Solvency and Financial Condition Report

UNIQA Biztosító Zrt.
31 December 2016

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, owned 99,92% by UNIQA internationale Beteiligungs-Verwaltungs GmbH and to 100% by UNIQA International AG (direct ownership interest: 0,08%), 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 covers the insurance and risk protection needs for its clients. An integral part of the insurance products is the service for the customer. It is the clear target for UNIQA Biztosító to deliver excellent service quality to our clients.

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

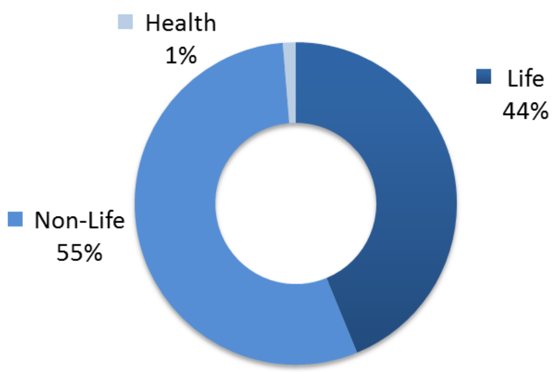

Figure 1. Share of portfolio segments by Gross Written Premium in 2016

The gross written premium volume of UNIQA Biztosító has shown constant growth over the last years (the compound annual growth rate for the period 2014 - 2016 is +1.3%) and insurance claims and benefits also developed in the same periods which results a good positive achievement in Combined ratio (2015: 90.3%; the expectation for 2017 is 83.9%).

In the year 2016 UNIQA Biztosító the new management board started with its strategic program. Because of this investments and restructuration cost increased the administrative expenses. At end 2016 UNIQA Biztosító achieved a profit (before tax) of 225 m HUF. Detailed figures to the various Lines of Business are shown in chapter A.2.

As shown in **Chapter B Governance System**, 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 UNIQA Biztosító board is supported by various committees in the decision making process (please see related details in B.1.3). These committees cover the issues 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.1.5) 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’s 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. Furthermore the background information to the calculation details is provided. The section comprises information’s to the major risks running an insurance company, the insurance technical risks, market risks, credit- and counterparty default risks and furthermore operational risks. As multiline insurer UNIQA Biztosító 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.

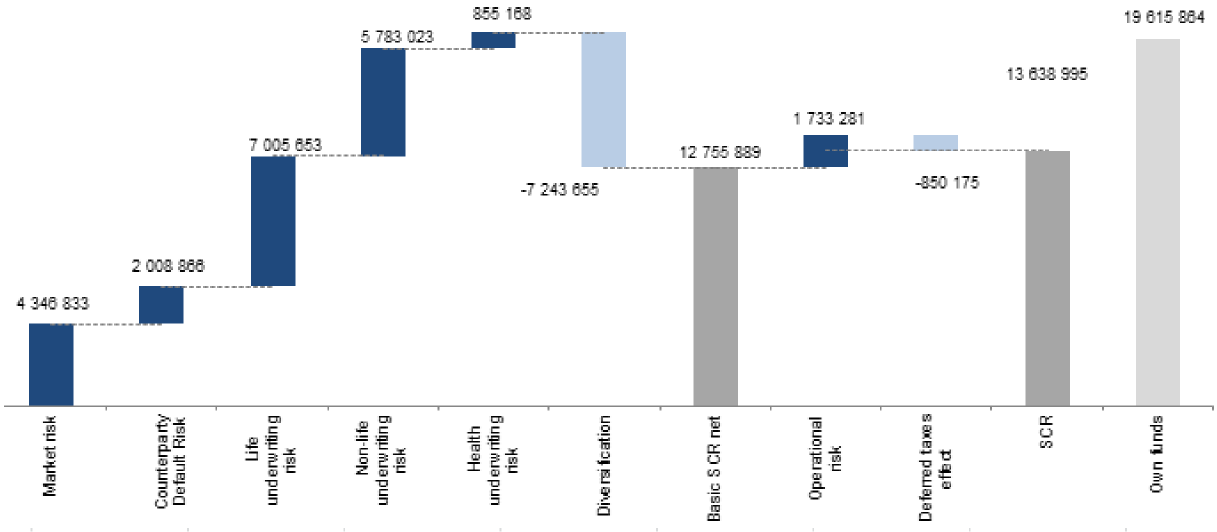

Figure 2. Overview of capital requirements and own funds (Thousand HUF)

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 143.8% shows a good and effective capitalization of the UNIQA Biztosító (details see C.7). The UNIQA Group guidelines foresee a threshold of 135% as a threshold for an adequate capitalization level. Stress test and sensitivity calculation regarding risk drivers and the impact on the solvency situation are made on a regularly basis to receive additional information regarding the quality and level of capitalization.

Furthermore UNIQA Biztosító runs a partial internal model for the underwriting risk non-life to gather further deep inside and additional analysis tor 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's capital consists only of capital of best quality, called tier 1 capital. The eligible own funds amount to 19,615,864 thousand HUF and cover the solvency capital requirement of 13,638,995 thousand HUF. This leads to the solvency quota of 143.8%.

A. Business and Performance

A.1 Business

The insurance company UNIQA Biztosító Zrt. offer their customers comprehensive products in property and casualty insurance, life insurance as well as health insurance and is currently number 7th on the Hungarian market regarding volume of premium. In case of health insurance products, UNIQA Biztosító will take steps to widen the range of its service-funding products. Regarding its life insurance business the pension products and term life insurance products will be kept in focus. A strong exclusive sales force, broker and bank sales forces supports UNIQA in aquirering new business. Central focus of UNIQA Biztosító lies on the service quality for the customer. Strong efforts are done and will be done, to improve steadily the quality in that respect. Simplification of processes and of the product spectrum are furthermore improving the process times and the respective costs.

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UNIQA Biztosító Zrt. is supervised by the Hungarian National Bank.
Felügyelet – MNB
Krisztina körút 39
1013, Budapest
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For the current financial year PwC Auditing Ltd. was our appointed auditor.
PwC Auditing Ltd.
Bajcsy-Zsilinszky út 78.
1055 Budapest
www.pwc.com/hu

Shareholder structure

The direct shareholders of UNIQA Biztosító Zrt. remained unchanged in the financial year of 2016. UNIQA Biztositó Zrt. is owned to 99,92% by UNIQA internationale Beteiligungs-Verwaltungs GmbH and to 100% by UNIQA International AG (direct ownership interest: 0,08%). Since 20th of June 2016 UNIQA International AG is owned to 100% by UNIQA Insurance Group AG.

Shareholder structure

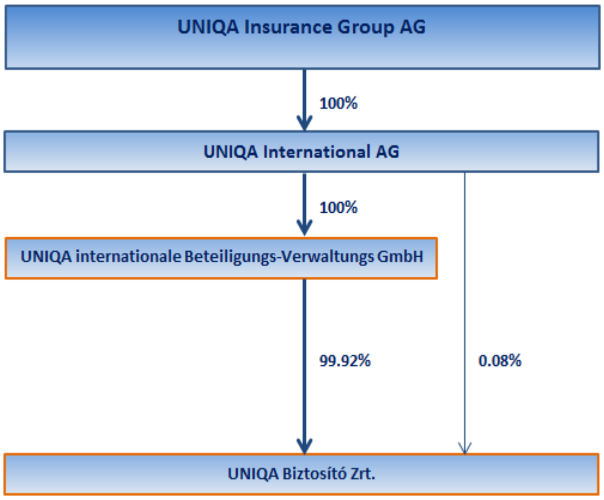

Figure 3. Shareholder structure of UNIQA Biztosító Zrt.

Essential business units

Name of the business unit	Share percentage (direct)
UNIQA Claims Services International Kft.	99%
UNIQA Ingatlanhasznosító Kft.	100%
Első Közszolgálati Pénzügyi Tanácsadó Kft.	88%
UNIQA Számítástechnikai Szolgáltató Kft.	97%
DEKRA-EXPERT Műszaki Szakértő Kft.	50%
UNIQA Software Service Kft.	*100%*

Table 1. Subsidiaries of UNIQA Biztosító Zrt.

Non-life insurance

In 2016, the favourable structural changes introduced last July by UNIQA's new management as part of the Simplicity program had a positive impact on the non-life portfolio. The per-policy cost, net of restructuring costs and other one-offs, decreased, which provides a stable basis for the future profitability of the portfolio.

As CASCO insurance accounted for an average of 30% of UNIQA Biztosító Zrt.'s non-life insurance portfolio in recent years, the 15% tax continued to represent a relatively larger burden compared to the market average. This business line was still unable to fully offset the earnings impact of the non-life insurance tax introduced in 2013.

Market conditions continued to improve in 2016. Increasing new car sales and the adjustment to MTPL premiums also had a positive effect on the results of this business line.

We refined our risk assessment and premium calculation policies, which improved the profitability indicators of the portfolio in the non-life segment, and the claims ratio showed an improvement compared to 2015.

The legislative changes related to MTPL insurance stabilised market prices, and the 2015 MTPL premium adjustment also contributed to the growth in the average per-risk premium of the portfolio. Furthermore, in 2016 we continued to increase the number of our customers who use electronic communication, thus cutting our postal and other administrative expenses.

The separation of the non-life business line into retail and corporate segments in 2016 also produced marked business results in terms of portfolio operating costs, thanks to the standardisation of premiums, customer support and retail products.

As a result of a growing need for automation in the retail segment, IT is receiving increasingly greater emphasis at UNIQA, as it is at other companies. Because of the efforts aimed at digitisation and process automation, a marked position change can be observed in the market, as IT gains an active strategy-shaping role within the organisation.

Personal insurance

Regular premium life insurance increased significantly by 5.6%; however, our total life insurance premiums written decreased by 5.9% due to a drop in single premium life insurance. The driving force behind growth is still pension insurance, which constitutes more than one third of new acquisitions. Our company's share of the pension insurance market substantially exceeds our market share when calculated on the basis of total revenues from life insurance.

Our asset funds related to unit-linked insurance stood out from the asset funds of our peers in terms of both variety and performance. At the 2016 MoneyMoon Awards ceremony, where the best performing asset funds were honoured, UNIQA – as it has done every year since the start – swept the board, now for the seventh time.

The sales of our key banking partner Raiffeisen Bank Zrt. rose significantly, mainly thanks to pension insurance policies, in both the regular premium and the single premium segments.

We place continued importance on the role of risk insurance: new acquisitions in personal term life insurance, with optional supplementary health insurance, rose by more than 40% compared to 2015.

We have retained our market position in the life insurance segment. It is a positive trend that nearly half of new personal insurance policies are based on service coverage rather than on a lump sum.

In accident insurance, we achieved outstanding, 17.4% growth with our customer-friendly products, with the help of our own network and business partners. We supported the work of our sales team through continuous training and materials designed to improve sales techniques.

In summary, the performance of our personal insurance business was one of the main reasons why our insurance company won the Business Superbrands award for the seventh time and the Superbrands award for the tenth consecutive time in 2016.

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 gross written premium of the company achieved the 58.57 billion HUF. Based on official MABISZ report the company closed the year on 7th market position, nevertheless corrected gross written premium (single and top- up premium income on 10%) increased by 4.6 percent in 2016 versus 2015.
In the aspect of premium paying frequency 90% of the gross written premium derive from contracts with regular payment.

Life and Non-Life split of gross premium written is 45-55 percent. The major part (85%) of Life business relates to Index- and unit-linked insurance. The contribution of Health insurance - with increasing importance in society - within total gross premium written is 0.76 billion HUF.

UNIQA Biztosító Zrt. closed the reporting period with successful new business acquisition and policy recurring, the 31 percent of Non –Life gross written premium derive from Other motor insurance (CASCO) as well as the contribution of Motor vehicle liability insurance was 29%, moreover the portion of Fire and other damage to property insurance is also significant, 22%.

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

in Thousand HUF	Premiums written - Gross 2016	Premiums earned - Gross 2016	Claims incurred - Gross 2016	Changes in other technical provisions - Gross 2016	Expenses incured - Gross 2016
Medical expense insurance	-	-	-	-	-
Income protection insurance	1 772 502	1 731 959	534 296	4 231	1 124 222
Workers' compensation insurance	-	-	-	-	-
Motor vehicle liability insurance	9 433 917	9 120 693	7 071 422	- 18 080	3 359 282
Other motor insurance	9 881 367	9 664 677	5 733 691	- 55 641	3 115 820
Marine, aviation and transport insurance	431 125	428 636	91 967	- 3 583	162 840
Fire and other damage to property insurance	7 094 806	7 038 957	1 692 952	9 395	2 840 832
General liability insurance	1 824 399	1 816 506	725 485	- 179 891	688 204
Credit and surety insurance	103	975	-	-	18
Legal expenses insurance	23 811	24 062	12 741	-	9 381
Assistance	652 211	604 598	66 373	- 70 765	376 599
Miscellaneous financial loss	1 045 532	974 446	386 948	- 13 433	369 785
Non-proportional reinsurance Health	-	-	-	-	-
Non-proportional reinsurance - Casualty	-	-	-	-	-
Non-proportional reinsurance - Marine, aviation, transport	-	-	-	-	-
Non-proportional reinsurance - Property	-	-	-	-	-
Total	**32 159 772**	**31 405 508**	**16 315 875**	**- 327 768**	**12 046 984**

Table 2. Gross premiums, claims and expenses by line of business - Non Life

The gross premium written of Life business for reporting period was 26.4 billion HUF, which shows moderate 3% decrease versus prior year. On the other hand gross written premium of pension products increased by 47 percent, achieving the amount of 3.9 billion HUF gross premium. Life net earned premium without Index- and unit-linked insurance is 2.78 billion HUF. Table below excludes investment result.

Premiums, claims and expenses by line of business - Life

in Thousand HUF	Premiums written – Gross	Premiums earned - Gross	Claims incurred - Gross	Changes in other technical provisions - Gross	Expenses incurred - Gross
	2016	2016	2016	2016	2016
Health insurance	760 808	745 562	370 981	-	-
Insurance with profit participation	1 647 371	1 661 500	2 107 669	- 3 674	1 619 195
Index- and unit-linked insurance	22 528 313	22 407 261	14 953 914	- 14 839	6 897 312
Other life insurance products	1 475 917	1 474 189	381 112	-	1 893
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	-	-	-	-	-
Total	**26 412 409**	**26 288 512**	**17 813 676**	**- 18 512**	**8 518 400**

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

The company net Non-Life premium without reinsurance part is 15 billion HUF, which results 5% improvement versus previous year. The 60 percent of Non-Life net premium derive from MTPL and CASCO, both line of business increased through the business year.

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

in Thousand HUF	Premiums written - Net	Premiums earned - Net	Claims incurred - Net	Changes in other technical provisions - Net	Expenses incured - Net
	2016	2016	2016	2016	2016
Medical expense insurance	-	-	-	-	-
Income protection insurance	1 461 848	1 427 108	499 943	4 231	968 285
Workers' compensation insurance	-	-	-	-	-
Motor vehicle liability insurance	4 458 405	4 301 802	3 101 090	- 26 401	2 355 388
Other motor insurance	4 529 573	4 421 228	2 728 520	- 89 895	814 474
Marine, aviation and transport insurance	160 580	158 463	32 501	- 4 041	82 303
Fire and other damage to property insurance	2 612 827	2 591 891	561 996	- 21 801	1 129 918
General liability insurance	551 399	537 528	176 871	- 184 210	368 181
Credit and surety insurance	103	975	-	-	18
Legal expenses insurance	23 811	24 062	12 741	-	9 381
Assistance	652 211	604 598	66 373	- 70 765	376 599
Miscellaneous financial loss	605 951	540 002	255 749	- 15 616	205 045
Non-proportional reinsurance Health	-	-	-	-	-
Non-proportional reinsurance - Casualty	-	-	-	-	-
Non-proportional reinsurance - Marine, aviation, transport	-	-	-	-	-
Non-proportional reinsurance - Property	-	-	-	-	-
Total	**15 056 707**	**14 607 657**	**7 435 784**	**- 408 499**	**6 309 593**

Table 4. Net premiums, claims and expenses by line of business - Non Life

Premiums, claims and expenses by line of business - Life

in Thousand HUF	Premiums written – Net	Premiums earned - Net	Claims incurred - Net	Changes in other technical provisions - Net	Expenses incurred - Net
	2016	2016	2016	2016	2016
Health insurance	760 808	745 562	370 981	-	-
Insurance with profit participation	1 300 773	1 314 903	2 107 669	- 3 674	1 372 733
Index- and unit-linked insurance	22 528 313	22 407 261	14 953 914	- 14 839	6 897 312
Other life insurance products	1 475 917	1 474 189	325 303	-	1 893
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	-	-	-	-	-
Total	**26 065 811**	**25 941 915**	**17 757 867**	**- 18 512**	**8 271 938**

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

99.84% of the insurance activity related to Non-Life direct gross premium written acquired from the territory of Hungary, whereas this ratio for Life business is 99.82%. According to these data the summary based on geographic areas is not applicable.

Insurance benefits

Total gross claims incurred were 34.1 billion HUF for business year (net: 25.2 billion HUF). The Non-Life claims ratio shows 2.7 percent improvement in comparison with 2015. In line with the portfolio size the volume of claims incurred is the most relevant for MTPL within Non-Life business. In Life the major part relates to Index- and unit-linked insurance.

[in Thousand HUF] Statutory Value	Non Life	Health	Life
	2016	2016	2016
Premiums written (gross), including savings portions from unit-linked and index-linked life insurance	0	0	25 651 601
Premiums earned (net) including savings portions from the unit-linked and index-linked life insurance	0	0	25 196 353
Savings portions in unit-linked and index-linked life insurance (gross)	0	0	22 528 313
Savings portions in unit-linked and index-linked life insurance (net)	0	0	22 407 261
Premiums written (gross)	32 159 772	760 808	25 651 601
Premiums earned (net)	14 607 657	745 562	25 196 353
Insurance benefits	7 027 285	370 981	17 386 887
Operating expenses	6 309 593	0	8 271 938

Table 6. Gross premiums, claims and expenses by line of business - Total

Operating expenses

The 35.6 percent of the gross earned premium connected to the company total expenses incurred, in case of net, the ratio is 36%. The ratio involves all of the incurred acquisition related costs, investment expenses and claims handling costs.
In line with the above-mentioned UNIQA Biztosító Zrt. closed the year with positive technical result and the Company overall after tax result also turned into positive during 2016. Based on strategy the outlook of the company shows future growth.

A.3 Investment Performance

In the following section, the investment result of UNIQA Biztosító in the reporting period is presented.
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 33,505.7 million (31 December 2015: HUF 32,172 million).

Net investment income was HUF 1,160.7 million. Asset composition within the direct portfolio weighed heavily toward locally issued government bonds (77,8% of the direct investment portfolio) in line with the matching portfolio concept. 7,6% of the portfolio was invested in money-market funds, while 10,5% of the portfolio was cash held in financial institutions. Generated investment income derived almost exclusively from the fixed income portfolio; the company did not have equity, investment property or derivative financial instrument positions.

(Net) investment income [in Thousand HUF] according to local GAAP	2016
I. Investment property	**0**
II. Financial assets accounted for using the equity method	**0**
III. Variable-income securities	**-918**
1. Available for sale	-918
2. Fair value through profit or loss	0
IV. Fixed-income securities	**1 212 887**
1. Available for sale	1 212 887
2. Fair value through profit or losses	0
V. Loans and other investments	**1 043**
1. Loans	1 043
2. Other investments	0
VI. Derivate financial instruments (trading portfolio)	**0**
VII. Investment administration expenses, interest paid and other investment expenses	**-52 292**
Total (fully consolidated figures)	**1 160 720**
Reclassification of technical interest income	

Table 7. (Net) Investment income [THUF] according to local GAAP

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 2016, there was no significant item on other income at UNIQA Biztosító Zrt.
The following material other expenses were incurred in 2016:

Other expenses [in Thousand HUF]	Statutory Values
Local business tax	321 338
Impairment of receivables	115 773

Table 8. Other expenses

A.5 Any other information

Employees

The members of the Supervisory Board didn’t receive any remuneration or advance payments in connection with this activity in 2016. The salary costs of the members of the Management Board for 2016 is THUF 282,409, the amount of the loan is THUF 2,708. There is no liability to pension payments for former members.

Expenses for the auditor of the financial statements

The fee charged for auditing the financial statements of the reporting year, as well as the verification of the consolidation data sent to the parent company and the control of the Solvency reports was THUF 75,457 for the year 2016.

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.:

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:

a) approval of the financial report, decision regarding the appropriation of taxed profits;
b) decision on the change of the corporate form;
c) appointment and removal of Management Board members, procurers;
d) appointment and removal of Supervisory Board members;
e) appointment and removal of the Statutory Auditor;
f) decision on the amendment of the Statutes;
g) 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 at least once per quarter.

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

a) Supervision of the management in order to protect the interests of the company;
b) Assessment of all motions brought before the General Meeting, and presenting its opinion thereof;
c) Written report on financial report with the auditor's report prior to the annual General Meeting;
d) Ascertaining that the insurance or reinsurance company has a comprehensive control system in place affording suitable facilities for effective operation;
e) Supervision of the activities of the person performing the internal control function;
f) Performance of the functions of Audit Committee set out in Section 116. § (7) of Bit. and Section 3:291. § of Act V of 2013 on the Civil Code (Ptk.).

B.1.3 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 or the Supervisory Board. The Management Board meets at least once per quarter.

The Management Board of the 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/ Non-Life CITO (Chairman of the management board / Chief insurance technique officer for non-life insurances)
- CSO (Chief sales officer)
- Life CITO (Chief insurance technique officer for life, accident and health insurances including group business)
- COO (Chief operating officer)
- CFO (Chief finance and risk officer)

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

CEO/ Non-Life CITO	CSO	Life CITO	COO	CFRO
General Secretary	Exclusive sales	Life insurance	Customer Services	Risk Management*
Compliance Officer*	Broker sales	Life underwriting and claims management	Premium Allocation	Controlling
Product Innovation and Client Experience Manager	Bank sales	Heath, Accident & Group Product Development	Business Organization	Tax and Accounting
VPMS	Corporate business	Life IT relations		Actuaries
Legal	Online sales channel			Finance
Internal Audit*	Sales support			Asset Management
Non-Life Controlling	Sales administration			
HR	Marketing			
Retail Non-Life insurance and claims management	Exclusive Regions			
Corporate Non-Life insurance	CRM sales support			
IT and Logistics	Health truck			

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 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.

Committee structure of UNIQA Biztosító Zrt.

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

- Executive Committee;
- Product Portfolio Committee; and
- Risk Management Committee.

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

Committee	Responsibility
Executive Committee	The leaders of departments of strategic importance are involved in the decision preparation process of the Management Board. The forum for this purpose is the Executive Committee (ExeCom) which is the highest level supporting forum of decision making. Permanent participants of the Executive Committee: • Head of Information Technology and Logistics Manager • Chief Actuary • Head of Non-life insurance • TOM Program Manager • Head of HR In addition to the permanent participants, other leaders or experts may be involved in the meeting of the ExeCom for consultation or presentation purposes. The ExeCom itself does not have any decision making power as it is only a consulting and supporting forum for decision making.
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.

Figure 5. Overview of committees

B.1.4 Key Functions

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

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

Each of the key functions generates regular reports which are presented to the Management Board 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 organisationally subordinate to the Chief Financial & Risk Officer (CFRO). The Actuarial Function is provided by the head of Actuarial Department under the Financial Directorate of the Company. The head of Actuarial Department is providing the Actuarial Function and is responsible for and coordinates its tasks under the Department and is the Chief Actuary as well. 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 and • Preparation of actuarial reports, especially of the annual report of the actuarial function.

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 internal model, the risk management function has additional tasks.

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

Risk Management Function	• Preparations for and communication of designing UNIQA Biztosító Zrt's risk strategy; • Involvement in the design and assessment of UNIQA Biztosító Zrt's risk strategy (risk appetite, risk policy, limit system); • Specification of and continuous follow-up on UNIQA Biztosító Zrt's risk exposure and risk profile; • Risk identification, monitoring and reporting; • Adapting UNIQA Group's risk management processes to UNIQA Biztosító Zrt.; • Coordination of solvency capital calculations; • Preparation of the Own Risk and Solvency Assessment of UNIQA Biztosító Zrt.; • In the context of the internal model o Implementation of the internal model; o Coordination of preparations for calculations on the internal model; o Validation and documentation of the internal model; o Preparation of summarizing reports; and o Ensuring regular reporting to the Management Board of UNIQA Biztosító Zrt.; • Coordination of risk management reporting within UNIQA Group; • Coordination of risk management reporting outside UNIQA Group; • Establishment, maintenance and operation of the Internal Control System; • Establishment and maintenance of the operational risk process, coordination of the semi-annual operational risk evaluation.

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 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 • it performs risk analyses, • monitors compliance with the regulatory environment, • evaluates the measures taken with regard to identified compliance risks, • examines whether internal regulations comply with the regulatory environment, • 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, outsourcing, Code of Conduct etc.). • It maintains records specified in the Compliance Standard (declarations of conflicts of interest, gifts and invitations above a predetermined threshold). • It assists in meeting the requirements of the Act No XXXVII of 2013 about international administrative cooperation in relation to matters concerning tax and other public burdens as well as of the Act No XIX of 2014 about the agreement between the government of Hungary and the government of the United States of America to improve international tax compliance and to implement FATCA.

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	• 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; • Audit of the regular and ad-hoc data supply to the Supervisory Authority • Interface between the UNIQA Biztosító Zrt. and Supervisory Authority.

Figure 9. Internal audit function

B.1.5 Remuneration

The aim of remuneration within the companies of the UNIQA Biztosító 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 are:

Internal fairness includes the fair treatment 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 the UNIQA Biztosító. 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 the UNIQA Biztosító 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 between:
Level 1: top executive roles with the most significant business impact, and
Level 2: key function holders, management roles within the UNIQA Biztosító,

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 the UNIQA Biztosító 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 the UNIQA Biztosító.

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 the UNIQA Biztosító.

The above referred "Market benchmark indices" are checked on a regular basis, using the HAY jog grading and salary benchmarking methodology.

Variable pay
The UNIQA Biztosító consists of two types of variable remuneration which are bound to different timescales: short-term variable pay refers to the performance and contribution of level 1 and 2 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 the UNIQA Biztosító. The long-term, sustainable pay is only offered to Group Board functions with the most significant business impact.

Long-term variable pay
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 is 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 the UNIQA Biztosító. 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 – reflecting the difference in ability to impact the company result - defined two variable remuneration levels, respectively for the B-1 (Board minus one) and B-2 (Board minus 2 level).

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.

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

The end-of-year results of the 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.

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, knowledge about the following fields of competence:

a. insurance and financial markets;
b. business strategy and business model;
c. system of governance;
d. financial and actuarial analysis;
e. 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.

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:

a) Riskmanagement Function;
b) Internal Audit Function;
c) Compliance Function;
d) Actuarial Function;
e) Assetmanagement Function;
f) Claims handling Function.

Fitness requirements

When assessing the fitness of non-management officers and key functions, UNIQA Biztosító Zrt. does not extend the scope of requirements beyond mandatory legal provisions in terms of qualification, educational degree and experience.

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 – and 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. It must be ensured, that when assessing certain competencies, the professional qualification, knowledge, previous experiences are taken into consideration.

Collecting the documentation which is 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 to be made and submitted to the person/body responsible for the assessment. As regards the members of the Supervisory Board it is the Board of UNIQA International AG, whereas concerning the members of the Management Board it is the responsible Board Member of UNIQA International AG who 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.
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 about 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 live 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 supervisory 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:

Function	Responsibilities
Management Board	• Ultimately responsible for the risk management of the company • Defines the business strategy • Responsible to run a stable ORSA process
CFRO	• Ensures that appropriate risk management and reporting are in place • Chair of the Risk Management Committee • Overviews the risk strategy • Monitors the overall risk situation • Policy guidance for the conduct of risk management activities
Risk Management Committee	• Monitoring and analyses of the risk positions • Prepares and monitors risk-bearing capacity and risk limits • Quarterly reporting of the risk positions to the Board • Approves model changes (for partial internal model)
Risk Management Function	• Executes the Risk Management Process • Coordinates the calculation of solvency capital requirements and minimum capital requirements • Preparation of the risk strategy • Monitors the risk exposure • Ensures effective and timely reporting of Risk Management information • Prepares and monitors risk limits for the company

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.

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

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
Credit risk / Counterparty default risk		X	
Market risk	X		
Operational risk	X		
Strategic risk	X		

Table 9. Risk appetite

UNIQA Biztosító Zrt. defines its risk appetite on the basis of an “Economic Capital Model” which 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 is used for internal purposes only. The capital requirement calculation for the concentration and spread risk sub-modules uses different assumptions than the Standard Formula. The internal minimum capitalisation is defined as 135 per cent.

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 periodically information on the risk profile 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, and
- Contagion risk

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

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 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 continual audit of the risk environment and the fulfilment of the risk strategies. The risk manager of UNIQA Biztosító 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

[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)

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 the 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. 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 The Company's Own Risk and Solvency Assessment (ORSA)

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), own 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 continual exchange occurs between the ORSA and risk management processes, which supplies ORSA with the relevant inputs. Each material strategic decision, as well as basic data are observed with regard to ORSA in a basic and a stress scenario. 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

UNIQA Biztosító Zrt.'s ORSA process 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 the 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 the 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-) 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, the UNIQA Biztosító Zrt.'s and its companies' 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 continual 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.

Continual 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 base 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 regulative 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 the 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 at least for the following main processes (and their sub-processes), which are carried out in UNIQA Biztosító Zrt.:

- Balance Sheet Preparation
- Accounting
- Premium Collection (incl. Incasso/ Excasso)
- Asset Management
- Product development
- Underwriting
- Claims Handling
- Risk management process
- Reinsurance
- IT processes
- Controlling

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 processes 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 for the processes described above:

- Process documentation
- Risk identification and definition of controls
- Execution and documentation of controls
- Risk and control evaluation
- Monitoring
- Proceeding in case of violation
- Maturity analysis and ICS update
- Reporting

In order to guarantee a continual 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:

- Effectivity/performance – reliable performance of the defined controls
- Transparency – appropriate documentation of the performed controls is available
- Efficiency – cost-benefit analysis and risk situation within the process play an important role when creating an ICS

Each process owner annually submits an ICS report, which includes information on the control performance, as well as existing weaknesses and planned measures. Then also an overall ICS report for the whole company is prepared. This includes an overall assessment of the processes recorded in the ICS by means of a maturity analysis (level of maturity of the ICS implementation). The ICS report 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 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, outsourcing, 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

A separate department has been created for the Internal Audit Function of the UNIQA Biztosító Zrt.

Structure of the Internal Audit

Exercising this function, the Internal Audit Department supports the management of the UNIQA Biztosító Zrt. in their controlling and monitoring function. It provides independent and objective auditing and advisory services aimed at adding value to the business and enhancing business processes. It supports the UNIQA Biztosító Zrt. in achieving its aims, controls and assesses the adequacy and effectiveness of the risk management, the Internal Control System, the management and monitoring processes, the compliance organisation and additional parts of the Governance System and helps to improve them. The audit of legality, regularity, expediency, efficiency, security and goal oriented approach of the business and operation of the company are a permanent part of the activity. The Internal Audit is directly subordinated to Supervisory Board of the UNIQA Biztosító Zrt., the employer's right exercises the Chief Executive Officer of the UNIQA Biztosító Zrt. over the Internal Audit.

Task

The internal audit performs its duties autonomously, independently and objectively and above all process-independently. When performing a test, reporting and assessing the results, it is not liable to any directives.

Fulfilling the internal audit function of the UNIQA Biztosító Zrt., the Internal Audit Department is responsible for

- Creation of the risk-based multi-year audit plan for the UNIQA Biztosító Zrt. and, if required, obtainment of the authorisation of the Supervisory Board in case of significant changes of the audit plan
- Performance of systematic examinations and special audits
- Assignment of special audits in case of imminent danger
- Annual report concerning the fulfilment of the audit plan
- Securing the legally required audit-specific reporting
- Audit of the regular and ad-hoc data supply to the Supervisory Authority
- Interface between the UNIQA Biztosító Zrt. and Supervisory Authority

Organisational embedding

In order to be able to fulfil audit functions, the auditors are authorised to inspect all documents and data, which are necessary to fulfil their audit assignment and to demand and receive the necessary information. Every employee of a company of the UNIQA Biztosító Zrt., including their exclusive distribution partners and contractual partners of outsourced activities, is required to ensure the inspection of the required documents and data without delay and to give information. Access to rooms has to be granted without exception.

Reporting is made to all members of the Management Board and of the Supervisory Board of the UNIQA Biztosító Zrt., the Management Board of the concerned companies of the UNIQA Biztosító Zrt., as well as the managers of the audited sections. In its reports, the internal audit phrases measures for the disposal of recognised abnormalities and determines the time of their realisation.

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 2.1.3 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 2 Governance System.

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 the UNIQA Group has at least a share of 50%+1, are defined as intragroup type of outsourcing, whereas outsourcing towards legal entities where UNIQA Group has less than the previously mentioned shares, belong to the category of external outsourcing. It is important to highlight that key functions are not allowed to be outsourced externally.

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 processes which are considered to be critical or important.

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 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 respective corporate bodies (Management Board/Supervisory Board) in charge of permitting the outsourcing of activities 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 critical or important operational functions and activities:

Activity	Jurisdiction of service providers	Type of outsourcing
Non-life claims handling activities	Hungary	group internal
Other claims handling and claims adjustment activities related to non-life claims handling	Hungary	group external
Certain activities related to asset management	Austria	group internal
Certain IT and telecommunication activities	Austria	group internal

Table 10. 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 responsibilities 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 Risk Profile

The solvency capital requirement of the UNIQA Biztosító Zrt. is calculated on the basis of the Solvency II standard formula and serves the determination of the regulatory capital requirement for the company. The calibration of the standard formula ensures that the UNIQA Biztosító Zrt. records all quantifiable risks, which it 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 is the 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 risks
- Adjustment for risk mitigating 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).

Figure 13 illustrates the composition of the corresponding risk and sub risk modules. Each individual risk is calculated by means of a scenario or factor-based approach and explained in the following sections. All calculations on risk and sub risk modules are based on the statutory methods of the Delegated Regulation (EU) 2015/35 of the Commission[2].

[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).

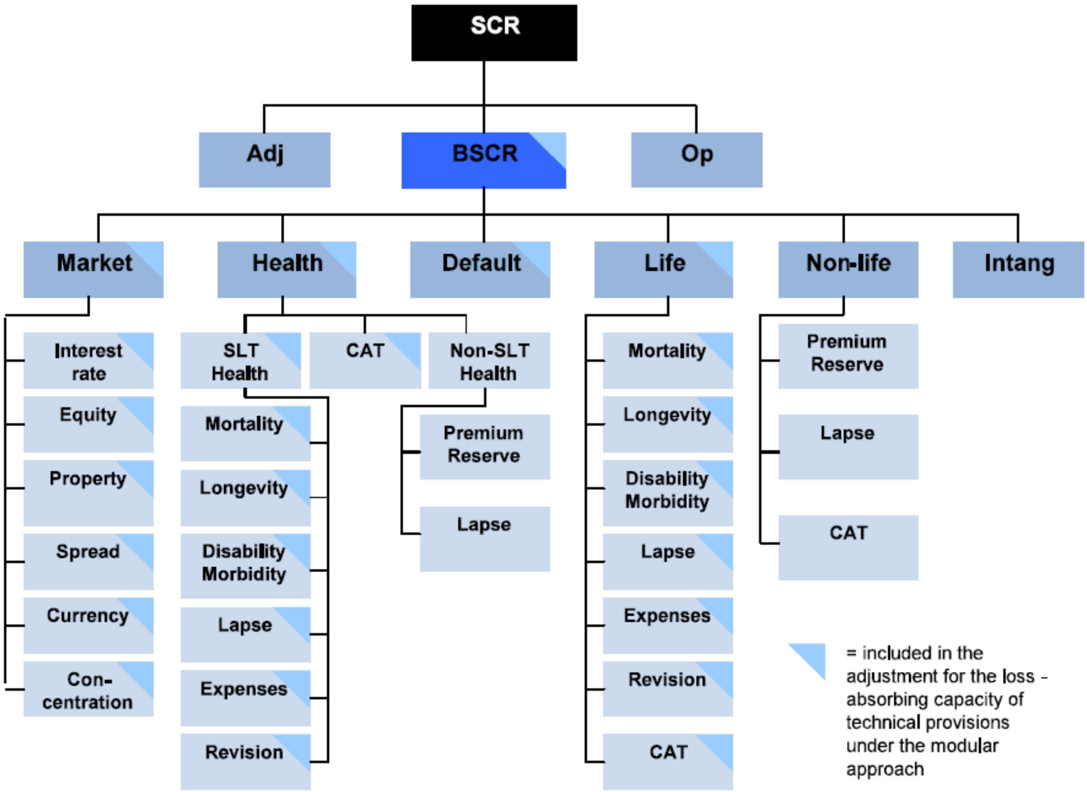

Figure 12. Risk composition of the SCR

Table 11 illustrates the risk profile and the composition of the SCR of UNIQA Biztosító Zrt. as at 31 December 2016. The biggest risk driver of the company is life underwriting risk with a share of 55 per cent of the overall capital requirement (SCR). The detailed composition of the individual risk modules is described in the following sub chapters.

The solvency ratio is 143.8 per cent as at 31 December 2016 and illustrates that UNIQA Biztosító Zrt. has sufficient capital. The risk profile is further elaborated in the following sections.

Position	2016 in Thousand HUF
SCR	**13,638,995**
Basic SCR net (nBSCR)	12,755,889
Market risk	4,346,833
Counterparty Default Risk	2,008,866
Life underwriting risk	7,005,653
Non-life underwriting risk	5,783,023
Health underwriting risk	855,168
Diversification	-7,243,655
Intangible assets (related risk)	0
Operational risk	1,733,281
Mitigation due to deferred taxes	-850,175
Own funds to cover SCR	**19,615,864**
Solvency ratio	143.8%
Free surplus	5,976,869

Table 11. Risk profile and the composition of the SCR

C.2 Underwriting risk

C.2.1 Description of Risk

Underwriting risk includes the following risk modules:

- Non-life underwriting risk
- Life underwriting risk
- Health underwriting risk (similar to life and similar to non-life)

Non-life underwriting risk

Non-life underwriting risk[3] is defined as follows:

a) 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.

b) 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:

a) 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).

b) 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).

c) 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).

d) 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).

e) 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).

f) 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:

a) 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.

b) 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

Table 12 illustrates the composition of the risk module non-life underwriting risk. Premium and reserve risk represents the largest sub-risk module. This sub-risk is dominated by the Motor vehicle liability insurance, Other motor insurance and Fire and other property insurance lines of business. Catastrophe risk is only the second-largest sub-risk due to the non-proportional reinsurance arrangements in place mitigating this risk. Non-life lapse risk is marginal compared to the other sub-risks.

Position	2016 in Thousand HUF	in %
SCR non-life underwriting risk	**5,783,023**	
Premium and reserve risk	5,222,458	77.4%
CAT risk	1,500,317	22.2%
Lapse risk	25,910	0.4%
Diversification	*(965,662)*	

Table 12. Composition of the risk module non-life underwriting risk

Life underwriting risk

This risk module was the largest component of the company's SCR at the end of 2016, contributing 35 per cent of the basic solvency capital requirement (BSCR).

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 lapse increase shock. The second biggest sub-risk is expense risk. Table 13 illustrates the composition of the solvency capital requirements of life underwriting risk for each sub-risk module. 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	2016 in %
SCR life underwriting risk (net)	**7,005,653**	
Mortality Risk	409,375	4.6%
Longevity Risk	21,267	0.2%
Disability Risk	58,921	0.7%
Lapse Risk	4,310,786	48.5%
Expense Risk	3,376,565	38.0%
Revision Risk	20,194	0.2%
CAT Risk	695,455	7.8%
Diversification	*(1,886,910)*	

Table 13. Composition of the risk module life underwriting risk

Health underwriting risk

There are two types of health insurance and each has different underwriting risk:

- Health underwriting risk (similar to life insurance, SLT) including long-term health insurance contracts
- Health underwriting risk (non-similar to life insurance, NSLT) including short-term accident and health insurance

The tables below illustrate the composition of the solvency capital requirements of health underwriting risk for each sub risk module. The health catastrophe risk sub-module is related to the Health-NSLT portfolio, since due to contractual terms the catastrophe scenarios defined in the standard formula do not affect the Health-SLT business of the company.

Health underwriting risk (similar to life insurance)[4]

The following table illustrates the composition of the sub risk module health underwriting risk (similar to life insurance). Disability and morbidity risk is the main risk driver for this sub-risk module.

Position	in Thousand HUF	2016 in %
SCR health underwriting risk similar to life	**295,050**	
Mortality risk	-	0.0%
Longevity risk	-	0.0%
Disability/Morbidity risk	289,697	96.5%
Lapse risk	-	0.0%
Expense risk	10,429	3.5%
Revision risk	-	0.0%
Diversification	*(5,076)*	

Table 14. Composition of the risk module Health SLT underwriting risk

Health underwriting risk (similar to non-life insurance)

Table 15 illustrates the composition of the sub risk module health underwriting risk (similar to non life insurance). Premium and reserve risk is the main risk driver for this module.

Position	in Thousand HUF	2016 in %
SCR health underwriting risk similar to non-life	**650,768**	
Premium and Reserve risk	649,368	93.8%
Lapse risk	42,658	6.2%
Diversification	*(42,656)*	

Table 15. Composition of the risk module Health NSLT underwriting risk

C.2.3 Risk Assessment

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

[4] Delegated Regulation (EU) 2015/35, Chapter V, Section 4, Article 150

Non-life underwriting risk[5]

Non-life underwriting risk consists of the following sub risk modules:

- Non-life premium and reserve risk
- Non-life catastrophe risk
- Non-life lapse risk

Non-life underwriting risk is calculated by applying the risk factors and methods which are described in the Delegated Regulation 2015/35 in chapter "Non-life underwriting risk module". The capital requirements of the different sub-modules are combined by applying the given correlation parameters. The calculation of non-life underwriting risks also comprises unexpected loss generated by new business, which is acquired within the following 12 months.

Simplifications or undertaking-specific parameters have not been used in the calculation of the non-life underwriting risk module.

Life underwriting risk[6]

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.

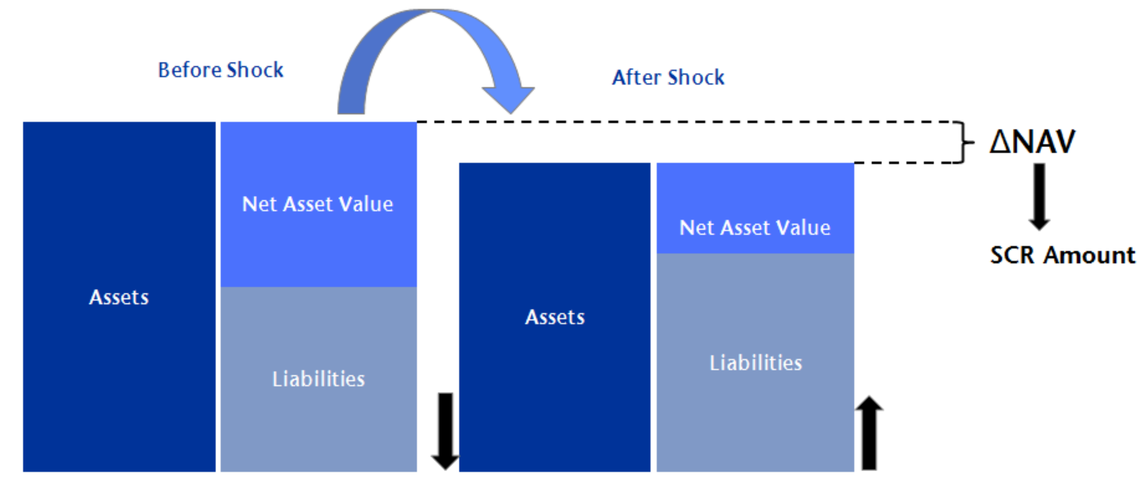

Figure 13. NAV approach

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

Sub risk module	Used shock
Mortality risk	Instantaneous permanent increase of mortality rate by 15 per cent
Longevity risk	Instantaneous permanent decrease of mortality rate by 20 per cent
Disability risk	A combination of the following instantaneous permanent changes:: increase of disability and morbidity rate by 35 per cent within the following 12 months, 25 per cent within the time after the following 12 months, as well as a decrease of disability and morbidity rate by 20 per cent.

[5] Delegated Regulation (EU) 2015/35, Chapter V, Section 2, Article 114ff
[6] Delegated Regulation (EU) 2015/35, Chapter V, Section 3, Article 136ff

Lapse risk	3 shocks are being used: • imminent and constant decrease concerning the exercise of option rights by 50 per cent • imminent and constant increase concerning the exercise of option rights by 50 per cent • 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 per cent, as well as • An increase of cost inflation rate by 1 per cent
Revision risk	An imminent and constant increase of annual payments for annuities, which are exposed to a revision risk by 3 per cent
CAT risk	An imminent, inconstant increase of 0.15 per cent of the mortality rates for the next 12 months expressed in percentage points

Table 16. 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 22% of life mortality risk, 79% of life disability-morbidity risk, 0.5% of life expense risk and 86% 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. For the calculation of lapse risk only those scenarios are chosen, which lead to an increase of the Best Estimate (for example assumption of decreasing or respectively increasing lapse quotes or the assumption of a mass lapse).

Health underwriting risk[7]

When calculating the solvency capital requirement of health underwriting risk, two types of underwriting risk, which have already been mentioned within the definition, are distinguished.

- Health underwriting risk (similar to life insurance)
- Health underwriting risk (similar to non-life insurance)

Those sub-modules impacting the health underwriting risk (similar to life) risk profile, i.e health disability-morbidity risk and health expense risk, have been calculated via the factor-based simplifications according to Articles 99, 100 and 101 of the Delegated Regulation (EU) 2015/35. 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).

The standard formula in accordance with the Delegated Regulation 2015/35[8] is also applied when calculating the solvency capital requirement for health underwriting risk (similar to non-life insurance). For this purpose an approach identical to non-life underwriting risk is being used. Simplifications or

[7] Delegated Regulation (EU) 2015/35, Chapter V, Section 4, Article 144ff
[8] Delegated Regulation (EU) 2015/35, Chapter V, Sub section 7, Section 2, Article 114ff

undertaking-specific parameters have not been used in the calculation of the health underwriting risk module (similar to non-life).

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.

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 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 NatCat module of the company’s Partial Internal Model Non-Life, currently in an advanced stage of development. 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. For the earthquake and flood perils, a cumulative limit on the gross loss paid by the company is also included in the policy conditions for household business.

C.2.5 Risk Mitigation

Life underwriting risk
In the context of life insurance the following classical risk mitigation techniques are applied:

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

Apart from these classical risk mitigation techniques, UNIQA Biztosító Zrt. applies a strategic program, which is 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. UNIQA Biztosító Zrt. focuses on four strategic pillars:

- Management rules
- New business profitability
- Introduction of ongoing in-force management processes
- Use of reinsurance

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.

The applied strategic pillars are described in the following paragraphs.

- **Management rules**

The management rules applied in the UNIQA Biztosító Zrt. include rules which the Management Board has determined itself. The rules are essential for the underlying risk models and include detailed information and regulations concerning investment rules and profit participation. One of the main aspect of these rules is to meet the minimum profitability and quality requirements for product development and product governance.
The aim is to achieve a permanent profitability oriented capital allocation besides the fulfilment of the statutory minimum requirements.

- **New business profitability**

In order to ensure new business profitability, standardised processes (product release processes and profitability testing) are in place. It is thus possible to react to market conditions and reduce guarantees if required and/or adjust to exogenous factors (for example to the interest rate environment). Each product has to undergo profitability testing. The minimum requirement in testing is that the new business has to make a positive contribution to the own funds.

- **Introduction of ongoing in-force management processes**

A continuous process of in-force management is currently being established at UNIQA Biztosító Zrt. This process is intended to identify non-profitable segments and to indicate possible measures in order to react to these non-profitable segments. It is distinguished between the value of in-force (VIF) and the new business value (NBV).

- **Use of reinsurance**

Concerning life insurance, the focus of thr reinsurance program is the mitigation of large individual risks. In addition, group insurance contracts are covered by specific reinsurance arrangements.

Health underwriting risk

In the context of health insurance, classical risk mitigation techniques are applied. 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

- Use of reinsurance: similarly to the case of life business, the aim of the reinsurance program is to mitigate individual large risks and concentrations related to group contracts.

Besides the classic risk-mitigating processes UNIQA Biztosító Zrt. applies the following risk mitigation measure:

- **Continuous process of in-force management**

The continuous process of in-force management is carried out on an annual basis by determining and evaluating the necessity of premium adjustments. The effectiveness of the risk mitigation techniques for health business is assessed by comparison of expected and occurred payments as well as contribution margin calculation.

Non-life underwriting risk

Increasing the profitability of the non-life portfolio of UNIQA Biztosító Zrt is an element of the company' 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 another essential risk mitigation technique for the non-life insurance of the 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 mitigating techniques described for non-life business is monitored within the standard formula and by means of a proper internally used risk model. 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, among others, 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. The 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 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.

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 17 that are in line with Directive 2009/138/EC.

Sub risk module	Definition
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 17. Sub risk modules of market risk

C.3.2 Risk Exposure

Figure 15 shows the asset allocation of the non-unit linked investment portfolio of the UNIQA Biztosító Zrt. as at 31.12.2016. The total volume of the non-unit linked investments displayed in the pie diagram was 36,011 million HUF at the end of the year.

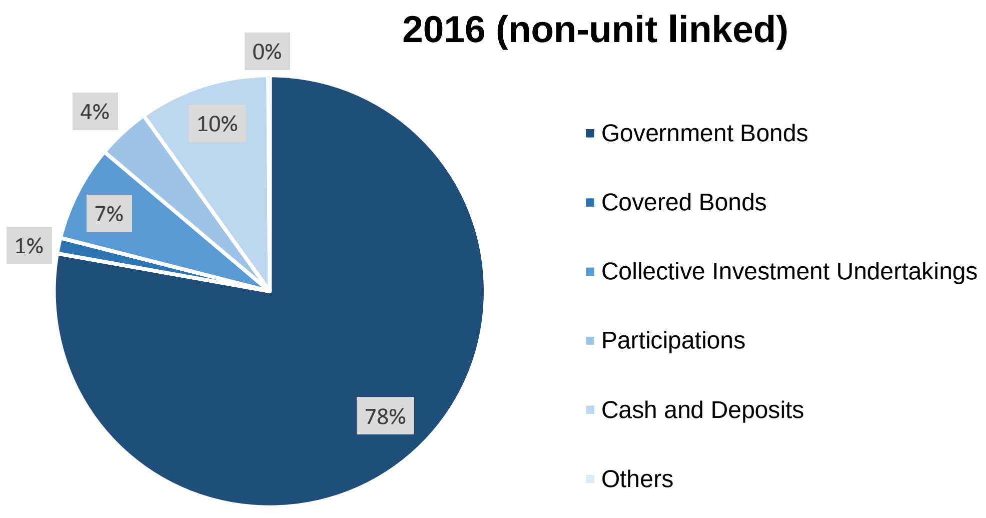

Figure 14. Asset allocation of the non-unit linked investment portfolio

In accordance with the prudent person principle, the investment activities in 2016 – 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. At the end of 2016 a relatively high cash proportion was also present, driven by the liquidity needs of expected insurance benefits.

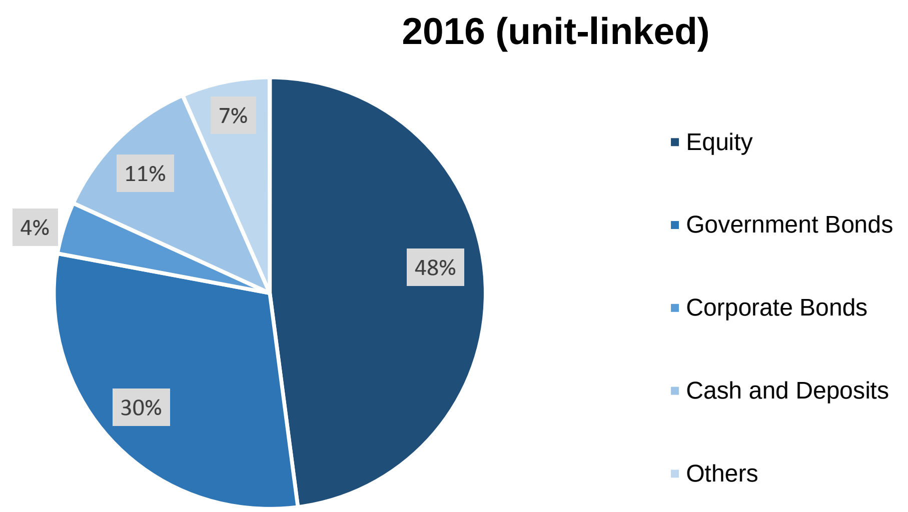

Figure 15. Asset allocation of the unit linked investment portfolio

Figure 15 shows the asset allocation of the unit linked investment portfolio, totalling 87,581 million HUF at the end of 2016. Unit-linked investments were driven by the policyholders' portfolio selections. The biggest component of the 2016 investments was an international equity portfolio, followed by a large bond portfolio that included both Hungarian government bonds and international government and corporate bonds.

Table 18 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	2016 in Thousand HUF	in %
SCR Market Risk (net)	**4,346,833**	
Interest rate risk	721,219	11.0%
Equity risk	3,199,253	48.7%
Property risk	-	0.0%
Spread risk	158,551	2.4%
Concentration risk	692,960	10.6%
Currency risk	1,793,301	27.3%
Diversification	*(2,218,450)*	

Table 18. Composition of the solvency capital requirements for the risk module market risk

As at the end of 2016, market risk contributed 22% 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 largest sub-risks of market risk is equity risk, followed by currency risk. Both of these sub-risks are 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 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.
The capital requirement for concentration risk is related to the strategic participations held by the company.

C.3.3 Risk Assessment[9]

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

[9] 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.

As stated above, 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 symmetrical 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 symmetrical 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 2016, UNIQA Biztosító had 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

In addition to the assessment of concentration risk, as provided for in the SCR standard formula, all issuers (groups of issuers respectively) are monitored in accordance with UNIQA Group's Limit and Trigger Standards, based on economic risk measurement.

C.3.5 Risk Mitigation

Derivative instruments are currently not used by UNIQA Biztosító Zrt. The main measures used for market risk mitigation are investment limits and asset-liability management (ALM).

Investment Limits
With the introduction of the UNIQA 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. Those 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 & Risk Management. Asset allocations thereafter are managed centrally by UCM, aiming for and 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, letters of credit, guarantees and mortgage loans.

C.4.2 Risk Exposure

With a contribution of 10% to the basic solvency capital requirement (BSCR) at 31.12.2016, credit risk / default risk (CDR) is not a dominant but still a significant part of the company's risk profile.

Position	2016 in Thousand HUF	in %
CDR total	**2,008,866**	
CDR type 1 total	1,684,005	80.5%
CDR type 2 total	408,776	19.5%
Diversification	*(83,915)*	

Table 19. Composition of the solvency capital requirements for the risk module credit risk

Table 19 shows the composition of credit risk or default risk for the year 2016. A distinction is made between type 1 and type 2 of risk exposure.

With an 80.5 per cent share of the overall credit / default risk excluding diversification, type 1 risk exposure is the main driver. The solvency capital requirements for type 1 CDR result primarily from reinsurance arrangements, secondly from deposits at credit institutions.

Risk exposure according to type 2 has a 19.5 per cent share of the overall CDR risk excluding diversification. Receivables from intermediates and policyholders are the drivers for risk exposure.

C.4.3 Risk Assessment[10]

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 risk mitigating effects can be used. The capital requirement for type 2 exposures is calculated from exposed amonts 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 2016 UNIQA Biztosító Zrt. has used the simplified calculation of the risk mitigating effect for reinsurance arrangements according to Article 107 of Delegated Regulation 2015/35.

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 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 to mitigate 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.

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.

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

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	2016 in Thousand HUF
Expected profit in future premiums	**13,551,188**
Of which non-life	(200,918)
Of which life	13,752,106

Table 20. 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. 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 plans is ensured by a 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 with the help of the risk catalogue of the company. The following risks have been identified as significant:

- Process risks, in particular regarding product development and claims settlement
- Human Resources (HR) risks (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 31.12.2016.

		2016
	Premium earned gross	Technical provisions gross
Reporting year		
Life (without unit-linked)	3,869,568	16,223,832
Non-Life	31,417,192	18,547,926
Previous year		
Life (without unit-linked)	4,195,357	
Non-Life	30,216,073	
Capital requirement for Operational Risk based on Premiums / Technical Provisions	**1,097,298**	**629,445**
25% of Unit-linked annual expenses	635,983	
Operational risk	**1,733,281**	

Table 21. 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,

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
- A sustainable compliance function, referred to as conformity 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 22.

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 22. 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. Furthermore, given the importance of life underwriting risk in the risk profile of the company, life lapse and life expense sensitivities have been evaluated. UNIQA Biztosító Zrt. evaluated the sensitivities, stress tests and scenarios presented in Table 23.

	Sensitivity / Stress Test / Scenario	Impact
No.	Key sensitivities	
1	Parallel shift interest rate + 100 basis points (until LLP)	Own Funds
2	Parallel shift interest rate - 100 basis points (until LLP)	Own Funds
3	No convergence to UFR	Own Funds
4	Risk free yield curve stress up 1-in-20	Own Funds
5	Risk free yield curve stress down1-in-20	Own Funds
6	No volatility adjustment	Own Funds and SCR
7	Shock on equities	Own Funds
8	+10 per cent shock on foreign currencies	Own Funds
9	-10 per cent shock on foreign currencies	Own Funds
10	Increase of credit spreads	Own Funds
11	Life lapse up	Own Funds
12	Life lapse down	Own Funds
13	Life expenses up	Own Funds
14	Life expenses down	Own Funds
	Combined scenarios	
15	Combined scenario 1	Own Funds
16	Combined scenario 2	Own Funds

Table 23. 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 in Table 32, 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. Only the sensitivity “no convergence to UFR” is treated differently. Here, the forward rate at the last liquid point is used for the remaining maturities, i.e. kept constant.

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. The use of interest rates, which unlike in the Solvency II methodology, do not converge to the Ultimate Forward Rate (UFR); instead the level of the interest rate at the last liquid point is kept for the remainder of the interest rate
4. An increase in interest rates (no parallel shift) based on historic data, reflecting a 20-year event, until the last liquid point (LLP) and extrapolation towards the UFR afterwards
5. An decrease in interest rates (no parallel shift) based on historic data, reflecting a 20-year event, until the last liquid point (LLP) and extrapolation towards the UFR afterwards
6. The use of interest rates without Volatility Adjustment (VA) on liabilities, as for assets, the Solvency II methodology already defines the use of interest rates without Volatility Adjustment (VA)

Equity and equity-related instruments

For equity exposures, the following sensitivity is evaluated:

7. 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 positions where the quotation currency is different from the currency of the respective portfolio. The following sensitivities are calculated:

8. Foreign currency values increase by 10% relative to the reporting currency
9. Foreign currency values decrease by 10% relative to the reporting currency

Credit spreads

For the credit spread sensitivity, a widening of credit spreads depending on the respective rating category was assumed. Table 33 presents the credit spread shocks for each rating level. The different basis point shifts applied range from a shock of 25 basis points for AA-rated exposures to 150 basis points for CCC-rated exposures. No spread increase is assumed for government bonds, corporate bonds, loans or any other types of credit spread exposed assets.
Credit spread shift depending on asset rating, according to Table 24 below:

Rating	Credit Spread
AAA	0
AA	25
A	50
BBB	75
BB	100
B	125
Lower than B	150

Table 24. Credit spreads depending on asset rating

Life underwriting sensitivities

The following life underwriting sensitivities are evaluated:

10. Life lapse rates increase by 10%
11. Life lapse rates decrease by 10%
12. Life expense levels increase by 10%
13. Life expense levels decrease by 10%

In the life lapse scenarios, the shocks are applied to the take-up rates of all policyholder options relevant for the calculation of life lapse risk, respectively.

Combined scenarios
In addition two combined scenarios were defined, which consist of sensitivities that were also used as stand-alone sensitivities.

14. Combination 1 was designed as a financial market impact only scenario and it consists of:
    - Decrease in interest rates (1-in-20)
    - Credit spread shock
    - Equity shock of -30 per cent
    - Currency shock of -10 per cent
15. Combination 2 consists of:
    - Increase in interest rates (1-in-20)
    - Equity shock of -30 per cent

Results
Table 25 shows the results of scenarios, especially with regard to the situation of solvency capital requirements. For those sensitivities where the SCR was not recalculated, the stressed SCR quota was approximated using the stressed own funds and the original SCR.

No.	(in 1000 HUF)	Own Funds	SCR	SCR Quota
	Base case	19,615,864	13,638,995	143.8%
	Key sensitivities			
1	Parallel shift interest rate + 100 basis points (until LLP)	19,071,248		139.8%
2	Parallel shift interest rate - 100 basis points (until LLP)	20,073,970		147.2%
3	No convergence to UFR	19,639,210		144.0%
4	Risk free yield curve stress up 1-in-20	18,527,548		135.8%
5	Risk free yield curve stress down1-in-20	20,553,168		150.7%
6	No volatility adjustment	19,563,838	12,940,832	151.2%
7	Shock on equities	18,671,239		136.9%
8	+10 per cent shock on foreign currencies	19,967,098		146.4%
9	-10 per cent shock on foreign currencies	19,265,159		141.3%
10	Increase of credit spreads	19,016,252		139.4%
11	Life lapse up	18,560,586		136.1%
12	Life lapse down	20,900,285		153.2%
13	Life expenses up	17,840,463		130.8%
14	Life expenses down	21,391,269		156.8%
	Combined scenarios			
15	Combined scenario 1	17,795,678		130.5%
16	Combined scenario 2	18,560,586		136.1%

Table 25. Results of scenarios

Of the sensitivities analysed above, life expenses have the highest potential adverse impact, however this is also the risk with the best management control.

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. analyses subsequently whether the threat of an intragroup contagion is present.

C.9 Any other information

Beside the identification and assessment of the risks above, an additional analysis is carried out regularly at UNIQA Biztosító Zrt. This analysis is aimed at identifying other significant risks which can become material at the local level for the company. In the context of this section, in particular the following risks are monitored:

- Regulatory developments (possible changes in legislation)
- Unrated bank risk

In the context of this section, a risk is considered material if its potential adverse impact exceeds 10 per cent of the solvency capital requirements of the company. This corresponds to a threshold of HUF 263 million, based on an analysis of the key figures of the assessment as at 31.12.2016.

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, market-to-market values are used for the valuation. In case they are not available, market-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 market-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 the balance sheet date	
CHF	289,41
CZK	11,51
EUR	311,02
GBP	361,62
PLN	70,29
RON	68,53
USD	293,69

Table 26. Exchange rates

D.1 Assets

The following table shows the comparison between the evaluation of total assets according to Solvency II and IFRS based on valuation date 31.12.2016.

	Assets [in Thousand HUF]	Solvency II	Statutory	Revaluation
1	Goodwill	n.a.	-	n.a.
2	Deferred acquisition costs	n.a.	5 153 462	n.a.
3	Intangible assets	-	929 809	- 929 809
4	Deferred tax assets	-	-	-
5	Pension benefit surplus	-	-	-
6	Property, plant & equipment (for own use)	959 924	1 150 119	- 190 195
7	Investments (except for assets for unit- and index-linked contracts)	32 444 169	28 771 805	3 672 364
7.1	Properties (except for own use)	-	-	-
7.2	Shares in affiliated companies, including participations	1 421 066	486 633	934 433
7.3	Shares	-	-	-
7.3.1	Shares - listed	-	-	-
7.3.2	Shares - not listed	-	-	-
7.4	Bonds	28 442 424	25 743 324	2 699 101
7.4.1	Government bonds	28 019 153	25 343 675	2 675 478
7.4.2	Corporate bonds	423 272	399 649	23 623
7.4.3	Structured debt securities	-	-	-
7.4.4	Asset backed securities	-	-	-
7.5	Undertakings for collective investment	2 580 678	2 541 848	38 831
7.6	Derivatives	-	-	-
7.7	Deposits except for cash equivalents	-	-	-
7.8	Other investments	-	-	-
7.9	Assets for unit- and index-linked contracts	87 580 972	87 705 852	- 124 880
8	Loans and mortgages	16 881	16 881	-
8.1	Policy loans	8 601	8 601	-
8.2	Loans and mortgages for private individuals	8 279	8 279	-
8.3	Other loans and mortgages	-	-	-
9	Recoverables from reinsurance contracts from:	9 720 044	14 145 772	- 4 425 728
9.1	Non-life insurances and health insurances similar to non-life	8 517 848	11 944 577	- 3 426 730
9.1.1	Non-life insurances except for health insurances	8 534 332	11 919 860	- 3 385 528
9.1.2	Health insurances similar to non-life	- 16 484	24 717	- 41 201
9.2	Life insurances and health insurances similar to life except for health insurances and unit- and index-linked insurances	1 202 103	2 201 195	- 999 092
9.2.1	Health insurance similar to life	-	-	-
9.2.2	Life insurance except for health insurance and unit- and index-linked insurances	1 202 103	2 201 195	- 999 092
9.3	Life insurances, unit- and index-linked	93	-	93
10	Deposit receivables	-	-	-
11	Receivables towards insurances and intermediaries	2 126 677	3 219 453	- 1 092 777
12	Reinsurance receivables	647 801	355 493	292 308
13	Receivables (trade, not insurance)	429 996	427 624	2 372
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	3 611 899	3 611 899	- 0
17	Other assets not reported elsewhere	788 514	1 444 760	- 656 246
	Total assets	**138 326 875**	**146 932 928**	**- 8 606 052**

Table 27. Assets based on valuation date 31.12.2016

The following asset classes are not classified as asset components of the UNIQA Biztosító Zrt. as at 31.12.2016 and were therefore not commented on:

1. Goodwill

5. Pension benefit surplus;

7.1 Properties (except for own use)

7.3 Shares

7.6 Derivatives

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.	5 153 462	

Table 28. 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	-	929 809	- 929 809

Table 29. 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

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

Table 30. 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)	959 924	1 150 119	-	190 195

Table 31. 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 PPE items is not include the activated investment on rented property, because the items have not an economic value, 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	1 421 066	486 633	934 433

Table 32. 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.

The Participations which are not fully consolidated or quoted at Group level (which are not relevant for the UNIQA Group consolidation) are translated into zero value according to Solvency II principles.

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	**28 442 424**	**25 743 324**	**2 699 101**
Government bonds	*28 019 153*	*25 343 675*	*2 675 478*
Corporate bonds	*423 272*	*399 649*	*23 623*
Structured debt securities	-	-	-
Asset backed securities	-	-	-

Table 33. 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	2 580 678	2 541 848	38 831

Table 34. 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.

Assets for Unit- and Index-Linked Contracts

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Assets for unit- and index-linked contracts	87 580 972	87 705 852	- 124 880

Table 35. 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 (30.12.2016) and Solvency II (31.12.2016) approaches are small value differences.

Loans and Mortgages

Assets [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Loans and mortgages	16 881	16 881	-
Policy loans	8 601	8 601	-
Loans and mortgages for private individuals	8 279	8 279	-
Other loans and mortgages	-	-	-

Table 36. 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	**9 720 044**	**14 145 772**	**- 4 425 728**
Non-life insurances and health insurances similar to non-life	8 517 848	11 944 577	- 3 426 730
Non-life insurances except for health insurances	*8 534 332*	*11 919 860*	*- 3 385 528*
Health insurances similar to non-life	*- 16 484*	*24 717*	*- 41 201*
Life insurances and health insurances similar to life except for health insurances and unit- and index-linked insurances	1 202 103	2 201 195	- 999 092
Health insurance similar to life	-	-	-
Life insurance except for health insurance and unit- and index-linked insurances	*1 202 103*	*2 201 195*	*- 999 092*
Life insurances, unit- and index-linked	93	-	93

Table 37. 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 Business: Reinsurance recoverables for life 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	2 126 677	3 219 453	- 1 092 777

Table 38. 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 impairment reserve, 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	647 801	355 493	292 308

Table 39. 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 impairment reserve, 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)	429 996	427 624	2 372

Table 40. 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	3 611 899	3 611 899	- 0

Table 41. 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 no 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	788 514	1 444 760	- 656 246

Table 42. 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 31.12.2016:

Evaluation of technical provisions

Technical provisions [in Thousand HUF]		Solvency II	Statutory Values	Revaluation
1	**Technical provisions - non-life insurance**	**19,235,158**	**23,592,845**	**- 4,357,687**
1.1	Technical provisions - non-life insurance (except for health insurance)	18,956,925	22,821,138	- 3,864,213
1.1.1	*Technical provisions calculated in total*	*-*	*n.a.*	*n.a.*
1.1.2	*Best Estimate*	*18,324,286*	*n.a.*	*n.a.*
1.1.3	*Risk margin*	*632,639*	*n.a.*	*n.a.*
1.2	Technical provisions-health insurance (similar to non-life)	278,233	771,707	- 493,474
1.2.1	*Technical provisions calculated in total*	*-*	*n.a.*	*n.a.*
1.2.2	*Best Estimate*	*223,640*	*n.a.*	*n.a.*
1.2.3	*Risk margin*	*54,593*	*n.a.*	*n.a.*
2	**Technical provisions– life insurance (except for unit- and index-linked insurances)**	**16,400,032**	**17,742,221**	**- 1,342,189**
2.1	Technical provisions– health insurance (similar to life)	497,737	569,690	- 71,953
2.1.1	*Technical provisions calculated in total*	*-*	*n.a.*	*n.a.*
2.1.2	*Best Estimate*	*497,737*	*n.a.*	*n.a.*
2.1.3	*Risk margin*	*0*	*n.a.*	*n.a.*
2.2	Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	15,902,295	17,172,531	- 1,270,236
2.2.1	*Technical provisions calculated in total*	*-*	*n.a.*	*n.a.*
2.2.2	*Best Estimate*	*15,726,095*	*n.a.*	*n.a.*
2.2.3	*Risk margin*	*176,200*	*n.a.*	*n.a.*
3	**Technical provisions–unit- and index-linked insurances**	**74,848,505**	**90,229,492**	**- 15,380,987**
3.1	*Technical provisions calculated in total*	*-*	*n.a.*	*n.a.*
3.2	*Best Estimate*	*71,018,005*	*n.a.*	*n.a.*
3.3	*Risk margin*	*3,830,499*	*n.a.*	*n.a.*
4	**Other technical provision**	**n.a.**	**1,210,726**	**n.a.**
Technical provisions in total		**110,483,695**	**132,775,283**	**- 22,291,588**

Table 43. 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 Group and regulated in the standards. This Group-standard is also used by UNIQA Biztosító Zrt. The methods from non-life are used as well in health business that is practised on a similar basis to that of a property and casualty insurance (Health-NSLT).

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

1. Claims Reserve
2. Premium Reserve
3. Risk margin

For the calculation of the technical provisions all expenditures are taken into account, which are also mentioned in Art. 31 of the Delegated Acts:

- Expenses for business acquisition
- Administrative expenses
- Expenses for claims settlement

The assumptions of the future cost ratios within the cash flow projections are based on the planned expenditures 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 subrogation's 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. CAT claims are either derived from event sets generated by external natural catastrophe models, or (in the case of the Hail / 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 31.12.2016

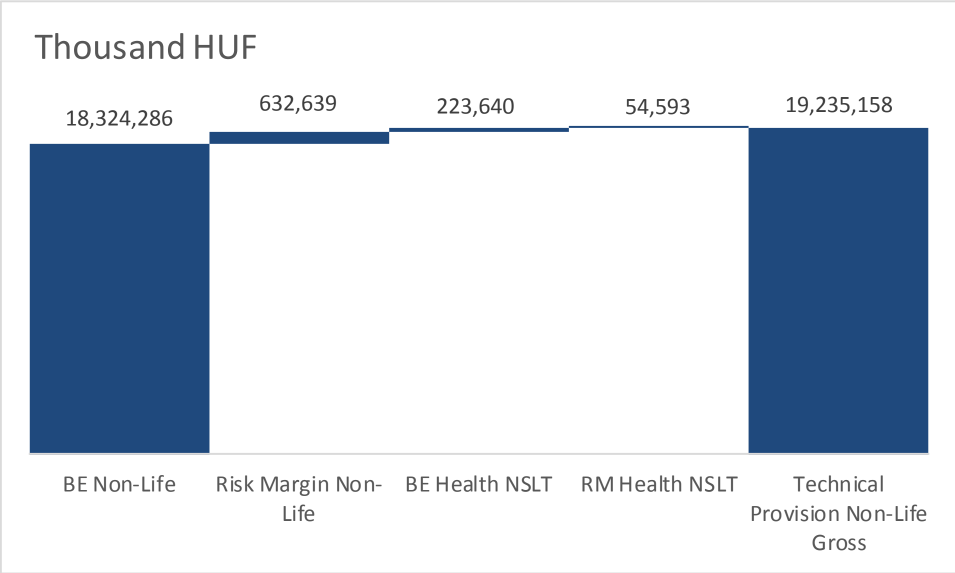

Figure 16. Technical provisions non-life & health-NSLT

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 [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Technical provisions – non-life insurance	**19,235,158**	**23,592,845**	**- 4,357,687**
Technical provisions – non-life insurance (except for health insurance)	18,956,925	22,821,138	- 3,864,213
Technical provisions calculated in total	*-*	*n.a.*	*n.a.*
Best Estimate	*18,324,286*	*n.a.*	*n.a.*
Risk margin	*632,639*	*n.a.*	*n.a.*
Technical provisions – health insurance (similar to non-life)	278,233	771,707	- 493,474
Technical provisions calculated in total	*-*	*n.a.*	*n.a.*
Best Estimate	*223,640*	*n.a.*	*n.a.*
Risk margin	*54,593*	*n.a.*	*n.a.*

Table 44. 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 big effect since there are big 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 as well. 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 shows the reconciliation of the Local GAAP values to Solvency II values per segment of the largest LoBs in non-life insurance:

Technical provisions [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Technical provisions – non-life insurance	**19,235,158**	**23,592,845**	**- 4,357,687**
Motor vehicle liability insurance	11,162,440	12,707,808	- 1,545,368
Technical provisions calculated as a whole	*n.a.*	*12,707,808*	*n.a.*
Best Estimate	*10,932,468*	*n.a.*	*n.a.*
Risk margin	*229,972*	*n.a.*	*n.a.*
Other motor insurance	2,723,264	2,863,892	- 140,628
Technical provisions calculated as a whole	*n.a.*	*2,863,892*	*n.a.*
Best Estimate	*2,545,529*	*n.a.*	*n.a.*
Risk margin	*177,735*	*n.a.*	*n.a.*
Fire and other damage to property insurance	2,608,708	2,644,817	- 36,108
Technical provisions calculated as a whole	*n.a.*	*2,644,817*	*n.a.*
Best Estimate	*2,510,017*	*n.a.*	*n.a.*
Risk margin	*98,692*	*n.a.*	*n.a.*
General liability insurance	1,730,927	2,615,011	- 884,084
Technical provisions calculated as a whole	*n.a.*	*2,615,011*	*n.a.*
Best Estimate	*1,683,049*	*n.a.*	*n.a.*
Risk margin	*47,878*	*n.a.*	*n.a.*

Table 45. 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.

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. 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; a scaling factor based on statutory reserves is applied 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. 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

The best estimate is approximated by the statutory (Solvency 1) mathematical reserves and claims reserves.

Non-Life Annuities

The best estimate of non-life annuities is calculated by a cash-flow model. Mortality rates are taken from the 2002 Hungarian mortality table, shifted by 7 years (i.e. it is assumed that our annuitants live 7 years longer on the average than the Hungarian population in general). 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. In reality, 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, Revaluation 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 calculated as 20% of their annual premium.
- yearly expense of group contracts calculated as 5% 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, technical interest rate (just in case of traditional products) and policy year. Paid-up rates are modelled as dependent on sales channel 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 2016 (excl. Volatility Adjustment)

Year	EUR	CZK	HUF	PLN	CHF	RUB	RON	HRK
1	-0.16%	0.18%	1.03%	1.41%	-0.80%	11.25%	0.98%	2.23%
5	0.23%	0.55%	2.61%	2.18%	-0.41%	10.10%	2.57%	3.44%
10	0.92%	0.92%	3.41%	2.99%	0.16%	9.82%	3.87%	4.14%
15	1.34%	1.26%	4.07%	3.47%	0.48%	8.69%	4.41%	4.37%
20	1.53%	1.66%	4.36%	3.69%	0.67%	7.90%	4.56%	4.43%
25	1.80%	2.02%	4.45%	3.82%	0.77%	7.32%	4.59%	4.43%

Table 46. Change of 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 31.12.2016

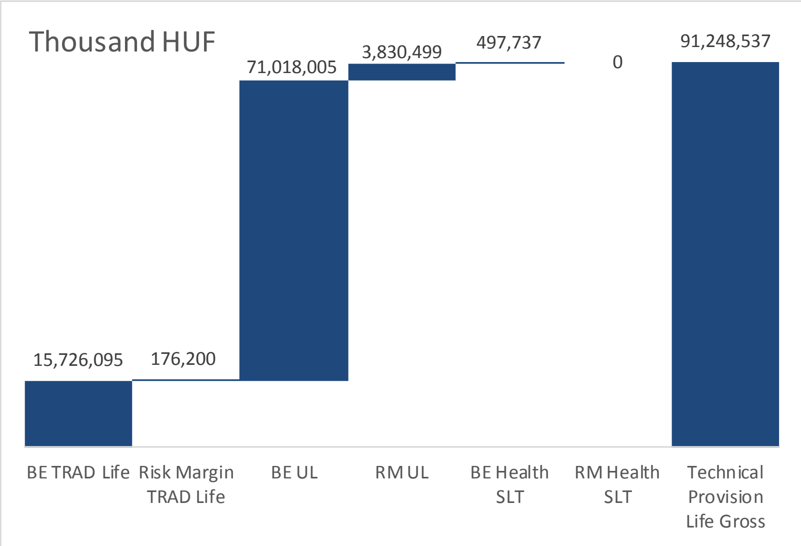

Figure 17. Technical provisions Life & health (SLT) (in THUF)

In order to calculate the technical provisions no significant simplified methods were used. However in Health SLT the company is using Statutory Reserves as a proxy for the Best Estimates. The same applies to the calculation of the risk margin.

Reconciliation of gross technical provisions to Local GAAP balance sheet

Technical provisions [in Thousand HUF]	Solvency II	Statutory Values		Revaluation
Technical provisions– life insurance (except for unit- and index-linked insurances)	**16,400,032**	**17,742,221**	**-**	**1,342,189**
Technical provisions– health insurance (similar to life)	**497,737**	**569,690**	**-**	**71,953**
Technical provisions calculated in total	*-*	*n.a.*		*n.a.*
Best Estimate	*497,737*	*n.a.*		*n.a.*
Risk margin	*0*	*n.a.*		*n.a.*
Technical provisions – Life insurance (except for health insurance and unit- and index-linked insurances)	**15,902,295**	**17,172,531**	**-**	**1,270,236**
Technical provisions calculated in total	*-*	*n.a.*		*n.a.*
Best Estimate	*15,726,095*	*n.a.*		*n.a.*
Risk margin	*176,200*	*n.a.*		*n.a.*
Technical provisions–unit- and index-linked insurances	**74,848,505**	**90,229,492**	**-**	**15,380,987**
Technical provisions calculated in total	*-*	*n.a.*		*n.a.*
Best Estimate	*71,018,005*	*n.a.*		*n.a.*
Risk margin	*3,830,499*	*n.a.*		*n.a.*
Other technical provision	**n.a.**	**1,210,726**		**n.a.**

Table 47. Evaluation of gross technical provisions

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 through the statutory unearned premium reserve.

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	110,483,695	110,600,909	- 117,214
Basic own funds	19,615,864	19,558,911	56,953
Eligible own funds to meet Solvency Capital Requirement	19,615,864	19,558,911	56,953
SCR	13,638,995	13,286,739	352,256
Eligible own funds to meet Minimum Capital Requirement	3,638,796	3,645,823	- 7,027
Minimum Capital Requirement	3,638,796	3,645,823	- 7,027

Table 48. Technical provisions 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 31.12.2016, 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	-	-	-
3	Pension benefit obligations	-	-	-
4	Deposits from reinsurers	27 653	27 653	-
5	Deferred tax liabilities	850 175	-	850 175
6	Derivatives	-	-	-
7	Debts owed to credit institutions	-	-	-
8	Financial liabilities other than debts owed to credit institutions	-	-	-
9	Insurance & intermediaries payables	4 535 173	4 535 173	-
10	Reinsurance payables	768 545	768 545	-
11	Payables (trade, not insurance)	807 876	805 504	2 372
12	Subordinated liabilities	-	-	-
12.1	*Subordinated liabilities not in BOF*	-	-	-
12.2	*Subordinated liabilities in BOF*	-	-	-
13	Any other liabilities, not elsewhere shown	1 237 895	2 246 715	- 1 008 820
	Other liabilities total	**8 227 316**	**8 383 589**	**- 156 273**

Table 49. Other liabilities

The following classes of assets are not available at the reporting date 31.12.2016 and will not be further commented:

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

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	850 175	-	850 175

Table 50. 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. Deferred tax assets and liabilities are offset against each other. No deferred tax asset is calculated on reclassifications in order to avoid grossing up of deferred tax assets and liabilities.

Insurance & intermediaries payables

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Insurance & intermediaries payables	4 535 173	4 535 173	-

Table 51. 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.

Reinsurance payables

Other liabilities [in Thousand HUF]	Solvency II	Statutory Values	Revaluation
Reinsurance payables	768 545	768 545	-

Table 52. 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)	807 876	805 504	2 372

Table 53. 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	1 237 895	2 246 715	-1 008 820

Table 54. 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 local GAAP position Any other liabilities, not elsewhere shown), 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 the UNIQA Biztosító Zrt.'s financial capability as much as possible and to keep it at a justifiable level at a target solvency ratio of 150% per cent after severe fluctuations of the capital markets or large-scale damaging events.

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 system with thresholds defines measure and escalation levels to be taken, if a certain level of capitalisation is to fall below.

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 29* and Figure 30. The loss absorbing capacity of Tier 1 own funds is estimated higher than that of Tier 2 and Tier 3 own funds respectively.

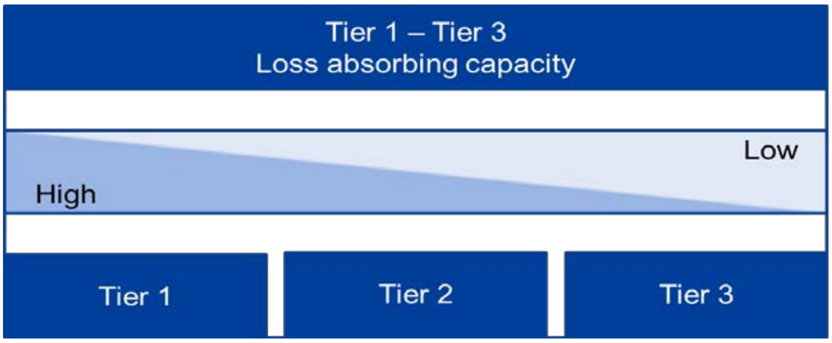

Figure 18. Loss absorbing capacity of own funds

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 initial maturity period of at least 10 years; first contractual possibility to redeem or pay back at the earliest 5 years after issue	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]		2016
Local GAAP equity incl. own shares		5 774 055
Revaluation of assets	-	8 606 052
Goodwill		-
Deferred acquisition costs		-
Participations		*934 433*
Real estate	-	*190 195*
Loans		-
Others	-	*451 930*
Revaluation of technical provision	-	*2 177 584*
Technical provision non-life and Health similar to NL	-	4 357 687
Technical provision life & health similar to Life		3 390 829
Other technical provision	-	1 210 726
Revaluation of other provisions	-	*156 273*
Deferred tax liabilities		850 175
Other	-	1 006 447
Economic own funds		19 615 864
Planned Dividend		-
Tier 1 - Restricted		-
Tier 2		-
Basis own funds		19 615 864

Table 55. 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]	2016
Basic own funds	**19 615 864**
Tier 1	19 615 864
Core capital	4 079 160
Other posts	16 514 249
Planned dividends	-
Revaluation reserve according to IAS 39	*977 545*
Reconciliation reserve	*15 536 704*
Tier 1 Restricted – subordinated liabilities	-
Tier 2 – Subordinated liabilities	-
Tier 3 –Deferred tax assets	-
Reduction due to tiering limits	-
Own funds for coverage of SCR	19 615 864

Table 56. 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 similar to that of the previous reporting period.
Table 85 shows the capital quality of UNIQA Biztosító Zrt. as at 31st of December 2016 and the portion that can be used to cover the solvency requirement of UNIQA Biztosító Zrt.. Within UNIQA Biztosító Zrt., regulatory own funds consist exclusively of Tier 1 capital (capital of the highest quality) that may be used entirely to cover the capital requirement.

	2016	
Position	in Thousand HUF	in %
Tier 1	19 615 864	100%
Tier 1 Restricted	-	0%
Tier 2	-	0%
Total	**19 615 864**	

Table 57. 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	6 819 498
Tier 1 Restricted	Max. 20% of the total Tier 1	0
Tier 3	Max. 15% of SCR	2 045 849
Tier 2 + Tier 3	Max. 50% of SCR	6 819 498
MCR-Coverage		
Tier 1	Min. 80% of MCR	2 911 037
Tier 1 Restricted	Max. 20% of the total Tier 1	0
Tier 2	Max. 20% of MCR	727 759

Table 58. 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 31st of December 2016. 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	19 615 864	19 615 864	-	-	-
Eligible own funds to cover SCR	19 615 864	19 615 864	-	-	-

Table 59. Eligible own funds as at 31st of December 2016

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.

No supplementary own funds have been requested.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

UNIQA Biztosító Zrt. uses the standard formula for calculating the solvency capital requirement (SCR). 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 2016, as well as the own funds eligible to meet each capital requirement.

In Thousand HUF	2016
Eligible own funds to meet Solvency Capital Requirement	19,615,864
Solvency Capital Requirement (SCR)	13,638,995
Eligible basic own funds to meet Minimum Capital Requirement	19,615,864
Minimum Capital Requirement (MCR)	3,638,796

Table 60. Solvency and minimum capital requirement and own funds

The detailed breakdown of the solvency capital requirement by risk modules is described in Section 3 on the risk profile. All of the 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
- medical expense disability-morbidity risk, according to Article 99 of Delegated Regulation (EU) 2015/35
- income protection disability-morbidity risk, according to Article 100 of Delegated Regulation (EU) 2015/35
- health expense risk, according to Article 101 of Delegated Regulation (EU) 2015/35
- counterparty default risk, according to Article 107 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 2016 is displayed in the table below.

	in 1000 HUF			2016
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	0	0	0	0
Income protection	240,124	1,488,392	0	0
Workers' compensation	0	0	0	0
Motor vehicle liability	5,321,231	4,458,405	0	0
Other motor	1,484,785	4,529,573	0	0
Marine, aviation and transport	106,681	160,580	0	0
Fire and other damage to property	1,451,737	2,599,213	0	0
General liability	1,056,229	551,399	0	0
Credit and suretyship	292	103	0	0
Legal expenses	0	37,424	0	0
Assistance and proportional reinsurance	171,750	652,213	0	0
Miscellaneous financial loss	198,842	605,951	0	0
Non-proportional health reinsurance	0	0	0	0
Non-proportional casualty reinsurance	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0
Non-proportional property reinsurance	0	0	0	0
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	0		13,657,250	
Obligations with profit participation - future discretionary benefits	0		312,496	
Index-linked and unit-linked insurance obligations	0		71,017,912	
Other life (re)insurance and health (re)insurance obligations	1,174,339		0	
Total capital at risk for all life (re)insurance obligations		113,140,107		459,394,013

Overall MCR calculation	
Linear MCR	3,638,796
SCR	13,638,995
MCR cap	6,137,548
MCR floor	3,409,749
Combined MCR	3,638,796
Absolute floor of the MCR	2,290,000
Minimum Capital Requirement	**3,638,796**

Table 61. Inputs of the 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

UNIQA Biztosító Zrt. uses the standard formula for calculating the SCR.

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 2016.

E.6 Any other information

No other disclosure is made on capital management.

List of Figures

List of Tables

Glossary

Term	Explanation
Incurred expenses – gross	The total underwriting expenses allocated on accrual basis of the company within the reporting period.
(Partial) Internal model	An internal model individually developed by the insurance or reinsurance company by order of the local supervisory authority for the calculation of the solvency capital needs or relevant risk modules (partial).
Insurance benefits – gross	The total sum of the insurance payments and the changes of the provisions for insurance events within the financial year in connection with the insurance contracts from the direct and indirect insurance business. This does not include claims settlement expenses and the changes of the provisions for claims settlement expenses.
Insurance benefits – net	The total sum of the insurance payments and the changes of the provisions for insurance events within the financial year based on the total sum of the direct and indirect insurance business less the amount payed to the reinsurance companies. This does not include claims settlement expenses and the changes of the provisions for claims settlement expenses.
Best Estimate	Describes the probability-weighted average of future cash flows, taking into account the present value and using the essential risk-free interest curves.
Own funds	For public companies this means the paid share capital. For mutual insurance societies, as long as it can cover losses, this means the capital reserves, the revenue reserves and the risk reserve as well as the net profit not intended for distribution.
Premium written – gross	The gross premiums written consist of all the premiums from insurance contracts within the financial year from direct insurance business, regardless whether the premiums refer entirely or partially to a later financial year.
Premium written – net	The net premiums written are the total sum of the premiums made from direct and indirect insurance business less the amount payed to the reinsurance companies.
Tiers	Classification of basic own fund components based on the own fund list according to the criteria in the Implementing Regulation (EU) into Tier 1, Tier 2 and Tier 3. In case that a basic own fund component is not included in the list, it is to be valued and classified individually.
Cost ratio	Ratio of the total operating expenses less the received reinsurance commissions and the share in profits from reinsurance payments to the premiums earned, including the savings portion of premiums from unit-linked and index-linked life insurance.

Minimum Capital Requirement (MCR)	A minimum of security under which the basic own funds should not fall. The MCR is calculated in relation to the SCR via a formula.
Own Risk and Solvency Assessment (ORSA)	This is a company specific and anticipatory risk and solvency assessment process. It is an integral part of the corporate strategy as well as the planning process and of the entire risk management concept at the same time.
Risk appetite	The conscious underwriting of risks and the handling of risks within the risk bearing capacity.
Risk limit	The risk limit limits the amount of risks or rather ensures that a certain amount of loss or a certain negative deviance from the planned value (estimated performance) is not exceeded while using a predetermined probability.
Risk margin	The risk margin is an additional charge to the Best Estimate, to ensure that the technical provisions equal the value charged by insurance and reinsurance companies in order to meet their insurance and reinsurance obligations.
Key functions	Committees/corporate bodies required by law. They deliver regular reports to the Supervisory Board and the Management Board. The information provided is then reviewed and decisions are made accordingly.
Solvency Capital Requirement (SCR)	The eligible own funds which should be held by insurance and reinsurance companies in order to meet their solvency capital requirements. It is calibrated in a way to ensure that all quantifiable risks (like market risk, credit risk, life underwriting risks) are taken into account. It covers the current business activities as well as those of the following twelve months.
Solvency balance sheet	Total sum of the assets and obligations of an insurance and reinsurance company (in distinction to the IFRS accounting standards). Assets and obligations are valued according to the value they are traded and paid for by knowledgeable, willing and independent parties.
Standard model	A standard formula for the calculation of the solvency capital requirements.
Premiums earned – gross	The total of the “premiums written” less the changes of the direct insurance business by the gross unearned premiums.
Premiums earned – net	The total of the “premiums written” less the changes of the sum of the direct and indirect insurance business by the gross unearned premiums and less the payments to reinsurance companies.

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:

- 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
- S.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	959 924
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	32 444 169
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	1 421 066
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	28 442 424
Government Bonds	R0140	28 019 153
Corporate Bonds	R0150	423 272
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	2 580 678
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	87 580 972
Loans and mortgages	R0230	16 881
Loans on policies	R0240	8 601
Loans and mortgages to individuals	R0250	8 279
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	9 720 044
Non-life and health similar to non-life	R0280	8 517 848
Non-life excluding health	R0290	8 534 332
Health similar to non-life	R0300	- 16 484
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1 202 103
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	1 202 103
Life index-linked and unit-linked	R0340	93
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	2 126 677
Reinsurance receivables	R0370	647 801
Receivables (trade, not insurance)	R0380	429 996
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	3 611 899
Any other assets, not elsewhere shown	R0420	788 514
Total assets	R0500	138 326 875

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	**19 235 158**
Technical provisions – non-life (excluding health)	**R0520**	**18 956 925**
Technical provisions calculated as a w hole	**R0530**	**-**
Best Estimate	**R0540**	**18 324 286**
Risk margin	**R0550**	**632 639**
Technical provisions - health (similar to non-life)	**R0560**	**278 233**
Technical provisions calculated as a w hole	**R0570**	**-**
Best Estimate	**R0580**	**223 640**
Risk margin	**R0590**	**54 593**
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**16 400 032**
Technical provisions - health (similar to life)	**R0610**	**497 737**
Technical provisions calculated as a w hole	**R0620**	**-**
Best Estimate	**R0630**	**497 737**
Risk margin	**R0640**	**0**
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	**15 902 295**
Technical provisions calculated as a w hole	**R0660**	**-**
Best Estimate	**R0670**	**15 726 095**
Risk margin	**R0680**	**176 200**
Technical provisions – index-linked and unit-linked	**R0690**	**74 848 505**
Technical provisions calculated as a w hole	**R0700**	**-**
Best Estimate	**R0710**	**71 018 005**
Risk margin	**R0720**	**3 830 499**
Contingent liabilities	**R0740**	**-**
Provisions other than technical provisions	**R0750**	**-**
Pension benefit obligations	**R0760**	**-**
Deposits from reinsurers	**R0770**	**27 653**
Deferred tax liabilities	**R0780**	**850 175**
Derivatives	**R0790**	**-**
Debts ow ed to credit institutions	**R0800**	**-**
Financial liabilities other than debts ow ed to credit institutions	**R0810**	**-**
Insurance & intermediaries payables	**R0820**	**4 535 173**
Reinsurance payables	**R0830**	**768 545**
Payables (trade, not insurance)	**R0840**	**807 876**
Subordinated liabilities	**R0850**	**-**
Subordinated liabilities not in Basic Ow n Funds	**R0860**	**-**
Subordinated liabilities in Basic Ow n Funds	**R0870**	**-**
Any other liabilities, not elsew here show n	**R0880**	**1 237 895**
Total liabilities	**R0900**	**118 711 011**
Excess of assets over liabilities	**R1000**	**19 615 864**

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	-	1 753 118	-	9 433 917	9 881 367	431 125	7 055 719	1 804 261	103
Gross - Proportional reinsurance accepted	R0120	-	19 384	-	-	-	-	39 087	20 138	-
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140	-	310 653	-	4 975 513	5 351 794	270 546	4 481 979	1 273 000	-
Net	R0200	-	1 461 848	-	4 458 405	4 529 573	160 580	2 612 827	551 399	103
Premiums earned										
Gross - Direct Business	R0210	-	1 712 626	-	9 120 693	9 664 677	428 636	6 997 217	1 796 038	975
Gross - Proportional reinsurance accepted	R0220	-	19 333	-	-	-	-	41 739	20 468	-
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240	-	304 851	-	4 818 891	5 243 449	270 173	4 447 066	1 278 978	-
Net	R0300	-	1 427 108	-	4 301 802	4 421 228	158 463	2 591 891	537 528	975
Claims incurred										
Gross - Direct Business	R0310	-	520 820	-	7 071 422	5 733 691	91 967	1 673 214	713 087	-
Gross - Proportional reinsurance accepted	R0320	-	13 476	-	-	-	-	19 738	12 398	-
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340	-	34 353	-	3 970 332	3 005 171	59 466	1 130 956	548 614	-
Net	R0400	-	499 943	-	3 101 090	2 728 520	32 501	561 996	176 871	-
Changes in other technical provisions		-	-	-	-	-	-	-	-	-
Gross - Direct Business	R0410	-	4 231	-	- 18 080	- 55 641	- 3 583	9 395	- 179 891	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440	-	-	-	8 321	34 254	458	31 196	4 319	-
Net	R0500	-	4 231	-	- 26 401	- 89 895	- 4 041	- 21 801	- 184 210	-
Expenses incurred	R0550	-	968 285	-	2 355 388	814 474	82 303	1 129 918	368 181	18
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	23 811	652 211	1 009 001					32 044 633
Gross - Proportional reinsurance accepted	R0120	-	-	36 531					115 139
Gross - Non-proportional reinsurance accepted	R0130				-	-	-	-	-
Reinsurers' share	R0140	-	-	439 581	-	-	-	-	17 103 065
Net	R0200	23 811	652 211	605 951	-	-	-	-	15 056 707
Premiums earned									
Gross - Direct Business	R0210	24 062	604 598	949 686					31 299 207
Gross - Proportional reinsurance accepted	R0220	-	-	24 761					106 302
Gross - Non-proportional reinsurance accepted	R0230				-	-	-	-	-
Reinsurers' share	R0240	-	-	434 445	-	-	-	-	16 797 852
Net	R0300	24 062	604 598	540 002	-	-	-	-	14 607 657
Claims incurred									
Gross - Direct Business	R0310	12 741	66 373	388 517					16 271 831
Gross - Proportional reinsurance accepted	R0320	-	-	- 1 569					44 044
Gross - Non-proportional reinsurance accepted	R0330		0	0	-	-	-	-	-
Reinsurers' share	R0340	-	-	131 198	-	-	-	-	8 880 091
Net	R0400	12 741	66 373	255 749	-	-	-	-	7 435 784
Changes in other technical provisions									
Gross - Direct Business	R0410	-	- 70 765	- 13 433					- 327 768
Gross - Proportional reinsurance accepted	R0420	-	-	-					-
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers' share	R0440	-	-	2 183	-	-	-	-	80 730
Net	R0500	-	- 70 765	- 15 616	-	-	-	-	- 408 499
Expenses incurred	R0550	9 381	376 599	205 045	-	-	-	-	6 309 593
Other expenses	R1200								2 685 418
Total expenses	R1300								8 995 011

		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**	760 808	1 647 371	22 528 313	1 475 917	-	-	-	-	26 412 409
Reinsurers' share	**R1420**	-	346 597	-	-	-	-	-	-	346 597
Net	**R1500**	760 808	1 300 773	22 528 313	1 475 917	-	-	-	-	26 065 811
Premiums earned										
Gross	**R1510**	745 562	1 661 500	22 407 261	1 474 189	-	-	-	-	26 288 512
Reinsurers' share	**R1520**	-	346 597	-	-	-	-	-	-	346 597
Net	**R1600**	745 562	1 314 903	22 407 261	1 474 189	-	-	-	-	25 941 915
Claims incurred										
Gross	**R1610**	370 981	2 107 669	14 953 914	381 112	-	-	-	-	17 813 676
Reinsurers' share	**R1620**	-	-	-	55 808	-	-	-	-	55 808
Net	**R1700**	370 981	2 107 669	14 953 914	325 303	-	-	-	-	17 757 867
Changes in other technical provisions										
Gross	**R1710**	-	- 3 674	- 14 839	-	-	-	-	-	- 18 512
Reinsurers' share	**R1720**	-	-	-	-	-	-	-	-	-
Net	**R1800**	-	- 3 674	- 14 839	-	-	-	-	-	- 18 512
Expenses incurred	**R1900**	-	1 372 733	6 897 312	1 893	-	-	-	-	8 271 938
Other expenses	**R2500**									10 639
Total expenses	**R2600**									8 282 577

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	31 994 051	-	-	-	-	-	31 994 051
Gross - Proportional reinsurance accepted	R0120	115 139	-	-	-	-	-	115 139
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	17 082 391	-	-	-	-	-	17 082 391
Net	R0200	15 026 799	-	-	-	-	-	15 026 799
Premiums earned								
Gross - Direct Business	R0210	31 248 625	-	-	-	-	-	31 248 625
Gross - Proportional reinsurance accepted	R0220	106 302	-	-	-	-	-	106 302
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	16 777 178	-	-	-	-	-	16 777 178
Net	R0300	14 577 748	-	-	-	-	-	14 577 748
Claims incurred								
Gross - Direct Business	R0310	16 248 559	-	-	-	-	-	16 248 559
Gross - Proportional reinsurance accepted	R0320	44 044	-	-	-	-	-	44 044
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	8 868 455	-	-	-	-	-	8 868 455
Net	R0400	7 424 148	-	-	-	-	-	7 424 148
Changes in other technical provisions								
Gross - Direct Business	R0410	- 327 768	-	-	-	-	-	- 327 768
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	80 730	-	-	-	-	-	80 730
Net	R0500	- 408 499	-	-	-	-	-	- 408 499
Expenses incurred	R0550	6 309 593	-	-	-	-	-	6 309 593
Other expenses	R1200							2 685 418
Total expenses	R1300							8 995 011

		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**	26 364 930	-	-	-	-	-	26 364 930
Reinsurers' share	**R1420**	326 509	-	-	-	-	-	326 509
Net	**R1500**	26 038 421	-	-	-	-	-	26 038 421
Premiums earned								
Gross	**R1510**	26 241 033	-	-	-	-	-	26 241 033
Reinsurers' share	**R1520**	326 509	-	-	-	-	-	326 509
Net	**R1600**	25 914 525	-	-	-	-	-	25 914 525
Claims incurred								
Gross	**R1610**	17 755 882	-	-	-	-	-	17 755 882
Reinsurers' share	**R1620**	42 462	-	-	-	-	-	42 462
Net	**R1700**	17 713 420	-	-	-	-	-	17 713 420
Changes in other technical provisions								
Gross	**R1710**	- 18 512	-	-	-	-	-	- 18 512
Reinsurers' share	**R1720**	-	-	-	-	-	-	-
Net	**R1800**	- 18 512	-	-	-	-	-	- 18 512
Expenses incurred	**R1900**	8 271 938	-	-	-	-	-	8 271 938
Other expenses	**R2500**							10 639
Total expenses	**R2600**							8 282 577

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	13 969 889		71 018 005	-		265 100	- 366 104	1 857 210	-	86 744 100
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	143		93	-		21 353	-	1 180 607	-	1 202 196
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	13 969 746		71 017 912	-		243 748	- 366 104	676 603	-	85 541 904
Risk Margin	R0100	51 936	3 830 499			40 941			83 324	-	4 006 700
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110	-					-	-	-	-	-
Best estimate	R0120	-		-			-	-	-	-	-
Risk margin	R0130	-	-			-			-	-	-
Technical provisions - total	R0200	14 021 824	74 848 505			- 60 063			1 940 534	-	90 750 800

		Health insurance (direct business)					
			Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		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**		497 737	-	-	-	497 737
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re	**R0090**		497 737	-	-	-	497 737
Risk Margin	**R0100**						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**				-	-	-
Best estimate	**R0120**		-	-	-	-	-
Risk margin	**R0130**	-			-	-	-
Technical provisions - total	**R0200**	497 737			-	-	497 737

S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-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	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	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	-	32 060	-	1 928 399	1 409 880	24 503	1 308 664	16 722	-	- 1 666	103 285	120 150	-	-	-	-	4 941 999
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	- 25 369	-	754 300	473 886	- 9 286	332 702	- 265 334	-	-	-	17 509	-	-	-	-	1 278 408
Net Best Estimate of Premium Provisions	R0150	-	57 429	-	1 174 100	935 994	33 789	975 963	282 056	-	- 1 666	103 285	102 641	-	-	-	-	3 663 591
Claims provisions																		
Gross - Total	R0160	-	191 579	-	9 004 069	1 135 649	147 126	1 201 352	1 666 327	292	75	68 464	190 994	-	-	-	-	13 605 927
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	8 885	-	4 856 937	586 857	74 235	725 578	892 155	-	-	-	94 793	-	-	-	-	7 239 440
Net Best Estimate of Claims Provisions	R0250	-	182 695	-	4 147 131	548 792	72 891	475 774	774 173	292	75	68 464	96 201	-	-	-	-	6 366 487
Total Best estimate - gross	R0260	-	223 640	-	10 932 468	2 545 529	171 629	2 510 017	1 683 049	292	- 1 591	171 750	311 144	-	-	-	-	18 547 926
Total Best estimate - net	R0270	-	240 124	-	5 321 231	1 484 785	106 681	1 451 737	1 056 229	292	- 1 591	171 750	198 842	-	-	-	-	10 030 079
Risk margin	R0280	-	54 593	-	229 972	177 735	10 978	98 692	47 878	38	1 000	24 893	41 453	-	-	-	-	687 232
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	-	278 233	-	11 162 440	2 723 264	182 607	2 608 708	1 730 927	330	- 592	196 643	352 597	-	-	-	-	19 235 158
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	- 16 484	-	5 611 237	1 060 743	64 949	1 058 280	626 821	-	-	-	112 302	-	-	-	-	8 517 848
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	-	294 717	-	5 551 203	1 662 521	117 658	1 550 428	1 104 107	330	- 592	196 643	240 295	-	-	-	-	10 717 311

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

Accident year / Underwriting year	Z0020	Accident year [AY]

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

		Development year										
	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											50 673
N-9	R0160	13 063 040	6 575 062	1 212 484	642 611	397 224	174 706	102 204	188 408	162 729	43 130	
N-8	R0170	12 978 377	4 706 189	637 209	351 782	177 946	79 797	43 798	102 242	36 052		
N-7	R0180	12 897 021	4 150 202	601 746	255 143	157 039	75 986	30 914	3 810			
N-6	R0190	14 851 164	4 675 339	630 196	550 464	322 906	223 683	63 063				
N-5	R0200	11 310 430	3 508 687	497 012	220 430	102 697	127 976					
N-4	R0210	11 945 101	3 658 425	631 356	402 226	260 267						
N-3	R0220	11 917 100	4 112 565	747 985	357 242							
N-2	R0230	11 531 847	4 282 871	857 028								
N-1	R0240	10 125 593	5 065 671									
N	R0250	10 603 006										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	50 673	66 292 569
	R0160	43 130	22 561 597
	R0170	36 052	19 113 392
	R0180	3 810	18 171 861
	R0190	63 063	21 316 815
	R0200	127 976	15 767 233
	R0210	260 267	16 897 376
	R0220	357 242	17 134 893
	R0230	857 028	16 671 746
	R0240	5 065 671	15 191 265
	R0250	10 603 006	10 603 006
Total	R0260	17 467 919	239 721 753

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											112 057
N-9	R0160	-	-	-	-	-	-	-	-	-	47 348	
N-8	R0170	-	-	-	-	-	-	-	-	44 278		
N-7	R0180	-	-	-	-	-	-	-	115 294			
N-6	R0190	-	-	-	-	-	-	206 079				
N-5	R0200	-	-	-	-	-	299 306					
N-4	R0210	-	-	-	-	781 112						
N-3	R0220	-	-	-	1 240 542							
N-2	R0230	-	-	1 496 635								
N-1	R0240	-	2 752 136									
N	R0250	7 072 424										

		Year end (discounted data)
		C0360
	R0100	106 697
	R0160	44 520
	R0170	41 891
	R0180	107 795
	R0190	191 937
	R0200	284 548
	R0210	745 207
	R0220	1 146 655
	R0230	1 419 756
	R0240	2 620 294
	R0250	6 891 603
Total	R0260	13 600 903

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	110 483 695	-	-	117 214	-
Basic own funds	R0020	19 615 864	-	-	- 56 953	-
Eligible own funds to meet Solvency Capital Requirement	R0050	19 615 864	-	-	- 56 953	-
Solvency Capital Requirement	R0090	13 638 995	-	-	- 352 256	-
Eligible own funds to meet Minimum Capital Requirement	R0100	3 638 796	-	-	7 027	-
Minimum Capital Requirement	R0110	3 638 796	-	-	7 027	-

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**	-	-		-	
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**	15 536 704	15 536 704			
Subordinated liabilities	**R0140**	-		-	-	-
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**	19 615 864	19 615 864	-	-	-
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**	19 615 864	19 615 864	-	-	
Total available own funds to meet the MCR	**R0510**	19 615 864	19 615 864	-	-	
Total eligible own funds to meet the SCR	**R0540**	19 615 864	19 615 864	-	-	
Total eligible own funds to meet the MCR	**R0550**	19 615 864	19 615 864	-	-	
SCR	**R0580**	13 638 995				
MCR	**R0600**	3 638 796				
Ratio of Eligible own funds to SCR	**R0620**	143,8219%				
Ratio of Eligible own funds to MCR	**R0640**	539,0757%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	19 615 864	
Own shares (held directly and indirectly)	**R0710**	-	
Foreseeable dividends, distributions and charges	**R0720**	-	
Other basic own fund items	**R0730**	4 079 160	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	-	
Reconciliation reserve	**R0760**	15 536 704	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	13 752 106	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	- 200 918	
Total Expected profits included in future premiums (EPIFP)	**R0790**	13 551 188	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	4 376 324		
Counterparty default risk	R0020	2 008 866		
Life underw riting risk	R0030	7 005 390	-	
Health underw riting risk	R0040	855 168	-	
Non-life underw riting risk	R0050	5 783 023	-	
Diversification	R0060	- 7 253 948		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	12 774 824		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1 733 281
Loss-absorbing capacity of technical provisions	R0140	- 18 935
Loss-absorbing capacity of deferred taxes	R0150	- 850 175
Capital requirement for business operated in accordance w ith Art. 4	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	13 638 995
Capital add-ons already set	R0210	-
Solvency capital requirement for undertakings under	R0220	13 638 995
Other information on SCR		
Capital requirement for duration-based equity risk sub-	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining	R0410	-
Total amount of Notional Solvency Capital Requirements for ring	R0420	-
Total amount of Notional Solvency Capital Requirements for matching	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

S.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	2 227 167	-

		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	240 124	1 488 392	-	-
Workers' compensation insurance and proportional reinsurance	R0040	-	-	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	5 321 231	4 458 405	-	-
Other motor insurance and proportional reinsurance	R0060	1 484 785	4 529 573	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	106 681	160 580	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	1 451 737	2 599 213	-	-
General liability insurance and proportional reinsurance	R0090	1 056 229	551 399	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	292	103	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	37 424	-	-
Assistance and proportional reinsurance	R0120	171 750	652 213	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	198 842	605 951	-	-
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 MCR(L, NL) Result	Life activities MCR(L, L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	103 859	1 307 770

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a w hole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a w hole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations w ith profit participation - guaranteed benefits	R0210	-		13 657 250	
Obligations w ith profit participation - future discretionary benefits	R0220	-		312 496	
Index-linked and unit-linked insurance obligations	R0230	-		71 017 912	
Other life (re)insurance and health (re)insurance obligations	R0240	1 174 339		-	
Total capital at risk for all life (re)insurance obligations	R0250		113 140 107		459 394 013

Overall MCR calculation

		C0130
Linear MCR	R0300	3 638 796
SCR	R0310	13 638 995
MCR cap	R0320	6 137 548
MCR floor	R0330	3 409 749
Combined MCR	R0340	3 638 796
Absolute floor of the MCR	R0350	2 290 000
Minimum Capital Requirement	R0400	3 638 796

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	2 331 026	1 307 770
Notional SCR excluding add-on (annual or latest calculation)	R0510	8 737 191	4 901 804
Notional MCR cap	R0520	3 931 736	2 205 812
Notional MCR floor	R0530	2 184 298	1 225 451
Notional Combined MCR	R0540	2 331 026	1 307 770
Absolute floor of the notional MCR	R0550	3 681	3 681
Notional MCR	R0560	2 331 026	1 307 770