.*	*3 512 293*	*n.a.*
Best Estimate	*3 466 987*	*n.a.*	*n.a.*
Risk margin	*59 419*	*n.a.*	*n.a.*
General liability insurance	**1 816 355**	**3 274 969**	**-1 458 614**
Technical provisions calculated as a whole	*n.a.*	*3 274 969*	*n.a.*
Best Estimate	*1 806 214*	*n.a.*	*n.a.*
Risk margin	*10 141*	*n.a.*	*n.a.*

Table 49. Evaluation of technical provisions for largest Non-Life LoBs

The revaluation differences per Line of Business comes from the same reasons as already mentioned above for the company level. The largest effects being in the two longest tailed businesses, namely Motor vehicle liability and general liability.

D.2.2 Technical Provisions Life & Health (SLT)

Description of Methods to Evaluate Technical Provisions

A Best Estimate reserve can be interpreted as a statutory reserve net of all prudent assumptions.

Thus, the re-evaluation of reserves implies replacing prudent assumptions (e.g. mortality, expenses) by best estimate assumptions. Under the principle of equivalence a reserve in life insurance is defined as difference of present value of future benefits and present value of future premiums. Calculating those future cash flows using best estimate assumptions (instead of prudent assumptions stated in the technical note) leads to a reserve called Best Estimate reserve or Best Estimate liability.

In case of Incurred but not reported (IBNR) and Reported but not settled (RBNS) claim reserve, Profit sharing reserve for group policies Best Estimate reserve equal to Statutory Reserve.

Unit-Linked Business (UL)
A deterministic projection model is used. Insurance products are reflected in the model as homogeneous risk groups and each model point corresponds to a single policy or a part of it. Investment return (unit growth) assumptions are consistent with the risk-free forward reference rates. Nearly all unit-linked policies are covered by the projection; a scaling factor based on unit reserves is applied to account for the marginal gap in the model coverage.

Traditional Business with Profit Sharing (WP)
A stochastic asset-liability projection model is used. Because of the computational intensity of the stochastic projection, products are clustered and policies are grouped into model points. A risk-neutral set of stochastic economic scenarios are used, calibrated to the risk-free reference rates. The certainty-equivalent scenario is calibrated to a more granular deterministic liability model. The asset side model reflects the actual investment mix and management rules consistent with Group Market Risk Management preferences. The stochastic asset-liability model allows a more realistic modelling of future discretionary benefits (FDB) and time value of financial options and guarantees (TVFOG) than a deterministic model. Some products are not covered by the projection; on the one hand some of them are modelled with the deterministic projection model and on the other hand a scaling factor based on statutory reserves is applied for the rest to account for the small gap in the model coverage.

Traditional Business without Profit Sharing (WoP)
A deterministic projection model is used. Insurance products are reflected in the model as homogeneous risk groups and each model point corresponds to a single policy or a part of it. The projection model does not have full coverage; the best estimate of those products that are currently out of the model scope is approximated by the statutory (Solvency 1) reserves.

Health SLT
A deterministic projection model is used. Insurance products are reflected in the model as homogeneous risk groups and each model point corresponds to a single policy or a part of it. The projection model does have full coverage.

Non-Life Annuities
The best estimate of non-life annuities is calculated by a cash-flow model. Mortality rates are taken from the 2016 Hungarian mortality table. The cash flow model includes a 5% expense loading.

Assumptions

The assumptions relating to the Best Estimate are determined on the basis of the past, present and expected development and includes also other relevant data. The best estimate assumptions are used for a number of purposes including Liability Adequacy Testing (LAT) and Embedded Value (EV) reporting. These assumptions are reviewed and updated annually and they are considered separately for each product group.

Profit Participation

The Company allocates a percentage of the earned interest over the guaranteed technical interest rate to each policyholder. The percentage is determined in the products terms and conditions. Regarding currently existing products it is either 80%, 85% or 90%. For the purpose of Best Estimates the actual percentage was used per product. Declared bonuses are treated in one of three possible ways, depending on the product. The three product groups with respect to profit sharing are: Increase of Sum Assured, Revalorisation and Profit Account. These are treated separately in the Cash-Flow model according to the product terms and conditions.

Costs

Cost assumptions are based on the actual costs that are incurred in the years before the valuation date. The allocation of expenses between initial and renewal expense assumptions reflects the reality. The allocation of expenses is differentiated by product class and between regular and single premium contracts.

Extraordinary costs, which are not expected in the future, are not included in the cost allocation. Additional costs are included in the allocation of costs in the event they are expected in the future.

Maintenance expenses are derived from actual expenses based on the company total expenses adjusted with the following and then allocated to individual policies as a fixed amount by dividing by the expected average policy number per type (regular, single premium, etc):

- yearly expense of term contracts and riders calculated as 40% of their annual premium.
- yearly expense of group contracts calculated as 10% of their annual premium.

Future inflation is applied to modelled expenses in line with the inflation rates projected by the Central Bank of Hungary.

Cancellation

Lapse rates are based on an analysis of historic lapse rates, in particular on the average of the experienced lapse rates of the past years. For new products the lapse rates are based on the assumptions for similar products.

The lapse and paid-up rates that we used are based on the previous years' lapse experience. The analysis was carried out based on number of policies.

Lapse rates are derived independently for sales channel, premium frequency, product type, technical interest rate (just in case of traditional products) and policy year. Paid-up rates are modelled as dependent on sales channel, product type and policy year. For segments with too few data we made the estimations on an aggregated basis (i.e. all premium frequencies together, technical interest rates together, etc.).

We built up “run-off” triangles of policy lapses based on policy beginning year and policy age and used expert judgement for extrapolation. With the “run-off” triangle approach we were able to take into consideration calendar year effects (e.g.: loan payback effect at end of 2011), policy start year effects (poor or dynamic sales activity, etc.).

Commission
The estimates of the commission are based on the commission agreements in force with sales partners.

Mortality and Disability
The assumptions of mortality and disability are based on the Best Estimate for future events. The developments from the past are therefore taken into account. If this information should not be enough, developments from the sector will be used as well.

Interest Rate Assumptions
The interest rate assumptions, in the calculation of the reserves for the Best Estimate, are derived under Solvency II on the basis of the given risk-free interest rates. The interest rate assumptions have the strongest influence on the value of the Best Estimate reserves in the traditional life insurance business. Compared to the previous year, the interest rate assumptions have changed in the following way:

Risk-free interest rates 2019 (excl. Volatility Adjustment)

Year	EUR	HUF
1	-0,42%	0,02%
5	-0,23%	0,96%
10	0,11%	1,94%
15	0,36%	2,62%
20	0,50%	3,05%
25	0,83%	3,32%

Table 50. Interest rate assumptions

Risk Margin

The risk margin is calculated as the present value of all future capital costs. Thereby the future SCRs are updated analogously to the processing of the Best Estimate. Furthermore, the capital costs of 6 per cent are fixed. It is assumed that all market risks are hedgeable.

Following Level 2 Article 38(1), it is assumed that a life reference undertaking takes over the obligations relating to life activities, whereas a non-life reference undertaking takes over the obligations related to non-life activities; accordingly non-life annuities are assumed to be transferred to the non-life reference undertaking. The reference undertakings are assumed to be empty before the hypothetical portfolio transfer. After the transfer, the reference undertakings raise eligible own funds equal to the SCR necessary to support the insurance obligations over their remaining lifetime. In line with Level 2 Article 38(1) it is also assumed that the reference undertakings do not take up new insurance obligations beyond the existing contract boundaries (e.g. it is assumed that contracts are terminated at the first possible future date where the company has a unilateral right to terminate a contract).

UNIQA uses an approach that calculates the future SCRs via their risk drivers. An example for a risk driver would be the trend of administrative costs in comparison to the development figure of the cost of risk capital. The risk margin is calculated on a net basis after deduction of reinsurance.

Degree of Uncertainty

The degree of uncertainty of technical provisions is reviewed within the scope of the Market Consistent Embedded Value (MCEV) account or within the analysis of change. In the analyses of the change the observed parameters are compared with the assumptions in the projection. If the development of the technical provisions can be explained with observed parameters, this means that all relevant risks are adequately depicted.

In the analyses of the change, it is shown particularly how realised events, in comparison with initially assumed parameters, affect the value of technical provisions under Solvency II.

The degree of uncertainty, in the form of a confidence level, can only be specified for stochastic models, whereby the empirical distribution of the used capital market simulations forms the starting point. With the capital market scenarios, the largest variations in relation to the value of technical provisions depending on the assumptions for the traditional life insurance business are covered.

Overview of the BE as at Valuation Date 31.12.2019

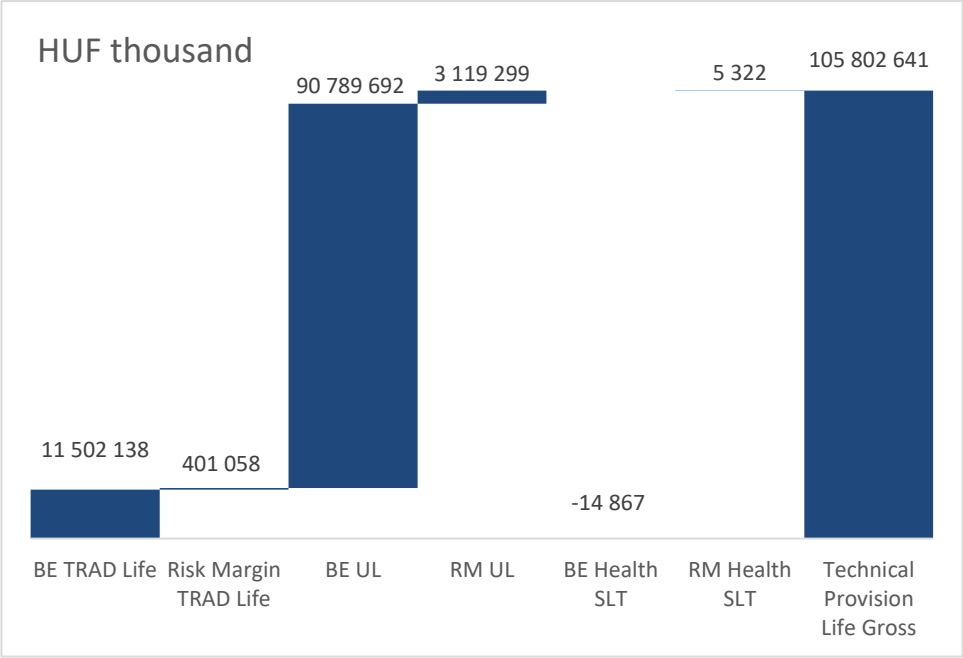

Figure 17. Technical provisions Life & health (SLT) (in THUF)

In order to calculate the technical provisions no significant simplified methods were used. The same applies to the calculation of the risk margin.

Reconciliation of Gross Technical Provisions to Local GAAP Balance Sheet

Technical provisions [thousand HUF]	Solvency II	Statutory Values	Revaluation
Technical provisions– life insurance (except for unit- and index-linked insurances)	**11 893 650**	**14 465 285**	**- 2 571 634**
Technical provisions– health insurance (similar to life)	- 9 545	984 466	- 994 011
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	- *14 867*	*n.a.*	*n.a.*
Risk margin	*5 322*	*n.a.*	*n.a.*
Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	11 903 195	13 480 818	- 1 577 623
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	11 502 138	*n.a.*	*n.a.*
Risk margin	401 058	*n.a.*	*n.a.*
Technical provisions–unit- and index-linked insurances	**93 908 991**	**104 164 201**	**- 10 255 210**
Technical provisions calculated in total	-	*n.a.*	*n.a.*
Best Estimate	*90 789 692*	*n.a.*	*n.a.*
Risk margin	*3 119 299*	*n.a.*	*n.a.*
Other technical provision	**n.a.**	**1 991 355**	**n.a.**

Table 51. Evaluation of gross technical provisions - Life

In the Traditional Life business (without health and index- and unit-linked business) the Technical Provisions under Solvency II, compared to Local GAAP, are lower on Company level. This is driven on one hand by the effect of discounting and on the other hand prudent assumptions in statutory provisions. It should also be taken into account that under Solvency II future profit participation (in comparison with Local GAAP) is a part of the provision.

For the unit- and index-linked business, which has much lower interest sensitivity, provisions in the solvency balance sheet under Solvency II are smaller than those under Local GAAP by a large margin. This is driven by the expected future profits recognized in the Technical Provisions.

The effect of revaluation of Local GAAP to Solvency II in the health insurance business (SLT) leads to a reduction of technical provisions mainly because contract boundary is set to next policy's anniversary. Cash flows after this moment are not taken into account under Solvency II Best estimation calculation.

The following table compares the changes of Solvency II technical provisions between the last and current period.

Technical provisions [thousand HUF]	31/12/2018	31/12/2019	Difference
Technical provisions– life insurance (except for unit- and index-linked insurances)	**13 040 046**	**11 893 650**	**- 1 146 396**
Technical provisions– health insurance (similar to life)	700 171	- 9 545	- 709 717
Technical provisions calculated in total	-	-	-
Best Estimate	*700 171*	*- 14 867*	*- 715 039*
Risk margin	*0*	*5 322*	*5 322*
Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	12 339 875	11 903 195	- 436 680
Technical provisions calculated in total	-	-	-
Best Estimate	12 090 064	*11 502 138*	*- 587 926*
Risk margin	249 811	*401 058*	*151 247*
Technical provisions–unit- and index-linked insurances	**85 487 877**	**93 908 991**	**8 421 114**
Technical provisions calculated in total	-	-	-
Best Estimate	*82 915 818*	*90 789 692*	*7 873 874*
Risk margin	*2 572 059*	*3 119 299*	*547 241*
Other technical provision	**n.a.**	**n.a.**	

Table 52. Comparison of gross technical provisions

The technical provisions increased significantly for unit- and index-linked insurances due to extraordinary yield in 2019. The health insurance business (SLT) technical provision dropped because of the calculation method and the change of contract boundary.

Transitional Measures

The volatility adjustment, as defined in Article 77d SII Directive 2009/138/EC, was adapted in the Solvency II calculation for all lines of business. No matching adjustment or transitional discounting rates have been used.

The volatility adjustment is additionally added to the risk-free interest curve. In the following table, the effect of the volatility adjustment is shown:

In Thousand HUF	With volatility adjustment	Without volatility adjustment and without other transitional measures	Effect
Technical provisions	128 826 735	128 842 040	- 15 305
Basic own funds	24 833 150	24 823 031	10 119
Eligible own funds to meet Solvency Capital Requirement	24 833 150	24 823 031	10 119
SCR	14 445 148	14 450 263	- 5 115
Eligible own funds to meet Minimum Capital Requirement	4 444 475	4 444 974	- 499
Minimum Capital Requirement	4 444 475	4 444 974	- 499

Table 53. Technical provisions Life – Non-Life - Health (volatility adjustment)

Besides the volatility adjustment no other significant transition measures were used for the calculation of the technical provision.

D.3 Other Liabilities

The following table shows a comparison of all other liabilities at the reporting date 31.12.2019, valued in accordance with Solvency II and Local GAAP.

	Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
1	Contingent liabilities	-	-	-
2	Provisions other than technical provisions	1 083 677	75 000	1 008 677
3	Pension benefit obligations	-	-	-
4	Deposits from reinsurers	53 064	53 064	-
5	Deferred tax liabilities	1 000 574	-	1 000 574
6	Derivatives	-	-	-
7	Debts owed to credit institutions	-	-	-
8	Financial liabilities other than debts owed to credit institutions	958 508	958 508	-
9	Insurance & intermediaries payables	5 806 461	5 806 461	-
10	Reinsurance payables	805 116	805 116	-
11	Payables (trade, not insurance)	710 222	726 984	- 16 762
12	Subordinated liabilities	3 437 733	3 305 200	132 533
12.1	*Subordinated liabilities not in BOF*	-	-	-
12.2	*Subordinated liabilities in BOF*	*3 437 733*	*3 305 200*	*132 533*
13	Any other liabilities, not elsewhere shown	-	180 228	- 180 228
	Other liabilities total	**13 855 355**	**11 910 561**	**1 944 793**

Table 54. Other liabilities

The following classes of assets are not available at the reporting date 31.12.2019 and will not be further commented:

- Contingent liabilities;
- Pension benefit obligations
- Derivatives
- Debts owed to credit institutions
- Financial liabilities other than debts owed to credit institutions

Provisions other than technical provisions

Other liabilities [in Thousand HUF]	Solvency II	atutory Values	Revaluation
Provisions other than technical provisions	1 083 677	75 000	1 008 677

Table 55. Provisions other than technical provisions

Accrued expenses are shown in local GAAP under “Any other liabilities, not elsewhere shown” whereas in Solvency II under “Provisions other than technical provisions”. This is a pure reclassification.

Deposits from reinsurers

Both for the local GAAP and for the solvency balance sheet, liabilities are valued at the settlement amount. As the same approach is applied under Solvency II, there are no valuation differences.

Deferred tax liabilities

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Deferred tax liabilities	1 000 574	-	1 000 574

Table 56. Deferred tax liabilities

The starting point of valuing deferred tax liabilities for solvency purposes is the value of deferred tax liabilities in the consolidated IFRS balance sheet. This value is further adjusted for the valuation differences between economic and IFRS values (hidden reserves multiplied by the tax rate). An effective tax rate of 9% has been estimated for the purpose of the latter adjustments.

Insurance & intermediaries payables

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Insurance & intermediaries payables	5 806 461	5 806 461	-

Table 57. Liabilities to insurance companies and agents

This item includes liabilities payable to insurance companies and intermediaries. Both for the local GAAP financial statements and for the solvency balance sheet liabilities are valued at the settlement amount. As the same approach is applied under Solvency II, there are no valuation differences, only rounding differences.

Reinsurance payables

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Reinsurance payables	805 116	805 116	-

Table 58. Reinsurance payables

This item includes reinsurance payables. Both for the local GAAP and for the solvency balance sheet liabilities are measured at carrying value. As the same approach is applied under Solvency II, there are no valuation differences.

Payables (trade, not insurance)

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Payables (trade, not insurance)	710 222	726 984	- 16 762

Table 59. Payables (trade, not insurance)

This item includes liabilities, which cannot be assigned to other categories. Both for the local GAAP and for the solvency balance sheet, liabilities are measured at carrying value. As the same approach is applied under Solvency II, there are no valuation differences.

The small difference is reclassified in the local GAAP to the position “Any other liabilities, not elsewhere shown”.

Any other liabilities, not elsewhere shown

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Any other liabilities, not elsewhere shown	-	180 228	- 180 228

Table 60. Any other liabilities, not elsewhere shown

This item includes any other liabilities that are not shown elsewhere. This item includes miscellaneous payables e.g. tax and social security that are not related to insurance technical accounts.

These liabilities include accrued expenses valued at the local GAAP amount (reclassified from the Solvency II position “Provisions other than technical provisions”), cleaned of the reinsurance share of deferred acquisition costs and of unrealised losses on the HTM bond portfolio.

D.4 Alternative Methods for Valuation

UNIQA Biztosító Zrt. uses no alternative methods for valuation.

D.5 Any Other Information

UNIQA Biztosító Zrt. has no further information to disclose related to the valuation used for solvency purposes.

E. Capital Management

E.1 Own Funds

This chapter contains information about own funds and the management of it. One of the most important targets of the top management is to be well capitalized over the time and to have enough own funds in place to manage large losses and negative financial business events.

Through active own fund management, UNIQA Biztosító Zrt. assures that the company's capitalisation is always adequate. There have to be sufficient available own funds in order to correspond to the capital requirements which have been calculated using the standard formula according to the requirements of the Supervisory Authority under Solvency II.

Furthermore, the management of own funds pursues the goal to increase UNIQA Biztosító Zrt.'s financial capability as much as possible and to keep it at a justifiable level at a target solvency ratio of 165% per cent defined in the company's Risk Strategy for 2020.

As long as strategic planning and capital strength allow for it, UNIQA Biztosító Zrt. returns non-used capital in the form of dividends to its shareholders.

The overall solvency is regularly monitored in order to correspond to the overall solvency requirement.

A solvency ratio limit and capital requirement system with thresholds defines measures and escalation levels to be taken, if capitalisation falls below a certain level. This process guarantees that every time there is adequate and optimal own funds level to run the business.

The planning of the capital management activities and the overall solvency requirement for the internal risk model (ORSA, pillar 2) is based on a time horizon of 5 years.

Furthermore, UNIQA implemented the following processes for the management of own funds:

- The excess of assets over liabilities including own funds inside or outside the IFRS financial statements is monitored regularly.
- This comprises different categories of own funds ("tiers") in accordance with Solvency II in order to oppose the overall solvency requirement to the available own funds.
- Consequently, a possible adaptation need to meet the regulatory own funds requirements can be reviewed regularly.

In the reporting period, no major changes in connection to the management of own funds were carried out.

Classification of own funds in categories

In accordance with Solvency II, own funds, which differ in their capacity to absorb losses, are classified in categories, so-called Tiers. This varying capacity to absorb losses is shown in Figure 18.The loss absorbing capacity of Tier 1 own funds is estimated higher than that of Tier 2 and Tier 3 own funds respectively.

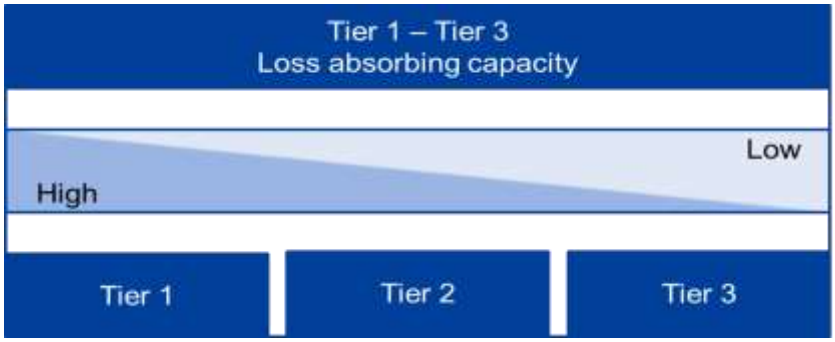

Figure 18. Loss absorbing capacity of own funds

As will be shown in the course of this section, UNIQA Biztosító Zrt. does not possess Tier 3 own funds. Figure 19 represents the relevant quality criteria for the respective own fund categories.

Quality criteria	Tier 1 restricted	Tier 2	Additional Tier 2
Capacity to absorb losses	Capacity to absorb losses in Going concern and winding-up	Capacity to absorb losses at least in winding-up	Capacity to absorb losses at least in winding-up
Maturity period	Unlimited maturity period; first contractual possibility to redeem or pay back at the earliest 5 years after issue	Unlimited or	Unlimited or initial maturity period of at least 5 years
Subordination ranking	Equal or preferential to the share capital or foundation funds respectively, subordinate to Tier 2- and Tier 3-basic own fund components, as well as to claims of all policy holders and entitled beneficiaries and non-subordinate creditors	Subordinate to all claims of all policy holders, entitled beneficiaries and non-subordinate creditors	Subordinate to all claims of all policy holders, entitled beneficiaries and non-subordinate creditors

Figure 19. Quality criteria per tier relevant to UNIQA Biztosító Zrt.

Reconciliation of local GAAP equity to regulatory own funds

Position [in Thousand HUF]	2019
Local GAAP equity incl. own shares	**13 616 970**
Revaluation of assets	- 9 892 058
Goodwill	*n.a.*
Deferred acquisition costs	*n.a.*
Participations	*- 327 493*
Real estate	*- 212 456*
Loans	*- 40 645*
Others	*863 095*
Revaluation of technical provision	*- 8 224 468*
Technical provision non-life and Health similar to NL	- 5 652 833
Technical provision life & health similar to Life	- 2 571 634
Other technical provision	n.a.
Revaluation of other provisions	*1 944 793*
Deferred tax liabilities	1 000 574
Other	944 220
Economic own funds	25 028 884
Planned Dividend	**660 000**
Tier 1 - Restricted	-
Tier 2	3 437 733
Basis own funds	25 028 884

Table 61. Reconciliation of local GAAP equity to regulatory own funds

The essential drivers for the significantly higher own funds according to Solvency II compared to local GAAP equity are the following:

- Intangible assets are evaluated at zero in the solvency balance sheet.
- Deferred acquisition costs are evaluated at zero in the solvency balance sheet.
- Local GAAP values of participations, replaced by market values that are significantly higher on the valuation date.

- Technical provisions and reinsurance receivables are significantly higher evaluated in the regulatory own funds than according to the local GAAP. This is because they are evaluated on the basis of the discounted Best Estimate that includes a risk margin.

Information on own funds

Position [in Thousand HUF]	2019
Basic own funds	**25 028 884**
Tier 1	21 591 151
Core capital	8 685 082
Other posts	14 909 411
Planned dividends	660 000
Revaluation reserve according to IAS 39	*1 343 343*
Reconciliation reserve	*12 906 069*
Tier 1 Restricted – subordinated liabilities	-
Tier 2 – Subordinated liabilities	3 437 733
Tier 3 –Deferred tax assets	-
Reduction due to tiering limits	-
Own funds for coverage of SCR	25 028 884

Table 62. Information on own funds

According to Solvency II requirements, there are defined limits for whether or not the various tiers are eligible. Tier 1 own funds are of the highest quality and can therefore be used entirely to cover the regulatory capital requirements. In the current reporting period, the composition of own funds is extended by a Tier 2 capital to strengthen the undertaking's solvency position above the level according to the Regulator's guideline.

Table 63 shows the capital quality of UNIQA Biztosító Zrt. as at 31 December 2019 and the portion that can be used to cover the solvency requirement of UNIQA Biztosító Zrt.. Within UNIQA Biztosító Zrt., regulatory own funds consist mainly of Tier 1 capital (capital of the highest quality) that may be used entirely to cover the capital requirement and a smaller amount of Tier2 capital.

Position	in Thousand HUF	in %
Tier 1	21 591 151	86%
Tier 1 Restricted	-	0%
Tier 2	3 437 733	14%
Total	**25 028 884**	

Table 63. Own funds in the reporting period

Eligible own funds (coverage of SCR and MCR per Tier)

Under Solvency II, there are the following limitations which have been taken into account for the imputation of available own funds on the capital requirement (SCR/MCR). In accordance with the

Delegated Regulation concerning the determination of eligible own funds for the coverage of the capital requirements, UNIQA Biztosító uses the following limitations:

Coverage of SCR and MCR per Tier	Limitation [per cent]	Limitation [in Thousand HUF]
SCR-Coverage		
Tier 1	Min. 50% of SCR	6 726 631
Tier 1 Restricted	Max. 20% of the total Tier 1	-
Tier 3	Max. 15% of SCR	2 017 989
Tier 2 + Tier 3	Max. 50% of SCR	6 726 631
MCR-Coverage		**-**
Tier 1	Min. 80% of MCR	3 555 580
Tier 1 Restricted	Max. 20% of the total Tier 1	-
Tier 2	Max. 20% of MCR	888 895

Table 64. Eligible own funds (general)

The following table shows the eligible own funds of UNIQA Biztosító Zrt. for SCR and MCR of available own funds as at 31 December 2019. On the valuation date, no additional own funds existed.

Components of own funds [in Thousand HUF]	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Basic own funds	25 028 884	21 591 151	-	3 437 733	-
Eligible own funds to cover SCR	25 028 884	21 591 151	-	3 437 733	-
Eligible own funds to cover MCR	22 480 046	21 591 151	-	888 895	-

Table 65. Eligible own funds as at 31 December 2019

Despite the quota which has to be calculated in the framework of Solvency II and that is indicated in the quantitative reporting template [QRT] S.23.01, UNIQA Biztosító Zrt. does not use any other supplementary quotas.

An increase of own funds has been arranged in the reporting period to strenghten the capital situation according to the company's Risk Strategy (during the first quarter of 2019). Tier 2 capital appearing in the above tables reflects these capital measures.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

For calculating the solvency capital requirement (SCR), UNIQA Biztosító Zrt. uses a partial internal model integrated into the standard formula. The partial internal model covers non-life underwriting risk and health underwriting risk similar to non-life (NSLT). The calculation of the solvency capital requirement is carried out in accordance with the applicable Solvency II regulations and assumes that business activities are continued on a going-concern basis. The solvency capital requirement is calibrated so as to ensure that all quantifiable risks UNIQA Biztosító Zrt. is exposed to are taken into account. This covers not only existing business but also new business expected to be written over the following twelve months. With respect to existing business, the solvency capital requirement covers only unexpected losses.

The solvency capital requirement corresponds to the value at risk of the basic own funds at a 99.5 per cent confidence level over a one-year period, meaning that it represents an amount of loss whose probability of occurrence over a one-year period is 1 in 200.

The following overview shows the solvency and minimum capital requirement at the end of the reporting period on the valuation date of 31 December 2019, as well as the own funds eligible to meet each capital requirement.

In Thousand HUF	2019
Eligible own funds to meet Solvency Capital Requirement	25 028 884
Solvency Capital Requirement (SCR)	13 453 263
Eligible basic own funds to meet Minimum Capital Requirement	22 480 046
Minimum Capital Requirement (MCR)	4 444 475

Table 66. Solvency and minimum capital requirement and own funds

The detailed breakdown of the solvency capital requirement by risk modules is described in Section C on the risk profile. The non-life and health NSLT underwriting risk module has been calculated by the partial internal model, while all other risk modules have been calculated by the standard formula. Simplified calculations have been used for the calculation of the following modules and sub-modules:

- life mortality risk (for part of the portfolio), according to Article 91 of Delegated Regulation (EU) 2015/35
- life disability-morbidity risk (for part of the portfolio), according to Article 93 of Delegated Regulation (EU) 2015/35
- life expense risk (for part of the portfolio), according to Article 94 of Delegated Regulation (EU) 2015/35
- life catastrophe risk (for part of the portfolio), according to Article 96 of Delegated Regulation (EU) 2015/35

UNIQA Biztosító Zrt. does not use undertaking-specific parameters for calculating the solvency capital requirement.

No capital add-on is applied to the solvency capital requirement of UNIQA Biztosító Zrt.

The minimum capital requirement corresponds to an amount of eligible basic own funds below which policyholders and beneficiaries are exposed to an unacceptable risk if an undertaking were allowed to continue its operations. It is calculated by a linear function of technical provisions, written premiums and capital-at-risk. It shall neither fall below 25% nor exceed 45% of the solvency capital requirement. It is subject to an absolute floor defined in Article 129(1) of Directive 2009/138/EC. The minimum capital requirement is calculated according to the detailed rules set out by Articles 248–253 of Delegated Regulation (EU) 2015/35.

Information about the inputs of the calculation of the minimum capital requirement of UNIQA Biztosító Zrt. as at the end of 2019 is displayed in the table below.

Non-life linear formula inputs	Non-life activities		Life activities	
	Net best estimate and TP calculated as a whole	Net written premiums in the last 12 months	Net best estimate and TP calculated as a whole	Net written premiums in the last 12 months
Medical expense	-	-	-	-
Income protection	427 787	3 189 107	-	-
Workers' compensation	-	-	-	-
Motor vehicle liability	6 250 597	6 896 713	-	-
Other motor	2 202 150	6 594 657	-	-
Marine, aviation and transport	54 702	171 369	-	-
Fire and other damage to property	2 011 903	3 366 763	-	-
General liability	1 055 851	604 415	-	-
Credit and suretyship	-	-	-	-
Legal expenses	573	16 532	-	-
Assistance and proportional reinsurance	185 247	771 485	-	-
Miscellaneous financial loss	437 239	1 018 774	-	-
Non-proportional health reinsurance	-	-	-	-
Non-proportional casualty reinsurance	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	-	-	-	-
Non-proportional property reinsurance	-	-	-	-

Table 67. Inputs of the calculation of the minimum capital requirement - Non-Life

Life linear formula inputs	Non-life activities		Life activities	
	Net best estimate and TP calculated as a whole	Net total capital at risk	Net best estimate and TP calculated as a whole	Net total capital at risk
Obligations with profit participation - guaranteed benefits	(90 202)		7 958 746	
Obligations with profit participation - future discretionary benefits	-		927 990	
Index-linked and unit-linked insurance obligations	-		90 789 648	
Other life (re)insurance and health (re)insurance obligations	751 699		101 084	
Total capital at risk for all life (re)insurance obligations		23 004 411		566 091 019

Table 68. Inputs of the calculation of the minimum capital requirement - Life

Overall MCR calculation	
Linear MCR	4 444 475
SCR	13 453 263
MCR cap	6 053 968
MCR floor	3 363 316
Combined MCR	4 444 475
Absolute floor of the MCR	2 356 000
Minimum Capital Requirement	4 444 475

Table 69. Calculation of the minimum capital requirement

E.3 Use of the Duration-based Equity Risk Sub-module in the Calculation of the Solvency Capital Requirement

UNIQA Biztosító Zrt. does not use the duration-based equity risk sub-module for calculating the SCR.

E.4 Differences Between the Standard Formula and Any Internal Model Used

The partial internal model (PIM) used by UNIQA Biztosító Zrt. has been developed by UNIQA Group. Having received supervisory approval in late 2017, the model is used for determining the solvency capital requirement (SCR) of UNIQA Group and a number of solo companies within the Group, including UNIQA Biztosító Zrt.

The aim of the partial internal model of UNIQA is to determine the risk-based capital (also called RBC) and in relation to that the amount of own funds that are to be used to absorb unforeseen losses over a specific time horizon. Currently, only the non-life underwriting risk and health underwritng risk similar to non-life (NSLT) are included in the scope of the partial internal model framework. The model covers the full non-life and health NSLT underwriting risk of UNIQA Biztosító Zrt. All other risk modules of the solvency capital requirement (e.g., market risk, credit risk, etc.) are measured and assessed according to the Solvency II standard formula.

The partial internal model is used for various purposes at UNIQA Biztosító Zrt. In addition to the regulatory SCR calculation, it also provides inputs on non-life and health NSLT risk to the following processes:

- Own Risk and Solvency Assessment (ORSA)
- Risk strategy and limit system
- Profit testing
- Solvency projection and capital planning
- Monitoring of the efficiency of reinsurance

The partial internal model aims to capture the uncertainties related to the underwriting of non-life and health NSLT direct and reinsurance contracts. The model generates a probability distribution forecast of the non-life and health NSLT economic underwriting result over a one-year time horizon via stochastic simulation. In particular, the following stochastic risk drivers are modelled:

- Premium Risk
    - Business risk: premium rates, risk years exposure and operating costs
    - Non-CAT claims: attritional losses and individual large losses
    - CAT claims:natural catastrophe losses and man-made catastrophe scenarios
- Reserve risk
    - Reserve run-off result

The following table shows the mapping between the risk categories used in the model and the risk modules of the standard formula:

Standard Formula sub-module		Partial Internal Model module	sub-module
Premium and Reserve Risk	=>	Premium Risk	Business Risk
	=>	Premium Risk	Non-CAT Risk
	=>	Reserve Risk	Reserve Risk
Catastrophe Risk	=>	Premium Risk	Natural Catastrophe Risk
	=>	Premium Risk	Man-Made Catastrophe Risk
Lapse Risk	=>	Premium Risk	Business Risk

Table 70. Mapping between the risk categories of the standard formula and the partial internal model

The following methods are used for determining the probability distributions of the modelled risk drivers:

Partial Internal Model Module	Sub-module	Methods used
Premium Risk	**Business Risk**	Stochastic model for premium rates, risk years exposure and operating costs Acquisition costs and insurance tax linked to modelled premiums
	Non-Catastrophe Risk	Total loss distribution for attritional losses Frequency-severity approach for individual large losses
	Natural Catastrophe Risk	External NatCat models for Earthquake, Flood, Winter storms and Hail Frequency-severity approach for Summer storms
	Man-Made Catastrophe Risk	Pre-defined scenarios at a fixed probability of occurrence
Reserve Risk	**Reserve Risk**	Models for claims reserve development

Table 71. Modelling of probability distributions

The aggregation of the stochastic variables in the partial internal model is done by the Gaussian copula approach, taking into account the dependencies between lines of business and between risk drivers. The assumptions on diversification and dependencies are key assumptions of the partial internal model methodology, and accordingly they are being validated on a regular basis. The dependency parameters of the Gaussian copula approach are usually derived from historical observations, and they are updated annually using the full history available. For losses, these parameters are merged with a set of predefined parameters for each source of risk through the use of a dependency ranking. This approach is called the shrinkage method. To take into account local peculiarities, expert assessments can be added later. In addition, the methodology does not allow negative dependency parameters between different claims (i.e. losses in a portfolio increasing the chance of gains in another portfolio). Negative dependencies on the other hand are allowed between business risk variables (most typically between the premium rate and the risk years exposure of a given line of business).

The confidence level for UNIQA's partial internal model RBC framework is set at 99.5% over a one-year time horizon, which corresponds to a return period of 1 in 200 years. For premium risk the ultimate view is used instead of the one-year view.

Since only one part of the business of the company is covered in the partial internal model, this part is combined with the rest of the business, which is treated according to the Solvency II standard approach. This is done using one of the integration techniques ("Technique 3") for partial internal models according to Solvency II Delegated Regulation 2015/35. The chosen integration technique also takes into account diversification effects between the part of the partial internal model and the non-internally-modelled business.

The main differences between the partial internal model and the standard formula are the following:

- The standard formula uses a set of factor-based approaches and deterministic scenarios to derive a single output, i.e. the 99.5th percentile of the loss of own funds. The partial internal model on the other hand provides a probability distribution forecast of a number of key underwritng variables, including the economic underwriting result, generated from a large number of stochastic simulations.
- Instead of the standardized risk factors of the standard formula, the parameterization of the partial internal model is based on the company's own experience, therefore the results closely reflect the actual risk profile.
- The partial internal model allows a proper consideration of the risk mitigating impact of non-proportional reinsurance.
- Natural catastrophe risk in the partial internal model is measured in a more granular way than in the standard formula (postal code resolution rather than CRESTA level). The partial internal model also takes into account some natural perils (hail) that are currently not covered in the standard formula for Hungary.
- Business risk, i.e. the uncertainty of premium rates, risk years exposure and operating costs is explicitly modelled in the partial internal model.
- The partial internal model uses a more granular line-of-business structure than the standard formula, tailored to the company's portfolio.

The data used in the partial internal model is provided by different departments: Accounting, Controlling, Reinsurance, Actuarial, Risk Management, Claims and Underwriting. In addition, most of the natural catastrophe model results come from external service providers. Data quality is subject to a governance framework with a special focus on the validation of the appropriateness, accuracy, and completeness of the data used in the model.

Risk category	Input data
Business Risk	Forecast data (planned premiums, exposure and costs), both historical and for the modelled year Accounting data (actual premiums and costs) for historical years Historical exposure data by line of business
Premium Risk - non-CAT	Accounting (e.g. premiums and costs) Forecast data (e.g. planned premiums and costs) Historical claims data by each single claim Historical data of sums insured and risk years exposure Information on the reinsurance structure Information on payment patterns
Premium Risk - CAT	Natural catastrophes: Data on exposure and contractual limits at a granularity required by the external model Man-Made scenarios: Deatiled information on sums insured and PML in force
Reserve Risk	Historical claims run-off data by each single claim

Table 72. Input data by risk category

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

UNIQA Biztosító Zrt. complied with the minimum capital requirement and solvency capital requirement throughout the financial year 2019.

E.6 Any Other Information

COVID-19 epidemic effects

Economic forecasts see some 3% growth rate for 2020, although the COVID-19 pandemic that broke out in late December in China substantially darkens the overall growth picture for the year. Slower growth could be seen across all regions, both developed and developing countries' growth rate decelerated in 2019.

During the completion of the report, the COVID19 epidemic appeared also in Hungary. Hungarian economic outlook assumed to be heavily impacted by the pandemic situation, which can significantly slow and drop down the positive GDP trends of prior periods. UNIQA Biztosító Zrt. can react confidently and flexibly to the changes due to its capital position and operational agility. The experience gained in recent years regarding successful business transformation can offer a solid basis for proper treating of the crisis.

UNIQA Biztosító quickly reacted to the first signs of the crisis and set up a crisis team with daily meeting and pursuing the following initial measures also in accordance with UNIQA Group:

- canceling business trips and monitoring private trips with a quarantine ordered for the travellers

- installing hand desinfection stations in the building
- preparations for setting up the undertaking's operations to be able to offer wide home office possibilities
    - testing the operation of the IT infrastructure with a one-day obligatory home office
    - identifying the areas which needs physical presence and arranging a safe work environment
    - setting up home office possibilities for those who had not had it
- we started close and regular observation of the capital markets

Thanks to those quick measures currently ~95% of our colleagues work from home and the undertaking's operations see only minor effects.

As a second stage in the crisis handling we also started the Risk Management processes shown in the above report and identified several risks involved. Such risks include possible mortality effects on life business as well as new business slowdown. However a countereffect is to be expected in P&C business through improving claim frequencies in motor business. Capital markets and currency exchange rate related risks are of high importance.

We started to prepare our scenario analysis to prepare for the possible effects. These scenarios need extensive preparations and calculations which are beyond the scope of this report. Initial estimates show that the Solvency position of the company is well established and is not in danger from this pandemic.

List of Figures

List of Tables

Appendix I - Regulatory Requirements for the SFCR

The regulatory requirements for the SFCR with which the report is compliant are laid out in the following paragraphs. Besides these regulatory requirements, this document also complies with Article 51 and Article 56 of the Directive 2009/138/EG (Level 1).

Chapter A

This chapter contains information on the business of the company and its performance according to Article 293 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 1 and 2 EIOPA-BoS-15/109 (Level 3).

Chapter B

This chapter contains information on the governance system of the company according to Article 294 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 3 and 4 EIOPA-BoS-15/109 (Level 3).

Chapter C

This chapter contains information on the risk profile of the company according to Article 295 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guideline 5 EIOPA-BoS-15/109 (Level 3).

Chapter D

This chapter contains information on the evaluation requirements for Solvency II according to Article 296 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 6 to 10 EIOPA-BoS-15/109 (Level 3).

Chapter E

This chapter contains information on the capital management of the company according to Article 297 and Article 298 of the Commission Delegated Regulation (EU) 2015/35 (Level 2) as well as Guidelines 11 to 13 EIOPA-BoS-15/109 (Level 3).

Appendix II - Quantitative Reporting Templates

In this appendix the following Quantitative Reporting Templates (QRTs) are presented (thousand HUF):

- S.02.01.02 Balance sheet
- S.05.01.02 Premiums, claims and expenses by line of business
- S.05.02.01 Premiums, claims and expenses by country
- S.12.01.02 Life and Health SLT Technical Provisions
- S.17.01.02 Non-life Technical Provisions
- S.19.01.21 Non-life insurance claims, Total Non-Life Business
- S.22.01.21 Impact of long term guarantees and transitional measures
- S.23.01.01 Own funds
- S.25.01.21 Solvency Capital Requirement - for undertakings on Standard Formula
- 28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity

S.02.01.02: Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	**1 108 858**
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**41 838 329**
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	**2 003 445**
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	**39 506 611**
Government Bonds	**R0140**	**38 155 473**
Corporate Bonds	**R0150**	**1 351 138**
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	**328 265**
Derivatives	**R0190**	**8**
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	**101 416 740**
Loans and mortgages	**R0230**	**1 425 465**
Loans on policies	**R0240**	**10 650**
Loans and mortgages to individuals	**R0250**	**1 171**
Other loans and mortgages	**R0260**	**1 413 643**
Reinsurance recoverables from:	**R0270**	**11 409 773**
Non-life and health similar to non-life	**R0280**	**9 661 977**
Non-life excluding health	**R0290**	**9 629 806**
Health similar to non-life	**R0300**	**32 170**
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	**1 747 752**
Health similar to life	**R0320**	**22 445**
Life excluding health and index-linked and unit-linked	**R0330**	**1 725 307**
Life index-linked and unit-linked	**R0340**	**44**
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	**2 376 096**
Reinsurance receivables	**R0370**	**519 203**
Receivables (trade, not insurance)	**R0380**	**732 572**
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	**2 093 881**
Any other assets, not elsewhere shown	**R0420**	**1 797 233**
Total assets	**R0500**	**164 718 149**

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	**22 809 002**
Technical provisions – non-life (excluding health)	**R0520**	**22 316 687**
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	**21 828 067**
Risk margin	**R0550**	**488 619**
Technical provisions - health (similar to non-life)	**R0560**	**492 315**
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	**459 957**
Risk margin	**R0590**	**32 358**
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**11 893 650**
Technical provisions - health (similar to life)	**R0610**	**-9 545**
Technical provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	**-14 867**
Risk margin	**R0640**	**5 322**
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	**11 903 195**
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	**11 502 138**
Risk margin	**R0680**	**401 058**
Technical provisions – index-linked and unit-linked	**R0690**	**93 908 991**
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	**90 789 692**
Risk margin	**R0720**	**3 119 299**
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	**1 083 677**
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	**53 064**
Deferred tax liabilities	**R0780**	**1 000 574**
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	**958 508**
Insurance & intermediaries payables	**R0820**	**5 806 461**
Reinsurance payables	**R0830**	**805 116**
Payables (trade, not insurance)	**R0840**	**710 222**
Subordinated liabilities	**R0850**	**3 437 733**
Subordinated liabilities not in Basic Own Funds	**R0860**	
Subordinated liabilities in Basic Own Funds	**R0870**	**3 437 733**
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	**142 466 998**
Excess of assets over liabilities	**R1000**	**22 251 151**

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		3 496 767		14 450 583	14 176 219	453 519	8 923 437	2 165 077	
Gross - Proportional reinsurance accepted	R0120		22 072					317 028	25 418	
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140		329 731		7 553 871	7 581 562	282 150	5 873 701	1 586 080	
Net	R0200		3 189 107		6 896 713	6 594 657	171 369	3 366 763	604 415	
Premiums earned										
Gross - Direct Business	R0210		3 376 926		14 006 359	14 038 326	452 261	8 697 571	2 158 567	
Gross - Proportional reinsurance accepted	R0220		22 031					310 868	25 339	
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240		324 694		7 333 414	7 512 613	281 500	5 743 872	1 575 995	
Net	R0300		3 074 263		6 672 945	6 525 712	170 760	3 264 567	607 911	
Claims incurred										
Gross - Direct Business	R0310		1 043 463		8 440 161	8 315 612	-46 323	2 650 021	871 271	
Gross - Proportional reinsurance accepted	R0320		21 361		-937			106 558	13 082	
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340		65 159		4 896 585	4 193 171	-47 265	1 623 790	493 996	
Net	R0400		999 665		3 542 639	4 122 441	942	1 132 789	390 357	
Changes in other technical provisions										
Gross - Direct Business	R0410		-245 886		-248 474	62 220	8 820	47 032	59 079	
Gross - Proportional reinsurance accepted	R0420									
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440		879		-261 883	31 685	4 410	33 336	35 211	
Net	R0500		-246 765		13 410	30 535	4 410	13 696	23 868	
Expenses incurred	R0550		1 533 404		1 541 909	949 291	50 868	1 249 157	376 021	
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	16 532	774 831	1 687 579					46 144 544
Gross - Proportional reinsurance accepted	R0120			384 396					748 913
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140		3 346	1 053 201					24 263 642
Net	R0200	16 532	771 485	1 018 774					22 629 814
Premiums earned									
Gross - Direct Business	R0210	16 878	766 926	1 642 933					45 156 746
Gross - Proportional reinsurance accepted	R0220			286 151					644 389
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240		2 452	975 405					23 749 946
Net	R0300	16 878	764 474	953 679					22 051 190
Claims incurred									
Gross - Direct Business	R0310	14 498	221 789	562 752					22 073 244
Gross - Proportional reinsurance accepted	R0320								140 063
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340		7 324	213 816					11 446 576
Net	R0400	14 498	214 465	348 936					10 766 731
Changes in other technical provisions									
Gross - Direct Business	R0410		-20 357	16 123					-321 442
Gross - Proportional reinsurance accepted	R0420								
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers' share	R0440			8 100					-148 262
Net	R0500		-20 357	8 023					-173 181
Expenses incurred	R0550	5 309	389 451	435 264					6 530 672
Other expenses	R1200								108 145
Total expenses	R1300								6 638 817

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**	893 962	1 314 571	21 196 779	1 960 098					25 365 410
Net	**R1500**	102 613	315 979		12 274					430 865
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**	889 179	1 327 160	21 362 838	1 948 033					25 527 210
Net	**R1600**	97 518	315 979		8 464					421 961
Claims incurred										
Gross	**R1610**									
Reinsurers' share	**R1620**	353 379	2 597 174	19 919 606	548 513					23 418 672
Net	**R1700**				97 826					97 826
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**		1 298 092	-12 420 290						-11 122 198
Net	**R1800**		2							2
Expenses incurred	**R1900**		1 298 090	-12 420 290						-11 122 200
Other expenses	**R2500**									2 586 413
Total expenses	**R2600**									561

S.05.02.01 Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) — nonlife obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0110							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	46 057 399						46 143 067
Gross - Proportional reinsurance accepted	R0120	748 913						748 913
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	24 219 970						24 262 801
Net	R0200	22 586 342						22 629 179
Premiums earned								
Gross - Direct Business	R0210	45 070 150						45 155 819
Gross - Proportional reinsurance accepted	R0220	644 389						644 389
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	23 706 586						23 749 418
Net	R0300	22 007 954						22 050 790
Claims incurred								
Gross - Direct Business	R0310	22 059 600						22 072 481
Gross - Proportional reinsurance accepted	R0320	140 063						140 063
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	11 439 755						11 446 195
Net	R0400	10 759 909						10 766 349
Changes in other technical provisions								
Gross - Direct Business	R0410	-321 442						-321 442
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	-148 262						-148 262
Net	R0500	-173 181						-173 181
Expenses incurred	R0550	6 530 672						6 530 672
Other expenses	R1200							108 145
Total expenses	R1300							6 638 817

		Home Country	Top 5 countries (by amount of gross premiums written) — life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R0110							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	25 307 870						25 365 410
Reinsurers' share	R1420	402 383						430 865
Net	R1500	24 905 487						24 934 544
Premiums earned								
Gross	R1510	25 469 671						25 527 210
Reinsurers' share	R1520	393 479						421 961
Net	R1600	25 076 192						25 105 249
Claims incurred								
Gross	R1610	23 380 607						23 418 672
Reinsurers' share	R1620	88 164						97 826
Net	R1700	23 292 442						23 320 846
Changes in other technical provisions								
Gross	R1710	-11 122 198						-11 122 198
Reinsurers' share	R1720	2						2
Net	R1800	-11 122 200						-11 122 200
Expenses incurred	R1900	5 724 490						5 724 490
Other expenses	R2500							561
Total expenses	R2600							5 725 050

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 obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	8 948 738		90 789 692			565 782	-421 874	2 409 492		102 291 830
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	62 001		44			42 824		1 620 482		1 725 350
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	8 886 737		90 789 648			522 958	-421 874	789 010		100 566 479
Risk Margin	R0100	114 263	3 119 299			195 214			91 580		3 520 357
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
Technical provisions - total	R0200	9 063 001	93 908 991			339 122			2 501 073		105 812 187

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		-14 867				-14 867
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		22 445				22 445
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**		-37 313				-37 313
Risk Margin	**R0100**						5 322
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**	-9 545					-9 545

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	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross - Total	R0060		15 318		2 977 792	2 589 740	-15 110	1 940 508	117 055	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140		-4 641		779 330	1 097 458	-31 879	670 080	-165 937	
Net Best Estimate of Premium Provisions	R0150		19 960		2 198 463	1 492 282	16 770	1 270 428	282 992	
Claims provisions										
Gross - Total	R0160		444 639		8 630 319	1 415 076	149 734	1 526 479	1 689 159	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		36 812		4 578 186	705 209	111 802	785 004	916 300	
Net Best Estimate of Claims Provisions	R0250		407 827		4 052 134	709 868	37 932	741 475	772 859	
Total Best estimate - gross	R0260		459 957		11 608 112	4 004 816	134 625	3 466 987	1 806 214	
Total Best estimate - net	R0270		427 787		6 250 597	2 202 150	54 702	2 011 903	1 055 851	
Risk margin	R0280		32 358		239 020	161 095	1 712	59 419	10 141	
Amount of the transitional on Technical Provisions										
TP as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
Technical provisions - total										
Technical provisions - total	R0320		492 315		11 847 131	4 165 911	136 336	3 526 406	1 816 355	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330		32 170		5 357 515	1 802 666	79 923	1 455 084	750 363	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340		460 145		6 489 616	2 363 244	56 413	2 071 322	1 065 992	

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross - Total	R0060	573	78 654	292 775					7 997 306
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140			25 774					2 370 183
Net Best Estimate of Premium Provisions	R0150	573	78 654	267 001					5 627 122
Claims provisions									
Gross - Total	R0160		106 593	328 719					14 290 719
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240			158 481					7 291 793
Net Best Estimate of Claims Provisions	R0250		106 593	170 238					6 998 926
Total Best estimate - gross	R0260	573	185 247	621 494					22 288 025
Total Best estimate - net	R0270	573	185 247	437 239					12 626 048
Risk margin	R0280	83	7 391	9 760					520 977
Amount of the transitional on Technical Provisions									
TP as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								
Technical provisions - total									
Technical provisions - total	R0320	655	192 638	631 255					22 809 002
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330			184 255					9 661 977
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	655	192 638	447 000					13 147 025

S.19.01.21 Non-life insurance claims, Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident year

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

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											135 703
N-9	R0160	14 851 164	4 675 339	630 196	550 464	322 906	223 683	63 063	39 834	102 366	54 199	
N-8	R0170	11 310 430	3 508 687	497 012	220 430	102 697	127 976	71 332	108 626	93 664		
N-7	R0180	11 945 101	3 658 425	631 356	402 226	260 267	106 927	250 613	725 653			
N-6	R0190	11 917 100	4 112 565	747 985	357 242	147 608	165 735	370 901				
N-5	R0200	11 531 847	4 282 871	857 028	448 482	259 568	236 699					
N-4	R0210	10 125 593	5 065 671	878 992	322 936	168 322						
N-3	R0220	10 603 006	4 018 499	929 765	543 985							
N-2	R0230	12 463 585	5 253 928	879 087								
N-1	R0240	13 769 203	5 616 379									
N	R0250	14 694 156										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	135 703	90 534 506
	R0160	54 199	21 513 213
	R0170	93 664	16 040 856
	R0180	725 653	17 980 568
	R0190	370 901	17 819 137
	R0200	236 699	17 616 494
	R0210	168 322	16 561 516
	R0220	543 985	16 095 255
	R0230	879 087	18 596 599
	R0240	5 616 379	19 385 582
	R0250	14 694 156	14 694 156
Total	R0260	23 518 747	266 837 883

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											354 689
N-9	R0160										36 932	
N-8	R0170									216 181		
N-7	R0180								133 104			
N-6	R0190							59 504				
N-5	R0200						858 006					
N-4	R0210					1 097 148						
N-3	R0220				444 119							
N-2	R0230			1 494 539								
N-1	R0240		2 532 526									
N	R0250	7 331 917										

		Year end (discounted data)
		C0360
	R0100	1 134
	R0160	35
	R0170	207
	R0180	128
	R0190	58
	R0200	837
	R0210	1 069
	R0220	434
	R0230	1 458
	R0240	2 479
	R0250	7 242
Total	R0260	15 081

S.22.01.21 Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	128 611 643			15 305	
Basic own funds	R0020	25 028 884			-10 120	
Eligible own funds to meet Solvency Capital Requirement	R0050	25 028 884			-10 120	
Solvency Capital Requirement	R0090	13 453 263			6 377	
Eligible own funds to meet Minimum Capital Requirement	R0100	22 480 046			-10 020	
Minimum Capital Requirement	R0110	4 444 475			499	

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 2015/35						
Ordinary share capital (gross of own shares)	R0010	4 079 160	4 079 160			
Share premium account related to ordinary share capital	R0030	4 605 922	4 605 922			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	12 906 069	12 906 069			
Subordinated liabilities	R0140	3 437 733			3 437 733	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	25 028 884	21 591 151		3 437 733	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	25 028 884	21 591 151		3 437 733	
Total available own funds to meet the MCR	R0510	25 028 884	21 591 151		3 437 733	
Total eligible own funds to meet the SCR	R0540	25 028 884	21 591 151		3 437 733	
Total eligible own funds to meet the MCR	R0550	22 480 046	21 591 151		888 895	
SCR	R0580	13 453 263				
MCR	R0600	4 444 475				
Ratio of Eligible own funds to SCR	R0620	186,04%				
Ratio of Eligible own funds to MCR	R0640	505,80%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	22 251 151
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	660 000
Other basic own fund items	R0730	8 685 082
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	12 906 069
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	20 313 277
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	111 735
Total Expected profits included in future premiums (EPIFP)	R0790	20 425 012

S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
1	Market Risk	4 299 147		None	
2	Counterparty Default Risk	1 676 231		None	
3	Life Underwriting Risk	6 770 569		None	Mortality risk, Disability-morbidity risk, Life expense risk, Life catastrophe risk
4	Health Underwriting Risk	50 589		None	
5	Non-Life Underwriting Risk	6 050 935	6 050 935	None	
6	Intangible asset risk	0		None	
7	Operational Risk	2 087 186		None	
8	LAC Technical Provisions	-143 284		None	
9	LAC Deferred Taxes	-1 000 574		None	

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	19 790 800
Diversification	R0060	-6 337 537
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	
Capital add-ons already set	R0210	13 453 263
Solvency capital requirement	R0220	13 453 263
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-143 284
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-1 000 574
Capital requirement for duration-based equity risk sub-modul	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirement for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	954 699

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

		MCR components	
		Non-life activities	Life activities
		MCR(NL, NL) Result	MCR(NL, L)Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	3 132 454	

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020				
Income protection insurance and proportional reinsurance	R0030	427 787	3 189 107		
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050	6 250 597	6 896 713		
Other motor insurance and proportional reinsurance	R0060	2 202 150	6 594 657		
Marine, aviation and transport insurance and proportional reinsurance	R0070	54 702	171 369		
Fire and other damage to property insurance and proportional reinsurance	R0080	2 011 903	3 366 763		
General liability insurance and proportional reinsurance	R0090	1 055 851	604 415		
Credit and suretyship insurance and proportional reinsurance	R0100				
Legal expenses insurance and proportional reinsurance	R0110	573	16 532		
Assistance and proportional reinsurance	R0120	185 247	771 485		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	437 239	1 018 774		
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

		Non-life activities	Life activities
		MCR(L, NL) Result	MCR(L, L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	31 889	1 280 132

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	-90 202		7 958 746	
Obligations with profit participation - future discretionary benefits	R0220			927 990	
Index-linked and unit-linked insurance obligations	R0230			90 789 648	
Other life (re)insurance and health (re)insurance obligations	R0240	751 699		101 084	
Total capital at risk for all life (re)insurance obligations	R0250		23 004 411		566 091 019

Overall MCR calculation

		C0130
Linear MCR	R0300	4 444 475
SCR	R0310	13 453 263
MCR cap	R0320	6 053 968
MCR floor	R0330	3 363 316
Combined MCR	R0340	4 444 475
Absolute floor of the MCR	R0350	2 356 000
Minimum Capital Requirement	R0400	4 444 475

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	3 164 343	1 280 132
Notional SCR excluding add-on (annual or latest calculation)	R0510	9 578 350	3 874 913
Notional MCR cap	R0520	4 310 257	1 743 711
Notional MCR floor	R0530	2 394 587	968 728
Notional Combined MCR	R0540	3 164 343	1 280 132
Absolute floor of the notional MCR	R0550	1 178 000	1 178 000
Notional MCR	R0560	3 164 343	1 280 132