

KLPP Insurance & Reinsurance Company Ltd

Solvency & Financial Condition Report 2021

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Acronyms

	Abbreviation
Board of Directors	BoD
Risk Management Function	RMF
SCR	Solvency Capital Requirement
MCR	Minimum Capital Requirement
Own Risk and Solvency Assessment	ORSA
SFCR	Solvency and Financial Condition report
IT	Information Technology
Standard and Poor	S&P
EU	European
US	United States
ECL	Expected Credit Loss
CDS	Credit Default Swap
Min	Minimum
Max	Maximum
IFRS	International Financial Reporting Standards
PN	Promissory Notes
EIOPA	European Insurance and Occupational Pensions Authority
IBNR	Incurred But Not Reported
IBNER	Incurred But Not Enough Reported
ENID	Events Not In Data
ULAE	Unallocated Loss Adjustment Expenses
LACDT	Loss Absorbing Capacity of Deferred Taxes
DTA	Deferred Tax Asset
EIOPA	European Insurance and Occupational Pensions Authority

Summary

KLPP Insurance & Reinsurance Company Ltd (hereinafter “KLPP”) is a non-life insurance and reinsurance company registered in Cyprus and supervised by the Superintendent of Insurance. The company was licenced at 30 December 2015 and maintains a strong capital base allowing it to implement a growth strategy whilst offering high and extraordinary levels of protection to its client base.

The Company’s strategy is to selectively insure and accept reinsurance business, whilst achieving a rate of return that is adequate in relation to the capital employed and the risks assumed. Additionally, the Company utilises an existing network of business relations to develop and deliver insurance and reinsurance solutions to targeted clients.

The Company maintains a robust system of governance which, in light of the nature, scale and complexity of the Company’ activities and its risk profile, is deemed to be adequate in ensuring the sound and prudent management of the Company. In line with the growth exhibited in insurance operations, there are continuous improvements to the system of governance and to internal controls. The Company continues investing heavily on technology and maintain state of the art systems and IT infrastructure on a high level performance.

Balance sheet strength remains the core strength of KLPP with Own Funds exceeding the SCR by \$336m and SCR coverage ratio of 834%. On 6th May 2021, Standard and Poor's (S&P) Global Ratings upgraded the rating assigned to the Company from BB to BB+ with a positive outlook. This is a clear indicator of the Company’s strong capital base and the improvements achieved during the year with respect to governance, financial risk profile and operational efficiency. The Company intends to continue working with rating agencies and try to further increase the rating, which will further allow company to increase activity in reinsurance and insurance market worldwide.

Financial performance in 2021 was driven by strong investment performance and high quality of underwriting performance. Profit before taxation for the year ended 31 December 2021 was USD 7.7 million. Further analysis of the financial performance is included in Section A of the report.

Our risk management policy provides for a thoroughly articulated risk appetite statement and a closely monitored risk management system ensuring that the company is not exposed to any unwanted risks. Market risk and underwriting risk, account for the most significant portion of the Company’s risk universe. The Company manages its risk exposures through its risk management Policy. Other risks include credit risk, liquidity risk and operational risk. These risks are analysed and explain in Section C of the report.

The Company maintains a healthy capital position. At the reference date, the Solvency Capital Requirement amounted to USD 45.8 million and the eligible own funds amounted to USD 382 million leading to a coverage ratio of 834%. The Minimum Capital Requirement amounted to USD 11 million and the eligible own funds available to cover this requirement amounted to USD 382 million leading to an MCR coverage ratio of 3334%. As evidenced by the results of the ‘Own Risk and Solvency Assessment’ carried out in 2021, the Company is expected to maintain a robust capital position which is highly resilient to stressed conditions.

This Report, prepared in accordance with the Company’s Disclosure and Reporting Policy, was reviewed and approved by the Board of Directors at a Board meeting held on 7 April 2022.

A. Business Performance

A.1 Business

A.1.1 Name and legal form of undertaking

KLPP Insurance & Reinsurance Company Ltd is a limited liability company incorporated under the laws of Cyprus with company Registration Number: HE 259650

The head office and the decision-making centre of the company will be based in Cyprus at 163 Leontiou Street, Clerimos Building, 3022 Limassol, Cyprus.

A.1.2 Supervisory authority

The Company is authorised and regulated by the Superintendent of Insurance, the contact details of which are shown below:

Superintendent of Insurance

Cyprus Insurance Companies Control Service

Ministry of Finance

P.O. Box 23364, 1682 Nicosia

Cyprus

Telephone: 0035722602990

Fax: 0035722302938

Email: insurance@mof.gov.cy

A.1.3 External Auditors

Its external auditors are KPMG (Cyprus), KPMG Limited Certified Public Accountant and Registered Auditor 14 Esperidon Street 1087 Nicosia Cyprus

A.1.4 Shareholders

The shareholders of the company are:

- Mr Vladimir Kushnarev 59.5%
- Mrs Tatiana Kushnareva 40.5%

A.1.5 Strategy and objectives

The Company's strategy is to selectively underwrite, through insurance and reinsurance contracts whilst achieving a rate of return that is adequate in relation to the capital employed and the risks assumed.

The Company possesses the strengths, the capabilities and the capital base to pursue further growth. Furthermore, the rapid changes in global economic conditions and insurance regulatory frameworks create new opportunities for profitable penetration in new markets.

These opportunities are available to KLPP through the long-standing reputation of the shareholders in the market.

The Company's overall business strategy is supported by an efficient operational mechanism, cutting edge technology and a strong capital base. These key strengths position the company very favourably in exploiting such opportunities.

The Company continues to enhance the system of governance to safeguard the sound and prudent management of the business. This system revolves around the Company's strategy and plans include additional in-house functions as well as further enhancements to control mechanisms to ensure that the expansion plans do not expose the company to unwanted risks or volatility beyond its risk appetite.

Furthermore, KLPP aims at maximising investment income generated from its large capital base by implementing a well-defined and closely monitored investment policy.

The current low interest rate environment remains a challenge for the performance of the investment portfolio and the company continuously researches different asset classes and particular securities in order to meet its target return subject to acceptable risk exposures within its risk appetite.

The Company complies with regulatory requirements at all times and has nil tolerance for any violations of applicable laws and regulations by any of its members of staff.

Furthermore, KLPP currently has the largest capital base amongst Cyprus based insurers and looks into further improving this position over its business planning horizon.

KLPP Insurance & Reinsurance Company has a license to carry on insurance in the following lines of business:

- Workers' compensation
- Other motor
- Goods in Transit
- Fire and Natural forces
- Other Damage to Property
- General Liability
- Credit
- Suretyship
- Miscellaneous financial loss

A.2 Underwriting performance

A.2.1 Underwriting Results

The Company's underwriting income and expenses consist mainly of insurance/reinsurance premiums written, gross claims incurred, and fees, commissions and other acquisition expenses.

For the year ended 31 December 2021 the Company had a net loss, due to the adverse claims experience in 2021, earned from insurance activities of USD 1,712K which is broken down as follows (in USD'000):

	YE2021	YE2020
Gross Earned Premium	20,175	12,132
Premiums ceded to reinsurers	-4,538	-2,159
Net change in gross claims provision	-15,374	2,427
Fees, commissions and other acquisition expense	-1,975	-1,273
Underwriting result	-1,712	11,127

Gross Written Premiums by type of business during 2021 were as follows:

Type of Business USD'000s	Gross Written Premium YE2021	Gross Written Premium YE2020
Direct Insurance	8,613	5,958
Reinsurance	12,263	14,417
Total	20,876	20,375

Gross Written Premiums by line of business during 2021 were as follows:

Line of Business USD'000s	Gross Written Premium YE2021	Gross Written Premium YE2020
Credit and suretyship insurance	4,866	369
Fire and other damage to property	11,928	13,508
General liability	1,020	1,232
Goods in transit (cargo)	72	631
Miscellaneous financial loss	2,808	4,027
Casualty	165	586
Workers' Compensation insurance	17	18
Other Motor	0	4
Total	20,876	20,375

A.3 Investment Performance

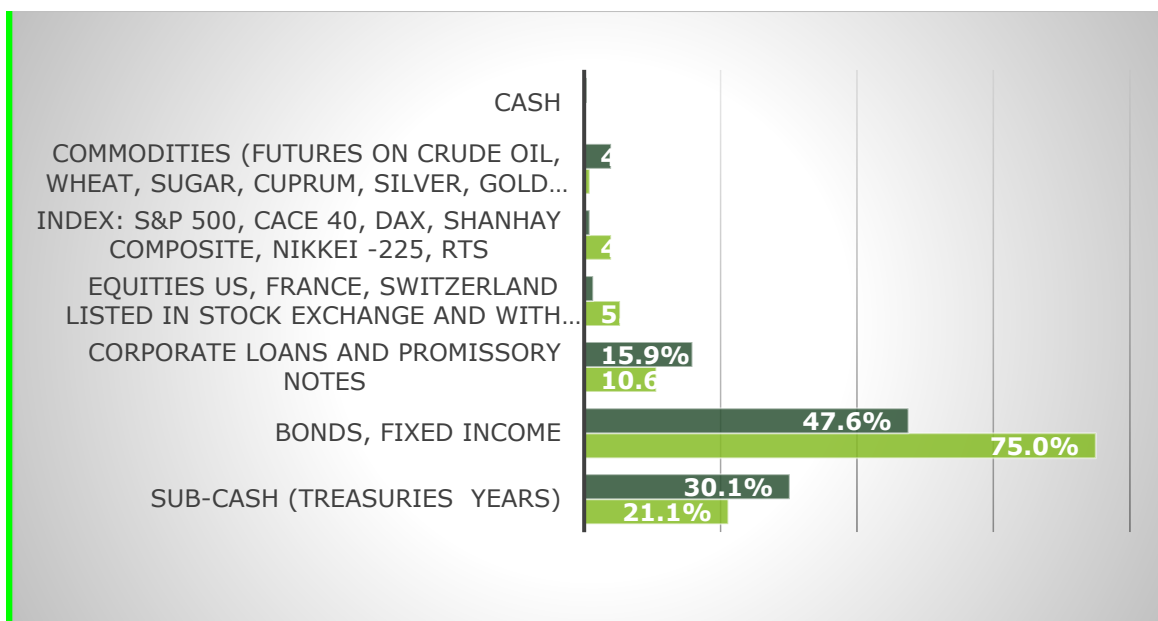
The investment strategy of the company is to maintain a diversified conservative investment portfolio with high quality and liquidity of investments and with the objective to generate a satisfactory rate of return.

The basic principles of investment policy for management are Liquidity, recoverability, profitability.

The Company manages its investments in accordance with the Prudent Person Principle and has put in place a framework for monitoring performance and investment risk exposures. In particular, indicators have been developed to help monitor the security, quality, liquidity and profitability of the entire investment portfolio.

In case there is no guarantees of liquidity, recoverability and profitability the actives are not considered for portfolio.

The strategic asset allocation of the funds of the company for 2021 mainly includes bonds/fixed deposits and cash which is similar to the 2020 allocation. The relevant allocation for the year 2021 is shown below: (Max%;Min%):



Tactical deviations from the above percentage limits may occasionally take place but not to the extent that may breach the risk tolerance limits of the company, due to the fact that all risks are secured by open currency position (FOREX).

FX operations (FOREX) are used as hedge instrument for portfolio and increase its tolerance level to volatility of market.

The Company avoids material exposure in bank deposits, because of the very low level of interest rates and risks of credit institutions (banks) avoidance. This instrument can be replaced by treasuries of USA, Germany and UK on short term basis. The minimal acceptable limit of liquidity is at least the 50% of the net technical provisions within two weeks. 90% of Portfolio of company has 100% liquidity level, without discount due to concentration of investments in securities, FX, SWAPS and Futures with investment grade rating similar to senior bonds. The exceptional level of liquidity has also been marked by Standard and Poors rating agency as well as quality of portfolio – AAA level.

There are 5 banks which KLPP uses – UBS AG, JP Morgan Luxembourg, UBS Luxembourg, Barclays London and Eurobank.

In the purpose of investment activity only financial institutions with high credit ratings (not less than Baa2 on Moody's or BBB on Standard and Poor's) are acceptable – JP Morgan, UBS AG, Barclays London, UBS Luxembourg and broker - Ronin Europe Limited (credit rated S&P BB- European licensed institution).

The investment portfolio is monitored on a daily basis via Bloomberg, the instruments are acceptable if they are listed in stock exchange, have high credit rating (issuer rating, never lower than rating of country of incorporation) and acceptable profit rate. In order to keep high level of liquidity the instruments of choice are corporate and governments bonds. Instruments are also accepted if there is full control through the corporate mechanism – Board of Directors, shareholders etc.

In regards of currencies the company trades mainly in USD, GBP, EUR and RUB. The Company operates in Forex market as well.

In regards of commodities, the company only accepts stock exchange listed instruments in the level of not more than 2-3% of the portfolio, and all accepted commodities should be highly liquid.

During 2021, the total investment portfolio in listed instruments was USD 325.1m and net investment income amounted to USD 10.9m, as analysed in the tables below:

USD 000's	2021	2020
Bonds	301,649	368,701
Treasury Bills	0	0
Equity securities	23,498	5,270
USD 000's	2021	2020
Loan and PN interest income	4,280	4,396
Interest income from investment securities	13,232	12,459
Dividend income from investment securities	521.1	68,3
Net gain/(loss) on investment securities and on derivative financial instruments	-7,101	-523

A.4 Performance of Other Activities

The Company does not have any material leasing arrangement or any other material income and expense item in addition to the underwriting and investment income and expenses outlined in the sections above.

A.5 Any Other Information

The Covid 19 coronavirus outbreak that began towards the end of 2019 has now become a global pandemic. The measures taken to flatten the transmission curve have inevitably had enormous impact on economic activity and the business environment including the insurance sector.

The Company is actively monitoring developments, identifying potential risks, designing and implementing risk mitigation actions to ensure business continuity, limit damages and safeguard its solvency.

In addition, the Russian – Ukraine conflict (started at the 24th of February of 2022) has magnified uncertainty in all economic sectors including financial services and insurance.

KLPP may potentially be affected through increased claims in business interruption cover to clients in Russia as a result of sanctions to the Russian economy. No such claims have emerged to-date. Furthermore, KLPP has no exposure in Ukraine thus no direct consequences are anticipated as a result of developments in this country.

At this point in time, we don't expect that the Company's claims experience will be materially adversely affected, especially when we consider the war exclusions clauses that are usually included in the insurance contracts.

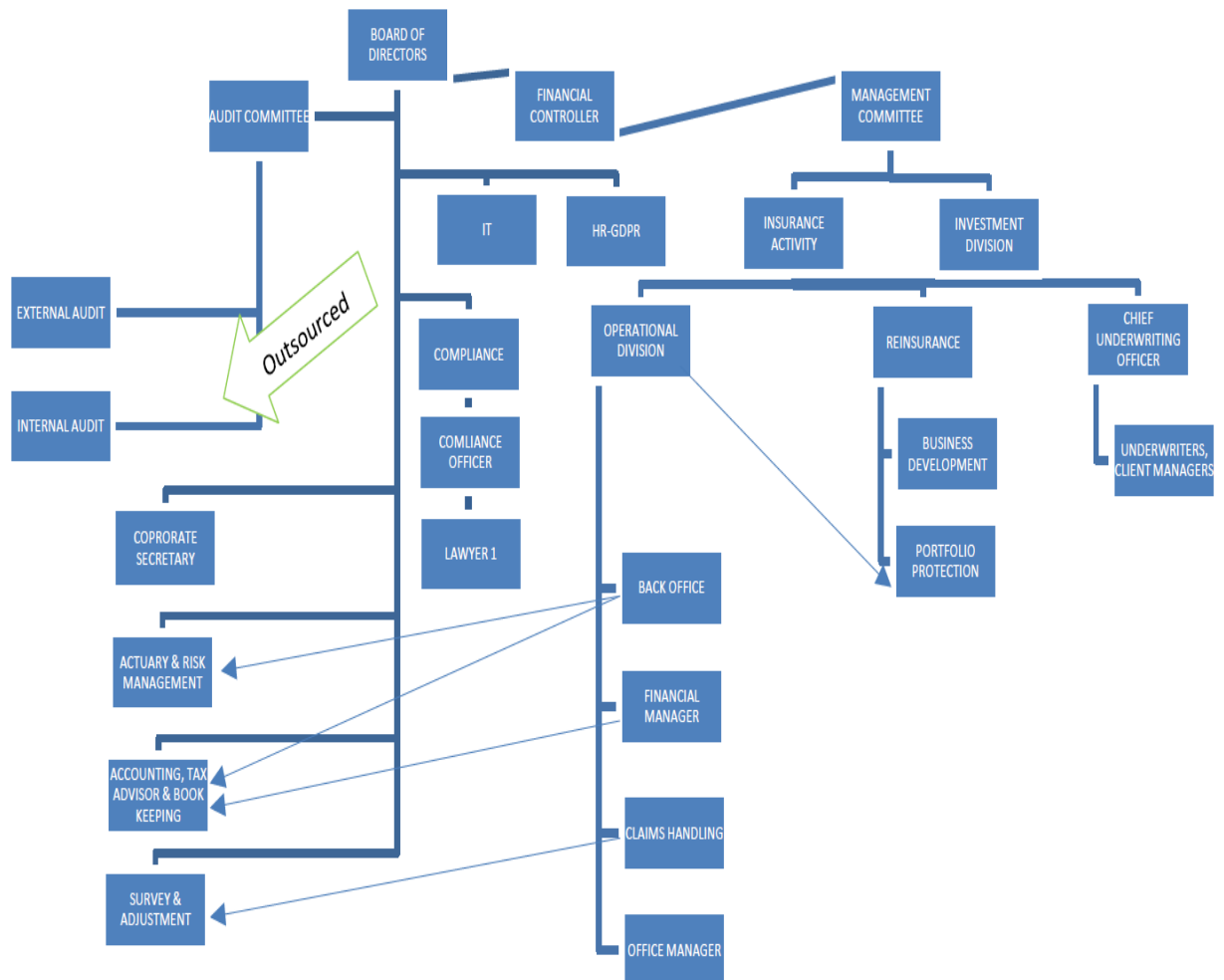
B. System of Governance

B.1 General information on the system of governance

The Company's system of governance provides for the sound and prudent management of the Company's business and includes:

- a transparent organisational structure;
- a risk management system;
- asset-liability management;
- a number of key functions;
- control over outsourced functions; and
- an internal control system.

The Company's organisational structure at 31 December 2021 is depicted graphically below.



B.1.1 The Board of Directors

The composition of the Board of Directors takes into account the size, nature and complexity of the Company's business. Moreover, the Board is designed to ensure that:

- it can adequately discharge its responsibilities and duties;

- it has a proper understanding, and the necessary competencies to deal with current and emerging issues arising from the Company's business;
- it can effectively review and assess the performance of outsourced functions.

The Board is made up of five Directors who collectively possess an adequate level of expertise and experience in insurance underwriting, financial reporting, risk management, actuarial functions and compliance.

The members of the BOD are the following:

NAME	ROLE
Vladimir Kushnarev	Chairman, executive director
Tatiana Kushnareva	Vice Chairman, executive director
Ivan Kushnarev	Non Executive Director
Konstantin Gavrilov	Non-Executive Director
Elena Mitina	Non-Executive Director

The Board is responsible for leading and controlling the Company, devising strategies and plans for their implementation and reviewing and evaluating the Company's performance against such strategies and plans. The Board of directors executes all resolutions and decisions of Shareholders Meetings. The Board delegates responsibility for day-to-day business and for external representation of the Company to the Managing Committee. However, significant decisions concerning the Company must have the support of the entire Board, in line with the Board procedure outlined in the Company's Memorandum and Articles of Association.

B.1.1.1 Selection and Appointment of BoD Members

The BoD members have been appointed by the shareholders subject to approval from the Superintendent of Insurance. The appointment and removal of directors shall require the consent in writing of members holding not less than fifty-one per cent (51%) of the voting shares of the issued share capital of the Company. A written notice addressed to the Company secretary shall be sufficient for such purpose.

The directors of the Company shall not be required to retire by rotation. Their appointment shall stand until removed by the members or upon resignation.

B.1.1.1.1 Chair of the BoD

The Board has the duty to appoint a Chairman from amongst its member to lead Board meetings and to ensure effective communication with the shareholders.

B.1.1.1.2 Non-Executive directors

The role of all Non-Executive Directors has the following key elements:

- Strategy: Non-Executive Directors should constructively challenge and contribute to the development of strategy
- Performance: Non-Executive Directors should scrutinize the performance of Senior management in meeting agreed goals and objectives, and monitor the reporting of performance
- Risks: Non-Executive Directors should satisfy themselves on the integrity of financial information and that financial control and ensure that the systems of risk management are robust.

The independent Non-Executive Directors shall be independent of KLPP and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

B.1.1.2 Board Committees

To improve operating efficiency, matters not reserved to the BoD are delegated to the following Board Committees that have been formed with BoD participation:

- Managing Committee
- Audit Committee

Delegating to Committees does not in any way release the BoD from collectively discharging its responsibilities. The BoD maintains regular interaction with the Committees through the information provided to the BoD, that it proactively challenges when necessary.

The Terms of Reference of those Committees whose establishment is required under Solvency II, are documented in the Governance Policy of KLPP and can be made available upon request.

The following Committees and Control Functions have been established by the Board (and its Committees) to assist it in discharging its obligations and operated throughout the year under review. Each Committee operates under defined terms of reference and reports to the Board at each Board meeting.

Managing Committee

- Coordinating and monitoring Company`s day-to-day activity in respect of Insurance and Investment activity.
- Ensuring that the Company maintains adequate liquidity at all times
- Monitoring the risks arising from the Company`s activity
- The timely reporting of material deviations from defined risk appetite.
- The financial controlling is executed through operational department

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for:

- The integrity of the Company`s financial statements;
- The effectiveness of the Company`s internal controls;
- The Company`s arrangements for its employees to raise concerns, in confidence, about possible wrong-doing in financial reporting or other matters;
- The effectiveness of the Company`s Internal Audit function in the context of the Company`s overall risk management system; and
- Monitoring the effectiveness, independence and objectivity of the external auditor.
- Financial control is executed through the operational department through controlling the documentation turnover as current financial operations;
- Coordinating and monitoring Company`s actions in respect of Insurance and Investment business and executing the role of controller of all financial business process of the company.

B.1.2 Remuneration Policy

The Company ensures that its employees are of the highest calibre by employing thorough recruitment and selection procedures and by providing employees with remuneration packages that are adequate and fair in light of their responsibilities, duties, qualifications and experience, giving due consideration to the Company's profit targets and remuneration packages on offer for similar posts in the local market. The management's remuneration consists of a fixed component as well as a variable component. The variable component is tied to personal performance, and the results of the Company. These principles ensure that no excessive risk-taking take place, thus ensuring the sound and prudent management of the Company.

Only non-executive directors are entitled to remuneration which is determined at the annual shareholder meeting and which depends on the financial results of the year.

B.1.3 Key functions

B.1.3.1 Internal Audit

The role of the Internal Audit Function is to:

- Independently examine and evaluate the functioning and effectiveness of the internal controls and all other elements of the system of governance;
- Assess compliance with internal strategies, policies, processes and reporting procedures.

The Board retains the prerogative of calling upon the Internal Audit Function to give its opinion or assistance or to carry out other special tasks, such as investigation of suspected fraud.

The Company outsources the Internal Audit function to an accounting firm. The persons responsible for providing the service selected carefully depending on their skills and experience.

B.1.3.2 Compliance

The Compliance Function is responsible for:

- Identifying all areas of the Company's business activity that are susceptible to compliance risk;
- Implementing the necessary controls to ensure that the Company complies with the applicable insurance laws and external regulatory requirements, including but not limited to, licensing requirements, supervisory reporting and public disclosure requirements;
- Ensuring that the Company complies with all applicable non-insurance specific laws and external regulations.

The Compliance Function has become internal by appointment person in charge –with outsourced support of legal firm with appointed individual within that firm to undertake the role of Compliance Officer. In making this appointment, the Board insured that this person has the requisite skills and experience to undertake the role.

B.1.3.3 Actuarial

The objective of the Actuarial Function is to establish and maintain appropriate procedures, processes and systems sufficient to allow the Company to reasonably estimate its insurance

obligations, exposures and the related capital requirements, in line with applicable laws and recognised industry standards.

The Actuarial Function coordinates the assessment and validation of internal data to determine the level of compliance with recognised standards for data quality and, if necessary, recommends improvements in Company procedures aimed at improving such compliance. Furthermore, the Actuarial Function reviews the integration of any relevant external data within the calculation of technical provisions and coordinates the process of validation of such external data, using the same criteria and standards applied to internal data.

The Actuarial Function in KLPP is outsourced to a reputable actuarial firm, Deloitte, after having satisfied itself of the service provider's ability and capacity to perform the Actuarial Function satisfactorily.

B.1.3.4 Risk Management

The Risk Management Function is responsible for:

- Assisting the Board, management and the other functions in discharging their risk management responsibilities and in advising on possible improvements;
- Performing reviews of the RMS and suggesting possible improvements, including documentation of material changes to the RMS and reporting such changes to the Board in order to ensure that the RMS is maintained and improved;
- Effectively identifying, assessing, monitoring and assisting with the mitigation and management of, identified risks;
- Maintaining a Risk Register to gain an aggregated view of the Company's risk profile, including the Company's capacity to absorb risks;
- Evaluating the internal and external risk environment on an on-going basis, in order to identify and assess potential risks as early as possible;
- Conducting stress testing and scenario analysis;
- Regularly reporting to the Board on the Company's risks and the management of risks.

The Risk Management Function is outsourced to Deloitte.

B.1.4 Material changes in the system of governance over the reporting period

There were no material changes in the system of governance over the reporting period.

B.2 Fit and proper requirements

Prior to the appointment of any new Board member or Company Secretary, an evaluation is undertaken of the fitness and propriety of the proposed officer of the Company. This involves examination and documentation of:

- the person's previous experience, knowledge and professional qualifications and whether these are adequate to enable sound and prudent management of the Company;
- proof of skill, care, diligence and compliance with the relevant standards of the area/sector he/she has previously worked in;
- reputation, including an enquiry as to whether there have been any criminal or financial antecedents or past experience with regulatory authorities which may cast doubt on the ability of that person to adequately discharge his/her duties in line with applicable rules, regulations and guidelines.

The function delegated with the responsibility for the Fit and Proper test is the Compliance function. The Compliance Function also bears the responsibility for monitoring the fitness and propriety of individuals on an ongoing basis.

The fit and proper test criteria satisfy at a minimum the relevant regulatory requirements.

The assessment is facilitated through:

- personal questionnaires
- academic and/or professional qualification certificates
- certificate of non-bankruptcy
- clear criminal record certificate
- personal resume and
- personal declaration

In particular, with regards to members of the BoD they must always have the collective knowledge of the financial and insurance market, business strategy, system of governance, financial and actuarial analysis and the regulatory framework and requirements.

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

B.3.1 Description of the undertaking's risk management system

KLPP has implemented an effective risk management system which is designed to ensure timely identification and assessment of existing and emerging risk exposures as well their effective management. The risk management system is comprehensively addressed in the company's risk management policy which provides for the **risk governance**, a **risk appetite** statement and the **risk management framework**.

The risk management policy comprises of sub-policies for all main categories of risk namely: Underwriting Risk, Investment and Asset Liability Risk, Credit Risk, Liquidity Risk, Concentration Risk, Operational Risk and Reinsurance. It is approved by the BoD and is reviewed at least once a year.

B.3.1.1 Risk Appetite Statement

The risk appetite statement lays down the level and nature of risks that are considered acceptable for the Company and the constraints within which it should operate in pursuing its strategy.

KLPP manages its risk appetite through a set of limits. The limits are set, not such that they are likely to be fully used, but rather so that limited exceptions are reported. The aggregate risk limits and the

risk category limits are to be used by the RMF for the monitoring and reporting of overall risk exposure and by the BoD for making decision on the Company's risk profile.

Overall KLPP sees itself as a low risk entity and risk tolerance limits have been set to reflect that.

The Company has a target of maintaining a solvency coverage ratio at all times in excess of 500%.

In this context, tolerance limits are set for all risk categories to ensure that on a worst-case scenario basis, risk exposures will not lead to losses threatening this target solvency ratio.

B.3.1.2 Risk Governance

The risk governance of the Company forms an integral part by defining the role of each function of the company in the Risk Management Framework. It is organised in a way that ensures the establishment of clear responsibility boundaries, the proper segregation of duties and the avoidance of conflicts of interest at all levels.

The system of governance is based on the "three lines of defence model" safeguarding that risk management is embedded into the organisational structure and decision-making processes of the company and that the risk management system is supported by appropriate internal controls and by information systems that provide relevant, accurate and reliable information.

The roles of the key functions in the Risk Management System are described in detail in the company's governance policy and are outlined below:

Body / Function	Roles in the risk management framework
BoD	<ul style="list-style-type: none"> The responsibility for the approval and periodic review of the risk profile and risk appetite, as well as the risk strategy and the policies for managing risks, lies with the BoD, so as to ensure that the BoD takes all measures necessary for the monitoring and control of risks, in accordance with the approved risk strategy and policies.
Senior Management	<ul style="list-style-type: none"> The Company's Senior Management is responsible for the implementation of the risk strategy, as this has been approved by the BoD, and for the development of the policies, methodologies and procedures required to identify, measure, monitor and control every type of risk, in accordance with the nature and complexity of the Company's operations They also have the responsibility to apply the framework in their day to day activities
Risk Management Function	<ul style="list-style-type: none"> Supports the BoD in the determination and implementation of the risk strategy and capital planning Coordinates the implementation of the risk management framework and is the main unit for risk management responsibilities. Regular reporting to the Senior Management Risk management training to the BoD, Committees, Senior Management and Risk taking functions directly involved in the management and oversight of risk,

	<p>on the contents of the current and other risk-specific policies, and for providing guidance on their application</p> <ul style="list-style-type: none"> • Monitors the risk profile of the Company against the BoD's risk appetite • Develops internal risk methodologies and models • The full responsibilities of the RMF are documented in the RMF Policy
Actuarial Function	<ul style="list-style-type: none"> • The Actuarial function is a specialist function that advises the Senior Management of the Company on the calculation of technical provisions and capital requirements, as well as on the technical aspects of risk management and forecast modelling.
Compliance Function	<ul style="list-style-type: none"> • The Compliance Function applies suitable procedures for the purpose of achieving a timely and on-going compliance of the Company's risk management framework with existing and new laws and regulations.
Internal Audit	<ul style="list-style-type: none"> • The Internal Audit Function undertakes independent reviews and testing of the risk management framework or of specific components of the framework and reports the results to the Audit Committee. The responsibilities of Internal Audit are governed by the Internal Audit Policy

B.3.1.3 Risk management Processes

The risk management framework is a continuous process encompassing of the following key stages:

Risk Identification

The identification process is facilitated by a continuous use and review of internal and external sources of information.

Quantitative risks are identified through observation of the company's exposures through its financial records. Emerging risks are identified through external data or information.

Qualitative risks are identified through identification of events, actions or inactions (risks) that have the potential to materially impact the achievement of the objectives or the intended operation of functions and business processes. These can relate to both threats to operations or failures to take advantage of opportunities.

Stress testing, scenario analysis and sensitivity analysis are also adopted for the purposes of identifying risk exposures over the business planning horizon through the ORSA process which is described in the next section.

Risk Assessment / Measurement

The main metric for assessing quantifiable risk exposures is the 99.5% value at risk. This is a measurement of the maximum loss occurring from predefined events with a probability of 1 in 200. Additional risk metrics are a predefined set of key risk indicators encompassing all risk areas. All risk metrics correspond to a risk tolerance limit explicitly stated within the risk appetite statement. This enables the comparison of actual risk exposures against the company's tolerances indicating where further mitigating action is necessary.

Non-quantifiable risks are measured and ranked based on established criteria for frequency and severity. The frequency and severity associated with risks are assessed on an inherent and residual basis, having considered both the existence and effectiveness of the controls, by following a four-step process:

- Assessing the frequency of risk events and their resulting severity (inherent risk);
- Identifying the controls in place that prevent or detect the occurrence of the risk event or mitigate its severity;
- Assessing the design and performance of each control; and
- Assessing the frequency of risk events and their resulting severity, having considered the effectiveness of existing controls (residual risk).

Once identified and measured, material risks are documented in the Risk Register. Risk and control owners are assigned to each risk to ensure accountability for managing all material risks and the related controls. The Risk Register is monitored regularly and amended where necessary to capture changes in risks facing the business or in the controls used to mitigate existing risks.

Risk Control and Mitigation

KLPP has a strong risk controls culture to ensure the mitigation of all risks in its risk universe. Controls are developed and used to safeguard the integrity of the Company's processes and systems.

Additionally, the RMF evaluates appropriate risk transfer methods to mitigate its exposure to the identified risks. Such methods may include purchasing reinsurance coverage, using derivatives as hedging instruments.

Unexpected risks exposures are also covered by own funds, in accordance with the Solvency II requirements.

KLPP's policies on risk transfer including the use of reinsurance or other instruments is documented in the Company's Reinsurance Policy.

Once KLPP identifies and quantifies its risks, it implements a strategy for mitigating them with appropriate policies, procedures, systems, and controls. Within the established risk appetite and tolerance, KLPP will retain a certain portion of risk, transfer another portion (through reinsurance), and then finance those risks it can not insure.

Risk Monitoring and Reporting

The RMF 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 BOD.

Specifically, the RMF monitors the following for each risk:

- Actual exposure vs. Limit at an aggregate base
- Key Risk Indicators
- Risk data and model validation
- Appropriateness and assumptions of risk measurement methodologies
- Unusual or material events
- Early warning indicators (in the internal and external environment of the Company)
- Policy breaches

B.3.2 Significant Risk Exposures

The main risk exposures as at 31 December 2021 as measured through the Solvency II standard formula are shown in the table below. The risk exposures as at 31/12/2020 are also shown for comparison purposes.

99.5% VALUE AT RISK (SCR)		
USD'000s	YE2021	YE2020
Market risk	38,184	32,355
Counterparty default risk	4,759	1,990
Life Underwriting risks	0	-
Health underwriting risk	8	14
Non-Life underwriting risk	22,732	24,525
Intangible asset risk	0	-
Operational risk	1,066	532

Market risk increased since last year mainly due to the higher exposure in equities. In addition, the significant increase in Counterparty risk during 2021 is due to the higher exposure in bank accounts. Moreover, Non-Life underwriting risk decreased as a result of lower exposure in Cat risk for non-proportional property reinsurance.

B.3.3 Material Risks not included in the calculation of the Solvency Capital Requirement

There were no material risks other than those captured in the calculation of the SCR.

B.3.4 Credit Assessments

Credit assessments are used for the company's main counterparties through its reinsurance program and its asset portfolio. The ratings used are those of the main global rating agencies such as AM Best, Standard & Poor's, Fitch and Moody's. The ratings are obtained by the asset managers and the reinsurers themselves and are verified through ad hoc research through the internet. Continuous improvements in the rating assessment of the company confirm high quality management of credit risks by the Company.

KLPP considers these external ratings credible/sufficient for the purpose of the credit risk assessment of these counterparties.

B.4 Own Risk and Solvency Assessment (ORSA)

In line with the Company's ORSA policy, ORSA can be defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks the Company faces or may face and to determine the own funds necessary to ensure that the Company's overall solvency needs are met at all times. The ORSA policy is the policy which governs the ORSA process.

Strategic decisions such as the introduction of new products, utilisation of additional distribution channels etc. are assessed and evaluated in the light of their effect on the Company's risk situation and risk-bearing capacity.

KLPP follows the steps below to implement its ORSA:

- i. **Identify and classify risks, including governance** - The Company identifies the material risks it faces at a particular point in time. This includes risks considered in the SCR formula, as well as risks not included in the standard formula such as liquidity, strategic and business risks.
- ii. **Assessment and measurement of risks** - the Company collects data, quantifies and aggregates risks using different approaches such as Value at Risk and stress testing. The assessment is done using predefined risk metrics. This also includes an assessment of the Solvency II standard formula and whether it adequately reflects the underlying risk profile of the company.
- iii. **Capital Allocation** – According to its risk profile, the Company determines the necessary risk capital required at that point in time.
- iv. **Capital planning** – The company projects its risk profile based on its business plan and prepares a capital plan over the business planning horizon. The capital plan depends on its strategic objectives and financial projections and assumptions on future economic conditions.
- v. **Stress testing** - The Company applies stress and scenario testing to the forward-looking capital plan and develops actions that can be taken in unforeseen circumstances in the future. Stress tests complement the use of the standard formula by assessing the financial effect of events or sequence of events that lead to specific adverse scenarios. Thus, they can be used to understand the Company's vulnerability to its various risk exposures and the level of financial strain that it can withstand in case of negative scenarios of forecasts. This testing also demonstrates the strength of the company.
- vi. **Communicate and document the results** – The Company presents the results of the process to senior management and the BoD and prepares the ORSA report. The BoD reviews and challenges the results of the ORSA through minuted discussions.

B.4.1 Governing the ORSA

The ultimate responsibility for the ORSA process lies with the BoD. The BoD defines the corporate objectives and the risk strategies of the company which form significant inputs to the ORSA. The BoD also defines the stress testing program and also reviews, challenges and approves the ORSA Report. The BoD also sets the ORSA policy and reviews it every year.

The function mostly responsible for carrying out the ORSA is the Risk Management Function. However, due to its very nature, the ORSA requires input from across the whole Company and hence the Risk Management Function coordinates the ORSA process in conjunction with all the other functions as risk owners.

Significant input is required from the finance function for the preparation of the financial projections in accordance with the company's business plan and from the Actuarial function in quantifying future risks and assisting with the financial modelling of forecasted solvency assessments.

B.4.2 ORSA and decision making processes

ORSA is considered as a very valuable assessment in addressing the risks inherent with the company's strategy and the BoD confirms that it is embedded in the decision-making processes of the company. In particular, the ORSA allows the management to take into account all the risks associated with the Company's business strategies and the required level of capital that the Company requires commit, explore alternative options and assess their impact and decide on the optimal strategy and advise to BoD accordingly.

B.4.3 Frequency of the ORSA

The Company currently intends to perform the ORSA annually. Furthermore, the assessment will be performed immediately following any significant changes to the environment that the company operates.

These changes include, but are not limited to:

- Significant changes to the financial and political environment in which the Company operates
- Significant operational losses
- Material changes to the new business volumes
- Planned changes to the operating model of the company
- Significant changes in the Company's risk profile

B.5 Internal control system

The Company defines internal controls as a process, effected by an entity's Board, management and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives:

- efficiency and effectiveness of processes;
- availability of sufficient and reliable financial and non-financial information to effectively manage the business of the Company;
- compliance with all applicable laws and regulations.

The key components of the Company's internal control system are outlined below:

- **Control Environment**

The control environment sets the tone of the Company, influencing the control consciousness of its people. It is the foundation for all other components of the Company's internal control system, providing discipline and structure. Control environment factors include:

- the ethical values of the Board and Company employees, together with the Company's philosophy and operating style, as reflected in the Company's Code of Conduct;

- the integrity and competence of the Company's Board and employees; as reflected in the objectives of the fitness and propriety requirements and the Recruitment and Remuneration Policy;
 - clear definition of authority and responsibility, as defined by the Company's policies and the organisational structure;
 - the three line of defence system to manage risks as outlined in Section B.3.1.
- **Risk Management**

Risk Management entails the identification and analysis of relevant risks which threaten the achievement of the Company's objectives, forming a basis for determining how the risks should be managed.

- **Control Activities**

Policies and procedures (called Control activities) are designed to ensure the following:

- management directives are carried out
- strategies are properly implemented and
- the necessary actions are taken to address material risks.

Control activities occur throughout the entire Company, at all levels and in all functions.

Control activities include the following:

- approval and authorization requirements, as required by the Company's procedure manual;
- segregation of duties, as reflected in the Company's organisational structure and in other controls outlined in the procedure manual;
- controls required by the Company's various policies, such as the Outsourcing Policy;
- verifications, reconciliations, reviews, controls over assets and other controls as identified in the procedure manual and which are primarily aimed at implementing the four-eyes principle.

- **Information and Communication**

The Accounting Function prepares a monthly management report, which is distributed to the Board and which informs the Company's decision making. Moreover, all the functions are responsible for implementing each of the Company's policies report to the Board at least once a year on the implementation of such policy, the adherence thereto together with any proposals for changes to the policy as considered necessary by the relevant function. Due to the size of the organisation, lines of communication are not formally defined beyond the circulation of monthly management reports to the Board and the requirement for holding Board and Investment Committee meetings.

- **Monitoring of Internal Controls**

Internal controls need to be monitored to ensure the quality of their performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the normal course of operations. Each function, as the risk owner, is responsible for ensuring the ongoing efficiency and effectiveness of the internal controls addressing the owned risks. Moreover, controls are

monitored by the Risk Management Function, the Compliance Function and the Internal Audit Function. Significant internal control deficiencies are reported to the Board by means of the annual report prepared by each function, or immediately if deemed necessary. The scope and frequency of separate evaluations may be determined by the Board on the basis of its assessment of risks and its evaluation of the effectiveness of ongoing monitoring procedures.

B.5.1 Compliance Policy and Compliance Function

KLPP Compliance function has been transferred in house with compliance officer in charge Yulia Shamshina with adequate external support from the law firm Ioannides Demetriou LLC.

The Compliance Function ensures that compliance awareness is promoted internally and externally and that compliance is an integral part of the corporate culture of the company. Employees within the organization receive adequate training on compliance and Anti-Money Laundering issues on a set periodic basis and are encouraged to identify and report all breaches as necessary so that corrective action can be immediately taken and risks mitigated.

The role of the Compliance Function includes:

- a) advising the Board of Directors on compliance with any legislation, regulations and any other applicable laws, in so far as they apply to the company,
- b) the assessment of possible impact as regards changes in the legal environment on the company,
- c) the identification and assessment of any compliance/regulatory risks.
- d) providing the Board of Directors with regular reports on the progress of the Compliance plan, and any other matters which need to be brought to the attention of the Board of Directors.

The company has a compliance plan and a compliance policy in place. The Compliance policy is reviewed every year by the Board of Directors, and if required, it is updated to ensure that it remains relevant to the company and in line with the regulation. On the other hand, the annual compliance plan is drawn up every year by the Compliance Function and is approved by the Board of Directors.

B.6 Internal audit function

The Company's Internal Audit Policy establishes and maintains an Internal Audit Function, the objectives of which are:

- to independently examine and evaluate the functioning and effectiveness of the internal controls and all other elements of the system of governance;
- to assess compliance with internal strategies, policies, processes and reporting procedures.

The Company outsources its Internal Audit Function to Fiducitrust Services Limited thus ensuring the independence and objectivity from any functions which have operational responsibilities. The Internal Audit Function reports to the Board through the Audit Committee.

The Internal Audit Function has an unrestricted right to obtain information relevant to the discharge of its responsibilities. This entails the prompt provision of all necessary information, the availability of all essential documentation and the ability to look into all activities and processes of the Company. To this effect, the Internal Audit Function has full, free and unrestricted access to all the personnel of the Company who shall, in turn, ensure that the Internal Audit Function obtains the necessary information about, and has the necessary access to, the Company's outsourced functions.

B.7 Actuarial Function

The Actuarial Function is subject to the fit and proper criteria and according to the relevant legislation it should at all times be carried out by persons who are fit and proper to carry out the duties outlined below, in an objective manner and free from any undue influences. The Actuarial Function of KLPP is outsourced to Deloitte Actuarial Services Limited and is executed by a Fellow of the Institute of Actuaries who fulfils all above criteria.

The Actuarial Function reports to BoD and is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its procedures. The operating procedures of the function are described in detail in the Actuarial Function Manual.

The role of the Actuarial Function is to estimate Company's insurance obligations and exposures and the related capital requirements, in line with applicable laws and recognised professional standards. In this context, the Actuarial Function coordinates the assessment and validation of internal data to determine the level of compliance with recognised standards for data quality and, if necessary, recommends improvements.

Furthermore, the Actuarial Function is involved in the profit testing process of new products assessing them for profitability, capital intensiveness, risk profile, system compatibility and marketability. It also contributes all financial modelling in relation to risk management activities and the ORSA in particular.

The activities of the Actuarial Function during 2021 were as follows:

- Carried out the calculation of technical provisions on a quarterly basis in accordance with all relevant regulatory requirements
- Submitted reports in relation to the above calculations to the BoD
- Provided modelling assistance for the calculation of Solvency Capital Requirements on a quarterly basis
- Assessment of data quality
- Expressed opinion on adequacy of Reinsurance Arrangements and participated in the discussions with the Reinsurers for the renewal of treaties.
- Expressed opinion on the company's underwriting policy
- Worked closely with the management and addressed areas of its expertise in relation to the company's ongoing operations
- Provided the modelling for carrying out the financial and solvency projections of the ORSA
- Carried out investigations to the company's experience in terms of claims, lapses, expenses and new business volumes

B.8 Outsourcing

KLPP outsources the following key functions:

Function	Entity	Person Responsible
Actuarial Function	Deloitte Actuarial Services Limited	Dimitris Dimitriou
Risk Management Function	Deloitte Actuarial Services Limited	Dimitris Dimitriou
Internal audit	Fiducitrust Services Limited	A. Theophanous
Book-keeping and Accounting Function	Crowe Cyprus	Marios Agathangelou

We have selected providers with significant expertise in their areas who can introduce knowhow and skillset in a beneficial way for the company. Outsourcing is also believed to be a cost-efficient approach for the selected functions.

Additional benefits of outsourcing include the safeguarding the continuity of services since KLPP does not rely on one person but a firm with a contractual obligation to provide the requested services under all circumstances.

It also saves on infrastructure and technology since the company does not need to invest in specialised software and relevant IT solutions.

The selected partners have over the years proven to be efficient in their dealings with the Company and provide comfort to the BoD in the quality of their service and the value they add to KLPP.

The Company acknowledges that outsourcing does not in any way relieve the Company of ultimate responsibility for the outsourced functions. In line with regulatory requirements, KLPP has appointed one member of senior management with the responsibility of oversight of these functions and these persons have been notified to the Superintendent of Insurance. Furthermore, the performance of providers is regularly reviewed and monitored by the BoD.

B.8.1 Outsourcing Policy

The criteria for the selection of service providers and the process for their appointment is laid down in the Company's outsourcing policy which is approved by the BoD and reviewed once a year. In regards of points of fast track going out for the company for the insurance market, Board of directors decided to outsource several functions. This is considered as a basement for additional transparency of business model of the company and provides additional trust of clients and counterparties to the Company. In particular, the Outsourcing Policy states that when choosing a service provider for any critical or important functions or activities KLPP ensures that:

- The potential service provider has the ability and capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the undertaking's objectives and needs
- The service provider has adopted all means to ensure that no explicit or potential conflict of interests with KLPP impairs the needs of the outsourcing undertaking
- It enters into a written agreement with the service provider which clearly allocates the respective rights and obligations of the undertaking and the service provider
- The general terms and conditions of the outsourcing agreement are authorised and understood by Managing Committee. The outsourcing does not represent a breach of any data protection regulation or any other laws

- The service provider is subject to provisions on the safety and confidentiality of information relating to KLPP or to its policyholders or beneficiaries

In order to ensure against an undue increase in Operational Risk, when outsourcing critical or important functions or activities the Company shall:

- Verify that the service provider has adequate financial resources to take on the additional tasks KLPP plans to transfer and to properly and reliably discharge its duties towards KLPP and that the staff of the service provider is chosen on the basis of criteria that give reasonable assurance that they are sufficiently qualified and reliable
- Make sure the service provider has adequate contingency plans in place to deal with emergency situations or business disruptions and has periodic testing of backup facilities where that is necessary having regard to the function, service or activity outsourced

Furthermore, the Policy lays down the minimum required contents of an outsourcing agreement safeguarding the quality of service provided, protecting the interests of KLPP, ensuring that conflicts of interest are avoided and that the service provider cooperates with internal or external auditors as well as the Superintendent of Insurance.

B.9 Adequacy of the system of governance

The Company maintains a robust system of governance which, in light of the nature, scale and complexity of the Company' activities and its risk profile, is deemed to be adequate in ensuring the sound and prudent management of the Company.

B.10 Any other information

In light of the Company's strong capital base and robust business continuity plan, it is not expected that the Company's operations, financial position or solvency would be materially affected by the outbreak.

C. Risk Profile

The sections which follow provide an overview of the manner in which the Company manages its risk exposures. In this regard, no material changes occurred in 2021 or are expected to occur over the Company's planning horizon.

C.1 Underwriting Risk

Underwriting risk is defined as the risk of loss, or adverse change in the value of insurance liabilities, due to inadequate pricing and/or reserving practices. Underwriting risk may be caused by the fluctuations in timing, frequency and severity of insured events and claim settlements in comparison to the expectations at the time of underwriting.

The Company's underwriting risk is addressed by the Underwriting Guidelines and Risk Selection Strategy. The objective of this document is to ensure that:

- reasonable and effective controls are in place to support the risk selection and underwriting process;
- the Company's future retrocession programme provides secure coverage appropriate to the Company's strategy, level of capital and risk profile;
- the risks arising out of retrocession as a risk mitigation technique are properly understood, addressed and monitored;
- claims are managed fairly and recorded properly in line with reinsurance agreements and all amounts recoverable from retrocessionaires are duly collected;
- a consistent methodology for the calculation of, and the accounting for, outstanding loss reserves (OSLR) and incurred but not reported reserves (IBNR) is maintained.

C.1.1 Underwriting strategy

As previously mentioned, the Company's strategy is to selectively insure and accept reinsurance/retrocession business. The Company plans on utilising an existing network of business relations to develop and deliver insurance and reinsurance solutions to targeted clients.

Furthermore, the external environment in which KLPP operates has presented an opportunity to expand existing business into new lines and geographical territories. Strategic opportunities are coming from changes in specific external factors which are difficult to predict and largely outside the Company's control. Therefore, the Company's strategic focus is not to create opportunities but to be responsive to any good opportunity that arises. Such expansion will take place upon regulatory approval from the Superintendent of Insurance.

Following the core strategic focus as outlined above, the Company focuses on the opportunities to get profitable business, as follows:

- Increase in clients for insurance due to business growth of the trading partners, as well as other sources of business attracted by reputable development of the Company, by new experienced staff and partners,
- Grow of the client base using reinsurance capacity of the Company,
- Identification of new opportunities for further profit contribution to the Company

New opportunities for taking on new lines of business may arise in various ways, for instance a new venture of shareholders which results in new corporate risks or new insurance products offered to customers as supplementary to the other business transactions. It could also arise from improvement in the loss history of an existing policy or product, such that the risk characteristics become aligned with the requirements of the Company's underwriting strategy and policy. These opportunities would normally materialize over the longer-term horizon, giving the Company time to analyze the full implications of exploiting these opportunities.

The Company's overall business strategy is supported by an efficient operational mechanism, cutting edge technology and a strong capital base. It will be implemented through its system of governance, which revolves around the definition of the Company's risk appetite, as well as the development and implementation of sub-strategies and policies for the Company's key functions and risk areas. The Company's main sub-strategies are the underwriting strategy, the ALM and investment strategy and the risk management strategy.

The main lines of business are Property Insurance, Contractor's All Risks (CAR) and Cargo insurance. Business is also written in General Liability and Credit & Suretyship lines.

In line with the underwriting strategy, risks that fall within the overall strategy are only reinsured in as far as:

- reasonable projections of the premiums, claims experience and expenses provide the Company with an expectation of an adequate net underwriting profit and consequently an adequate return on capital as expressed by the overall strategy;
- the Company's available capital is adequate to cover the net underwriting risk assumed and all the other exposures and risks arising from the ensuing reinsurance contract.

Moreover, the Company strives to achieve a number of quantitative objectives, namely:

- a maximum overall combined ratio across all lines of business;
- a specified maximum exposure per line of business;
- a maximum underwriting risk capital charge in accordance with the standard formula;

Inward Reinsurance

In respect of Inward reinsurance and business attraction strategy of the Company we have some established rules and principles. The main purpose to ensure that the reinsurance portfolio is well balanced and diversified.

At their initial stage of business development, the majority of companies start relationships from facultative business and then transferring business to the treaty contracts. Nowadays the KLPP underwriters have enough experience and market knowledge to deal with inward facultative business as well as with treaty contracts.

The strategy in respect of treaty business consideration should be focused on the role of following market at the early stages of Company's development and in most regions of geographical presence on the market. We will rely on the conditions provided by the most experienced players in respect of prices of the programs. At the same time, we feel free to propose and to write the shares subject to the conditions which we consider mandatory for the contract (Sanction clause, premium payment warranties, cancellation clause).

For the facultative acceptances the role of the reputable Leader is also important and we pay great attention to other participants and experience of previous relations of business provider with the ceding company (i.r.o. premium payment/ loss investigation experience).

In each case underwriters of the Company evaluate proposed business using internal general pricing approach (i.e. technical and target price) and always follow main risk selection strategy as well as

monitoring of accumulation on a regular basis for both treaty and facultative inward contracts and keep our acceptances in the frame of the risk appetite limits established in the Company.

Distribution channels

The Company's business model is a cost effective and time efficient framework that allows a small team of highly skilled professionals each responsible for respective area to ensure that goals set by the Shareholders are reached.

Taking into the account KLPP's business model and the small number of staff employed in the office the Management have decided to focus on the Broker channel of distribution as the key instrument of open market growth (aside of business of Shareholders).

Such strategy provides the following advantages over the predominantly Direct channel strategy:

- Minimize the number of staff required for processing the business
- Allow wider presence of the Company on the prospective markets
- A more efficient development of the portfolio with focus on the large corporate business
- Ultimate cost reduction and efficiency in terms of using Brokers global and regional expertise

Brokers

The Company plans to focus on cooperation with regional branches of large international brokers.

The Company also cooperates with a number of overseas brokers in order to receive international business. The focus is set on regional producers and well known international business providers.

Marketing key elements

The main element which is of the most important for marketing purposes in the business development of the Company is the rating. In 2021, Standard and Poor's (S&P) affirmed their BB+ rating on KLPP with a stable outlook. This will allow the Company to receive higher quality business from various markets worldwide, especially markets which are currently unable to offer business due to regulative requirements.

The capacity with reinsurance and retrocession protection can also be used as competitive advantage.

C.1.2 Material risk exposures and concentrations

The underwriting portfolio as at YE2021 was concentrated mostly in the Fire and other damage to property, Credit and suretyship, Miscellaneous financial loss and General Liability lines of business. As the Company grows further over the next years, we are expecting a further degree of diversification within the underwriting portfolio.

C.1.3 Risk Mitigation

Underwriting risk is mitigated through the controls implemented during the underwriting stage and the strict adherence to our underwriting criteria. Furthermore, risk is mitigated through reinsurance/retrocession to ensure that net exposures remain within the company's tolerance limits.

Reinsurance / Retrocession Policy

The reinsurers / retrocessionaires chosen by the Company should meet, as far as reasonably possible, the following characteristics:

- renowned global players;
- rating of not less than B+ or equivalent;

- a satisfactory solvency, profitability and liquidity position in accordance with the latest financial statements available;

whilst giving due consideration to diversification in order to avoid undue concentration risk.

The Company's policy is to arrange all its reinsurance/retrocession placements on a facultative and treaty basis within the traditional reinsurance market. During the year the Company had a number of facultative covers as well as treaty protection for selected risks.

It is not anticipated that the Company enters into any financial or finite reinsurance arrangements or other non-traditional form of reinsurance.

C.1.4 Risk sensitivity

As part of the business and capital planning processes, the risk management function carries out stress tests including the assessment of stress scenarios to feed into the ORSA. This ensures that potential adverse scenarios are considered and negative outcomes can be adequately mitigated either through controls implemented, through timely remedial actions or through the commitment of additional capital.

The stress tests performed in relation to underwriting risk were as follows:

- 20% slowdown in premium volumes in 2022 and 2023
- 20% increase in premium volumes in 2022 and 2023
- An increase of 10 percentage points in the loss ratio for the years 2022 and 2023 and one large claims of \$5 million in each year.
- One large claim of \$15m (catastrophe risk SCR) in 2022
- 20% decrease in the market value of bonds in 2022
- Severe Economic downturn resulting in investment losses of \$20m in 2022 and 2023 and 100% default of all related entities

The most material impact on the solvency ratio of KLPP was observed under the last scenario. The solvency position of the Company was not threatened under any of the above stress scenarios and remained well above its risk appetite.

C.2 Market risk

The Company is exposed to market (Investment) risk through its asset portfolio and in particular from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities of the Company.

Market risk reflects the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities of the Company.

For the last year the insurance industry has faced a lot of challenges. In 2018 the Company faced several market changes which increased volatility and declined the yield return, consolidated with trust to Emergency Markets. Challenges in 2019 included trade wars, political volatility, tax reform in USA in combination with reduced attractiveness of fixed income instruments and legal environment changes made significant impact on strategy of managing market risk of the company. The years 2020 and 2021 have witnessed the 21st century's most extreme economic crisis as a result of the pandemic caused by coronavirus. The business model of KLPP incorporates outsourcing of services and functions to a great extent which help minimise the risk of business interruption.

In order to keep liquidity, return and yield of portfolio on the same level Management undertook several steps with impact on asset portfolio diversification – changes the priorities in objects of investing with modifying internal control levels using models of expected credit loss (ECL) and Value at Risk (Var).

Combination of innovation in investment approach with establishing new mechanisms of control allowed company to change diversification of portfolio keeping market risk under control on the same level.

Amended portfolio diversification as it was kept within the Company's strategic allocation.

KLPP has appetite for investment risk as per its investment strategy, given the large capital base. The investment strategy of the Company is based in conservative base - to increase the profit, and minimise potential losses, and it gives answers to each one of the investment risks named above. The principals of investment strategy in concentration risk, is to diversify the type of investments, using different instruments with preference to most liquid.

All securities, except corporate loans and promissory notes used for internal corporate financing purposes are listed in stock exchanges and have investment grade rating.

- Treasury bills – preference to the Treasuries of USA
- Bonds – corporate issuers, only Senior bonds, preference to diversification of industries priority to USA and EU issuers with average duration 1-4 years, which are the basement of economical and financial systems of developed countries. In regards of corporate issuers – only investment grade rating, combined of level of CDS (credit default SWAP) and fixed high level of coupon which exceeds inflation level is allowed,
- Equities – only listed in stock exchange, mostly of US banks, telecommunications and transnational companies (EU) together with indexes impact, as well as historical data analysis confirming regular payment of dividends per share
- Commodities - only highly liquid, listed in stock markets

There were no significant changes in lines of investment activity. Conservative strategy does not allow to exceed the level of 15% in equities and requires rigorous investment analysis of each instrument, but allows the company receive benefits of low market risk level.

In order to diversify portfolio the frame for each issuer of securities not more than 3-5%, in other asset in portfolio not more than not more than 3% on each issuer.

In regards of Cash (current accounts) Company doesn't enter to deposit with the banks giving preferences to US Treasury Bills, which gives stable interest rate, high liquidity and collateral value.

Risk appetite framework for counterparty risk is resolving for the system of accessing of relationships with each counterparty. The Banks and broker relationships are framed through the system of credit rating monitoring, analyse of their financial statements on day to-day base – our counterparties in financial activity have an obligation to provide us on regular basis their financial statements, analysis of information opened from different source starting from Bloomberg system and including news messages. All securities, bonds and commodities, are accepted only if they are listed in EU, US stock exchanges, but simultaneously system of requirements includes rating of credit agency of issue, interest rate, analysis of position on day to day basis, and financial statements issue analytic. Unlisted instruments are also accepted if there is full control through the corporate mechanism – Board of Directors, shareholders etc. Currency risk is managed through diversification of currencies. Investments in property development companies are acceptable up to an amount of 15% of own funds of the company.

At the same time Company has established an internal system of controls on investment strategy realization – terms limits and CDS restriction.

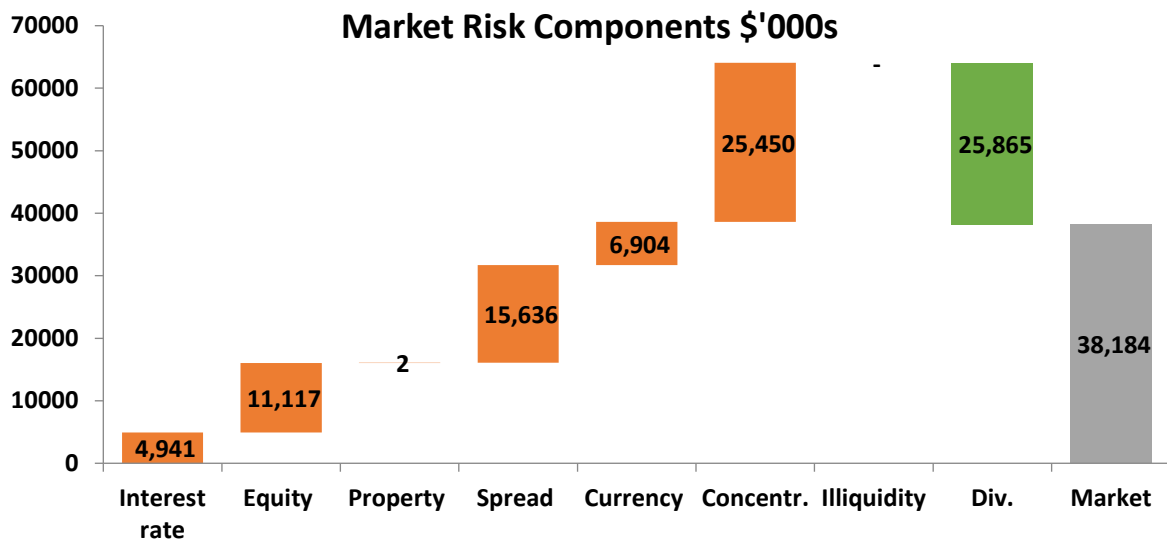
The investment strategy is based on conservative platform, and its main frame is not acceptable of the risk in case it doesn't pass through the system of managing risks, at the same time flexibility to external changes, strategy of changing portfolio with securitization of structure and profitability.

C.2.1 Risk Assessment/Measurement

KLPP measures its market risk using the standard formula, the adequacy of which was assessed during the latest ORSA. The measurement is done separately for the sub-categories mentioned above. Then the aggregate market risk measure allows for diversification between its components. KLPP also adopts other risk assessment tools such as stress and scenario testing (both on the current position and over the business planning horizon), maintenance of a risk register, comparison of actual exposure and risk tolerance limits and use of Key Risk Indicators.

Over the business planning horizon, KLPP expects its own funds to increase materially as business is written on profitable terms. Inevitably, the higher capital base will introduce additional market risk. With the support of the RMF, the Company assesses the impact of any material investment decisions on its solvency coverage ratio.

The composition of the investment risk portfolio of KLPP is as follows:



The total market risk SCR as at 31.12.2021 was USD 38m.

C.2.2 Risk Concentrations

Overall the investment portfolio meets the diversification requirements as specified in the company's investment policy and no material concentrations is observed to a particular instrument or counterparty. The SCR for concentration risk is equal to 6.67% of own funds which is lower than the risk tolerance limit set by the Board.

C.2.3 Risk Mitigation

Market risk is mitigated through the investment policy adopted by KLPP which safeguards limited exposure to risky asset classes and minimum diversification limits.

The Managing Committee reviews investment related information regularly to ensure that the portfolio is invested in line with the investment guidelines and the risk appetite of the company. Furthermore, external financial advisors are appointed to provide independent investment advice.

The continued effectiveness of the risk mitigation techniques and controls is monitored through the Managing Committee and additional oversight is provided by the Board of Directors.

C.2.4 Risk sensitivity

As part of the business and capital planning processes, the risk management function carries out stress tests including the assessment of stress scenarios to feed into the ORSA. This ensures that potential adverse scenarios are considered and negative outcomes can be adequately mitigated either through controls implemented, through timely remedial actions or through the commitment of additional capital.

The stress test performed in relation to market risk covered a 20% decrease in the market value of bonds in 2022 and Investment losses of \$20m in 2022 and 2023 and 100% default of all related entities. The results of these stress testing indicated that the company is sufficiently capitalised and able to withstand extreme market events and maintain a strong solvency position in excess of its risk appetite.

C.2.5 Investment Management and Prudent Person Principle

KLPP manages its investments in a prudent manner and in accordance with “The Prudent Person Principle”. As previously mentioned the company has set in place tolerance limits with regard to the underlying risk of its asset portfolio which work to control the risk profile of the portfolio in relation to diversification, liquidity, volatility and matching to the liabilities in terms of nature currency and duration.

The performance and risk profile of the investment portfolio is monitored on a quarterly basis through a set of predefined metrics and is discussed at the BoD.

C.3 Credit risk

Credit risk is the risk of loss or adverse changes in the Company’s financial position due to fluctuations in the credit standing of issuers of securities, counterparties or any other debtors, including risk of loss arising from the Company’s inability to collect funds from debtors.

The Company manages its credit risk by prescribing minimum requirements for its distribution channels and frontiers as well as reinsurers and retrocessionaries and by ensuring an adequate level of diversification in its investment portfolio.

In managing its credit risk, the Company places a high value on the financial rating awarded to its counterparties by the main rating agencies (Moody’s, Standard and Poor’s and Fitch), since such ratings are recognised worldwide as the benchmark for assessing a counterparty’s financial strength. In fact, as far as reasonably possible, the Company’s seeks to ensure that its frontiers and retrocessionaires have a minimum rating of B+ or equivalent. Moreover, the majority of bonds included in the Company’s investment portfolio are investment grade bonds.

Credit risk is the second largest risk exposure of the Company. This arises primarily from exposures to corporate counterparties through loans, bonds and promissory notes.

C.3.1 Risk sensitivity

As part of the business and capital planning processes, the risk management function carries out stress tests including the assessment of stress scenarios to feed into the ORSA. This ensures that potential adverse scenarios are considered and negative outcomes can be adequately mitigated either through controls implemented, through timely remedial actions or through the commitment of additional capital.

The stress test performed in relation to credit risk covered a 20% decrease in the market value of bonds in 2022 arising from a widening of credit spreads. The results of this stress testing indicated

that the company is sufficiently capitalised and able to withstand an extreme credit event and maintain a strong solvency position in excess of its risk appetite.

C.4 Liquidity risk

Liquidity risk refers to the inability to realise investments and other assets in order to settle financial obligations when they fall due, in other words, it refers to the availability of funds or certainty that funds will be available without significant losses, to honour all cash outflow commitments as they fall due.

The Company's cash inflow is generated from premium income and reinsurance / retrocession recoveries, together with the returns on, and expiration of, investments. Cash outflows consist mainly of claim payments and retrocession premium, together with a relatively small volume of administration expenses.

The Company minimizes liquidity risk by:

- designing and implementing proper controls to ensure that inflows are actively managed, monitored and followed up
- ensuring that income generated from the investment portfolio is duly received by the Company
- requiring that the investments comprise solely of listed instruments and that a certain proportion of the investments are made up of highly liquid assets
- catering for unexpected cash flows
- considering the effect of any proposed new business on liquidity and liquidity risk at Board level

The Company does not have any expected profits included in future premiums.

C.4.1 Risk Sensitivity

Given that liquidity is not a material risk for the Company, no specific risk sensitivity is performed.

C.5 Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, people, systems, or from external events. This risk encompasses all exposures faced by the Company's functions in the course of conducting the Company's business, including but not limited to, accounting and financial reporting, business continuity, claims management, information technology and data processing, legal and regulatory compliance, outsourcing and retrocession.

The Company addresses operational risk through the following measures:

- an Operational Risk Policy is in place to ensure that operational risks are properly identified, recorded, addressed and controlled.
- an Outsourcing Policy is in place to minimize the operational risks that result from outsourcing.
- an internal control system is in place, mainly to ensure that the four-eyes principle is always adhered to
- A business continuity plan and a procedure manual are in place to ensure continuity and regularity in the performance of activities.

C.6 Other material risks

The Company is not exposed to any other material risks, other than those described above.

D. Valuation for solvency purposes

D.1 Assets

All assets and liabilities listed in the table below are valued in accordance with the Solvency II Framework. Assets and liabilities are valued on the assumption that the Company will pursue the business as a going concern. No changes in the valuation methods occurred during the year under review.

The Company does not have any intangible assets or off-balance sheet assets or liabilities.

Assets	Solvency II	Statutory
USD'000s	2021	accounts
		2021
Deferred Acquisition Costs		1,961
Investments	326,873	326,873
Deferred Tax Asset	16	0
Loans and Mortgages	63,908	63,908
Property, plant & equipment held for own use	7	7
Reinsurance	7,284	8,553
Receivables	5,659	5,659
Cash & Cash Equivalent	78583	78,583
Deposits to cedants	-	-
Other Assets	452	452
Total Assets	482,782	485,995

D.1.1 Description of bases, methods and main assumption used for valuation for solvency purposes

Investments

The fair value of quoted financial assets (debt securities, equity securities) is based on quoted market prices at the end of the reporting period. The Company classifies investments in treasury bills (debt securities) at amortised cost category in accordance with IFRS 9. As a result, T-bills are measured at amortised cost rather than fair value. However, the carrying amount of the treasury bills as measured at amortised cost approximates their fair values. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Loans, Promissory notes (PNs) and receivables

Loans, PNs and receivables are initially measured at the fair value of consideration receivable and then at amortized cost and are subject to expected credit loss (ECL) allowance as per IFRS 9. The carrying amount approximates fair value.

D.1.2 Differences between IFRS and Solvency II valuation

As at 31.12.2021, the value of the assets used for the solvency calculation is lower than the value of assets shown in the Financial Statements by USD3,213K due to the fact that deferred acquisition costs and deferred reinsurance cost are eliminated under the solvency valuation. In addition, deferred tax assets under IFRS are zero, whereas under Solvency II valuation a total of USD16K is recognised.

D.2 Technical Provisions

The value of the Company's technical provisions is equal to the sum of the best estimate and the risk margin, which are calculated separately. The table below shows the value of technical provisions as at 31 December 2021.

USD'000s Line Of Business	Claims Provision		Premium Provision		Risk Margin
	Gross BE	RI Recoverable	Gross BE	RI Recoverable	
Workers' compensation insurance	11	0	5	0	1
Other motor insurance	2	0	0	0	0
Marine, aviation and transport insurance	535	313	20	0	13
Fire and other damage to property insurance	4,032	532	600	231	141
General liability insurance	1,519	217	257	0	70
Credit and suretyship insurance	776	15	2,225	0	213
Miscellaneous financial loss	2,324	1,789	1,342	863	90
Non-proportional casualty reinsurance	1,090	0	60	0	88
Non-proportional property reinsurance	17,717	3,323	3,005	2	1,098
Non-proportional marine, aviation and transport reinsurance	12	0	0	0	1
Total	28,018	6,188	7,513	1,096	1,714

The total net technical provisions as at 31.12.2021 amounted to USD29,961K.

D.2.1 Methodology

In 2021, the methodology for the calculation of technical provisions was in accordance with the Solvency II framework. The following principles underly the calculation of the best estimate:

- The best estimate is generally calculated separately for each insurance contract in place at the valuation date.
- The best estimate for claims outstanding is valued separately from the best estimate of premium provisions.
- The premium provisions relate to future claim events covered by insurance obligations falling within the contract boundary.

- The provisions for claims outstanding relate to claim events that have already occurred, regardless of whether the claims arising from these events have been reported or not. The provision for claims outstanding captures the IBNR, IBNER, ULAE and ENID. The IBNR and IBNER have been calculated using the loss ratio method.
- The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money, using the risk-free interest rate term structure prescribed by EIOPA for the valuation date.
- The estimated future cash flows take account of all the cash inflows and outflows that are expected to be required to settle the reinsurance obligations over the lifetime thereof, including expenses expected to be incurred in servicing the reinsurance obligations. The Company's reinsurance obligations do not include any guarantees.
- The estimates take account of the uncertainties surrounding the cash flow projections.
- The projected future cash flows are based on the actuarial function's expectations regarding the future cash flows that are expected to arise from the underlying insurance contracts.
- The best estimate is calculated on a gross basis i.e. without deduction of the amounts recoverable from reinsurance contracts

The risk margin is designed to ensure that the value of technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the Company's reinsurance obligations. The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the Company's reinsurance obligations over the lifetime thereof. This rate, called Cost-of-Capital rate, is prescribed by EIOPA and currently stands at 6%.

The Company does not use the matching adjustment, the volatility adjustment, extrapolation of the risk-free rate, the transitional risk-free interest rate-term structure or the transitional deduction in calculating its technical provisions. Neither does it use economic scenario generator.

D.2.2 Assumptions and Uncertainty

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions and hence sources of uncertainty are:

- Loss ratio
- Expense ratio

The valuation assumptions used are prudent enough to implicitly allow for the inherent uncertainty in the ultimate cost of claims.

The claims provision for YE2021 was calculated using the loss ratio method. The assumptions used in the calculation of the loss ratio were derived based on actual experience and the Company's expectations with regards to the business written.

D.2.2.1 Material changes in assumptions from prior year

There have been no material assumption changes from the prior year.

D.3 Other Liabilities

D.3.1 Value of other liabilities

Liabilities	Solvency II	Statutory
USD'000s	2021	accounts
		2021
Technical provisions	37,246	40,348
Insurance & intermediaries payables	2,519	2,519
Derivatives	129	129
Payables (trade, not insurance)	0	0
Deferred tax liabilities	0	-
Other financial liabilities (debt securities issued)	0	0
Debts owed to credit institutions	60,339	60,339
Other Liabilities	567	567
Total Liabilities	100,799	103,901

D.3.2 Differences between IFRS and Solvency II valuation

With regards to liabilities other than technical provisions, there is no differences between IFRS and Solvency II valuation.

D.4 Any other information

The Covid 19 coronavirus outbreak that began towards the end of 2019 has now become a global pandemic. The measures taken to flatten the transmission curve have inevitably had enormous impact on economic activity and the business environment including the insurance sector.

The Company is actively monitoring developments, identifying potential risks, designing and implementing risk mitigation actions to ensure business continuity, limit damages and safeguard its solvency.

E. Capital Management

E.1 Own Funds

E.1.1 Objectives, policies and processes employed for managing its own funds

The objective of capital management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Company holds regular meetings between the senior management and the BoD, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR are reviewed. As part of own funds management, the Company prepares annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a three-year projection of funding requirements and this helps focus actions for future funding.

E.1.2 Information on the structure, amount and quality of own funds at the end of the reporting period and at the end of the previous reporting period

The following table shows the structure of own funds as at 31 December 2021 and a comparison with the position as at 31 December 2020.

Own Funds (USD'000s)	31/12/2021	31/12/2020
Ordinary share capital	9,860	9,860
Preference shares	0	0
Reconciliation reserve	372,107	365,375
Surplus Funds	0	0
An amount equal to the value of net deferred tax assets	16	54
Other Own Funds	0	0
Total Basic Own Funds	381,983	375,289

E.1.3 Eligible amount of own funds to cover SCR & MCR

The composition of Own Funds as at 31.12.2021 and the classification into tiers is shown below:

Eligible Own Funds (USD'000s)	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital (net of own shares)	9,860	9,860	-	-
Surplus Funds	-	-	-	-
Preference shares	-	-	-	-
Deferred tax assets	16	-	-	16
Reconciliation reserve	372,107	372,107	-	-
Other own funds not specified above	-	-	-	-
Total Eligible Own Funds to meet SCR	381,983	381,967	-	16
Ratio of Eligible own funds to SCR	834%			
Total Eligible Own Funds to meet MCR	381,967	381,967	-	
Ratio of Eligible own funds to MCR	3334%			

All of the above own funds items are eligible to cover the SCR and MCR.

E.1.4 Material terms and conditions of the main items of own funds held by the undertaking

As shown above, own funds are mostly composed of Tier 1 ordinary share capital and retained profits and this is not expected to change over the projection horizon. Consequently, these own funds items have no maturity or call dates and therefore their duration expands beyond the duration of liabilities.

E.1.5 IFRS Equity vs Solvency II Own Funds

The following summary table shows the comparisons and differences in the IFRS and Solvency II valuation of assets, liabilities and Own Funds.

(USD'000s)	IFRS	Solvency II	Difference
Total Assets	485,995	482,782	3,213
Total Liabilities	103,901	100,799	3,102
Total Own Funds	382,094	381,983	111

- The difference in the valuation of assets is attributed to the fact that deferred acquisition costs and deferred reinsurance cost are eliminated under Solvency II. In addition, deferred tax assets under IFRS are zero, whereas under Solvency II valuation a total of USD16K is recognised.
- The difference in the valuation of liabilities arises from the differences in the valuation of IFRS and Solvency II standards in the gross technical provisions (as explained in the previous section).

E.1.6 Whether there is any intention to repay or redeem any own-fund item

There is no intention to repay or redeem any own-fund item.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Amounts of SCR and MCR

As at 31 December 2021 the SCR of KLPP was calculated at USD45,827K (USD40,905K in 2020) and the MCR at USD11,457K (USD10,226K in 2020). The increase in the SCR is primarily driven by the increase of the counterparty and market risks. Counterparty risk increased due to higher exposure in bank accounts and market risk due to higher exposure in equities during 2021.

KLPP's total SCR as at December 2021 was €45,827K, which includes the adjustment for the Loss Absorbing Capacity of Deferred Taxes (LACDT) which amounts to €6,529K. A detail modelling exercise was undertaken as part of the ORSA, in which we demonstrate that it is expected that adequate profits will be generated in a 3-year horizon that will allow us to utilise the DTA that will be generated under the LACDT scenario. Additional stresses have been implemented to demonstrate the resilience of the Company and future profitability under adverse scenarios. Lastly, KLPP's strong solvency position ensures that the Company remains solvent and operational even if a stress in the magnitude of the SCR is considered, ensuring the viability of the Company under the SCR scenario and the business continuation that will generate the required profits for the utilisation of the DTA that will be created under the LACDT scenario.

E.2.2 Breakdown of SCR by risk modules

The following table shows the SCR split by risk modules as at 31 December 2021 and a comparison with the figures as at 31 December 2020.

Solvency Capital Requirement USD '000s	YE2021	YE2020
Market risk	38,184	32,355
Counterparty default risk	4,759	1,990
Life Underwriting risks	-	-
Health underwriting risk	8	14
Non-Life underwriting risk	22,732	24,525
Sum of risk components	65,684	58,884
<i>Diversification effects</i>	<i>-14,394</i>	<i>-12,729</i>
Diversified risk	51,290	46,155
Intangible asset risk	-	-
Basic SCR	51,290	46,155
Operational risk	1,066	532
Adjustment for the loss absorbance of deferred taxes	-6,529	- 5,782
SCR	45,827	40,905

The significant increase in the Counterparty risk is attributed to the higher exposure in bank accounts. In addition, market risk has increased due to the higher exposure in equities.

E.2.3 Simplifications

No simplifications have been used for any of the modules or sub-modules of the SCR.

E.2.4 Undertaking-specific parameters

KLPP has not used undertaking-specific parameters for any of the parameters of the standard formula.

E.2.5 Information on the inputs used to calculate the MCR

The inputs used in the calculation of the MCR are presented in the table below:

Minimum Capital Requirement	USD'000s
Linear MCR	7,153
SCR	45,827
MCR cap	20,622
MCR floor	11,457
Combined MCR	11,457
Absolute floor of the MCR	4,309
MCR	11,457

E.3 Non-compliance with the MCR and non-compliance with the SCR

E.3.1 Non-compliance with the MCR & SCR

KLPP has been continuously compliant with the both the MCR and the SCR throughout the year.

E.3.2 Any reasonably foreseeable risk of non-compliance with the MCR or SCR

Based on the projections of the solvency position performed as part of the ORSA and on the resilience the Company has shown to the stress tests performed, there is no reasonably foreseeable risk of non-compliance with the MCR or SCR.

E.3.3 Plans to ensure compliance with SCR and MCR is maintained

KLPP will closely monitor actual experience compared to what was assumed in the ORSA projections. Should any material deviation occur, an investigation will take place to identify the underlying source and take corrective actions.

Moreover, ORSA projections will continue to be performed every year so as to ensure each and every year that the business strategy of the Company will be in line with its target solvency ratio.

Despite being sufficiently capitalised (based on the above projections), a medium-term capital management plan has been developed which includes realistic plans as to how to raise additional capital if and when required.

E.4 Any other information

There is no other material information regarding the capital management of the Company.

Appendix A: Quantitative Reporting Templates

S.02.01.02

Balance sheet

Assets

Intangible assets
Deferred tax assets
Pension benefit surplus
Property, plant & equipment held for own use
Investments (other than assets held for index-linked and unit-linked contracts)
Property (other than for own use)
Holdings in related undertakings, including participations
Equities
Equities - listed
Equities - unlisted
Bonds
Government Bonds
Corporate Bonds
Structured notes
Collateralised securities
Collective Investments Undertakings
Derivatives
Deposits other than cash equivalents
Other investments
Assets held for index-linked and unit-linked contracts
Loans and mortgages
Loans on policies
Loans and mortgages to individuals
Other loans and mortgages
Reinsurance recoverables from:
Non-life and health similar to non-life
Non-life excluding health
Health similar to non-life
Life and health similar to life, excluding health and index-linked and unit-linked
Health similar to life
Life excluding health and index-linked and unit-linked
Life index-linked and unit-linked
Deposits to cedants
Insurance and intermediaries receivables
Reinsurance receivables
Receivables (trade, not insurance)
Own shares (held directly)
Amounts due in respect of own fund items or initial fund called up but not yet paid in
Cash and cash equivalents
Any other assets, not elsewhere shown
Total assets

	Solvency II value
	C0010
R0030	-
R0040	16
R0050	-
R0060	7
R0070	326,873
R0080	-
R0090	1,726
R0100	23,498
R0110	23,498
R0120	-
R0130	301,649
R0140	31,480
R0150	270,169
R0160	-
R0170	-
R0180	-
R0190	-
R0200	-
R0210	-
R0220	-
R0230	63,908
R0240	-
R0250	-
R0260	63,908
R0270	7,284
R0280	7,284
R0290	7,284
R0300	-
R0310	-
R0320	-
R0330	-
R0340	-
R0350	-
R0360	5,659
R0370	-
R0380	-
R0390	-
R0400	-
R0410	78,583
R0420	452
R0500	482,782

	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	R0510 37,246
Technical provisions – non-life (excluding health)	R0520 37,228
TP calculated as a whole	R0530 -
Best Estimate	R0540 35,515
Risk margin	R0550 1,713
Technical provisions - health (similar to non-life)	R0560 17
TP calculated as a whole	R0570 -
Best Estimate	R0580 16
Risk margin	R0590 1
Technical provisions - life (excluding index-linked and unit-linked)	R0600 -
Technical provisions - health (similar to life)	R0610 -
TP calculated as a whole	R0620 -
Best Estimate	R0630 -
Risk margin	R0640 -
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650 -
TP calculated as a whole	R0660 -
Best Estimate	R0670 -
Risk margin	R0680 -
Technical provisions – index-linked and unit-linked	R0690 -
TP calculated as a whole	R0700 -
Best Estimate	R0710 -
Risk margin	R0720 -
Contingent liabilities	R0740 -
Provisions other than technical provisions	R0750 -
Pension benefit obligations	R0760 -
Deposits from reinsurers	R0770 -
Deferred tax liabilities	R0780 -
Derivatives	R0790 129
Debts owed to credit institutions	R0800 60,339
Financial liabilities other than debts owed to credit institutions	R0810 -
Insurance & intermediaries payables	R0820 2,519
Reinsurance payables	R0830 -
Payables (trade, not insurance)	R0840 -
Subordinated liabilities	R0850 -
Subordinated liabilities not in BOF	R0860 -
Subordinated liabilities in BOF	R0870 -
Any other liabilities, not elsewhere shown	R0880 567
Total liabilities	R0900 100,799
Excess of assets over liabilities	R1000 381,983

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

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)													Line of Business for: accepted non-proportional reinsurance				Total
	Medical expense insurance C0010	Income protection insurance C0020	Workers' compensation insurance C0030	Motor vehicle liability insurance C0040	Other motor insurance C0050	Marine, aviation and transport insurance C0060	Fire and other damage to property insurance C0070	General liability insurance C0080	Credit suretyship insurance C0090	Legal expenses insurance C0100	Assistance C0110	Miscellaneous financial loss C0120	Health C0130	Casualty C0140	Marine, aviation, transport C0150	Property C0160	C0200	
Premiums written																		
Gross - Direct Business	R0110	-	-	-	-	55	413	797	4,866	-	-	2,482	-	-	-	-	8,613	
Gross - Proportional reinsurance accepted	R0120	-	-	17	-	17	1,544	223	-	-	326	-	-	-	-	-	2,126	
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-	-	-	-	-	-	165	-	-	10,136	
Reinsurers' share	R0140	-	-	-	-	1	595	-	-	-	2,137	-	-	-	-	360	3,093	
Net	R0200	-	-	17	-	71	1,361	1,020	4,866	-	-	671	-	165	-	9,611	17,783	
Premiums earned																		
Gross - Direct Business	R0210	-	-	-	-	44	435	712	1,480	-	-	3,915	-	-	-	-	6,586	
Gross - Proportional reinsurance accepted	R0220	-	-	17	-	14	2,077	485	-	-	264	-	-	-	-	-	2,859	
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-	-	-	-	-	-	221	-	2	10,508	
Reinsurers' share	R0240	-	-	-	-	2	162	-	-	-	3,382	-	-	-	-	992	4,538	
Net	R0300	-	-	17	-	56	2,350	1,197	1,480	-	-	797	-	221	2	9,516	15,637	
Claims incurred																		
Gross - Direct Business	R0310	-	-	-	-	230	149	209	672	-	-	1,876	-	-	-	-	2,259	
Gross - Proportional reinsurance accepted	R0320	-	-	6	-	245	9,399	213	-	-	112	-	-	-	-	-	9,976	
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	165	89	127	12	-	1,618	-	-	228	7	6,644	6,409	
Reinsurers' share	R0340	-	-	-	-	180	9,459	131	683	-	370	-	-	228	-	2,558	3,963	
Net	R0400	-	-	6	-	57	10,086	473	1,367	-	1,086	-	-	456	7	4,086	14,680	
Changes in other technical provisions																		
Gross - Direct Business	R0410	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net	R0500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Expenses incurred	R0550	-	-	11	-	57	1,971	794	3,828	-	-	1,936	-	122	0	7,802	16,522	
Other expenses	R1200	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total expenses	R1300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,522	



S.17.01.02

Non-life Technical Provisions

	Direct business and accepted proportional reinsurance										Accepted non-proportional reinsurance						
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole																	
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																	
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
Net Best Estimate of Premium Provisions																	
Claims provisions																	
Gross																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default																	
Net Best Estimate of Claims Provisions																	
Total Best estimate - gross																	
Total Best estimate - net																	
Risk margin																	
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole																	
Best estimate																	
Risk margin																	
Technical provisions - total																	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total																	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total																	



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

Accident year / Underwriting year Z0010 Acc

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

Year	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9			10&+	
Prior	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	R0100	C0170	C0180
N-9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N-8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N-7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N-6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N-5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N-4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N-3	43	2,889	550	7	-	-	-	-	-	-	-	550	7	550
N-2	1	40	275	5	-	-	-	-	-	-	-	46	5	3,214
N-1	122	1,314	-	-	-	-	-	-	-	-	-	1,436	1,314	1,436
N	97	-	-	-	-	-	-	-	-	-	-	97	97	97
Total												1,423	5,344	



Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10&+	
Prior	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
N-9	-	-	-	-	-	-	-	-	-	-	-	-
N-8	-	-	-	-	-	-	-	-	-	-	-	-
N-7	-	-	-	-	-	-	-	-	-	-	-	-
N-6	-	-	-	-	-	-	-	-	-	-	-	-
N-5	-	-	-	-	-	-	-	-	-	-	-	-
N-4	5,933	1,025	380	265	216	-	-	-	-	-	-	207
N-3	21,690	6,506	936	1,027	-	-	-	-	-	-	-	721
N-2	3,665	2,000	1,867	-	-	-	-	-	-	-	-	1,288
N-1	7,135	4,935	-	-	-	-	-	-	-	-	-	4,704
N	21,474	-	-	-	-	-	-	-	-	-	-	21,097
Total												28,018



Annex I
S.23.01.01
Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	R0010	9,860	9,860	-	-
Share premium account related to ordinary share capital	R0030	-	-	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-
Surplus funds	R0070	-	-	-	-
Preference shares	R0090	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-
Reconciliation reserve	R0130	372,107	372,107	-	-
Subordinated liabilities	R0140	-	-	-	-
An amount equal to the value of net deferred tax assets	R0160	16	-	-	16
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-	-	-	-
Deductions					
Deductions for participations in financial and credit institutions	R0230	-	-	-	-
Total basic own funds after deductions	R0290	381,983	381,967	-	16
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	R0300	-	-	-	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-	-	-	-
Unpaid and uncalled preference shares callable on demand	R0320	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-	-	-	-
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-	-	-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-	-	-	-
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-	-	-	-
Other ancillary own funds	R0390	-	-	-	-
Total ancillary own funds	R0400	-	-	-	-
Available and eligible own funds					
Total available own funds to meet the SCR	R0500	381,983	381,967	-	16
Total available own funds to meet the MCR	R0510	381,967	381,967	-	-
Total eligible own funds to meet the SCR	R0540	381,983	381,967	-	16
Total eligible own funds to meet the MCR	R0550	381,967	381,967	-	-
SCR	R0580	45,827	-	-	-
MCR	R0600	11,457	-	-	-
Ratio of Eligible own funds to SCR	R0620	834%	-	-	-
Ratio of Eligible own funds to MCR	R0640	3334%	-	-	-
Reconciliation reserve					
Excess of assets over liabilities	R0700	381,983	-	-	-
Own shares (held directly and indirectly)	R0710	-	-	-	-
Foreseeable dividends, distributions and charges	R0720	-	-	-	-
Other basic own fund items	R0730	9,876	-	-	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-	-	-	-
Reconciliation reserve	R0760	372,107	-	-	-
Expected profits					
Expected profits included in future premiums (EPIFP) - Life business	R0770	-	-	-	-
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	-	-	-	-
Total Expected profits included in future premiums (EPIFP)	R0790	-	-	-	-



Annex I
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0100
Market risk	R0010 38,184		
Counterparty default risk	R0020 4,759		
Life underwriting risk	R0030 -		
Health underwriting risk	R0040 8		
Non-life underwriting risk	R0050 22,732		
Diversification	R0060 - 14,394		
Intangible asset risk	R0070 -		
Basic Solvency Capital Requirement	R0100 51,290		
Calculation of Solvency Capital Requirement			
Operational risk	R0130 1,066		
Loss-absorbing capacity of technical provisions	R0140 -		
Loss-absorbing capacity of deferred taxes	R0150 - 6,529		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160 -		
Solvency Capital Requirement excluding capital add-on	R0200 45,827		
Capital add-on already set	R0210 -		
Solvency capital requirement	R0220 45,827		
Other information on SCR			
Capital requirement for duration-based equity risk sub-module	R0400 -		
Total amount of Notional Solvency Capital Requirements for remaining part	R0410 -		
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420 -		
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430 -		
Diversification effects due to RFF nSCR aggregation for article 304	R0440 -		
Approach to tax rate			
Approach based on average tax rate	R0590	Yes/No C0109	-
Calculation of loss absorbing capacity of deferred taxes			
LAC DT			
C0130			
DTA	R0600		
DTA carry forward	R0610		
DTA due to deductible temporary differences	R0620		
DTL	R0630		
LAC DT	R0640 - 6,529		
LAC DT justified by reversion of deferred tax liabilities	R0650 - 6,529		
LAC DT justified by reference to probable future taxable economic profit	R0660 -		
LAC DT justified by carry back, current year	R0670 -		
LAC DT justified by carry back, future years	R0680 -		
Maximum LAC DT	R0690 -		

Annex I
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
MCR_{NL} Result	R0010 7,153

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0020	C0030
Medical expense insurance and proportional reinsurance	R0020 -	-
Income protection insurance and proportional reinsurance	R0030 -	-
Workers' compensation insurance and proportional reinsurance	R0040 16	17
Motor vehicle liability insurance and proportional reinsurance	R0050 -	-
Other motor insurance and proportional reinsurance	R0060 2	-
Marine, aviation and transport insurance and proportional reinsurance	R0070 242	71
Fire and other damage to property insurance and proportional reinsurance	R0080 3,869	1,361
General liability insurance and proportional reinsurance	R0090 1,559	1,020
Credit and suretyship insurance and proportional reinsurance	R0100 2,986	4,866
Legal expenses insurance and proportional reinsurance	R0110 -	-
Assistance and proportional reinsurance	R0120 -	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130 1,014	671
Non-proportional health reinsurance	R0140 -	-
Non-proportional casualty reinsurance	R0150 1,150	165
Non-proportional marine, aviation and transport reinsurance	R0160 12	-
Non-proportional property reinsurance	R0170 17,398	9,611

Linear formula component for life insurance and reinsurance obligations

	C0040
MCR_L Result	R0200

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

Overall MCR calculation

	C0070
Linear MCR	R0300 7,153
SCR	R0310 45,827
MCR cap	R0320 20,622
MCR floor	R0330 11,457
Combined MCR	R0340 11,457
Absolute floor of the MCR	R0350 4,309
	C0070
Minimum Capital Requirement	R0400 11,457

