



# **Solvency and Financial Conditions Report ('SFCR') for the year ended 31.12.2020**



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## **1. Introduction**

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in Chapter XII of the Delegated Acts. The subjects addressed are based on article 51 to 56 of the Solvency II directive and article 292 up to 298 of de Delegated Acts. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates.

All amounts in this report are presented in thousands of euros (€000), being the functional currency of Atlantic Insurance.

## 2. Business and performance

### 2.1. Business

#### 2.1.1 Name and legal form

Atlantic Insurance Company Public Ltd (“the Company”; “Atlantic”) was incorporated in Cyprus in 1983. Atlantic is a public company and its shares are listed in the Cyprus Stock Exchange since October 2000.

The address of the registered office is:

15 Esperidon Street, Strovolos,  
Nicosia  
2001 Cyprus

This Solvency and Financial Condition Report (“SFCR”) covers Atlantic Insurance on a solo basis.

#### 2.1.2 Name of the Supervisory Authority

The Supervisory Authority which is responsible for the financial supervision of the undertaking can be contacted at:

Superintendent of Insurance  
Postal Address: P.O. Box 23364, 1682 Nicosia  
Tel.: 22602990  
Fax: 22302938  
E-mail: [insurance@mof.gov.cy](mailto:insurance@mof.gov.cy)

#### 2.1.3 Name of external auditors

The independent auditors of the Company are:

Ernst & Young Cyprus Ltd  
Jean Nouvel Tower  
6 Stasinou Avenue  
P.O. Box 21656  
1511 Nicosia, Cyprus

#### 2.1.4 Holders of qualifying holdings in the undertaking

The persons, to the knowledge of the Company, who were direct and indirect holders of qualifying holdings in the Company at any time during the reporting period and at the end of the financial year, were:

	%
Emilios Pyrishis <sup>1</sup>	34,31
Andreas Frangoullis <sup>2</sup>	20,82
Piraeus Bank A.E.	10,00
AstroBank Public Company Ltd	10,00
Maro Marathovouniotou <sup>3</sup>	5,96

- (1) The holding of Emiliios Pyrishis includes his direct share of 22,65% and his indirect holding arising from the shares owned by his mother Nina Pyrishi (2,36%) and his brother George Pyrishis (9,29%).
- (2) The holding of Andreas Frangoullis includes his direct share (20,10%) and his indirect holding arising from the shares owned by his wife Elli Frangoulli (0,10%), his children Christos, Orthodoxos and Vasilis (0,54%), his mother Vasilou Frangoulli (0,03%) and his brother Filippos Frangoullis (0,05%).
- (3) The holding of Maro Marathovounioti includes her direct share (1,43%) and her indirect holding arising from the shares owned by her daughter Athena Nicolaidou (1,61%), her son Alexis Marathovouniotis (1,43%) and her son Andreas Marathovouniotis (1,49%).

### 2.1.5 Legal structure of the group

Atlantic Insurance does not belong to any insurance group and does not have any ultimate controlling parent company.

The Company has the following subsidiary companies which are all private limited liability companies registered in Cyprus:

Company	Principal activities	Share %	NBV €'000
Lyssi Investments Ltd	Car hire	100,0	86
Lion Insurance Agency Ltd	General insurance agent	100,0	141
Atlantic Securities Limited	Brokerage and investment services	67,7	674
			<b>901</b>

### 2.1.6 Material lines of business and geographical areas

Material lines of business

The principal activity of the Company is the undertaking of general insurance business. For Solvency II ("SII") purposes, the Company's business includes insurance obligations that fall into the following defined Solvency II lines of business:

- Medical expense 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
- Assistance
- Miscellaneous financial loss

These Solvency II lines of business are used when reporting the premium, claims, expenses and technical provisions in the SII QRTs.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

## Geographical areas



The Company conducts its insurance business only in the Republic of Cyprus.



The Company operates through its headquarters that are located in Nicosia and its branches which are located in the cities of Larnaka, Limassol and Paphos.

### 2.1.7 Significant business events during the reporting period

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. The world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus implemented restrictions on travelling as well as strict quarantine measures to help contain, and in many jurisdictions, now delay, the spread of the virus. These measures have slowed down the economies in Cyprus and globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

The management of Atlantic took all necessary protective measures to prevent the spread of Covid-19, to safeguard public health and to protect its staff, customers and associates. As a result of the unprecedented conditions due to the spread of the COVID-19 epidemic, the management proceeded with the setting up of a COVID-19 crisis management team. The team, which is led by the Managing Director of Atlantic, monitors closely all the latest developments and takes all necessary emergency measures to ensure the smooth running of the Company's operations and to mitigate the adverse impact of the crisis.

The Company immediately reinforced all safety and workplace hygiene measures and adjusted its routine operations to the requirements of the various Government decrees and recommendations relating to the health and safety of employees, agents and the public. The Company's staff, customers and agents were encouraged to make use of the online and electronic infrastructure for payments, renewals and customer support.

Although the Company's business has not been adversely affected by the COVID-19 pandemic so far, we cannot exclude a possibility that the operations of the Group maybe significantly affected in the future. It remains unclear how the COVID-19 pandemic will develop in 2021 and beyond, which from a commercial, regulatory and risk perspective could differ significantly from previous crises and continue for an extended period of time.

The restrictive measures implemented in the fourth quarter of 2020 to deal with the second wave of the pandemic, have been extended to the new year and are expected to lead to a temporary loss of momentum of economic recovery in early 2021.

The full extent of the future impact of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside the Company's control, including, without limitation:

- a) the timing, extent, course and duration of the pandemic;
- b) the availability, distribution and effectiveness of vaccines;
- c) the imposition of protective public safety measures and
- d) the impact of the pandemic on the local economy and demand for insurance products.

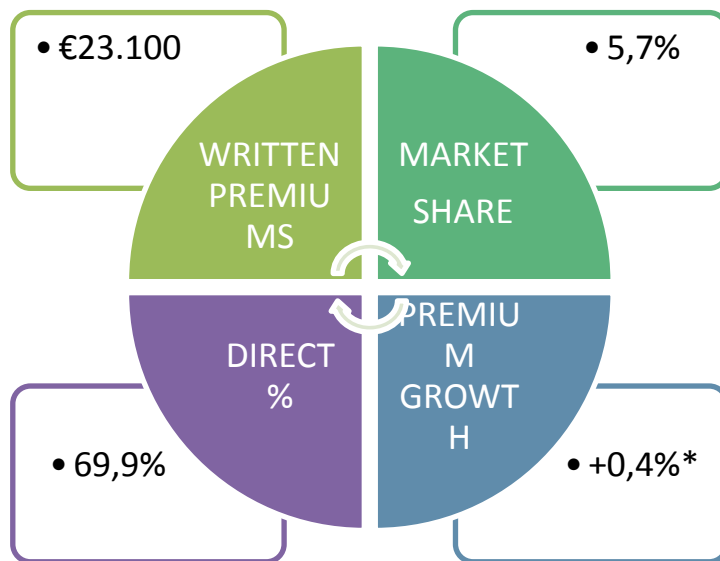
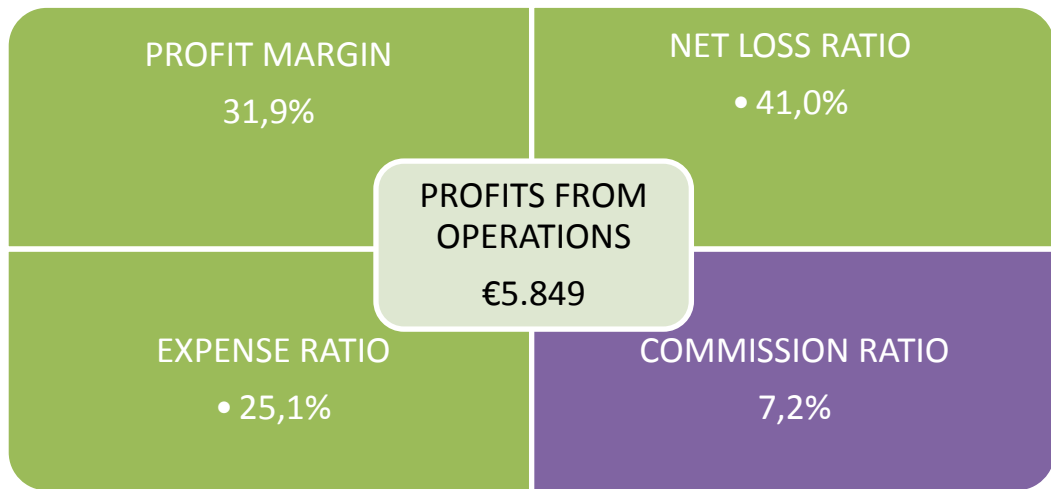
The Company continues to closely monitor the developments and the effects of the pandemic on the global and Cypriot economy and takes all necessary measures to ensure the smooth running of its operations, to limit the negative effects of the COVID-19 pandemic and to safeguard the public health.

The Company's stress tests and own risk assessment procedures incorporated the impact of the COVID-19 pandemic taking into account various factors such as negative impact on premiums, investments, receipts, bad debts etc.

The Company has also examined its projected future capital and its ability to withstand adverse scenarios. The results of the Company's stress tests which were carried out using financial data as at December 31, 2020 and its high solvency ratio which at that date was 234,80% confirm that the capital adequacy of the Company can withstand the negative effects of the pandemic.



## 2.2. Performance



\*excluding fronting policies

<b>SOLVENCY RATIO</b> • 234,8%	<b>DIVIDEND YIELD</b> • 6,1%	<b>OWN FUNDS</b> • €39,6 mln	<b>ROA</b> • 9,60%	<b>EPS</b> • €9,63
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## 2.2.1 Underwriting performance

	2020	2019	%
	€	€	
<b>Income</b>			
Gross written premiums	23.100.118	24.351.034	-5,1%
Net earned premiums	18.326.665	17.918.387	2,3%
Other insurance income	935.606	890.070	5,1%
	<b>19.262.270</b>	<b>18.808.457</b>	<b>2,4%</b>
<b>Expenses</b>			
Claims incurred	7.506.607	9.427.273	-20,4%
Commissions payable	1.313.413	1.223.268	7,4%
Administration expenses	4.593.252	4.476.470	2,6%
	<b>13.413.272</b>	<b>15.127.011</b>	<b>-11,3%</b>
<b>Profit from operations</b>	<b>5.848.998</b>	<b>3.681.446</b>	<b>58,9%</b>
Non-recurring income	200.000	-	
Net finance income	500.578	268.941	86,1%
Investment income	449.761	774.107	-41,9%
Investment (losses) / gains	(2.102.678)	2.485.489	
(Loss) /gain on sale and revaluation of property	(282.648)	312.336	
<b>Profit before tax</b>	<b>4.614.010</b>	<b>7.522.319</b>	<b>-38,7%</b>
Tax	(864.513)	(670.749)	28,9%
<b>Profit for the year</b>	<b>3.749.497</b>	<b>6.851.570</b>	<b>-45,3%</b>

Profit from insurance operations rose significantly by 58,9% to €5,85mIn (2019: €3,68mIn). The strong improvement in profitability is mainly attributable to the sharp reduction in claims incurred by 20,4% and the increase in premiums and insurance income by 2,4%. The operating profit margin increased to 31,9% compared to 20,5% in 2019 as a result of the significant reduction in net loss ratio to 41,0% from 52,6% in 2019.

Gross written premiums fell by 5,1% to €23,10mIn from €24,35mIn in 2019 due to the non-renewal of the EAC fronting policy. Excluding fronting policies, gross premiums increased by 0,4%. Motor premiums increased by 4,3%, whilst liability and property premiums increased by 5,9% and 3,1% respectively. On the contrary medical premiums recorded a decrease of 13,1%.

Net earned premiums amounted to €18,33mIn versus €17,92mIn in 2019, recording an increase of 2,3%.

Claims from policyholders decreased by 20,4% and amounted to €7,51mIn (2019: €9,43mIn) which is mainly attributable to the reduction in the claims of the health sector by 45,7%. The claims of the motor sector also fell by 11,8% mainly as a result of the lockdown measures. The net claims loss ratio on net earned premiums fell sharply to 41,0% from 52,6% in the previous year. The net claims ratio of the motor insurance class was 46,9% (2019: 55,3%), medical 38,5% (2019: 69,2%) and property 13,0% (2019: 13,5%).

<b>Profitability indicators</b>	<b>2020</b>	<b>2019</b>
Net loss ratio	40,96%	52,61%
Expenses ratio	25,06%	24,98%
Commissions ratio	7,17%	6,83%
Operating profit margin	31,92%	20,55%
Investment return	-4,94%	13,47%
Net profit margin	20,46%	38,24%
Earnings per share	9,63	17,59
Dividend per share	8,50	6,50

Administrative expenses increased by 2,6% to €4,59mln from €4,48mln in 2019. Staff costs which account for 65,4% of the total expenses rose by 1,7%. There was also an increase in printing, computer expenses, professional services and investment expenses. On the other hand discounts, depreciation, sales promotion and electricity expenses recorded a decrease.

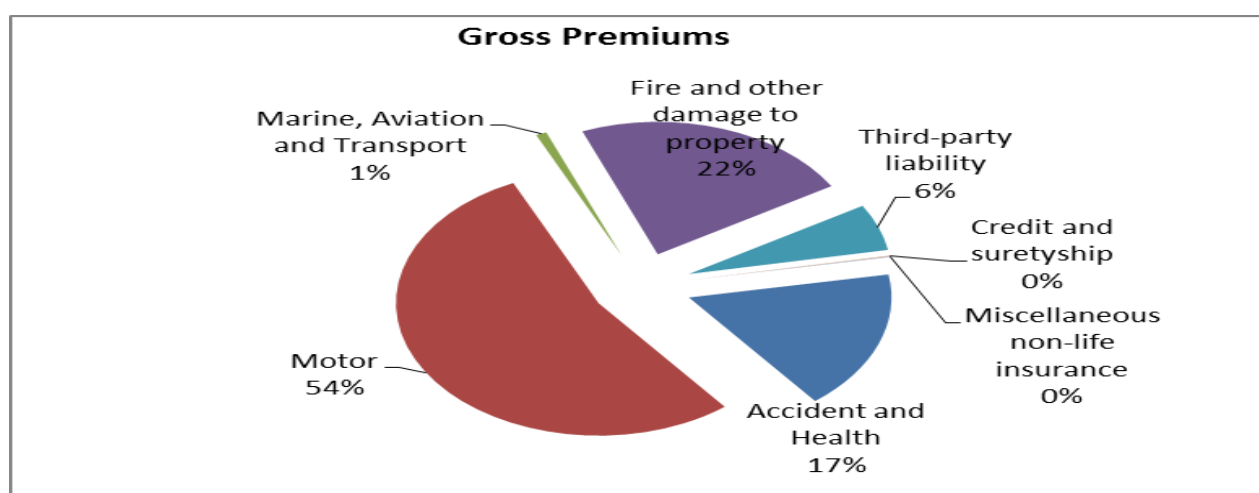
The analysis of premiums, claims and net loss ratio by line of business is presented below. The net loss ratio of all lines of business is below the industry average.

Line of Business -€	Gross written premiums	Net earned premiums	Net claims	Net loss ratio
Accident and Health	3.942.865	3.920.009	1.508.981	<b>38,49%</b>
Motor	12.425.969	11.737.383	5.502.359	<b>46,88%</b>
Marine, Aviation and Transport	197.492	73.444	1.471	<b>2,00%</b>
Fire and other damage to property	5.187.094	1.477.513	191.420	<b>12,96%</b>
Third-party liability	1.314.188	1.097.330	302.376	<b>27,56%</b>
Credit and suretyship	14.476	15.345	0	<b>0,00%</b>
Miscellaneous non-life insurance	18.035	5.640	0	<b>0,00%</b>
<b>Total</b>	<b>23.100.118</b>	<b>18.326.665</b>	<b>7.506.607</b>	<b>40,96%</b>

All lines of business achieved satisfactory profitability levels. Underwriting profits per line of business were €2,32mln for the motor insurance class, €1,68mln for the accident and health line of business, €1,17mln for property and €0,47mln for the liability sector.

Line of Business-€	Claim costs	Acquisition costs	Maintenance costs	Reinsurance commissions	Combined cost ratio	Underwriting profit	Margin
Accident and Health	214.407	261.136	270.304	13.591	57,2%	1.678.772	42,8%
Motor	946.599	670.400	2.306.391	5.523	80,3%	2.317.157	19,7%
Marine, Aviation and Transport	5.386	18.193	26.727	44.878	9,4%	66.544	90,6%
Fire and other damage to property	92.203	265.790	465.883	708.236	20,8%	1.170.455	79,2%
Third-party liability	35.668	96.531	196.063	3.316	57,2%	470.007	42,8%
Credit and suretyship	0	54	2.756	0	18,3%	12.536	81,7%
Miscellaneous non-life insurance	549	1.309	536	5.295	-51,4%	8.541	151,4%
<b>Total</b>	<b>1.294.812</b>	<b>1.313.413</b>	<b>3.268.659</b>	<b>780.838</b>	<b>68,8%</b>	<b>5.724.012</b>	<b>31,2%</b>

Motor premiums account for 54% of the total gross premiums. Property premiums and accident & health premiums account for 22% and 17% respectively.



## 2.2.2 Investment performance

Atlantic's investment policy is aimed at striking a balance between generating returns and preventing risks. Protecting the solvency position is an important factor in this context.

### Investment income

	2020	2019
	€	€
Dividends	358.922	701.319
Interest on bonds	480.697	278.687
Investment (losses) / gains	(2.102.678)	2.485.489
Fair value gains through equity	9.029	53.355
<b>(Loss)/ gain on transferable securities</b>	<b>(1.254.029)</b>	<b>3.518.850</b>
Rents received	90.838	72.788
Gain on sale of investment property	-	475.913
Loss on investment property revaluation	(282.648)	(163.577)
<b>(Loss) / gain on investment properties</b>	<b>(191.810)</b>	<b>385.124</b>
	<b>(1.445.839)</b>	<b>3.903.974</b>
<b>Investment return</b>	<b>-4,94%</b>	<b>13,47%</b>
On investment properties	-4,34%	7,71%
On transferable securities	-5,05%	14,67%

The Company recorded a negative investment return of -4,94% compared to a solid return of 13,47% in 2019.

Unfavourable global market conditions during the year led to market losses of €2,10mIn and overall investment losses after the inclusion of dividends and interest of €1,25mIn compared with net income of €3,52mIn in 2019. As a result the Company's investment portfolio in transferable securities recorded a return of -5,05% (2019: 14,67%).

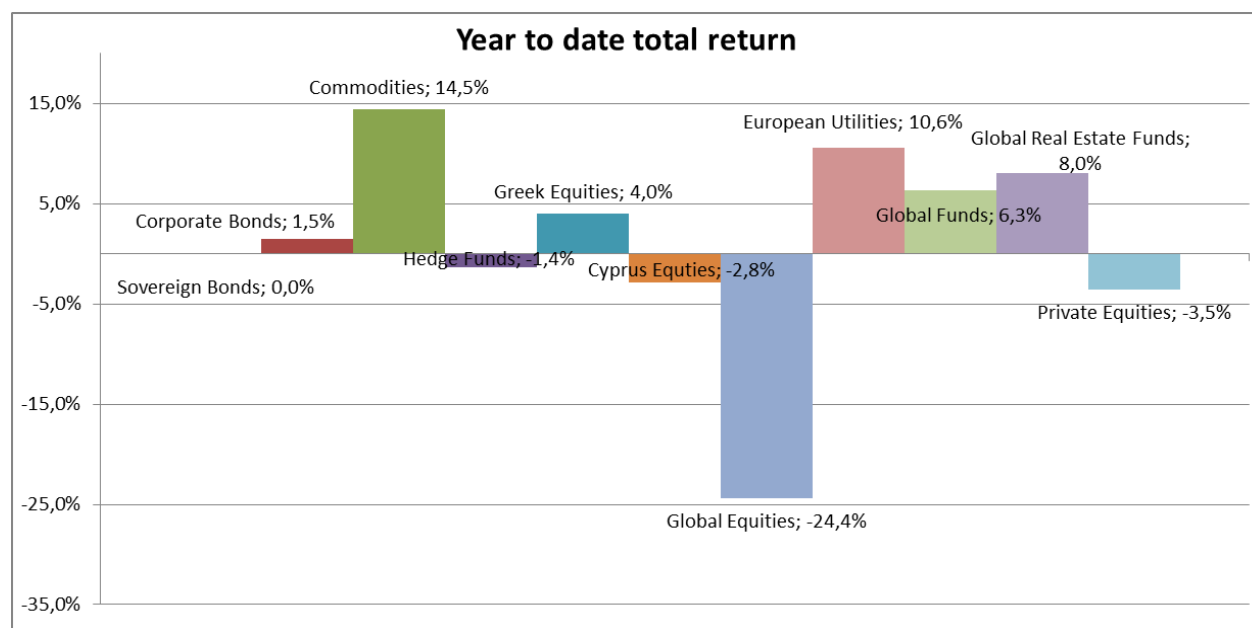
Investment property revaluations resulted in a loss of €0,28mIn compared to a loss of €0,16mIn in 2019. After taking into account the relevant rents received the overall return on investment properties was negative -4,34% compared to a gain of 7,71% in 2019 which was mainly attributable to the realized gain of €0,47mIn from the sale of an investment property in Paphos.

### Interest on deposits

	2020	2019
	€	€
Interest on Bank deposits	34.170	51.451
Exchange gains	9.104	2.998
	43.274	54.449
Return on bank deposits -ex forex	0,23%	0,38%
Return on bank deposits	0,29%	0,41%

The continuing drop in interest deposit rates led to a reduction of the average return on the Company's bank deposits to 0,29% per annum against 0,41% per annum in 2019.

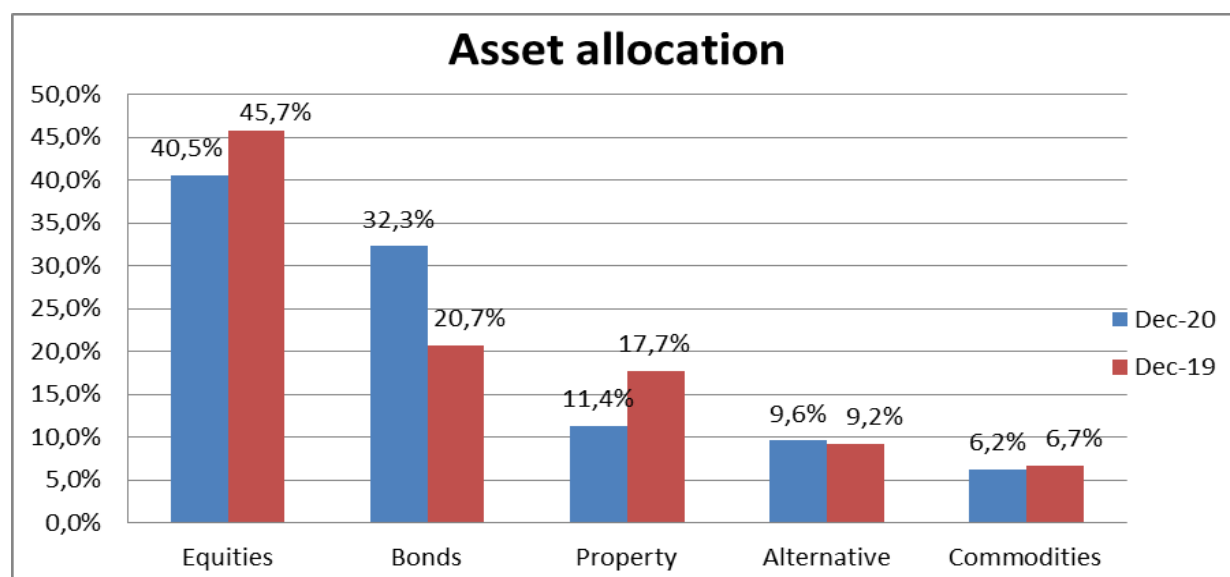
The chart below shows the investment performance of the different asset categories of the Company's investment portfolio.



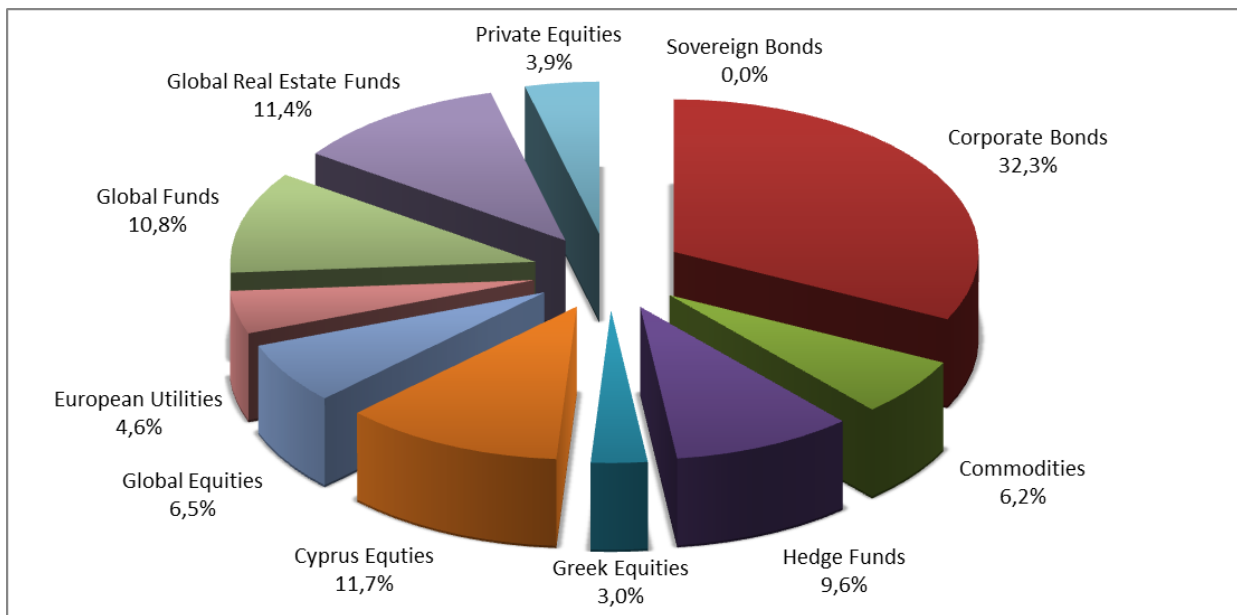
The value of the Company's transferable securities portfolio reached €24,10mln at the end of 2020 compared to €25,60mln at the beginning of the year.

The table below presents the changes of the Company's portfolio asset allocation in main investment categories.

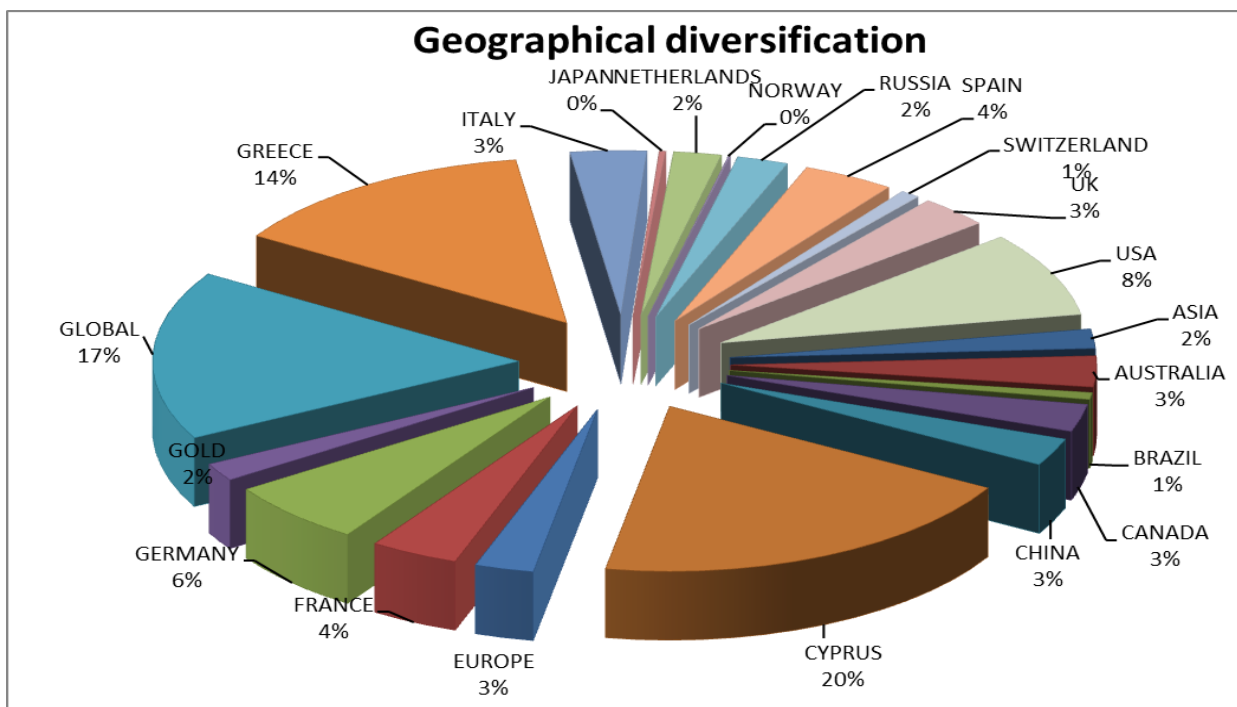
	Dec-20	Sep-20	Jun-20	Mar-20	Dec-19
Equities	40,5%	37,0%	37,0%	38,0%	45,7%
Bonds	32,3%	34,9%	34,0%	32,0%	20,7%
Property	11,4%	11,0%	12,2%	12,4%	17,7%
Alternative	9,6%	10,2%	9,5%	11,2%	9,2%
Commodities	6,2%	6,9%	7,4%	6,4%	6,7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



The investment allocation of the Company's portfolio is shown below:



The Company's investment portfolio of transferable securities is widely diversified in terms of geographical regions as indicated by the below chart.



*Information about investments in securitisation*

Atlantic has no investments in securitization.

**2.2.3 Other material income and expenses**

Non-recurring income in 2020 of €200k relates to the reversal of an old provision for future losses from catastrophic events.

**2.2.4 Any other material information**

None.

## 3. System of Governance

### 3.1. General Information

#### Basic strategic objective

The management's strategy has always focused on creating value for its shareholders. The management will continue to focus on its successful business model and the adoption of policies which aim to further enhance reduction of costs and inefficiencies, effective claims handling, prudent risk management and maintaining high profitability indicators and a strong financial position.

#### Corporate Governance

The Company is committed to implementing a sound governance framework through which objectives are set and the means of attaining these objectives and monitoring performance is determined. For many years the Board of Directors has partly adopted the Code of Corporate Governance ('Code') issued by the Cyprus Stock Exchange since the Company is listed in the Alternative Market of the Cyprus Stock Exchange hence the adoption of the Code is voluntary and not compulsory. The report of the Board on the **Corporate Governance Code** which describes the degree of the Company's compliance and provides explanation of areas of non-conformity with the principles and articles of the Code is shown on pages 9 to 20 of the consolidated financial statements and is available on the Company's website [www.atlantic.com.cy](http://www.atlantic.com.cy).

#### The Board of Directors

The BoD is the ultimate authority for the management of the Company and it maintains responsibility for its prudent management. The BoD organizes and directs the affairs of the Company in a manner that seeks to protect its policyholders' funds, maximize the value of the Company for the benefit of its shareholders, while complying with regulatory requirements and relevant governance standards.

#### Composition of the Board

The main objective for the determination of the composition of the Board is to ensure that the appropriate level of skill and competence required for the prudent management of the company is achieved. The composition of the Board includes **non-executive** as well as independent directors to ensure the objective external guidance and supervision.

The current composition of the Board is :

Name	Role
Emilios Pyrishis	Chairman and Managing Director
Andreas Pirishis	Vice-Chairman –Non-Executive Director
Andreas Frangoullis	Executive Director
Triantafyllos Lysimachou	Non-Executive Director
Menicos Messios	Non-Executive Director-Independent
George Pyrishis	Non-Executive Director
Nina Pyrishi	Executive Director
Charalambos Alexandrou	Non-Executive Director
Loukis Ioannou	Executive Director
Marios Savvides	Non-Executive Director-Independent

The Board consists of 4 Executive Directors and 6 Non-Executive Directors, one of whom is independent.

## Role and responsibilities

The Board of Directors oversees the performance of the Executive Management on behalf of the shareholders. During the execution of its overall supervision the Board inspects and evaluates the strategic and business plan of the Company, its solvency, as well as the approach of the management in addressing major risks and challenges.

The main role and responsibilities of the Board include:

- Long term strategy and business plan
- Expansion in new areas, mergers and acquisitions
- Capital structure and dividend policy
- Securing a sound internal control system and risk management
- Ensure that the solvency capital requirements are maintained at all times
- Approval of material contracts and transactions which do not fall within the ordinary activities of the Company
- Corporate governance assessment
- Approval of major policies including policies required by the Solvency II regulations

## Board Committees

The BoD established the following four Board Committees, for the more effective management of the Company:

### Audit Committee

Name	Role
Menicos Messios <i>(Independent Non-Executive Director)</i>	Chairman
Charalambos Alexandrou <i>( Non-Executive Director)</i>	Member

### Risk Management Committee (RMC)

Name	Role
Triantafyllos Lysimachou <i>(Non-Executive Director)</i>	Chairman
Emilios Pyrishis <i>(Managing Director)</i>	Member
Charalambos Alexandrou <i>(Non-Executive Director)</i>	Member



**Appointment Committee**

Name	Role
Triantafyllos Lysimachou (Non-Executive Director)	Chairman
Menicos Messios (Non-Executive Director)	Member
George Pyrishis (Non-Executive Director)	Member

**Investment Committee**

Name	Role
Emilios Pyrishis-Chairman	Executive director
Triantafyllos Lysimachou	Non-executive director
Charalambos Alexandrou	Non-executive director
Loukis Ioannou	Executive director

With a view to a more effective functioning of the Committee the Chairman invites at the meeting certain professional investment advisors and / or persons with extensive experience in the field.

Committee	Main function
Risk Management Committee	Monitor and control of the Company's risk exposures and ensure that these exposures are within the tolerance limits set by the Board.
Audit Committee	Ensures the functioning of an effective internal control system, reviews the reports and the work performed by the internal and external auditors and approves the main accounting principles and assumptions used in the preparation of financial statements.
Investment Committee	Formulates recommendations regarding the investment strategy and monitors its implementation.
Appointment Committee	Review of the composition and balance of the Board and its committees. Assists the Board in finding suitable persons for appointment as Board members.

In compliance with the CSE regulations, the Board of Directors has also appointed the following senior officers:

**Reporting Officer**

- Menicos Messios- Independent Non-Executive director

The reporting officer addresses any concerns and problems of shareholders which have not been resolved through other communication procedures.

**Compliance Officer with the Corporate Governance Code of the CSE**

- Andreas Pirishis – Vice-Chairman / Executive director

The compliance officer has the responsibility of monitoring the implementation of the Code of Corporate Governance and prepares, with the assistance of the Audit Committee, the Board of Directors ' report on corporate governance.

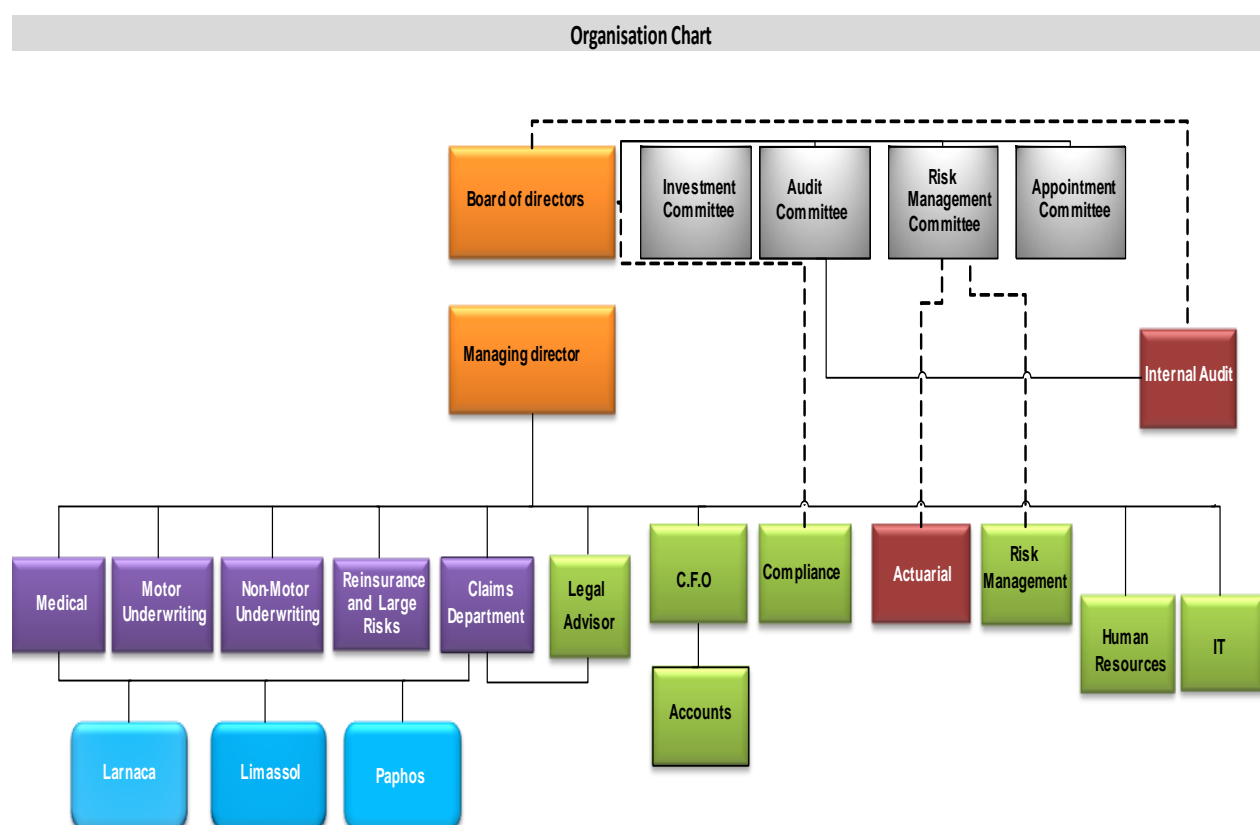
**Investor Liaison Officer**

- Andreas Pirishis – Vice-Chairman / Executive director

The investor liaison officer ensures the constant communication with shareholders and the timely provision of reliable information. He also encourages greater shareholder participation at the General Meetings and represents the Company in press conferences, congresses and other activities organized by the CSE.

**3.2. Organization Chart**

The Company’s organizational structure reporting lines are summarized on the below chart:



The **BoD** is the Company’s ultimate supervisory body.

The Senior Management, through the **CEO** has the day to day responsibility for the implementation of the BoD’s approved strategy and reports to the BoD. Reporting to the BoD is both structured, through planned meetings and regular reporting and ad hoc as required.

The **Business Functions** of the Company through their Head have the responsibility for the implementation of the BoD's strategy in their business functions. They report directly to the CEO with regards to their day-to-day duties.

The Risk, Compliance and Actuarial Functions have a direct reporting line to the Risk Management Committee of the Board in order to ensure that these functions have the ability to escalate important issues directly to the BoD.

The Company's internal audit provides independent assurance to the BoD. The Head of Internal Audit reports to the Audit Committee and to the BoD. The Internal Audit function is administratively independent from all other functions and activities of the Company.

The senior management includes the persons who are in charge of the key functions and business units who report directly to the CEO.

### **3.3. Material changes in the system of governance that have taken place over the reporting period**

#### *Board of Directors*

Nina Pyrishi and Emiliios Pyrishis who retired by rotation in accordance with the Articles of the Company's Association were re-elected at the latest Annual General Meeting dated 2 September 2020. Panayiotis Mallis who also retired by rotation expressed his wish to resign from the Board and therefore he did not offer himself for re-election.

The Board of Directors of the Company on September 4, 2020 appointed Mr. Menikos Messios as a new independent non-executive director of Atlantic Insurance. Mr. Messios has many years of experience in the banking and financial sector as well as in the areas of business administration and risk management. Mr. Messios was the General Manager of Piraeus Bank (Cyprus) Ltd and is a member of the Board of Directors of JCC Payment Systems Ltd. He holds a degree in economics from the University of Essex.

Mr Marios Savvides was appointed on April 2, 2021 as a new independent non-executive director of the Company. Mr. Savvides is a graduate of the London School of Economics (B.Sc. Economics, First Class Honours and M.Sc. Accounting & Finance) and the University of Chicago (MBA). He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW). He was the Deputy Chief Executive Officer of Piraeus Bank (Cyprus) Ltd, Chief Executive Officer of N.K. Shacolas Group and Euroinvestment & Finance as well as a member of the Board of Directors of a large number of listed and private companies.

#### *Board Committees*

On September 9, 2020 Mr Messios was appointed as a chairman of the Audit Committee in replacement of Panayiotis Mallis who resigned during the year. Mr Messios was also appointed as member of the Appointments Committee.

### **3.4. Remuneration report**

#### *Objective*

The remuneration policy is intended to recruit and retain employees whose values are aligned to the Company's culture and values. Atlantic aims to create an environment that motivates high performance and supports the overall business strategy of the Company.

#### *Principles of remuneration policy*

- Be in line with the Company's business and risk strategy, risk profile, objectives, values, risk management practices, and long-term entity wide interests and performance
- Consider both financial and non- financial performance
- Comprehensively and properly reflect the individual and the Company's performance
- Offering pay packages that are competitive in the market to attract and retain qualified individuals with appropriate skills and professional competence;

- Remuneration practices are structured in such a way that avoids potential incentive for unauthorized or unwanted risk taking.
  - The remuneration of employees involved in risk-taking activities such as underwriting, reinsurance or investment management, is designed so as not to encourage unauthorized or unwanted risk-taking
  - The remuneration is based on an assessment of the individual's performance which is based on both quantitative and qualitative criteria
  - Remuneration policy takes into account the long-term interests of the Company and not just short-term financial results.

The senior management of the Company and the professional staff receive a fixed salary, without any variable component. The Company believes that this remuneration policy restricts conflicts of interest and prevents unwanted risk-taking.

#### *Provident fund*

The Company operates a defined contribution provident fund scheme which is separately financed and prepares its own financial statements. In accordance with the Funds' memorandum the members are entitled to the payment of certain benefits on their retirement or early termination of their employment. The Company's contribution is 5,75% on the employees gross salary.

#### *Remuneration on retirement/ share options*

The Company does not provide any remuneration or benefits on retirement. The Company does not offer any share option scheme.

#### *Director's remuneration and fees*

The remuneration policy and the analysis of directors remuneration is described in pages 16-17 of the Company's Annual Report.

#### *Material transactions with directors, shareholders and related parties*

There were no significant contracts in force by the year end to which shareholders owning directly or indirectly more than 5% of the share capital of the Company and members of the Board and the management of the Company, their spouses or minor children have or had direct or indirect material interest, with the exception of the contracts of employment of executive directors and the agreement for the appointment of Astrobank Insurance Agency Ltd as an insurance agent of Atlantic Insurance Co Public Ltd as mentioned in note 32 of the financial statements.

The transactions of the Company with related parties are disclosed in note 29 of the Financial Statements. All transactions with related parties are conducted on an arm's length basis. The transactions of the Company with the directors and their related parties are described in note 32 of the Financial Statements.

### **3.5. Fit and proper requirements**

The Company ensures that all persons who effectively run the Company or have other key functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The Company requires its Senior Management and holders of key functions to be fit and proper, to adhere to the Principles and Code of Ethics and Conduct and achieve competence.

**Fitness**

The assessment considers the person's professional competence and capability in relation to the competencies and skills required for the position he holds.

- This assessment is based on the person's previous experience, knowledge, and professional qualifications and should demonstrate due skill, care, diligence and compliance with the relevant standards for the area sector they have worked in.
- The Company will have regard to whether the person is competent, and demonstrate, through experience and training that they are able to perform the key functions.
- All individuals must maintain their competence for the role they fulfil. The HR manager in cooperation with the Senior Management is responsible for ensuring that all individuals receive appropriate training for maintaining their competence.
- Where specific professional qualifications are required for particular key function, recruitment adheres to those requirements.
- All senior officers are obliged to inform the human resources manager for any specific education and training needs which they consider necessary in the performance of their duties.

**Proper**

In assessing the propriety of a person the Company assesses his honesty, integrity, reputation and financial soundness.

Factors that may have an adverse impact on the assessment of the suitability of a person are:

- convictions for criminal offences,
- adverse findings in civil proceedings,
- disciplinary actions by regulators or professional bodies,
- pending investigations or enforcement actions,
- disciplinary or administrative sanctions and offences,
- bankruptcy, insolvency.

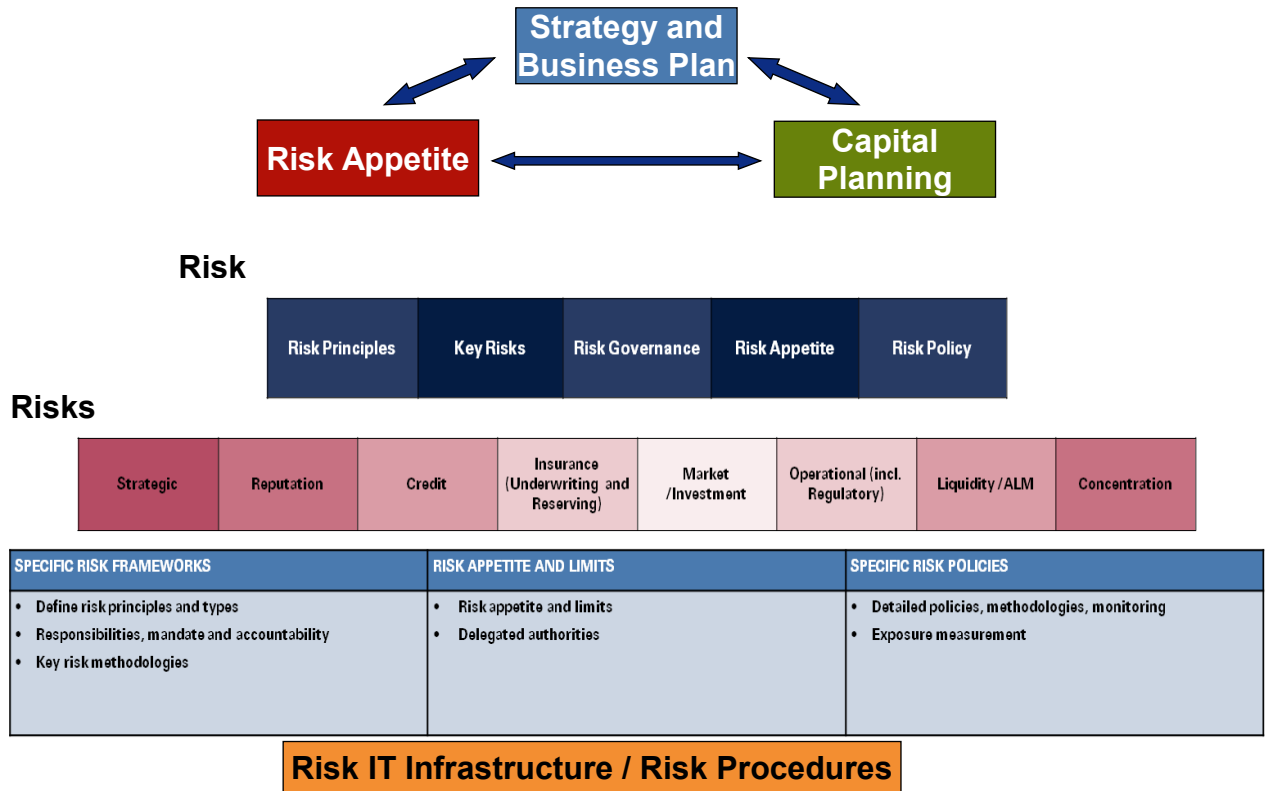
During the recruitment process of approved persons:

- Criminal record checks and check on professional bodies,
- At least one written reference from a former employer,
- Submission of the form 'Statement of fitness and property of senior officers'.

All approved persons are required to self-certify on an annual basis that they are fit and proper for their job position.

### 3.6. Risk Management

The Company has developed a comprehensive set of risk policies, frameworks and guidelines to ensure that adequate processes and procedures are in place to manage all types of risk. These documents are aligned with the current regulatory requirements under the Solvency II regime.



The Company’s risk management framework, as illustrated below, is an embedded part of the business and fully interacts with the strategic planning and the capital management process.

The Company’s **risk appetite is set by the BoD** and reflects its strategic objectives, shareholder and policyholders’ aspirations as well as the interests of the Supervisory Body, employees and associates. The risk appetite is expressed in terms of the risk profile, which is then used in the process of setting appropriate **risk limits**.

#### Risk Tolerance Limits

The Company manages its risk appetite through a set of limits. Risk limits are established at three levels within the Company:

- Aggregate level –sets the overall risk profile of the Company
- Risk category level- sets the aggregate risk appetite for each of the key risk categories
- Exposure level limits for each risk

The **aggregate and risk category limits** are used by the BoD, Executive management and RMC for decision making.

**Exposure level limits** on the other hand are used by risk taking functions in their day to day operations to manage their exposures.

The **Risk Management Committee** of the Board has the overall responsibility for the supervision of the risk management framework. The RMC receives frequent information on the levels of risks to which the Company is exposed, in order to ensure that the Company's risk profile remains within the established risk tolerance limits. The Committee advises the Board in the formulation of the strategy and the risk management policies.

The **Risk Management function** (RMF) is responsible for the identification, measurement, monitoring, management and reporting of the significant risks the Company is exposed. The RMF reports directly to the Board through the Risk Management Committee. The composition of the RMF function is:

Name	Role
Loukis Ioannou	Head
Alexandros Chatzis	Member
Agis Charalambous	Member

### ***Implementation of risk management system***

The business units are responsible for the day to day management of risk and control within an agreed governance and risk framework.

The Risk Management Function as the second line of defence monitors the Company's actual risk exposure against risk tolerance levels and reports its findings on a quarterly basis to the Executive Management and the Risk Management Committee of the Board.

The Company's Board is responsible for taking key decisions across the organisation, but delegates some of its decision making responsibilities to the Executive Committee, Risk Management Committee and Audit Committee. The output of the risk management system is reviewed by the Executive and Risk Management Committees with a summary of key items brought to the attention of the Board. This process facilitates the integration of the risk management system in the decision making process.

All key decisions of the Company such as product initiatives, capital management, reinsurance arrangement review, investment strategy, marketing strategy, and distribution strategy, follow internal governance processes, which include an assessment of the risk exposure and mitigation strategies.

### **3.7. Own Risk Self-Assessment (ORSA)**

ORSA ensures a comprehensive assessment of the Company's overall solvency needs in view of its business strategy, its risk profile, the risk tolerance limits it sets for itself and its responsibility to meet its financial obligations towards policyholders.

The ORSA process enables the Company to properly identify and manage the risks it faces or could face in the short and long term and project its capital needs over its 3 year business planning period.

The Risk Management Function is responsible for the preparation of the ORSA report **on an annual basis** and its submission for approval by the Company's BoD and later to the supervisor. ORSA covers all of the business units of the Company.

The assessment of risks is performed by the RMF at a business unit level using a Risk Register. The risk identification process covers existing risks as well as the emergence of new or additional risks. The Company's ORSA process covers both risks which are captured by the Standard formula as well as those which are not considered such as liquidity risk, reputational, strategic, political and business risks.

Different methodologies of stress tests are applied to all material risks and risk sensitivities are calculated.

The Company's capital planning includes projections of internal capital requirements (Pillar I and II) and own funds over the 3-year planning period. The capital plan is based on the financial projections which are prepared by the finance function and reflect the future strategic actions and business plans of the management over the next 3 years.

The RMF reports the ORSA results to the executive management and the BoD. As part of the ORSA process, the effectiveness of risk mitigating measures and planned improvement actions is assessed. This means risk management strategies are discussed, resulting in refined risk management strategies. Based on the assessment of risks and all internal as well as external factors, the main deficiencies and weaknesses are considered and, if significant, an action plan is prepared. This action plan normally includes the following measures:

- Modification of the Company's risk profile
- Improvements in governance and internal organization as well as improvements in risk management and internal control
- Gradual modification of own funds target.

### 3.8. Internal Control System

Internal control is a process affected by the Company's BoD, Senior Management, and other personnel and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting and non-financial information
- Compliance with applicable laws and regulations
- Achievement of Company's strategy and objectives

The Company maintains an effective internal control system which aims at reducing the possibility of unexpected losses or damage to its reputation. The system also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

A high level of **integrity** is an essential part of the control culture of the Company. The **organizational structure** of the Company is appropriate for the size, nature and complexity of its operations, it sets the level of responsibility and defines appropriate and clear **internal reporting relationships**. Key duties and responsibilities are divided or **segregated among different people** to reduce the risk of error and fraud. Responsibilities and duties involving transactions and events are separated among different employees with respect to authorization, approval, processing and recording, making payments or receiving funds, review and auditing.

**Operational risk management** includes the identification, analysis, prioritization and management of operational risk in line with the risk appetite. The Company considers **external risks** such as technological advancements and risks posed by new legislation or regulations as well as business and economic changes. **Internal operational risks** are also addressed and they include risks associated with redesign of operating processes, disruption of information systems, personnel training, timely replacement of key employees etc.

The effectiveness of the internal control system is monitored on a continuous basis by business areas and control functions. Any deficiencies of the system which are identified are rectified in a timely manner.



The **Internal Audit function** plays a key role in establishing a formal methodology for evaluating internal controls at a level of scope and frequency which is appropriate to the operations of the Company.

#### ***Financial and regulatory reporting***

The Company's financial control framework governs financial and regulatory reporting in the Company. The financial control framework is subject to annual review of the appropriateness and effectiveness of the controls. This review is conducted by the Internal Audit function and the results are submitted to the Audit Committee.

The IFRS financial statements are subject to rigorous review and control. Main accounting policies and estimates are reviewed by the Audit Committee. The technical reserves are set using best actuarial practices that are subject to review by the Risk Management function and the Actuarial Function.

#### ***Business Continuity Plan***

Operational management can be disrupted significantly by unforeseen circumstances caused by a natural disaster or a man-made event. In order to ensure timely resumption of essential operations the Company has prepared a Business Continuity plan and appointed a Business continuity coordinator and a crisis management team. The plan describes clearly roles, responsibilities and emergency procedures and resumption plans.

#### ***Compliance***

The Compliance Function reports to the Company's CEO. The Head of the Compliance Function, Mr Michalis Papageorgiou, is independent of risk taking functions such as underwriting and claims. The compliance function has a direct reporting line to the BoD, in order to ensure its operational independence and safeguard its ability to escalate important issues.

The main role of the Compliance Function is the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance of the Company with the existing legal and regulatory framework.

The Compliance Function is reporting to senior management any breaches, or non-compliance with its policy or any other relevant policy, rules and regulations. This means that the Compliance Function shall be able to carry out its functions on its own initiative without obstruction from management and other staff members.

The function is subject to audit by the Internal Audit Function.

### **3.9. Internal Audit**

The Board of Directors acknowledges Internal Audit's importance as a third line of defense in the internal control system's design framework, and is therefore committed to meeting or exceeding all relevant requirements of both the Solvency II Regulation (EU) 2015/35 and the CSE's Corporate Governance Code. In particular the Board of Directors recognizes that the key pillars of an effective Internal Audit Function (IAF) are:

- independence both in terms of reporting line and from the functions being reviewed
- objectivity and professionalism
- adequate resourcing

The Company has outsourced the internal audit function to KPMG (Cyprus) Ltd in December 2019.

### *Independence*

The Internal Audit Function is outsourced and hence it is administratively independent of all the other functions of the Company. The Company's internal auditors do not provide any other services that may jeopardize their independence.

The Audit Committee has formally reviewed IAF's independence, competence, and adequacy of resources and found them to be of an appropriate standard.

### *Process and Frequency of Review*

Potential revision of the Internal Audit Policy may be warranted by changes in regulations or the Company's organizational set up and nature of activities or other factors. In any event, the Internal Audit Policy is subject to at least annual review by the Internal Audit Committee to ensure that it stays current.

### *Work performed and follow-up action*

Internal audit reports raise both control recommendations as well operational performance recommendations.

Internal Audit reports include both management feedback on each control recommendation raised and an agreed date for implementation. Line managers are responsible for initiating action towards this end. Progress against agreed deadlines is monitored by internal audit through receipt of quarterly returns from each department noting whether a recommendation is pending, partially implemented, or fully implemented.

### **3.10. Actuarial function**

The Actuarial function reports to the CEO and to the BoD through the Risk Management Committee. The Actuarial Function is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its procedures.

The Actuarial function is a specialist function that advises the Senior Management of the Company on the calculation of technical provisions and on the technical aspects of risk management and modeling.

The Company has outsourced its actuarial function to the qualified actuary Markos Markides of Numisma Advisors Ltd.

The main tasks and responsibilities of the Actuarial function are:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies, underlying models and the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system

### 3.11. Outsourcing

The Company's Outsourcing Policy is outlined below:

#### *Outsourcing Suitability Assessment*

When considering outsourcing arrangements, the Company takes into account how it will fit into the reporting structure, business strategy and its ability to meet regulatory requirements.

#### *Service Provider Selection*

A tender process is conducted and due diligence is carried out to assess among other things financial viability, personal data protection, conflicts of interest, personnel, information and asset security, business continuity and disaster recovery, risk concentrations and regulatory permissions.

#### *Contractual Requirements*

Outsourcing relationships for critical functions must be established with a set of written agreements which set out the expectations and obligations of each party.

#### *Approval*

Outsourcing arrangements require internal approval in line with the Company's contract approval process. In the case of outsourcing of critical functions final approval by the managing director is required.

#### *Monitoring of outsourced activities*

Since the Company remains fully responsible for all outsourced functions and activities, it has established a process for monitoring and reviewing the quality of the service provided. For each outsourcing of a critical operational function the Company appoints a responsible person of the staff for the monitoring of the service provided.

The Company's critical functions which have been outsourced and the jurisdiction in which the service provider is located are shown below:

Outsourced Function or Activity	Jurisdiction of service provider
1. Actuarial Function	Cyprus
2. Internal Audit	Cyprus
3. Software programs	
a) Insurance software	Cyprus
b) Accounting software	Cyprus
4. Road assistance and accident care	Cyprus
5. Discretionary asset management	Switzerland/ Cyprus

### 3.12. Other material information

None.

## 4. Risk profile

### 4.1. Risk Management

Atlantic applies an integrated approach in managing risks, ensuring that our strategic goals (customer interests, financial solidity and efficiency of processes) are maintained. This integrated approach ensures that value will be created by identifying the right balance between risk and return, while ensuring that obligations towards our stakeholders are met.

Risk management supports the Company in the identification, measurement and management of risks and monitors on a regular basis risk exposures against risk tolerance levels and ensures that appropriate actions are taken in the event of changes in Atlantic's risk profile.

The Company identifies and records all material risk exposures that arise from its activities. Risks are identified and registered both formally, through the annual review of the Company's Risk Register and the ORSA process, and informally as they arise in the course of business. Risk identification is performed for both existing and emerging risks.

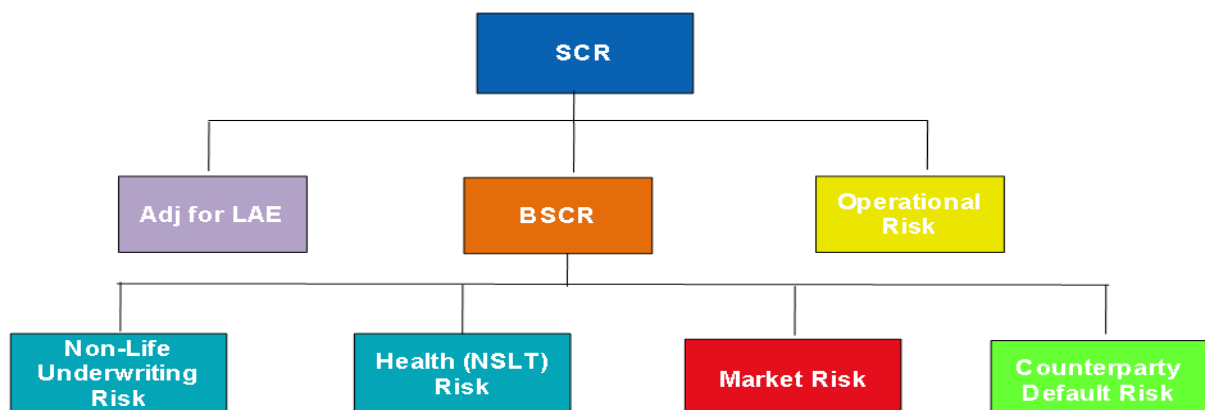
The Risk Management Function has the responsibility to assess whether the risks in the risk universe of the Company are material e.g. their impact on capital or earnings is above the materiality threshold set by the Company. Materiality is usually assigned based on a high level qualitative assessment of risk. Risks that appear material are being considered more carefully to measure their impact precisely using qualitative and quantitative techniques.

The Risk Management Function has the responsibility to ensure that all material risk exposures are monitored on an ongoing basis and that any risks that fall outside the approved risk appetite of the Company are identified and appropriately escalated to the Risk and Reserving Committee. When monitoring the risk exposures against the risk appetite, the Risk Management Function produces management reports that provide information on the current risk exposures against risk appetite limits and highlight any breaches.

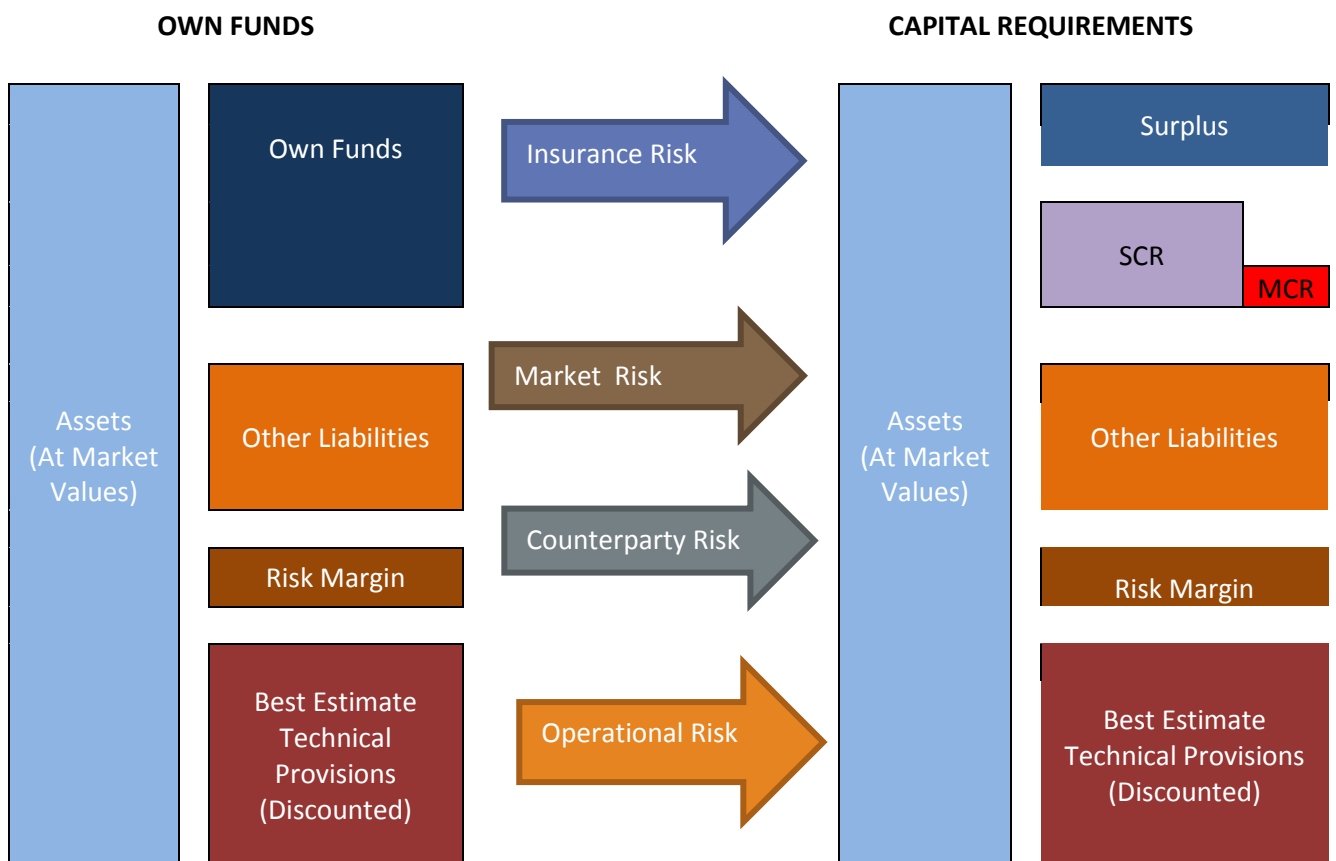
The Company has identified several risks that may potentially impact on the successful implementation of its business plan and its ability to generate adequate future profits. The risk appetite of the Company establishes a framework that supports an effective selection of risks.

The main risks the Company is exposed are market risk, underwriting risk and counterparty default risk. The Company's risk management framework supports the effective management of those risks.

Atlantic measures its risks based on the **standard model** as prescribed by the Solvency II regime. The Solvency Capital Requirement (SCR) is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200 year event. The basis for these calculations is the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.



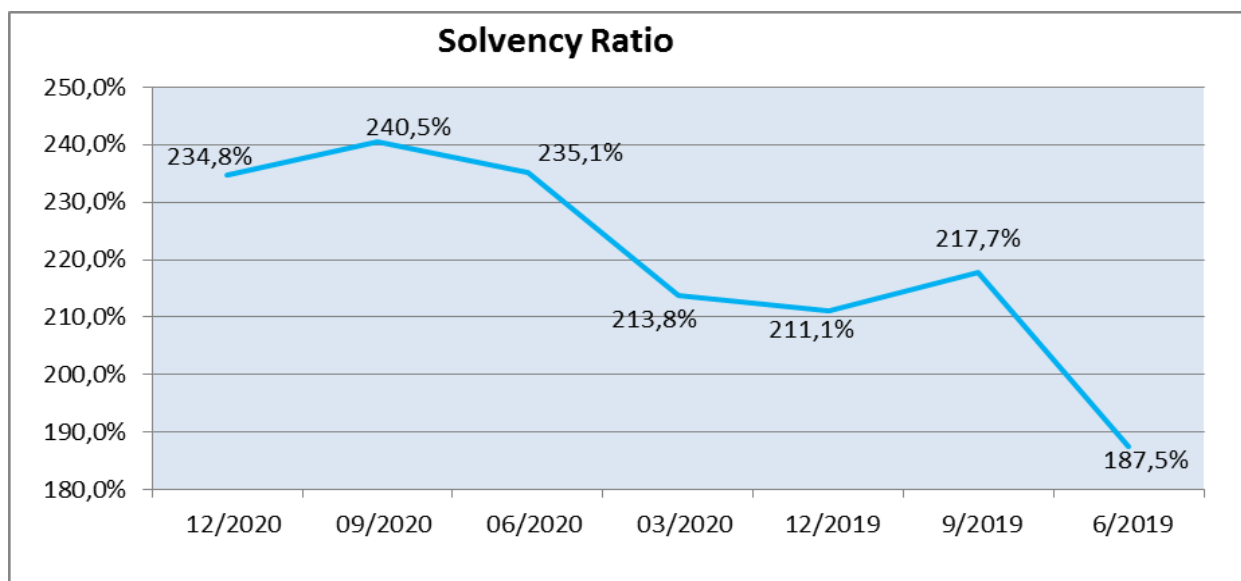
The structure of the SCR risk charges in the standard formula is summarised in the following diagram:



### Solvency ratio in 2020

At the end of 2020 the solvency ratio of Atlantic was 234,8%. During 2020 the solvency ratio fluctuated between 213,8% and 240,5%.

The fluctuation of the Company's solvency ratio over the last 7 quarters is presented in the below chart.



## 4.2. Non-life insurance risk

Insurance risk is the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. Underwriting risk and Reserving risk includes the fluctuations in the timing, frequency and severity of insured events, with relation to the Company's expectations at the time of underwriting. This risk can also refer to fluctuations in the timing and amount of claims settlements.

Non-life Insurance risk can be broken down into:

- Premium and reserve risk
- Non-life catastrophe risk

### **Premium- and reserve risk**

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected written premium for the next year and the written premium for the current year.

The required capital for Non-life insurance risk amounts to €7,59mln before diversification and €6,04mln after the diversification effects are taken into account. Non-life insurance risk accounts for 26,9% of the undiversified SCR. Non-life underwriting risk decreased by 0,7% from 2019 mainly due to the 2,5% reduction in non-life CAT risk.

€000	2020	2019	2018	Change
<b>Non-Life underwriting risk</b>	<b>6.043</b>	<b>6.088</b>	<b>4.542</b>	<b>-0,7%</b>
<i>Diversification effects</i>	-1.550	-1.570	-892	-1,3%
<b>Sum of risk components</b>	<b>7.593</b>	<b>7.658</b>	<b>5.434</b>	<b>-0,9%</b>
Premium and reserve risk	4.367	4.351	3.921	0,4%
Non-life CAT risk	3.225	3.307	1.513	-2,5%

For the non-life portfolio, the technical provisions under Solvency II at year-end 2020 can be broken down as follows:

€000	2020	2019	Change
Best estimate	20.088	27.836	-27,8%
Risk margin	677	703	-3,7%
<b>Technical provisions</b>	<b>20.765</b>	<b>28.539</b>	<b>-27,2%</b>

The reduction in the best estimate by 27,8% to €20,09mln compared to €27,84mln in 2019 is attributable to the following factors:

- Reduction of gross claim provisions from €17,37mln to €11,00 due the repayment of €6,45mln for the EAC fronting policy claim.
- Reduction of gross premium provisions from €10,47mln to €9,09mln mainly due to the non-renewal of the EAC fronting policy.

The risk margin accounts for 3,37% (2019: 2,53%) of the best estimate of technical provisions.

**Non-life Catastrophe Risk Module**

Catastrophe risk is defined as the risk of loss or adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events. The Non-life SCR Catastrophic Risk Module consists of natural catastrophe risk (Earthquake), man-made catastrophe risk (Fire, Motor, Liability and credit) and other Non-life catastrophe risk.

The required capital for Non-life catastrophe risk at the end of the year amounts to €3,22mIn (2019: €3,31mIn).

€000	Gross	Mitigation	Net	
<b>SCR Non-Life Catastrophe Risk</b>	<b>47.048</b>	<b>43.822</b>	<b>3.225</b>	
<b>Sum of risk components</b>	<b>57.996</b>	<b>53.661</b>	<b>4.335</b>	
Natural catastrophe	45.304	43.846	1.458	
Non-Proportional Reinsurance	0	0	0	
Man Made catastrophe	12.692	9.815	2.877	
Other catastrophe	0	0	0	
	<b>Nat CAT</b>	<b>NP_Reinsurance</b>	<b>Man Made</b>	<b>Other CAT</b>
<b>Nat CAT</b>	100%	100%	0%	0%
<b>NP_Reinsurance</b>	100%	100%	0%	0%
<b>Man Made CAT</b>	0%	0%	100%	0%
<b>Other CAT</b>	0%	0%	0%	100%

**Earthquake** is calculated based on insured values per cresta zone as at 31 December 2020. Insured values include all earthquake policies including static marine.

The **man made catastrophe risk** is broken down below:

€000	Gross	Mitigation	Net
<b>SCR for NL CAT Man Made</b>	<b>12.692</b>	<b>9.815</b>	<b>2.877</b>
<b>Sum of risk components</b>	<b>21.969</b>	<b>18.433</b>	<b>3.536</b>
Motor <sup>1</sup>	10.296	10.096	200
Marine <sup>2</sup>	5.120	5.023	97
Fire <sup>3</sup>	5.220	2.371	2.849
Liability <sup>4</sup>	1.272	943	329
Credit <sup>5</sup>	62	0	62

1. The motor calculation is based on the number of insured vehicles at the end of the year.
2. The marine calculation is based on the vessel with the largest risk exposure of all vessels with sum insured over €250k.
3. The fire calculation is based on the largest sum insured of buildings located within a radius of 200 metres. The Company's largest risk concentration relates to residential properties exposure and was calculated using the market share based method. Taking into account the average gross sum insured of residential properties of €223,8k and the average net sum insured of €122,2k the total concentration for catastrophe risk net of reinsurance amounts to €2,85mIn (€5,22mIn gross exposure).
4. The liability risk is calculated based on the gross and net premiums and the largest liability limit provided for each of the following classes: professional indemnity, employer's liability, public liability and director's liability.
5. Credit catastrophe risk is based on the 2 largest risks by insured amount.

The sensitivity of regulatory solvency II capital to non-life underwriting risk is shown below:

<b>Risk sensitivities</b>			
<i>Effect on:</i>	<b>Available capital</b>	<b>Required Capital</b>	<b>SCR Ratio</b>
<i>Type of Risk (%)</i>	€'000	€'000	%
Increase in Non-life risk by 10%	-	402	-5,88%
Increase in BE Provisions by 5%	-821	-	-5,25%
Increase in loss ratio by 2%	-328	-	-2,10%

### Health insurance risk

The Health insurance portfolio of Atlantic contains the following insurance risks:

#### a) NSLT Health risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected written premium of the next year, and the written premium of the current year. The calculation is factor-based.

#### b) Health Catastrophe risk

A health catastrophe is an unexpected future event with duration of one year. In the case of medical expenses the risk is affected by the number of insured persons and the average claim cost. The following 3 scenarios are calculated:

- **Pandemic scenario**- In this scenario, there is a pandemic, which causes 1% of those affected to be hospitalized and 20% to see a local practitioner.
- **Mass accident scenario** - In this scenario, an accident takes place during a major public event. The risk is that 10% of the attendees are killed, 3,5% are permanently disabled, 16,5% are disabled for 12 months and 30% need medical attention.
- **Accident concentration scenario**-In this scenario, an accident takes place on site, with the most of our insured at the same location. The risk is that 10% of those present are killed, 3,5% are permanently disabled, 16,5% are disabled for 12 months and 30% need medical attention.

The required capital for health risk amounts to €0,65mIn and is broken down as follows:

<b>Capital requirement for Health underwriting risk-€000</b>	<b>650,9</b>
<i>Diversification effects</i>	-99,3
<b>Sum of risk components</b>	<b>750,2</b>
SLT Health (similar to life technique) underwriting risk	0,0
Non-SLT Health (similar to non-life technique)	594,1
Health CAT	156,0



The analysis of health catastrophe risk is shown below:

<b>Health catastrophe risk-€000</b>	<b>SCR</b>
Mass accident risk	10,4
Accident concentration risk	46,9
Pandemic risk	148,5
Diversification within health catastrophe risk	-49,7
<b>Total health catastrophe risk</b>	<b>156,0</b>

### **Managing non-life insurance risk**

Insurance risk is managed by monitoring claims frequency, the size of claims, claims development over time, risk concentration, claims handling time and claims costs. The risk is managed through effective underwriting procedures, internal underwriting limits, pricing, stricter acceptance criteria and effective claims management.

#### *Claims frequency, size of claims and inflation*

In order to limit claims and/or ensure that prices are adjusted correctly, the acceptance policy is continually refined using a number of indicators and statistical analyses. The product lines also use knowledge or expectations with respect to future trends to estimate the frequency, size and inflation of claims.

To mitigate the risk of claims, the Company bases its underwriting policy on claims history and risk models. The policy is applied to each client segment and to each type of activity. The risk of unexpected major damage claims is contained by policy limits, the concentration of risk management and reinsurance contracts.

#### *Handling time*

The time required for handling and settling claims is an important factor. The settlement of claims that have a long handling time, such as liability claims, can take many years. Analyses are performed regularly and based on the Company's experience in similar cases, historical trends – such as the pattern of liabilities – increases in risk exposure, payment of damages, the scale of current and not yet settled damage claims, court rulings and economic conditions.

#### *Benefit and claims handling costs*

Taking estimated future inflation into account, benefit and claims handling costs are managed on the basis of regular reviews and related actions.

### **Reinsurance**

The Company enters into reinsurance agreements to mitigate non-life insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both these risks.

The level of retention in the various reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios, taking account of the cost of reinsurance on the one hand, and the risk that is retained on the other. The impact on the Company's financial and solvency position is taken into account as well in determining the level of retention.

To limit risk concentration, excess of loss reinsurance contracts are placed with various reinsurance companies. The Company sets minimum credit rating criteria and maximum exposure per reinsurer.

### 4.3. Counterparty Default Risk

Counterparty default risk is the risk of loss, or of adverse change in the financial situation resulting from fluctuations in the credit standing of any debtors, counterparties and issuers of securities to which the Company is exposed.

The **main source** of counterparty default risk is the Company's exposure to reinsurance and the amounts due by policyholders and intermediaries.

Solvency II makes a distinction between **two types of exposures**:

- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits)
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, prepayments, other debtors, amounts due from subsidiaries and related companies). These exposures are generally diversified.

The **Solvency capital** required for Counterparty Default Risk as at 31 December 2020 was €4,22mln as shown in the following table. The SCR was 5,8% higher than in 2019 due to a 5,5% increase in CDR Type 1 and a 6,7% increase in CDR Type 2.

€000	2020	% Total	2019	% Change
<b>Counterparty default risk</b>	<b>4.220</b>		<b>3.990</b>	<b>5,8%</b>
<i>Diversification effects</i>	-215	-4,8%	-202	6,4%
<b>Sum of risk components</b>	<b>4.435</b>	<b>100%</b>	<b>4.192</b>	<b>5,8%</b>
Counterparty default risk of type 1 exposures	3.312	74,7%	3.140	5,5%
Counterparty default risk of type 2 exposures	1.123	25,3%	1.052	6,7%
<i>CDR Reins Risk (Included in CDR Type 1)</i>	396	8,9%	432	-8,4%

**CDR Type 1** represents 75% of the undiversified amount of SCR. Approximately 87% of this exposure relates to bank current and trading accounts exposure.

<b>CDR Type 1-Composition</b>	<b>2020</b>
Bank current and trading accounts	87,2%
Reinsurance	12,0%
Other	0,8%
	<b>100,0%</b>

#### Reinsurance

The Company has set maximum risk exposure limits and minimum credit rating criteria for reinsurers. As regards the major reinsurance treaties the minimum acceptable credit rating is A. The breakdown of reinsurance exposure as measured by the Solvency II loss given default amounts is as follows:

<b>Reinsurers Rating</b>	<b>2020 % LGD</b>	<b>2019 %LGD</b>
AA	64,0%	56,7%
A	35,2%	39,0%
BBB	0,0%	0,0%
B	0,6%	0,0%
unrated	0,2%	4,4%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>

The sensitivity of regulatory solvency II capital to reinsurance risk is shown below:

<b>Risk sensitivities</b>			
Effect on:	Available capital	Required Capital	SCR Ratio
Type of Risk (%)	€'000	€'000	%
Credit rating of largest reinsurer	-	59	-0,88
Increase in bank current account exposure by 10%	-	130	-1,94

#### Description of Scenario

Measured as the impact on SCR by the fall of the credit rating of the largest reinsurer by one credit quality step

Measured as the impact on SCR by the increase in bank current account exposures by 10%

#### Composition of Counterparty Default Risk Type 2 Exposures

The breakdown of the exposure of the Company to counterparty default risk type 2 is shown in the below table.

Counterparty Default Risk 2 Exposures	2020		2019	
	€000	%	€000	%
Policyholders	4.268	69%	4.353	69%
Amounts due from subsidiaries	757	12%	829	13%
Clients' Accounts	595	10%	595	9%
Intermediaries past due over than 3 months	261	4%	269	4%
Intermediaries past due less than 3 months	114	2%	50	1%
Prepayments	128	2%	103	2%
Other receivables	59	1%	66	1%
	<b>6.182</b>	<b>100%</b>	<b>6.265</b>	<b>100%</b>

The sensitivity of regulatory solvency II capital to counterparty default risk type 2 is shown below:

<b>Risk sensitivities</b>			
Effect on:	Available capital	Required Capital	SCR Ratio
Type of Risk (%)	€'000	€'000	%
Increase of policyholder and intermediaries balances by 10%	-	71	-1,06
Increased bad debts of 5% of policyholder and intermediaries balances	-223	-26	-1,05

### **Managing counterparty default risk**

The Company's risk management policy defines maximum tolerance levels for receivables in terms of credit period, maximum receivable amounts and maximum overdue amounts per counterparty category. The risk management function monitors actual risk exposures versus tolerance levels and reports its findings to the management and the Board on a quarterly basis.

As regards policyholders and intermediaries balances the Company has set strict credit control procedures which are monitored on a daily basis by the Credit Control Department. The Company has adopted strict criteria which restrict policy renewals of customers with overdue amounts above the predefined levels. The Company monitors overdue customers' accounts on a regular basis and takes appropriate action.

Banking counterparties are selected from a list of approved financial institutions which sets maximum exposure levels per bank which are determined based on assessment of credit rating, tier-1 capital adequacy ratio, liquidity ratio and profitability of the banks. Maximum exposure levels are reviewed periodically by the RMF and approved by the RMC.

Reinsurance risk is managed by setting minimum credit rating criteria and maximum exposure by reinsurers in order to reduce excessive risk concentration. For excess of loss reinsurance contracts the Company requires that they are placed with various reinsurance companies.

In addition to reinsurance credit ratings the RMF carries out an ongoing monitoring of current developments affecting the reinsurers (e.g. changes in credit ratings, acquisitions, financial results, etc.) through specialized newsletters which it receives on a regular basis. As regards the 4 main reinsurers of the Company the RMF monitors on a regular basis their share price movements, announcements and developments and receives alerts about significant adverse changes in their stock prices and bond yields.

### **Prudent person principle applied to credit risks**

Reinsurance counterparties are selected by taking into account the credit rating and reputation of each reinsurer. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and Atlantic ensures that only approved counterparties with a high enough credit rating are used. In addition, Atlantic uses multiple counterparties to avoid concentration risk.

### **Risk mitigation techniques used for credit risks**

To mitigate the risk of reinsurer counterparty default, reinsurance is split between a number of reinsurance counterparties to reduce single name exposure. Credit ratings of reinsurance counterparties are reviewed at least every three months. A further mitigation of credit risk is that major reinsurance counterparties are large, well established multinational reinsurers with a high credit rating. No derivatives are employed to manage credit risk.

The risk of banking counterparty default is mitigated by selecting only approved financial institutions and setting maximum exposure levels per bank based on credit assessment which ensures a satisfactory diversification of bank deposits.

#### 4.4. Market Risk

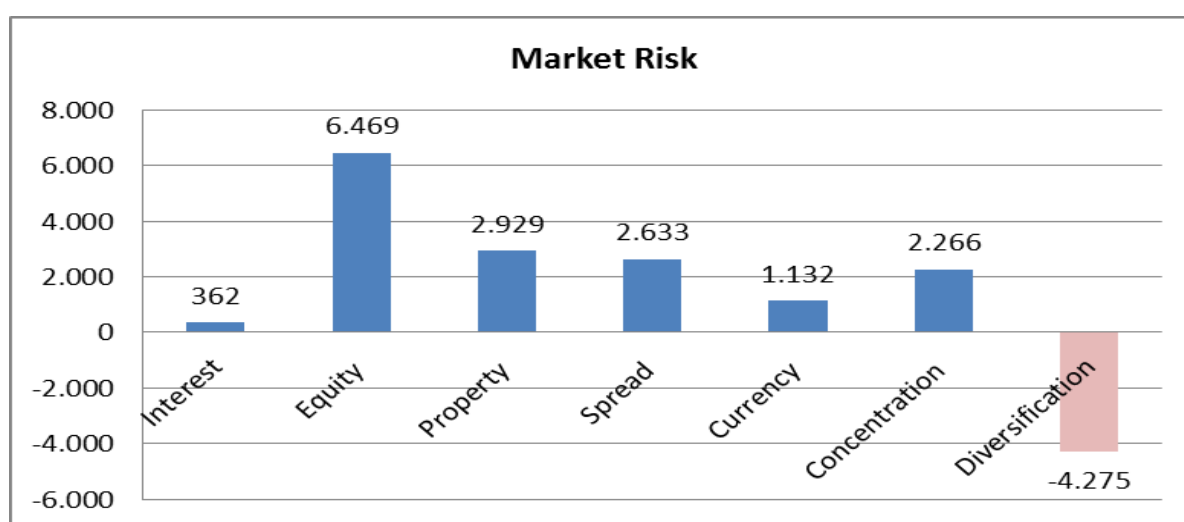
Market risk is the risk of potential losses due to adverse movements in financial market variables. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices.

The main types of market risk are:

- interest rate risk
- equity risk
- property risk
- currency risk
- spread risk
- concentration risk

A breakdown of the market risk exposure is presented in the tables below:

Market risk - €000	2020	2019	% Change
Equity risk	6.469	7.190	-10,0%
Property risk	2.929	3.589	-18,4%
Concentration risk	2.266	2.616	-13,4%
Spread risk	2.633	1.811	45,4%
Currency risk	1.132	1.717	-34,1%
Interest rate risk	362	85	
<b>Sum of risk components</b>	<b>15.791</b>	<b>17.008</b>	<b>-7,2%</b>
<i>Diversification effects</i>	<i>--4.276</i>	<i>--4.628</i>	<i>-7,6%</i>
<b>Market risk</b>	<b>11.515</b>	<b>12.381</b>	<b>-7,0%</b>



The main market risks of the Company are equity, property and concentration risk which account for 41,0%, 18,6% and 14,3% of the undiversified market risk respectively.

The diversification effect is an indication of the impact of having a well-diversified investment portfolio. As a result of the high degree of diversification of the Company's portfolio the diversification effect accounts for over 27,1% of the Company's undiversified SCR.

The capital requirement for market risk decreased by 7,0% to €11,52mln (2019: €12,38mln) mainly as a result of the reduction in equity, property and currency risk.

## Equity risk

Equity risk relates to 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.

### Composition of equity exposure

The fair value of equities at the end of 2020 decreased by 9,9% to €17,07mIn (2019:€18,95mIn) of which €9,64mIn (2019: €11,98mIn) relates to type 1 equities. The Company's equity portfolio consists of 20 listed securities, 3 unlisted equities and 13 well diversified global equity funds, hedge funds, private equities and gold related funds. This composition secures a high level of sector and country diversification of the Company's overall equity exposure.

Equity risk-€000	2020	2019	% Change
Strategic participations	947	947	0,0%
Long-term equity investments	584	574	1,7%
Global equity bucket	9.642	11.985	-19,5%
Other equity bucket	5.898	5.439	8,4%
	<b>17.071</b>	<b>18.945</b>	<b>-9,9%</b>
EIOPA Symmetric Equity Volatility adjustment	-0,48%	-0,08%	
	<b>2019</b>	<b>2018</b>	<b>% Change</b>
SCR Equity Risk-Gross	6.469	7.190	-10,0%
SCR Equity Risk-Net Mkt Risk	4.718	5.234	-9,9%

The required capital is determined by calculating the impact on the available capital due to an immediate drop in share prices. Both assets and liabilities are taken into account. Stocks listed in regulated markets in countries in the EEA or OECD, are shocked by 39% together with the symmetric adjustment of the equity capital charge (type I). Stocks in countries that are not members of the EEA or OECD, unlisted equities, alternative investments, or investment funds in which the look-through principle is not possible, are shocked by 49% together with the symmetric adjustment of the equity capital charge (type II). The basic shock for strategic participations and long-term equity investments is 22%.

As a result of the reduction in the Company's equity risk exposures overall solvency capital requirement for equity risk decreased by 10,0% to €6,47mIn (2019: €7,19mIn). Equity risk accounts for 41,0% of the undiversified market risk. After the deduction of the diversification effects of the market risk module, the overall net SCR amounts to €4,72mIn (2019: €5,23mIn).

The sensitivity of regulatory solvency II capital to changes in equity prices is shown in the following table.

Risk sensitivities			
Effect on:	Available capital	Required Capital	SCR Ratio
Type of Risk (%)	€'000	€'000	%
Global equity prices drop by 10%	-964	-180	-3,50%
Other equity prices drop by 10%	-590	-139	-1,70%
Participations and long term equities drop by 10%	-153	-16	-0,73%

### Currency risk

Currency risk stems from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.

The Company has set a list of approved foreign currencies as well as maximum tolerances for each currency.

#### Composition of currency exposure

The Company's overall net exposure to foreign currencies at 31 December 2020 decreased by 35,0% to €4,47mln. The decrease is mainly attributable to the reduction of USD investment exposures.

USD accounts for 71,6% of the exposure, Australian dollars 12,5%, British sterling 19,1% and Canadian dollars 5,8%.

The required capital for currency risk is determined by calculating the impact on the available capital due to a change in exchange rates. For each currency, the maximum loss due to an upward and a downward shock of 25% is determined, where lower shocks are applied to several currencies.

The gross SCR currency risk of €1,13mln accounts for 7,2% of the undiversified market risk SCR. The net SCR currency risk amounted to €0,83mln (2019: €1,25mln).

Net exposure by foreign currency		2020		2019	
Currency	€000	%	€000	%	
USD	3.260	72,0%	3.590	52,3%	
HKD	-	0,0%	412	6,0%	
GBP	450	9,9%	515	7,5%	
CAD	261	5,8%	1.114	16,2%	
AUD	557	12,3%	1.237	18,0%	
	<b>4.529</b>	<b>100,0%</b>	<b>6.869</b>	<b>100,0%</b>	
SCR Currency Risk-Gross	1.132		1.717		
<b>SCR (After Mkt risk Diversification)</b>	<b>826</b>		<b>1.250</b>		

The sensitivity of the Company's SCR to currency risk fluctuations is indicated below:

Risk sensitivities			
Effect on:	Available capital	Required Capital	SCR Ratio
Type of Risk (%)	€'000	€'000	%
USD -10%	-326	-40	-1,50
All Currencies -10%	-453	-55	-2,08

**Spread risk**

Spread risk relates to 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 term structure.

*Composition of spread risk exposure*

The Company's exposure to spread risk comprises investments in corporate bonds and fixed term bank deposits of an aggregate value of €15,39mln. (2019: €11,89mln)

<b>Assets subject to spread risk</b>	<b>2020</b>	<b>2019</b>
	€000	€000
Corporate bonds	7.929	4.993
Fixed term bank deposits	7.471	6.898
	<b>15.399</b>	<b>11.891</b>

The table below shows the breakdown by credit rating and duration of the assets which are subject to spread risk.

<b>Spread Risk</b>	<b>2020</b>		<b>2019</b>	
<b>Bonds</b>	<b>€000</b>	<b>Duration</b>	<b>€000</b>	<b>Duration</b>
AAA	-	-	-	-
AA	-	-	-	-
A	2.663	4,5	1.003	10,0
BBB	1.933	10,7	533	11,2
BB	496	3,2	189	2,4
B	5.157	4,6	4.259	3,4
CCC or lower	182	5,1	501	8,0
Unrated	4.968	1,6	5.407	1,7
<b>Total Exposure</b>	<b>15.399</b>	<b>4,4</b>	<b>11.891</b>	<b>3,7</b>

The weighted average duration of these holdings as at 31 December 2020 was 4,4 years (2019:3,7 years).

The Company also holds Government bonds of €1k (2019: €53k) which are exempted from spread risk calculation under the Standard Model of Solvency II. A breakdown of Government bonds by duration is shown below:

<b>Government Bonds</b>	<b>2020</b>	<b>2019</b>
<b>Duration</b>	<b>€000</b>	<b>€000</b>
<1 year	-	52
1-5 years	-	-
5-10 years	-	-
Over 10 years	1	1
	<b>1</b>	<b>53</b>



The **required capital for spread risk** is determined by calculating the impact on the available capital due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, structured products and credit derivatives. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

	2020	2019
	€000	€000
SCR Spread risk-Gross	2.633	1.811
SCR Spread risk-Net of Mkt Risk Diversification	1.920	1.318

Atlantic's required solvency capital to cover spread risk amounts to €2,63mIn and accounts for 16,7% of the undiversified Market Risk SCR. The overall net solvency capital requirement is €1,92mIn.

The sensitivity of the solvency ratio to changes in bond yields is monitored on a quarterly basis. The sensitivity of regulatory solvency II capital to changes in current corporate bond prices is shown in the following table.

Risk sensitivities			
Effect on:	Available capital	Required Capital	SCR Ratio
Type of Risk (%)	€'000	€'000	%
Value of Corporate Bonds falls by 10%	-793	-113	-3,40

### Property risk

Property risk arises from 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.

#### Composition of Property exposure

The Company's property exposure as at 31 December 2020 amounts to €11,71mIn (2019:€14,36mIn) and consists of assets held for own use, local investment properties and foreign real estate funds as shown below:

	2020	2019
	€000	€000
Assets held for own use	5.914	6.226
Local Investment properties	4.311	4.535
Foreign Real Estate Funds	1.490	3.594
	<b>11.715</b>	<b>14.356</b>
<b>SCR property risk</b>	<b>2.929</b>	<b>3.589</b>

The required capital for property risk is determined by calculating the impact on the available capital due to an immediate drop in property prices by 25%. The Company's SCR property risk decreased in 2020 by 18,4% to €2,93mIn (2019: €3,59mIn) mainly as a result of the negative impact of Covid-19 on property prices. Property risk accounts for 18,5% of the undiversified SCR.

The sensitivity of the solvency ratio to changes in property values is monitored on a quarterly basis. The sensitivity of regulatory solvency II capital to changes in property prices is shown in the following table.

<b>Risk sensitivities</b>			
Effect on:	Available capital	Required Capital	SCR Ratio
Type of Risk (%)	€'000	€'000	%
Property prices drop by 10%	-1.171	-142	-5,41%

### Interest rate risk

Interest rate risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

The required capital for interest rate risk is determined by calculating the impact on the available capital due to changes in the yield curve. Both assets and liabilities are taken into account. The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve according to the prescribed methodology.

Atlantic's Interest rate risk remained at very low levels due to the **effective matching of financial assets and financial liabilities** as shown in the table below:

€000	Assets	Net Non-life provisions	Other liabilities	
<b>Value</b>	15.400	16.429	1.539	
<b>Modified duration</b>	4,21	1,60	0,90	
Current interest rate	-0,587%	-0,624%	-0,623%	
Undiscounted Value	15.023	16.266	1.531	
up shocked interest rate	0,413%	0,376%	0,377%	
down shocked interest rate	-0,587%	-0,624%	-0,623%	
	Assets	Non-life provisions	Other liabilities	NAV increase
Net asset value after upward shock	14.764	16.169	1.526	-362
Net asset value after downward shock	15.400	16.429	1.539	0

### Prudent Person principle

In accordance with the "Prudent Person" Principle the BoD has set the high level investment principles that should be followed by the Atlantic's Investment Committee:

- All investment activity within the Company is driven by the size, nature and term of its liabilities and by the Company's overall risk appetite and solvency levels
- All investments must qualify under relevant laws and regulations
- Investments should be sufficiently diversified across asset classes and instruments
- The Company does not invest in complex instruments or markets where the risks cannot be sufficiently understood, measured and managed
- Outsourcing of investment to third party assets managers should adhere to the policy for outsourcing.

### Management of investment risk

The Board of Directors and the Investment Committee **determine and review the investment strategy** considering the economic environment and macroeconomic conditions, as well as the solvency condition of the Company and of the main risks to which the Company is exposed.

The Company's investments are distributed into five broad asset classes according to their composition and/or investment horizon namely Cash and Cash Equivalents, Equity, Bonds, Property and Other Alternative Investments. The Board has set through the RMC **maximum Risk tolerance limits** for each asset category as a % of the Company's investment portfolio and also aggregate limits per type of risk. Investment limits are set in order to avoid **undesirable concentrations in the Company's portfolio**. Risk limits are reviewed periodically by the RMF and the RMC and revised accordingly.

Atlantic's decision to **invest in specific securities** is taken by the Investment Committee based on the risk appetite of the Company. The risk appetite is expressed in terms of acceptable asset classes for investment, the tolerance level for the risks arising from each investment and the ability to manage and monitor these investments when acquired.

**Interest rate risk** is managed by proper asset-liability management which aims at aligning fixed-income investments to the profile of the liabilities. The Company does not use any derivatives like interest rate swaps for hedging interest rate risk.

### Assessment and risk mitigation techniques used for market risks

The investment committee oversees the investments of the Company. Investment position and risk exposures are reported on a regular basis to the Investment Committee. The committee meets regularly and makes decisions on **tactical asset allocation** always within the constraints of Atlantic's overall investment strategy which is set by the Board and its Risk management committee.

The RMF carries out a **quarterly monitoring** of investment exposure against the acceptable risk limits. Quarterly risk monitoring reports are sent to the senior management and the RMC and appropriate action is taken for any identified breaches of risk exposure limits.

On an annual basis **as part of the ORSA** a formal assessment of investment risks is carried out using stress and scenario testing which is used to assess market risks under stressed conditions.

#### *Derivatives*

The Company takes into consideration techniques to mitigate investment risks such as the **use of derivatives**. As part of its hedging policy Atlantic entered into an agreement for the sale of 25 USD futures contracts maturing on September 13, 2021 of an aggregate amount of \$3,74mIn with the aim of hedging currency risk arising from the USD exposure of the Company's investments and bank balances.

### 4.5. Concentration Risk

The risk arises from risk exposures (credit, investment, reinsurance) which could lead to a loss of such magnitude which can significantly affect the solvency and financial position of the Company.

#### *Sources of concentration risk*

Concentration risk may arise from various sources, including counterparties (e.g. customers, agents) geographical areas, business sectors, reinsurance, investment, property and banking institutions.

Concentration risk decreased by 13,4% to €2,27mIn from €2,62mIn in 2019. The total amount of assets which are subject to concentration risk decreased by 2,5% to €44,19mIn (2019:€45,31mIn).

Concentration Risk-€000	2020	2019	2018	% Change
Total amount of assets considered in the market risk concentrations submodule	44.189	45.309	44.933	-2,5%
Threshold for counterparties with rating below A	663	680	674	-2,5%
Threshold for property	4.419	4.531	4.493	-2,5%
Number of counterparties	9	6	6	50,0%

The number of counterparties or assets having an exposure in excess of the threshold remained increased from 6 to 9. The counterparties with exposure above the threshold comprise of 5 local banking institutions, Credit Suisse, Vasilico Cement Works Ltd, the subsidiary Atlantic Securities Ltd and the value of the Company's head office property.

#### Management of concentration risk

Concentration risk is managed through the setting of maximum risk levels. The aim of risk levels is the reduction of unnecessary concentration of risk on certain assets and liabilities. The limits pose restrictions on the staff of the risk-taking business units (underwriting, investment management etc.) in order to ensure satisfactory diversification of insurance risks, investments, reinsurance etc.

Maximum exposure limits are set by the RMF in consultation with executive management and are approved by the RMC. The limits are reviewed at least once a year unless changes take place which warrant their immediate review.

#### 4.6. Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner. Liquidity risk is not quantified in the Solvency Capital Requirement of Atlantic.

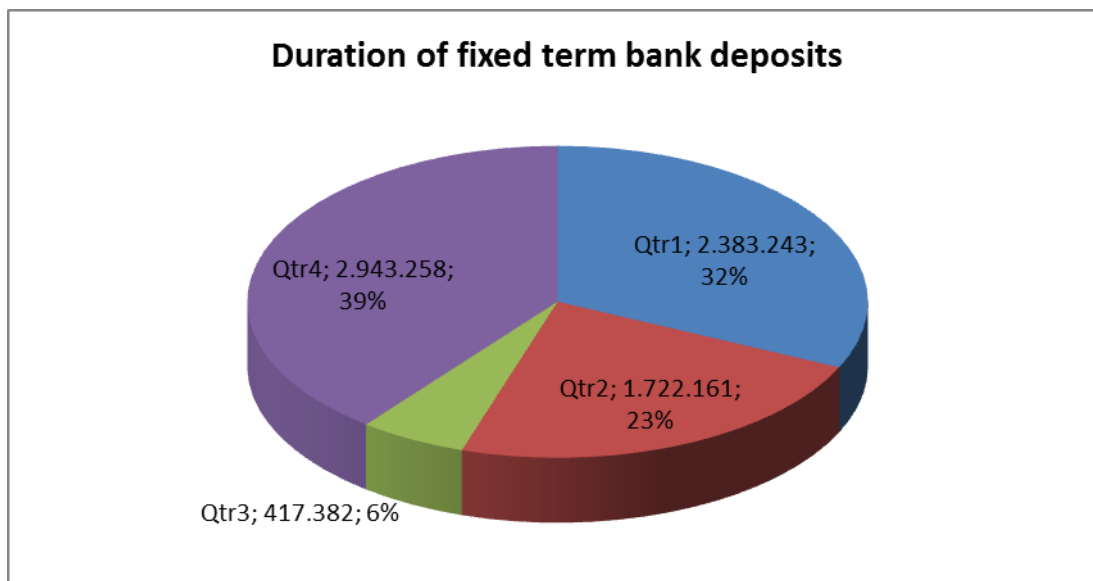
The Company recognizes different levels of liquidity management. Short-term liquidity, or daily cash management, covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions under which market liquidity risk materialises.

The Company's liquidity management principle consists of three components. First, a minimum liquidity buffer is kept in cash and cash equivalents and liquid assets. Second, the strategic asset allocation reflects the expected and contingent liquidity needs of liabilities. Finally, an adequate and up-to-date contingency liquidity plan is in place to enable management to act effectively and efficiently in times of crisis.

The Company's minimum liquidity buffer consists only of the following assets:

- Cash, current and instant access bank balances
- Money Market funds
- Fixed term bank deposits that expire within 90 days and provide the right of immediate termination
- Bonds maturing within 90 days

The Company's liquidity risk is assessed as very low since Atlantic holds liquid assets which are well in excess of the Company's minimum liquidity buffer. Additionally the Company holds liquid investments as well as fixed term bank deposits of €7,47mln. The duration of the Company's fixed term deposits is shown below:



With regard to liquidity risk, 'the expected profit included in future premiums' ("EPIFP") means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

#### 4.7. Operational risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, system weaknesses or because of external events.

Operational risk can be segmented in the following main sub-categories:

- compliance,
- business process,
- information technology,
- outsourcing,
- business continuity,
- financial reporting.

Examples of key material operational risks that the Company faces include:

- **Legal** - the risk of a defective transaction arising; inadequate contract management or any other event occurring which results in liability for the Company.
- **Cyber/ Data security** - the risk of the inability to protect data from unauthorised access, use, disclosure, disruption, modification or destruction. The increase in cyber-risk activity over recent years has led to significant increase of data security risk.
- **IT Infrastructure** - the risk arising from lack of effectiveness, integrity, reliability, capacity and/or availability of IT infrastructure;

- **Wrong selling** – the risk of deliberate, reckless or negligent sale of products or services in circumstances where the contract is either misrepresented, or the product/service is unsuitable for the customer's needs;
- **Outsourcing** - the risk of failure, non-performance, ineffective management and/or oversight of an outsourcing partner or a binder agreement;
- **People** - the risk of inadequate recruitment practices, development, management or retention of employees and/ or contractors;
- **Execution, Delivery and Process Management** - the risk to a business unit's service provision arising from a failure to carry out operational processes in an accurate, timely and complete manner; and

The required capital for operational risk based on the standard model amounts to €0,73mIn as at 31 December 2020:

Operational risk	Capital requirement €000
Non-life gross technical provisions (excluding risk margin)	20.088
<b>Capital requirement for operational risk based on technical provisions</b>	<b>603</b>
Earned non-life gross premiums (previous 12 months)	24.200
Earned non-life gross premiums (12 months prior to the previous 12 months)	24.046
<b>Capital requirement for operational risk based on earned premiums</b>	<b>726</b>
<b>Capital requirement for operational risk charge before capping</b>	<b>726</b>
Percentage of Basic Solvency Capital Requirement (30%)	4,64%
<b>Capital requirement for operational risk charge after capping</b>	<b>726</b>
<b>Total capital requirement for operational risk</b>	<b>726</b>

### Risk sensitivity for operational risks

Operational risk makes up 5,1% of the standard formula SCR at 31 December 2019.

Risk sensitivities			
Effect on:	Available capital	Required Capital	SCR Ratio
Type of Risk (%)	€'000	€'000	%
Operational risk +10%	-	73	-1,09

Description	Scenario
Operational risks	Measured as the impact of a 10% increase in operational risk

If operational risk was to increase by 10% the increase in the minimum SCR would be €73k and the impact on the SCR ratio would be a reduction by 1,09 basis points.

**Measures used to assess operational risks**

The following measures are used to assess operational risks:

- Risk assessment by RMF – the Risk management function discusses operational risk issues of each business unit with the staff of the unit to identify risk issues that need to be taken into account. The RMF uses quantitative as well qualitative procedures to assess the impact of the risk which is then subjected to stress testing techniques.
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the operational risk exposure.

**Risk mitigation techniques used for operational risks**

All material operational risks which the Company is exposed to, are identified and recorded by the RMF in the risk register. The risks are assessed and once the actions required to manage the risks have been agreed, the risks are reported to senior management, the Risk Management Committee and the Board.

The main actions/techniques used by the Company for mitigating operational risks are:

- Risk reduction – where possible, the Company takes action to reduce the impact of a risk. The required actions vary by risk. During the year Atlantic reduced its IT security risk by investing in new servers and firewall.
- Risk removal – where risks are outside risk appetite and there are no commercially viable means of reducing the risk, the Company may remove the risk if possible.
- Risk transfer – Atlantic outsources a number of activities and in some cases the associated risks with carrying out those activities. Whilst the Company can outsource activities, it can't transfer responsibility and therefore manages its outsourcing relationships accordingly.
- Risk acceptance – where the Company has considered all other mitigation techniques and the risk remains out of appetite, it may proceed to accept the risk with the approval of the Risk Management Committee.

**4.8. Other Material Risks**

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against Atlantic's actual solvency capital position, taking into account identified risks that are not incorporated into the standard formula. The following risks are recognized by the RMF as being potentially material:

- Reputation risk
- Strategic risk
- Legal environment risk
- Model risk
- New and upcoming risk
- Group risk

The Company uses a combined top-down (strategic risk assessment) and bottom-up (control risk self-assessments) approach to identify the material risks to which Atlantic is exposed. The identification process also covers risks which are not incorporated into the standard formula.

Mitigating measures are assessed as well as exposure reducing actions. The risks are then ranked by Level of Concern and are translated to Atlantic's risk priorities and relevant risk scenarios for ORSA.

## 5. Valuation for solvency purposes

The valuation of assets is based on fair value measurement as described below. Each material asset class is described in paragraph 5.1. Valuation of technical provisions is calculated as the sum of the best estimate and the risk margin as described in paragraph 5.2. Other liabilities are described in paragraph 5.3.

The reconciliation between the IFRS Balance sheet and the Solvency II valuation is shown in the below template:

	Solvency II value	IFRS Value value	Change
	€000	€000	€000
<b>Assets</b>			
Goodwill		0	0
Deferred acquisition costs		561	-561
Intangible assets	0	88	-88
Deferred tax assets	0	0	0
Pension benefit surplus	0	0	0
Property, plant & equipment held for own use	6.271	6.271	0
Investments (other than index-linked and unit-linked contracts)	37.743	37.448	295
<i>Property (other than for own use)</i>	4.311	4.311	0
<i>Holdings in related undertakings, including participations</i>	947	901	46
<i>Equities</i>	7.734	7.734	0
<i>Equities - listed</i>	5.897	5.897	0
<i>Equities - unlisted</i>	1.837	1.837	0
<i>Bonds</i>	6.262	6.032	230
<i>Government Bonds</i>	1	1	0
<i>Corporate Bonds</i>	6.261	6.032	230
<i>Structured notes</i>	0	0	0
<i>Collateralised securities</i>	0	0	0
<i>Collective Investments Undertakings</i>	10.936	10.921	15
<i>Derivatives</i>	80	80	0
<i>Deposits other than cash equivalents</i>	7.473	7.469	4
<i>Other investments</i>	0	0	0
Loans and mortgages	1.050	1.050	0
<i>Other loans and mortgages</i>	1.050	1.050	0
Reinsurance recoverables from:	3.671	3.360	311
<i>Non-life and health similar to non-life</i>	3.671	3.360	311
<i>Non-life excluding health</i>	3.493	3.062	432
<i>Health similar to non-life</i>	178	299	-121
Insurance and intermediaries receivables	4.643	4.643	0
Reinsurance receivables	0	0	0
Receivables (trade, not insurance)	23	23	0
Cash and cash equivalents	8.619	8.619	0
Any other assets, not elsewhere shown	782	1.031	-249
<b>Total assets</b>	<b>62.803</b>	<b>63.095</b>	<b>-292</b>



	Solvency II value	IFRS Value value	Change
	C0010	C0010	
<b>Liabilities</b>			
Technical provisions - non-life	20.765	21.119	-355
<i>Technical provisions - non-life (excluding health)</i>	18.618	18.845	-227
<i>TP calculated as a whole</i>	0		
<i>Best Estimate</i>	18.008		
<i>Risk margin</i>	610		
<i>Technical provisions - health (similar to non-life)</i>	2.147	2.274	-128
<i>TP calculated as a whole</i>	0		
<i>Best Estimate</i>	2.080		
<i>Risk margin</i>	66		
Other technical provisions			
Contingent liabilities	0	0	0
Provisions other than technical provisions	0	0	0
Pension benefit obligations	0	0	0
Deposits from reinsurers	0	0	0
Deferred tax liabilities	54	46	8
Derivatives	0	0	0
Debts owed to credit institutions	3	3	0
<i>Debts owed to credit institutions resident domestically</i>	3	0	0
Financial liabilities other than debts owed to credit institutions	0	0	0
Insurance & intermediaries payables	0	0	0
Reinsurance payables	628	628	0
Payables (trade, not insurance)	911	911	0
Subordinated liabilities	0	0	0
<i>Subordinated liabilities not in BOF</i>	0	0	0
<i>Subordinated liabilities in BOF</i>	0	0	0
Any other liabilities, not elsewhere shown	804	804	0
<b>Total liabilities</b>	<b>23.165</b>	<b>23.512</b>	<b>-347</b>
<b>Excess of assets over liabilities</b>	<b>39.638</b>	<b>39.583</b>	<b>55</b>

## 5.1. Assets

### ***Fair value measurement***

In accordance with the Delegated Regulation, Solvency II figures are based on fair value. In line with the valuation methodology described in article 75 and further of the Solvency II directive and articles 9 and 10, the following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value:

- Fair value based on quoted prices in an active market
- Fair value based on observable market data
- Fair value not based on observable market data

The valuation of each material asset category and an explanation of the differences between the Solvency II value and the IFRS value of each asset category are described below:

### ***Goodwill and Intangible assets***

Intangible assets relate to computer software and goodwill arising on the acquisition of agents' portfolios. Goodwill and intangible assets are not recognized in the Solvency II framework and are set to nil. As a result there is a difference between the Solvency II and IFRS value of €88k.

### ***Deferred tax assets***

Deferred tax assets are recognized in relation to temporary timing differences between accounting and tax values of assets and liabilities only to the extent that they can be utilized in the foreseeable future. Solvency II valuation principles also include a deferred tax asset or liability which is calculated using the applicable effective tax rate of the Company of 12,5% on the relevant Solvency II assets and liabilities valuation adjustments. In accordance with the Delegated Regulation the deferred tax assets and liabilities position resulting from Solvency II valuation adjustments is netted off in the balance sheet. The amount of deferred tax asset on the Solvency II valuation adjustments was nil.

### ***Deferred acquisition costs***

Deferred acquisition costs relate to the unexpired period of risks of contracts in force at the balance sheet date. In accordance with Article 12 of the Solvency II Delegated Act deferred acquisition costs are valued at nil since the related cash outflows that will be incurred in servicing all recognized insurance obligations are considered in determining the Best Estimate technical provisions. As a result there is a difference between the Solvency II and the IFRS value of deferred acquisition costs of €561k.

### ***Property, plant, and equipment held for own use***

Property is recognized at fair value as determined at the end of the year by professional independent property valuers. Plant and equipment is valued at cost minus accumulated depreciation which provides a close approximation of fair value.

### ***Investments - Property (other than for own use)***

Investment properties are valued at fair value as determined at the end of the year by professional independent property valuers.

***Investments - Holdings in related undertakings, including participations***

Valuation of holdings in related undertakings is based on fair value or, if not applicable, based on the net equity method. Under IFRS these assets are valued at cost minus provision for diminution in value of the related undertaking. As a result of the different valuation methods there is a difference of €46k between the SII value and the value based on IFRS.

***Investments – Equity, collective investment funds***

Listed equities and collective investment funds are valued using the fair value based on quoted prices in an active market. Private equity funds and unlisted property funds are valued based on the level 3 method of the fair value hierarchy using non-observable inputs obtained from the third party custodian. The main non-observable market input for these assets is the net asset value of the investment which is provided quarterly by the custodian of the funds. Investments in pools are valued using the equity accounting method.

As at 31 December 2020 all of the Company's investments in equities were listed with the exception of the following:

- €584k which represents the Company's share in the net assets of the Cyprus Hire Risks Pool and OSEDA
- €1252k investments in three unlisted property development funds located in Germany. These investments were valued at cost because they are still at an early stage of completion.

As regards collective investment funds, all investments held were listed with the exception of a private equity fund of €552k and of a global real estate fund of €50k, both managed by Morgan Stanley and a private equity fund of €399k which is under custody with EFG AG.

***Investments –Bonds***

All of the Company's investments in bonds are listed in regulated stock exchanges and hence they are valued using the fair value based on quoted prices in an active market. Accrued interest is added to the value of the bonds.

The difference in the Solvency II value of listed bonds of €245k relates to accrued interest (corporate bonds €230k and collective investments €15k) which under the IFRS financial statements is included in other debtors.

***Derivatives***

The Company uses futures and forward contracts to hedge the currency risk arising from its investments denominated in foreign currencies. Derivative assets are valued using the fair value method as the difference between the spot rate at the reporting date and the forward contract rate.

***Deposits other than cash and cash equivalents***

Deposits other than cash and cash equivalents are valued at fair value. Accrued interest is included as part of the value of the deposits.

The difference in the Solvency II value of deposits relates to the accrued interest on bank deposits of €4k which under the IFRS financial statements is included in other debtors.

**Reinsurance receivables**

Contracts that transfer a significant insurance risk from the Company to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance. Assets arising from reinsurance contracts are recognized under reinsurance contracts, except for current receivables from reinsurers, which are included under reinsurance receivables. The management assesses at each reporting date whether any objective evidence of impairment of receivables exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount. Therefore, current receivables from reinsurers are valued comparable with IFRS.

**Insurance and intermediaries receivables**

Insurance and intermediaries receivable balances represent premiums owed from policyholders and intermediaries. Outstanding premiums are valued at fair value and due to the short-term nature of the receivable no adjustments to valuation are required. The management assesses whether any objective evidence of impairment of insurance receivables exists. In that case receivables are regarded as doubtful and are adequately provided for. Objective evidence includes payment delays, overdue amounts, indication of significant weakness in repayment of debts, legal procedures and bankruptcy. The value of insurance and intermediaries receivables in the Company's financial statements is the same as for Solvency II.

**Own shares**

Own shares are valued at fair value based on quoted prices in an active market and are included as part of assets in the balance sheet. In its IFRS financial statements the Company deducts own shares from reserves. As at 31 December 2020 the Company did not hold any own shares.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments with original maturities of three months or less.

**Other assets**

Other assets include accrued interest, commission receivable, prepayments and other debtors. The difference of €249k between the Solvency II and the IFRS value relates to accrued interest which under Solvency II is shown as part of the relevant bonds and bank deposits.

## 5.2. Technical provisions

### Methods

The technical provision is the sum of the best estimate and the risk margin.

€000	2020	2019	Change
Best estimate	20.088	27.836	-27,8%
Risk margin	677	703	-3,7%
<b>Technical provisions</b>	<b>20.765</b>	<b>28.539</b>	<b>-27,2%</b>

The Solvency II value of technical provisions amounted to €20,76mln and consists of the **Best Estimate** of €20,09mln and of the **Risk Margin** of €0,68mln which accounts for 3,4% of the Best Estimate.

### Best Estimate

The best estimate is the net present value of projected cash flows from insurance contracts, i.e. benefits and claims, and costs less premiums. These cash flows are estimated using best estimate assumptions with respect to recovery, claims experience, expense and inflation.

The cash flows are discounted using the term structure of risk-free interest rates as prescribed under Solvency II for the valuation of underwriting liabilities.

Technical provisions-Best Estimate	SCR 2020	SCR 2019	% Change
<b>Best estimate-Gross</b>	<b>20.088</b>	<b>27.836</b>	<b>-27,8%</b>
Premium Provisions-Gross	9.088	10.467	-13,2%
Claim Provisions-Gross	11.000	17.369	-36,7%
<b>Best estimate-Net</b>	<b>16.417</b>	<b>17.037</b>	<b>-3,6%</b>
Premium Provisions-Net	7.029	7.271	-3,3%
Claim Provisions-Net	9.388	9.766	-3,9%

The gross best estimate consists of premium provisions of €9,09mln and of claim provisions of €11,00mln. Premium provisions decreased by 13,2% mainly as result of the non-renewal of the EAC fronting policy in 2020. The significant reduction in claims provisions by 36,7% is mainly attributable to the settlement in 2020 of the €6,45mln claim for the damages on the EAC station at Vasilicos. The net best estimate of technical provisions decreased by 3,6% and amounted to €16,42mln compared to €17,04mln in 2019. The net technical provisions are comprised of premium provisions of €7,03mln and of claim provisions of €9,39mln.

### Risk margin

The risk margin is determined using the Cost of Capital (CoC) method, with a Cost-of-Capital rate of 6%, in line with the Delegated Regulation. The risk margin is based on the Solvency Capital Requirement (SCR) of all insurance risks, operational risk and counterparty default risk for reinsurance arrangements and other material exposures which are closely related to insurance liabilities.

The SCR calculation is making allowance for the correlations between risks using correlation factors as defined in the standard model. In determining the risk margin, allowance is also made for diversification between risk groups within the entity, but not between legal entities.

### Risk-free yield curve

The basis for the reference rate of the best estimate is the swap rate at the date of valuation. The below RFR curve with no volatility adjustment was used for discounting technical provisions.

Year	1	2	3	4	5	6	7	8	9	10
Baseline	-0,62%	-0,62%	-0,61%	-0,59%	-0,56%	-0,53%	-0,49%	-0,45%	-0,40%	-0,37%
SCR up	0,38%	0,38%	0,39%	0,41%	0,44%	0,47%	0,51%	0,56%	0,60%	0,63%
SCR down	-0,62%	-0,62%	-0,61%	-0,59%	-0,56%	-0,53%	-0,49%	-0,45%	-0,40%	-0,37%

### Technical provisions by line of business

Line of Business -€000	Gross	Reinsurers' Share	Net
Medical expense insurance	2.147	178	1.969
Motor Vehicle Liability	10.961	1.126	9.835
Motor -Other	2.257	66	2.191
Marine	315	179	136
Property	2.416	1.603	813
Liability	2.311	369	1.942
Credit	14	2	12
Assistance	337	144	194
Miscellaneous	7	5	2
<b>Total</b>	<b>20.765</b>	<b>3.671</b>	<b>17.094</b>

### Level of uncertainty

Atlantic distinguishes between two sources of uncertainty with regard to the level of the technical provisions. These sources are model risk and process risk. The uncertainty associated with these risks has been mitigated as described below:

#### Process risk

The process risk is mitigated by creating a reasonable degree of assurance as to the reliability of financial reports and information. Key controls for the calculation of technical provisions process have been identified and implemented. The effectiveness of the process controls is strengthened by the periodic independent verification of the calculation of technical provisions by an external professional actuary.

#### Model risk

The models used by the Company for the calculation of technical provisions were reviewed and validated by external professional advisors. The Company incorporated in its calculation models all recommendations raised by the external advisors. The Company employs regular procedures and validation checks to provide adequate assurance that the reported figures do not contain any material misstatements or that no key facts have been omitted. The actuarial function performs an independent internal review of the technical provisions calculation on a periodic basis.

Despite the above mitigation factors, the Company has added an additional amount of €479k in the value of its technical provisions to cover process and model error risk. The additional provision is in line with the Company's conservative approach to the Solvency II capital calculations.

### Sensitivity analysis

We provide below the results of the sensitivity of the Best estimate technical provisions to the key assumptions used for the estimation:

	Basic *	GL Ratio		Admin Expenses		RI Claims Ratio		Claims Costs	
Gross - Current Basis, SII	<b>19.892</b>	<b>20.006</b>	<b>0,6%</b>	<b>19.991</b>	<b>0,5%</b>	<b>19.892</b>	<b>0,0%</b>	<b>19.978</b>	<b>0,4%</b>
Premiums provisions	9.014	9.127	1,3%	9.112	1,1%	9.014	0,0%	9.057	0,5%
Post claims technical provisions	10.879	10.879	0,0%	10.879	0,0%	10.879	0,0%	10.921	0,4%
Net - Current Basis, SII	<b>16.243</b>	<b>16.342</b>	<b>0,6%</b>	<b>16.341</b>	<b>0,6%</b>	<b>16.287</b>	<b>0,3%</b>	<b>16.328</b>	<b>0,5%</b>
Premiums provisions	6.971	7.071	1,4%	7.070	1,4%	7.015	0,6%	7.014	0,6%
Post claims technical provisions	9.272	9.272	0,0%	9.272	0,0%	9.272	0,0%	9.314	0,5%
Basic Assumption		39,57%		13,79%		6,31%		13,00%	
Revised assumption		40,57%		14,79%		7,31%		14,00%	

\*The above amounts are shown before discounting

### Comparison between the Solvency II and the IFRS valuation

A comparison between the Solvency II and the IFRS valuation of technical provisions is shown in the below table:

Technical provisions-€000	SII	IFRS	% Diff
<b>Best estimate-Gross</b>	<b>20.088</b>	<b>21.119</b>	<b>-4,9%</b>
Premium Provisions-Gross	9.088	10.070	-9,8%
Claim Provisions-Gross	11.000	11.050	-0,4%
<b>Best estimate-Net</b>	<b>16.417</b>	<b>17.759</b>	<b>-7,6%</b>
Premium Provisions-Net	7.029	8.317	-15,5%
Claim Provisions-Net	9.388	9.442	-0,6%
<b>BE Net and Risk Margin</b>			
Best Estimate -Net	16.417		
Risk margin (SII) SF	677		
<b>Technical provisions-Net</b>	<b>17.094</b>	<b>17.759</b>	<b>-3,7%</b>

The net Solvency II technical provisions amounted to €17,09mIn and were lower than the IFRS technical provisions by 3,7%.

Under Solvency II, the technical provisions are calculated using a different method compared to IFRS.

The main differences between the two valuation methods relate to:

- A different curve used to calculate the best estimate
- Different methods for the risk margin
- In IFRS expected profit is not taken into account
- Different methods for determining best estimate premium liabilities
- Investment costs are taken into account under Solvency II

### 5.3. Other liabilities

#### Valuation of other liabilities

In line with the valuation of assets, the accounting principles for other liabilities used in the Pillar III reports are generally also based on the IFRS as adopted by the EU. Any differences between the methods for IFRS and Solvency II purposes are addressed in detail per liability category.

#### *Deferred tax liabilities*

Deferred tax liabilities are recognized in relation to temporary timing differences between accounting and tax values of assets and liabilities. The amount of deferred tax is calculated using the applicable effective tax rates. Solvency II valuation principles also include a deferred tax asset or liability which is calculated using the applicable effective tax rate of the Company of 12,5% on the relevant Solvency II assets and liabilities valuation adjustments. In accordance with the Delegated Regulation the deferred tax assets and liabilities position resulting from Solvency II valuation adjustments is netted off in the balance sheet. As at 31 December 2020 the amount of deferred tax liabilities on the Solvency II valuation adjustments was €8k.

#### *Derivatives*

The Company uses futures and forward contracts to hedge the currency risk arising from its investments denominated in foreign currencies. Derivative liabilities are valued using the fair value method as the difference between the spot rate at the reporting date and the forward contract rate.

#### *Reinsurance payables*

Reinsurance payables relate to amounts due under reinsurance contracts which were in force at the reporting date. The amounts payable are calculated in accordance with reinsurance agreements and contract notes. No estimation methods, adjustments for future value or valuation judgements are required for these balances. The timing of expected economic outflows to settle the liability with each reinsurer is contractually based.

#### *Trade payables (non-insurance)*

The balances relate to amounts due to suppliers of consumables, equipment and services. These liabilities are valued using the fair value method based on the actual contractual amounts. Due to their short term duration, no future value adjustments are normally necessary.

#### *Any other liabilities*

Other liabilities include amounts payable for taxation, dividends and amounts due to subsidiary undertakings and related persons.

#### *Contingent liabilities*

Contingent liabilities are defined as:

- a possible obligation depending on whether some uncertain future event occurs, or
- a present obligation but payment is not probable or the amount cannot be measured reliably.

Solvency II prescribes that all contingent liabilities be recognized on the Solvency II balance sheet. The Company carries a regular review at each reporting date to assess whether any contingent liabilities should be recognized on the Solvency II balance sheet. As at 31 December 2020 there were no significant contingent liabilities.



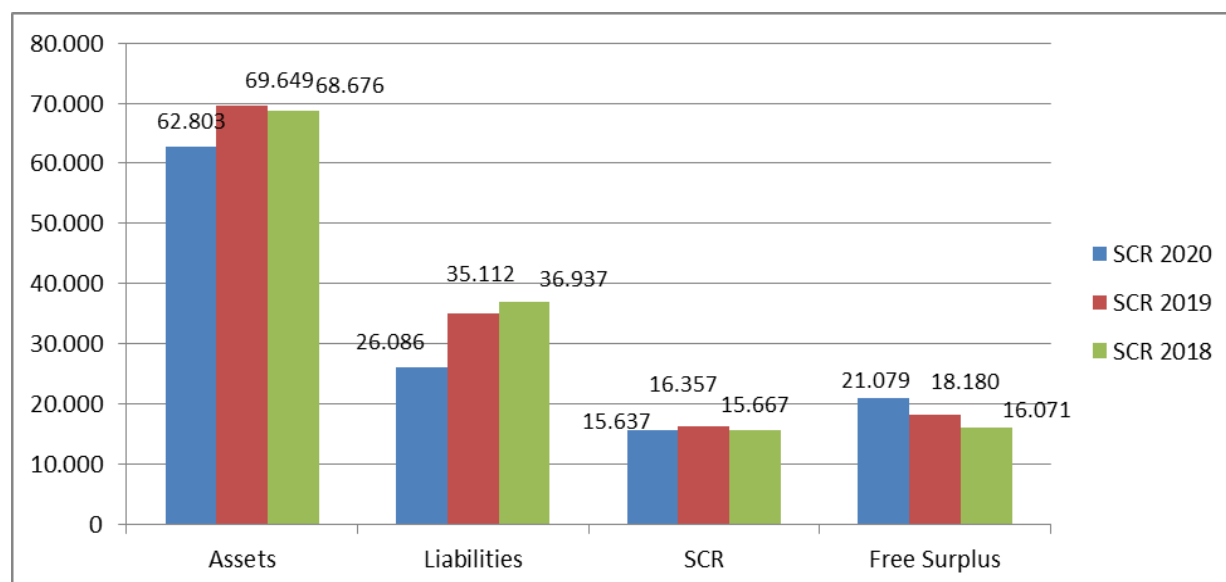
## 6. Capital management

### 6.1. Key figures

Solvency ratio comparison-€000	2020	2019	2018	2017	% Change
Value of assets	62.803	69.649	68.676	81.964	-9,8%
Value of technical provisions and other liabilities	26.086	35.112	36.937	48.100	-25,7%
<b>Available eligible capital</b>	<b>36.717</b>	<b>34.537</b>	<b>31.739</b>	<b>33.864</b>	<b>6,3%</b>
<b>Required capital (SCR, required solvency margin)</b>	<b>15.638</b>	<b>16.357</b>	<b>15.667</b>	<b>16.652</b>	<b>-4,4%</b>
'Free surplus'	21.079	18.180	16.071	17.212	<b>15,9%</b>

Solvency Ratio	234,8%	211,1%	202,6%	203,4%	23,6%
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The **Solvency Ratio** increased to 234,8% in 2020 from 211,1% in 2019. The increase is due to the fact that the available eligible capital increased by 6,3% whilst the Solvency Capital Required (SCR) fell by 4,4%.



### 6.2. Objectives, policies and processes

#### *Objectives, policies and processes*

The Company is committed to maintain a strong capital position in order to be a robust insurer for its policyholders and other stakeholders. The objective is to maintain a solvency level that is within the limits defined in the risk appetite statements and the solvency targets.

Sensitivities are periodically performed for principal risks and annual stress tests are performed to test Atlantic's ability to withstand moderate to severe adverse scenarios.

The SCR is reported on a quarterly basis and the internal minimum solvency ratio for Atlantic as formulated in the risk appetite statement is 150%. The solvency ratio stood at 211,15% at 31 December 2019, which was comfortably higher than both the internal limit of 150% and the minimum regulatory limit of 100%.

The Company uses a 3-year business planning horizon as part of the ORSA process. On an annual basis, and having regard to the results of stress tests applied to the projections over the three year planning period, the Management will consider whether further action is required in accordance with the Company's approved contingency plan.

Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or distributed to shareholders. The objective of the Company's active capital management is to improve its capital generation capacity through business improvement and balance sheet restructuring.

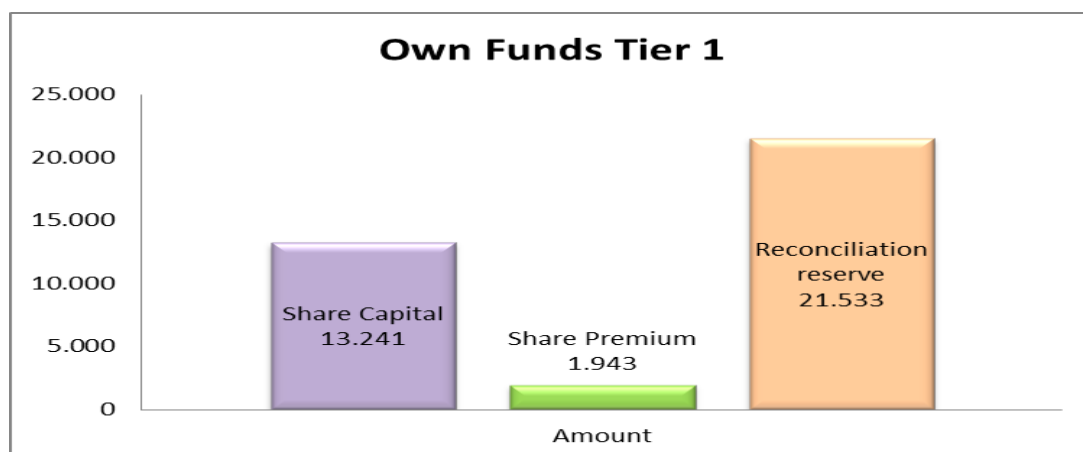
The Board's decision on the payment of dividend takes into consideration the current and projected SCR levels of the Company.

### 6.3. Eligible Own funds

Atlantic's eligible own funds amount to €36,72mln. The Company's own funds are all tier 1 unrestricted and available to cover the SCR and MCR.

Basic Own Fund Items-€000	Current accounting bases	SII Valuation Principles	Tier 1	Tier 2	Tier 3
<b>Ordinary share capital (net of own shares)</b>	<b>13.241</b>	<b>13.241</b>	<b>13.241</b>	<b>0</b>	<b>0</b>
<i>Paid up</i>	13.241	13.241	13.241		
<b>Share premium account</b>	<b>1.943</b>	<b>1.943</b>	<b>1.943</b>	<b>0</b>	<b>0</b>
<b>Reconciliation reserve</b>		<b>21.533</b>		<b>0</b>	<b>0</b>
Retained earnings including profits from the year	21.443	21.443	21.443	0	0
Other reserves from accounting balance sheet	2.956	2.956	2.956	0	0
<b>Reconciliation adjustments</b>		<b>-2.866</b>	<b>-2.866</b>	<b>0</b>	<b>0</b>
Adjustments to assets		-292	-292	0	0
Adjustments to technical provisions		355	355	0	0
Foreseeable Dividends		-2.921	-2.921	0	0
Adjustments to other liabilities		-8	-8	0	0
Own Shares included in Assets		0	0	0	0
Surplus funds		0	0	0	0
Expected profit in future premiums		0	0	0	0
<b>Other paid in capital instruments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Preference shares	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
Other items not specified above	0	0	0	0	0
<b>Total Basic own funds before adjustments</b>	<b>39.583</b>	<b>36.717</b>	<b>36.717</b>	<b>0</b>	<b>0</b>
<b>Total Ancillary own funds</b>				<b>0</b>	<b>0</b>
<b>Total available own funds to meet SCR</b>	<b>39.583</b>	<b>36.717</b>	<b>36.717</b>	<b>0</b>	<b>0</b>

With respect to the capital position, Solvency II requires the insurers to categorize own funds into 3 tiers of capital with differing qualifications as eligible available regulatory capital. The rules impose limits on the amount of each tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that might arise.



The Company's ordinary share capital, share premium arising on ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation.

The Company has no tier 1 restricted own funds (per Article 80 of the Delegated Regulations), no tier 2 own funds (per Article 72 of the Delegated Regulations) no tier 3 own funds (per Article 76 of the Delegated Regulations) and no ancillary own funds. There is no item of basic own funds which is subject to the transitional arrangements referred to in articles 308 b(9) and 308 b(10).

#### 6.4. Reconciliation of Own Funds

The reconciliation between the Company's own funds shown in its IFRS financial statements and the excess of assets over liabilities as calculated for solvency purposes is shown below:

Basic Own Fund Items-€000	2020
<b>IFRS Own funds</b>	<b>39.583</b>
Own shares added back	-
	<b>39.583</b>
<b>Reconciliation Differences</b>	<b>-2.866</b>
<b>Adjustment to Assets</b>	<b>-292</b>
Intangible Assets	-88
Deferred acquisition costs	-561
Participations	46
Reinsurers share of TP	311
Deferred tax assets	-
<b>Adjustment to liabilities</b>	<b>347</b>
TP Best Estimate	355
Deferred taxes	-8
<b>Foreseeable Dividends</b>	<b>-2.921</b>
<b>Other items not specified above</b>	<b>-</b>
<b>Total available own funds to meet SCR, before eligibility assessment</b>	<b>36.717</b>

The total adjustments in own funds calculated based on IFRS amount to €2,87mln and comprise of assets adjustments of -€292k, adjustments to liabilities of €347K and foreseeable dividends of €2,92mln.

The adjustments to assets relate to the increase in reinsurers share of Technical provisions of €311k, the exclusion of deferred acquisition costs of €561k and of intangible assets of €88k and valuation differences of participations of €46k.

The adjustments to liabilities relate to the reduction in the value of technical provisions by €355k based on Solvency II valuation principles and the increase of deferred tax liabilities of €8k on Solvency II valuation adjustments.

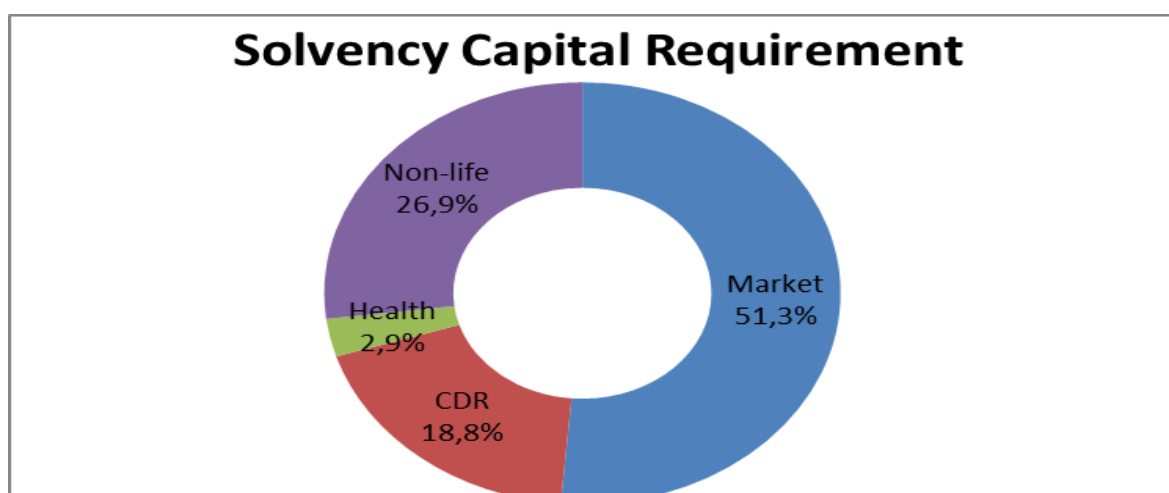
## 6.5. Solvency Capital Requirement

The Solvency capital requirement (“SCR”) which is calculated based on the Standard Formula of Pillar 1 amounts to €15,64mln with a decrease of 4,4% from the previous year. The decrease mainly relates to the reduction in market risk by 7,0%.

€000	2020	2019	% Change
<b>Solvency Capital Requirement</b>	<b>15.637</b>	<b>16.357</b>	<b>-4,4%</b>
SCR operational risk	726	835	-13,1%
Adjustment for the LAE of TP and deferred taxes	-1.734	-1.778	-2,5%
<b>Basic Solvency Capital Requirement</b>	<b>16.645</b>	<b>17.300</b>	<b>-3,8%</b>
<b>Diversified risk</b>	<b>16.645</b>	<b>17.300</b>	<b>-3,8%</b>
<i>Diversification effects</i>	-5.784	-5.872	-1,5%
<b>Sum of risk components</b>	<b>22.429</b>	<b>23.172</b>	<b>-3,2%</b>
Market risk	11.515	12.381	-7,0%
Counterparty default risk	4.220	3.990	5,8%
Health underwriting risk	651	713	-8,7%
Non-Life underwriting risk	6.043	6.088	-0,7%

The adjustment for the loss absorbing effect of technical provisions and deferred taxes amounted to €1,73mln (2019: €1,78mln). In recognizing the above amount the Company considered whether the full amount is expected to be utilized by future taxable profits over the next 5 years both under normal operating conditions as well as under stressed economic conditions.

The main components of the Company’s SCR are the market risk 51,3%, underwriting risk 26,9% and counterparty default risk 18,8%. A breakdown of the undiversified SCR by risk modules is shown below:



Market risk is analysed in the following risk modules:

€000	2020	2019	% Change
<b>Market risk</b>	<b>11.515</b>	<b>12.381</b>	<b>-7,0%</b>
<i>Diversification effects</i>	-4.276	-4.628	-7,6%
<b>Sum of risk components</b>	<b>15.791</b>	<b>17.008</b>	<b>-7,2%</b>
Interest rate risk	362	85	325,4%
Equity risk	6.469	7.190	-10,0%
Property risk	2.929	3.589	-18,4%
Spread risk	2.633	1.811	45,4%
Currency risk	1.132	1.717	-34,1%
Concentration risk	2.266	2.616	-13,4%

The reduction in market risk by 7,0% to €11,52mln is mainly attributable to the decrease in equity risk, as well as the decrease in property, currency and concentration risks.

Assets Risk Analysis-€000	2020	% Total	2019	% Total	% Change
Concentration Risk	44.189	70,4%	45.309	65,1%	-2,5%
Counterparty Risk	18.606	29,6%	24.280	34,9%	-23,4%
None (Cash /Deferred Tax/Other)	8	0,0%	60	0,1%	
	<b>62.803</b>	<b>100,0%</b>	<b>69.649</b>	<b>100,0%</b>	<b>-9,8%</b>

The total Solvency II value of the Company's assets decreased by 9,8% to €62,80mln (2019: €69,65mln).

Total assets subject to concentration risk comprised 70,4% of total assets and amounted to €44,2mln whilst assets subject to counterparty default risk amounted to €18,6mln and accounted for 29,6% of total assets.

### Undertaking specific parameters

In the calculation of the SCR non-life underwriting risk the Company did not make any use of undertaking specific parameters.

### Capital Add-on

The Insurance Companies Control Service has made use of the option provided in article 51(2) of the Solvency II Directive 2009/138/EC. The Company was not required to use any capital add-on nor Company specific parameters in the calculation of the SCR.

## 6.6. Minimum Capital Requirement (“MCR”)

The Company’s MCR as at 31 December 2020 amounts to €3,91mln.

The linear minimum capital requirement amounts to €2,88mln and the absolute floor level of MCR to €3,7mln.

### *Inputs used to calculate the Minimum Capital Requirement*

The table below shows the inputs into the MCR calculation as at 31 December 2020. The absolute floor of the Minimum Capital Requirement is prescribed by EIOPA and stated in €000 below.

Overall MCR calculation	€000
<b>Linear MCR</b>	2.876
SCR	15.637
MCR cap	7.037
MCR floor	3.909
<b>Combined MCR</b>	3.909
Absolute floor of the MCR	3.700
<b>Minimum Capital Requirement</b>	<b>3.909</b>

### *Material changes of MCR and SCR*

There were no other material changes in the MCR and SCR over the reporting period other than the ones described above.

### *Non-compliance with the MCR and SCR*

Atlantic has not faced any form of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement during the reporting period or at the reporting date.

### **Any other information**

#### *Dividend policy and capital actions*

The Company has formulated its dividend policy in line with its current strategy. The objective of its policy is to pay an annual dividend that creates sustainable long-term value for its shareholders. The Company aims to operate at a solvency ratio, calculated according to the standard formula, above the management threshold level of at least 150% of the Solvency Capital Requirement (“SCR”).

The Board of Directors at its meeting on April 6, 2021 has decided to propose for approval at the Company’s next Annual General Meeting the payment of a dividend of 8,5 cents per share.

On September 30, 2020 the Company paid dividends of €2,53mln to its shareholders, that represents a dividend of 6,5 cents per share which was approved by the Annual General Meeting on September 3, 2020.

## Validations

### Atlantic Insurance Company Public Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2020

We certify that:

1 the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the Solvency II Regulations; and

2 we are satisfied that:

(a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the insurer; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued to comply, and will continue to comply in future.

**Approval by the Administrative, Management or Supervisory Body of the SFCR and reporting templates**

Emiliios Pyrishis

Chief Executive Officer



Loukis Ioannou

C.F.O, Head of Risk Management Function

## Appendix: Templates

### General information

Undertaking name	ATLANTIC INSURANCE COMPANY PUBLIC LTD
Undertaking identification code	213800ZUWYFW5BADU685
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	CY
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	EUR
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

### List of reported templates

- 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.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity



## S.02.01.02

## Balance sheet

		Solvency II value
		C0010
<b>Assets</b>		
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	6.271
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	37.743
R0080	<i>Property (other than for own use)</i>	4.311
R0090	<i>Holdings in related undertakings, including participations</i>	947
R0100	<i>Equities</i>	7.734
R0110	<i>Equities - listed</i>	5.897
R0120	<i>Equities - unlisted</i>	1.837
R0130	<i>Bonds</i>	6.262
R0140	<i>Government Bonds</i>	1
R0150	<i>Corporate Bonds</i>	6.261
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	10.936
R0190	<i>Derivatives</i>	80
R0200	<i>Deposits other than cash equivalents</i>	7.473
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	1.050
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	0
R0260	<i>Other loans and mortgages</i>	1.050
R0270	Reinsurance recoverables from:	3.671
R0280	<i>Non-life and health similar to non-life</i>	3.671
R0290	<i>Non-life excluding health</i>	3.493
R0300	<i>Health similar to non-life</i>	178
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	4.643
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	23
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	8.619
R0420	Any other assets, not elsewhere shown	782
R0500	<b>Total assets</b>	<b>62.803</b>

		Solvency II value
		C0010
<b>Liabilities</b>		
R0510	Technical provisions - non-life	20.765
R0520	<i>Technical provisions - non-life (excluding health)</i>	18.618
R0530	<i>TP calculated as a whole</i>	0
R0540	<i>Best Estimate</i>	18.008
R0550	<i>Risk margin</i>	610
R0560	<i>Technical provisions - health (similar to non-life)</i>	2.147
R0570	<i>TP calculated as a whole</i>	0
R0580	<i>Best Estimate</i>	2.080
R0590	<i>Risk margin</i>	66
R0600	Technical provisions - life (excluding index-linked and unit-linked)	0
R0610	<i>Technical provisions - health (similar to life)</i>	0
R0620	<i>TP calculated as a whole</i>	
R0630	<i>Best Estimate</i>	
R0640	<i>Risk margin</i>	
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>	0
R0660	<i>TP calculated as a whole</i>	
R0670	<i>Best Estimate</i>	
R0680	<i>Risk margin</i>	
R0690	Technical provisions - index-linked and unit-linked	0
R0700	<i>TP calculated as a whole</i>	
R0710	<i>Best Estimate</i>	
R0720	<i>Risk margin</i>	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	54
R0790	Derivatives	0
R0800	Debts owed to credit institutions	3
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	628
R0840	Payables (trade, not insurance)	911
R0850	Subordinated liabilities	0
R0860	<i>Subordinated liabilities not in BOF</i>	0
R0870	<i>Subordinated liabilities in BOF</i>	0
R0880	Any other liabilities, not elsewhere shown	804
R0900	<b>Total liabilities</b>	23.165
R1000	<b>Excess of assets over liabilities</b>	39.638



S.05.02.01

Premiums, claims and expenses by country

Non-life

	C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010	C0080	C0090	C0100	C0110	C0120	C0130	C0140
<b>Premiums written</b>							
R0110	Gross - Direct Business	22.922					22.922
R0120	Gross - Proportional reinsurance accepted	178					178
R0130	Gross - Non-proportional reinsurance accepted	0					0
R0140	Reinsurers' share	4.935					4.935
R0200	Net	18.165					18.165
<b>Premiums earned</b>							
R0210	Gross - Direct Business	24.022					24.022
R0220	Gross - Proportional reinsurance accepted	178					178
R0230	Gross - Non-proportional reinsurance accepted	0					0
R0240	Reinsurers' share	5.873					5.873
R0300	Net	18.327					18.327
<b>Claims incurred</b>							
R0310	Gross - Direct Business	8.145					8.145
R0320	Gross - Proportional reinsurance accepted	0					0
R0330	Gross - Non-proportional reinsurance accepted	0					0
R0340	Reinsurers' share	638					638
R0400	Net	7.507					7.507
<b>Changes in other technical provisions</b>							
R0410	Gross - Direct Business	-6.359					-6.359
R0420	Gross - Proportional reinsurance accepted	0					0
R0430	Gross - Non-proportional reinsurance accepted	0					0
R0440	Reinsurers' share	-6.178					-6.178
R0500	Net	-181					-181
R0550	<b>Expenses incurred</b>	5.907					5.907
R1200	<b>Other expenses</b>						
R1300	<b>Total expenses</b>						5.907

**S.17.01.02  
Non-Life Technical Provisions**

		Direct business and accepted proportional reinsurance								Total Non-Life obligation	
		Medical expense 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	Assistance		Miscellaneous financial loss
		C0020	C0050	C0060	C0070	C0080	C0090	C0100	C0120	C0130	C0180
R0010	<b>Technical provisions calculated as a whole</b>	0	0	0	0	0	0	0	0	0	0
R0050	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										0
	<b>Technical provisions calculated as a sum of BE and RM</b>										
	<b>Best estimate</b>										
	<b>Premium provisions</b>										
R0060	Gross	1.284	3.658	1.513	80	1.850	359	8	329	7	9.088
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	64	300	66	59	1.316	103	2	144	5	2.059
R0150	<b>Net Best Estimate of Premium Provisions</b>	1.219	3.358	1.448	21	535	256	6	186	2	7.029
	<b>Claims provisions</b>										
R0160	Gross	797	6.940	654	227	513	1.864	0	5	0	11.000
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	113	826	0	120	287	266	0	0	0	1.612
R0250	<b>Net Best Estimate of Claims Provisions</b>	684	6.114	654	107	226	1.598	0	5	0	9.388
R0260	<b>Total best estimate - gross</b>	2.080	10.598	2.167	307	2.363	2.223	8	334	7	20.088
R0270	<b>Total best estimate - net</b>	1.903	9.472	2.101	128	760	1.854	6	191	2	16.417
R0280	<b>Risk margin</b>	66	363	90	8	52	87	1	8	0	677

S.17.01.02 (Continued)

		Direct business and accepted proportional reinsurance								Total Non-Life obligation	
		Medical expense 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	Assistance		Miscellaneous financial loss
<b>Amount of the transitional on Technical Provisions</b>											
R0290	Technical Provisions calculated as a whole									0	
R0300	Best estimate									0	
R0310	Risk margin									0	
R0320	<b>Technical provisions - total</b>	2.147	10.961	2.257	315	2.416	2.311	9	342	7	20.765
R0330	<b>Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total</b>	178	1.126	66	179	1.603	369	2	144	5	3.671
R0340	<b>Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total</b>	1.969	9.835	2.191	136	813	1.942	7	199	2	17.094

**S.19.01.21**  
**Non-Life insurance claims**  
**Total Non-life business**

Z0020

Accident Year

<b>Gross Claims Paid (non-cumulative)</b>														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year											In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9	10 & +			
R0100	Prior											47	47	47
R0160	2011*	6.637	1.857	281	77	35	45	28	156	19	176	176	9.312	
R0170	2012	6.767	1.649	175	58	11	29	817	92	71		71	9.669	
R0180	2013	5.527	1.443	379	129	131	31	89	51			51	7.781	
R0190	2014	5.209	1.364	222	1.351	65	117	74				74	8.402	
R0200	2015	6.217	2.122	357	98	2	27					27	8.823	
R0210	2016	5.030	2.081	6.352	69	6.631						6.631	20.164	
R0220	2017	5.321	1.832	78	208							208	7.439	
R0230	2018	5.916	1.925	289								289	8.130	
R0240	2019	6.387	1.883									1.883	8.270	
R0250	2020	5.045										5.045	5.045	
R0260	<b>Total</b>											14.504	93.083	

\*Excludes the payment of €132,5 mln for the claim of EAC at Mari which was 100% reinsured.

**S.19.01.21 (Continued)**  
**Non-Life insurance claims**

**Total Non-life business**

<b>Gross Undiscounted Best Estimate Claims Provisions</b>												<b>C0360</b>	
<b>(absolute amount)</b>													
	<b>C0200</b>	<b>C0210</b>	<b>C0220</b>	<b>C0230</b>	<b>C0240</b>	<b>C0250</b>	<b>C0260</b>	<b>C0270</b>	<b>C0280</b>	<b>C0290</b>	<b>C0300</b>		
<b>Year</b>	<b>Development year</b>											<b>Year end (discounted data)</b>	
	0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											379	384
R0160	2011	0	0	0	0	0	989	947	676	695	681	688	
R0170	2012	0	0	0	0	1.214	1.270	228	172	155		156	
R0180	2013	0	0	0	566	364	277	78	81			81	
R0190	2014	0	0	2.216	708	527	973	929				939	
R0200	2015	0	1.115	538	321	313	368					371	
R0210	2016	24.688	21.293	10.638	7.091	429						434	
R0220	2017	4.786	1.288	1.191	1.086							1.098	
R0230	2018	4.574	1.427	1.312								1.325	
R0240	2019	4.864	1.144									1.156	
R0250	2020	4.327										4.371	
R0260												<b>Total</b> 11.004	



**S.23.01.01****Own Funds****Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35**

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010 Ordinary share capital (gross of own shares)	13.241	13.241		0	
R0030 Share premium account related to ordinary share capital	1.943	1.943		0	
R0040 Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050 Subordinated mutual member accounts	0		0	0	0
R0070 Surplus funds	0	0			
R0090 Preference shares	0		0	0	0
R0110 Share premium account related to preference shares	0		0	0	0
R0130 Reconciliation reserve	21.533	21.533			
R0140 Subordinated liabilities	0		0	0	0
R0160 An amount equal to the value of net deferred tax assets	0				0
R0180 Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
<b>R0220 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</b>	0				
<b>R0230 Deductions for participations in financial and credit institutions</b>	0	0	0	0	
<b>R0290 Total basic own funds after deductions</b>	36.717	36.717	0	0	0

**Ancillary own funds**

R0300 Unpaid and uncalled ordinary share capital callable on demand	0				
R0310 Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320 Unpaid and uncalled preference shares callable on demand	0				
R0330 A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340 Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350 Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360 Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370 Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390 Other ancillary own funds	0				
<b>R0400 Total ancillary own funds</b>	0			0	0

**Available and eligible own funds**

R0500 Total available own funds to meet the SCR	36.717	36.717	0	0	0
R0510 Total available own funds to meet the MCR	36.717	36.717	0	0	
R0540 Total eligible own funds to meet the SCR	36.717	36.717	0	0	0
R0550 Total eligible own funds to meet the MCR	36.717	36.717	0	0	

**S.23.01.01 (Continued)**

**Own Funds**

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050

R0580	<b>SCR</b>	15.637				
R0600	<b>MCR</b>	3.909				
R0620	<b>Ratio of Eligible own funds to SCR</b>	234,80%				
R0640	<b>Ratio of Eligible own funds to MCR</b>	939,20%				
	<b>Reconciliation reserve</b>		C0060			
R0700	Excess of assets over liabilities	39.638				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges	2.921				
R0730	Other basic own fund items	15.184				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	<b>Reconciliation reserve</b>	21.533				
	<b>Expected profits</b>					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	<b>Total Expected profits included in future premiums (EPIFP)</b>	0				

**S.25.01.21**

**Solvency Capital Requirement - for undertakings on Standard Formula**

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	11.515		
R0020	Counterparty default risk	4.220		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	651		
R0050	Non-life underwriting risk	6.043		
R0060	Diversification	-5.784		
R0070	Intangible asset risk	0		
R0100	<b>Basic Solvency Capital Requirement</b>	16.645		
	<b>Calculation of Solvency Capital Requirement</b>			
R0130	Operational risk	726		
R0140	Loss-absorbing capacity of technical provisions	0		
R0150	Loss-absorbing capacity of deferred taxes	-1.734		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200	<b>Solvency Capital Requirement excluding capital add-on</b>	15.637		
R0210	Capital add-ons already set	0		
R0220	<b>Solvency capital requirement</b>	15.637		
	<b>Other information on SCR</b>			
R0400	Capital requirement for duration-based equity risk sub-module	0		
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0		
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0		
	<b>Approach to tax rate</b>			
R0590	Approach based on average tax rate	Yes		
	<b>Calculation of loss absorbing capacity of deferred taxes</b>			
		LAC DT		
		C0130		
R0640	LAC DT	-1.734		
R0650	LAC DT justified by reversion of deferred tax liabilities	-1.734		
R0660	LAC DT justified by reference to probable future taxable economic profit	0		
R0670	LAC DT justified by carry back, current year	0		
R0680	LAC DT justified by carry back, future years	0		
R0690	Maximum LAC DT	0		

**USP Key**

**For life underwriting risk:**

- 1 - Increase in the amount of annuity benefits
- 9 - None

**For health underwriting risk:**

- 1 - Increase in the amount of annuity benefits
- 2 - Standard deviation for NSLT health premium risk
- 3 - Standard deviation for NSLT health gross premium risk
- 4 - Adjustment factor for non-proportional reinsurance
- 5 - Standard deviation for NSLT health reserve risk
- 9 - None

**For non-life underwriting risk:**

- 4 - Adjustment factor for non-proportional reinsurance
- 6 - Standard deviation for non-life premium risk
- 7 - Standard deviation for non-life gross premium risk
- 8 - Standard deviation for non-life reserve risk
- 9 - None

**S.28.01.01**

**Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity**

**Linear formula component for non-life insurance and reinsurance obligations**

C0010

R0010 MCR<sub>NL</sub> Result

2.876

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
	1.903	3.123
	0	0
	0	0
	9.472	8.648
	2.101	3.302
	128	67
	760	1.473
	1.854	1.119
	6	14
	0	0
	191	413
	2	6
	0	0
	0	0
	0	0
	0	0

R0020	Medical expense insurance and proportional reinsurance
R0030	Income protection insurance and proportional reinsurance
R0040	Workers' compensation insurance and proportional reinsurance
R0050	Motor vehicle liability insurance and proportional reinsurance
R0060	Other motor insurance and proportional reinsurance
R0070	Marine, aviation and transport insurance and proportional reinsurance
R0080	Fire and other damage to property insurance and proportional reinsurance
R0090	General liability insurance and proportional reinsurance
R0100	Credit and suretyship insurance and proportional reinsurance
R0110	Legal expenses insurance and proportional reinsurance
R0120	Assistance and proportional reinsurance
R0130	Miscellaneous financial loss insurance and proportional reinsurance
R0140	Non-proportional health reinsurance
R0150	Non-proportional casualty reinsurance
R0160	Non-proportional marine, aviation and transport reinsurance
R0170	Non-proportional property reinsurance

**Linear formula component for life insurance and reinsurance obligations**

C0040

R0200 MCR<sub>L</sub> Result

0

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060

R0210	Obligations with profit participation - guaranteed benefits
R0220	Obligations with profit participation - future discretionary benefits
R0230	Index-linked and unit-linked insurance obligations
R0240	Other life (re)insurance and health (re)insurance obligations
R0250	Total capital at risk for all life (re)insurance obligations

**Overall MCR calculation**

C0070

R0300	Linear MCR
R0310	SCR
R0320	MCR cap
R0330	MCR floor
R0340	Combined MCR
R0350	Absolute floor of the MCR

2.876
15.637
7.037
3.909
3.909
3.700

R0400 **Minimum Capital Requirement**

3.909