PRIME INSURANCE COMPANY LTD

SOLVENCY AND FINANCIAL CONDITION REPORT

2018

Executive Summary

This Solvency and Financial Condition Report has been prepared for Prime Insurance Company Ltd (hereinafter “Prime” or “Company”) in accordance with all applicable laws and regulations. It refers to the financial year ended 31 December 2018.

The Company is licensed by the Cyprus Insurance Companies Control Service to underwrite the following insurance classes:

Life Business	**Non-Life Business**
Classes 1, 3 and 4	Classes 1, 3, 5, 6, 7, 8, 10, 11, 12, 13, 15, 16, 17,18

The Company is registered and operates in Cyprus. It also maintains a Branch in Greece, under the Freedom of Establishment Act.

€ ‘000s	YE2018	YE2017	%
Gross premiums earned	73.444	71.790	2%
Net premium earned	53.891	53.756	0%
Other Income (Reinsurance commission and Investment gain)	2.607	7.213	-64%
Insurance Benefits (Life)	- 9.972	- 12.740	-22%
Net insurance claims incurred (including reserves)	- 22.726	- 17.953	27%
Total expenses	- 29.025	- 30.223	-4%
Underwriting result	- 5.225	54	
Taxation	- 419	- 378	11%
Result after taxation	- 5.644	- 324	

The SCR coverage ratio as at 31.12.2018 was 91%. A series of corrective measures and actions took place early in the year, which resulted in a material decrease of the capital add-on imposed on Operational Risk SCR. Furthermore, in order to reverse the poor financial performance of the Company a restructuring plan was followed comprising of a material cost cutting plan, a termination / downsizing of loss-making operations as well as a capital injection. As a result, as at 31.03.2019 the SCR coverage ratio reached 100%.

The company has committed in executing further improvements which include injection of share capital and improvement of the robustness of the internal control system which would result in further reduction in the SCR for operational risks. For the robustness of the internal control system, three members of the board resigned and three new were appointed. Furthermore, the services of the Company’s CEO were terminated on December 20th, 2018 and a new CEO was appointed. Accordingly, we forecast the SCR coverage to exceed 115% by September 2019.

The Company’s risk profile is mainly driven by its insurance operations and the composition of its asset portfolio. Underwriting risk forms around 49% of the total risk portfolio of the Company, while the rest of the risk exposure arises from market risk and credit risk. The primary sources of market risk are equity and property risks arising from exposure to the respective asset classes. While, credit risk arises from Cash at bank, Bonds and deposits, Reinsurance recoverables and Premium receivables. Credit risk as measured through the SCR is composed of counterparty default risk by 42%, concentration 47% and spread risk by 11% and it forms more than 10% of the total undiversified SCR. Currently Prime ranks its overall exposure to underwriting risk and market risk as medium whereas the overall credit risk exposure is considered to be high.

The objective of capital management is to maintain, always, sufficient own funds to cover the SCR and MCR with an appropriate buffer. From 31 December 2017 to 31 December 2018, Total Basic Own Funds were decreased by €22K and this was due to a lower Reconciliation reserve in 2018. Furthermore, as at 31 December 2018, the value of total Own Funds under Solvency II was

€26.091K while under IFRS was €13.002K, which results to a movement of €13.089K. This movement arises from the differences in the valuation of IFRS and Solvency II standards. For instance, Deferred Acquisition Cost (DAC) is not included under Solvency II and there are differences in gross technical provisions and reinsurance recoverables.

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1 Business Performance

1.1 Business

1.1.1 Name and legal form of undertaking

Prime Insurance Company Ltd

55 Digenis Akritas & 1 Olympias corner

1070 Nicosia

Cyprus

Telephone: 0035722896000

Fax: 0035722896001

Email: info@primeinsurance.eu

Private Company Limited by Shares

The Company's registration number is **HE70923**

1.1.2 Name and contact details of the supervisory authority

Prime Insurance Company Ltd is a Cyprus regulated entity. The contact details of its regulator are:

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

1.1.3 Name and contact details of the external auditor

KPMG Limited

Esperidon 14, 1087, Nicosia

1.1.4 Description of the holders of qualifying holdings

The major shareholders of the Company are:

Rodardo Ltd: 97.48% (Golvenveil Ltd 83,3%, Michael Michaelides 15% and Dalantel Trading Ltd 1,7%)

Intervista AE: 1.34%

Michael Michaelides: 1.18%

1.1.5 *Material lines of business and material geographical areas where the undertaking carries out business*

Prime Insurance writes business in Cyprus and in Greece through a Branch under both Life and Non-Life classes as listed below:

Life Insurance

- Unit-linked insurance
- Other life insurance
- Health Insurance

Non-Life

- Accident and Health 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

1.1.6 *Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking*

The services of the Company's CEO were terminated on December 20th, 2018 and a new CEO was appointed. The composition of the Board of Directors was also enhanced with the appointment of additional non-executive independent directors. Furthermore, the Company agreed upon a restructuring plan to reverse its poor financial performance. Among others, this plan comprised of a material cost cutting plan, a termination/downsizing of loss-making operations as well as a capital injection.

1.2 Underwriting performance

1.2.1 *Qualitative and quantitative information on the undertaking's underwriting performance, at an aggregate level*

The following table presents quantitative information on the underwriting performance of the Company for the current and for the previous reporting period as per the financial statements.**€ '000s**	YE2018	YE2017	%
Gross premiums earned	73.444	71.790	2%
Net premium earned	53.891	53.756	0%
Other Income (Reinsurance commission and Investment gain)	2.607	7.213	-64%
Insurance Benefits (Life)	- 9.972	- 12.740	-22%
Net insurance claims incurred (including reserves)	- 22.726	- 17.953	27%
Total expenses	- 29.025	- 30.223	-4%
Underwriting result	**- 5.225**	**54**	

1.2.2 *Qualitative and quantitative information on the undertaking's underwriting performance by material line of business*

€ '000s	YE2018	YE2018	YE2017	YE2017
	General business	Life business	General business	Life business
Net premium earned	29.931	23.960	29.647	24.109
Other Income (Reinsurance commission and Investment gain)	2.208	399	4.872	2.341
Insurance Benefits (Life)		-9.972		-12.740
Net insurance claims incurred (including reserves)	-18.278	-4.448	-14.155	-3.798
Total expenses	-20.243	-8.782	-21.976	-8.246
Underwriting result	**-6.383**	**1.157**	**-1.612**	**1.666**

Life insurance operations continued to exhibit profitability whereas non-life exhibited significant deterioration closing the year with material losses. Such losses are attributed to increased combined ratio of the Greek branch. This was driven by increased levels of claims and acquisition costs. The underwriting result of the Greek branch was also adversely affected by a one-off adjustment to reinsurance commission in order to adequately reflect the commission accruing to Prime through the sliding scale formula.

Non-life operations in Cyprus also continued to exhibit negative results mostly on the motor line which also suffered by a material increase in claims reserves following a thorough review of case estimates.

The measures taken as part of the restructuring plan are expected to reverse this performance in 2019.

1.2.3 *Qualitative and quantitative information on the undertaking's underwriting performance by material geographical area*

€ '000s	YE2018	YE2018	YE2017	YE2017
	Cyprus	Greece	Cyprus	Greece
Gross premiums	42.426	31.018	42.844	28.946
Net premium earned	36.815	17.076	37.755	16.002
Other Income (Reinsurance commission and Investment gain)	1.037	1.570	3.023	4.190
Insurance Benefits (Life)	-9.972	-	-12.740	-
Net insurance claims incurred (including reserves)	-13.445	-9.281	-11.416	-6.537
Total expenses	-15.762	-13.263	-15.569	-14.654
Underwriting result	**-1.327**	**-3.898**	**1.053**	**-999**

1.3 Investment Performance

Investment performance remains key to our overall profitability. Our strategic asset allocation is determined following thorough investigations and asset liability modelling and aims to maximise returns subject to predefined risk tolerance limits safeguarding that no unwanted investment risk is taken on.

The Company's investment portfolio is managed by experienced investment managers and their performance is reviewed quarterly by the Company's Investment Committee.

The current prolonged low interest rate environment introduces an additional challenge to the Company and investment manager as the prices of fixed income securities are relatively expensive and secured yields are at historically low levels in the Eurozone. Inevitably in order to achieve sensible yields the investment manager is looking into lower rates issues to get the pickup through the credit spread but always within the investment grade corporate space and sovereign bonds. Each recommendation of the investment manager is investigated separately and the marginal increase in capital requirement is assessed by the Company prior to concluding any placement. The composition of the investment portfolio as at 31.12.2018 was as follows:

Type - € '000s	Total	UL	NL	GB	SH
Property, Plant & Equipment	2,741	-	-	-	2,741
Investment Property	8,555	2,765	-	-	5,790
Collective Investments Undertakings	10,307	-	2,668	7,639	-
Investment to Subsidiaries	13,720	-	-	-	13,720
Equities	20,373	18,414	-	1,765	194
Bonds	25,555	8,356	4,813	5,748	6,638
Cash and Deposits	31,372	21,958	1,895	758	6,761
Mortgages and Loans	1,467	1,467	-	-	-
Total	**114,090**	**52,960**	**9,376**	**15,910**	**35,844**

1.3.1 Income and expenses arising from investments by asset class,

Income arising is composed of dividends, interest, fair value gains, gains on disposal of investments, rental income received and foreign exchange gains.

Type - € '000s	Total	UL	NL	GB	SH
Interest Income	951	309	169	325	148
Dividend Income	88	87	-	-	1
Rental Income	40	27	-	-	13
Fair value losses on investment properties	- 168	- 158	-	-	-10
Loss from investments at fair value through profit or loss	- 1.503	-1.216	-81	-34	-172
Loss on disposal of investments	- 29	- 28	3	-	-4
Impairment of subsidiary	-	-	-	-	-
Other income	119	-	-	107	12
Exchange differences	-	-	-	-	-
Total	**- 502**	**-979**	**91**	**398**	**-12**

1.3.2 Any gains and losses recognised directly in equity

Type - € '000s	Total	Life	General
Gain from investments Available for Sale (AFS)	4.224	-	4.224

1.4 Performance of other activities

There have been no other significant activities undertaken by the Company other than its insurance and related activities. Hence, there were no other material income or expenses incurred during the year 2018.

1.5 Any other information

There is no other material information regarding the business and performance of the Company which has not already been disclosed in the sections above.

2 System of Governance

2.1 General information on the system of governance

Prime is committed to implementing a sound governance framework that provides for the sound and prudent management of the business based on the following principles:

- Transparent organisational structure
- Strategic objectives and corporate values communicated throughout Prime
- Clear lines of responsibility and accountability throughout Prime
- BOD members and Senior Management are qualified for their positions, have a clear understanding of their role in corporate governance and are able to exercise sound independent judgment about the affairs of Prime and that fit and proper requirements are met
- There is appropriate oversight of Prime's activities through the three lines of defence model
- Effective utilisation of the work conducted by internal and external auditors, as well as other control functions, given their critical contribution to sound corporate governance
- Compensation policies and practices are consistent with Prime's ethical values, objectives, strategy and control environment

2.1.1 The structure of the Board of Directors (BoD)

The current membership of the Board is presented below:

- Mr Dimitris Contominas, Chairman, Non-Executive
- Mr Savvas Agapiou, Vice Chairman, Non-Executive, (appointed 06/02/2019)
- Mr Panayiotis Panayiotou, Member, Executive CEO
- Mr Michael Michaelides, Vice Chairman, Executive CEO (resigned 20/12/2018)
- Mr Andreas Rouvas, Member, Executive (resigned 15/04/2019)
- Mrs Theoni Panagopoulou, Non-Executive
- Mr George Christodoulou, Non-Executive
- Mr Nicolas Papacostas, Non-Executive (resigned 13/12/2018)
- Mr Ilias Georgantas, Member, Non-Executive (appointed 06/02/2019)
- Mr Alexandros Economou, Non-Executive (appointed 13/05/2019)

The Company is ultimately governed by the BoD comprising of a non-executive chairman, five non-executive directors and one executive director who is the Managing Director of the Company.

The BOD is expected to be enhanced with the appointment of additional independent non-executive directors.

The BoD maintains responsibility for the prudent management of the Company. It reviews and assesses the Company's strategic and business planning, solvency, as well as the Senior Management's approach to addressing risks and challenges. It reviews reports submitted by Senior Management and maintains frequent and open communication with the General Manager and Executive and Risk Committees.

For a more effective organisation of Prime, the Board has established the below-mentioned Committees (as at 15/05/2019).

Committee	Brief Terms of Reference	Composition
Audit & Risk Committee	Ensures the operation of an effective system of internal controls within Prime and oversees the selection and remuneration of external auditor. The composition of the committee will be enhanced with additional members.	Mr Alexandros Economou Mrs Theoni Panagopoulou Mr George Christodoulou Mr Savvas Agapiou
Compliance	Monitors compliance initiatives including regulatory as well as voluntary and ensures codification of processes of the Company. It also considers the exposure of the Company to significant risk and ensures the overall risk profile of the Company is sound and proficient	Mrs Theoni Panagopoulou Mr Ilias Georgantas Mr Alexandros Economou
Investment Committee	Reviews and challenges the investment policy of Prime and its implementation in the business	Mr Panayiotis Panayiotou Mr George Christodoulou Mr Ilias Georgantas
Remuneration Committee	Monitors the formation of policies related to benefits and appointments and ensures that these policies drive for an effective internal control system	Mr Dimitris Contominas Mr Savvas Agapiou

2.1.2 Description of the main roles and responsibilities of key functions

– ***Internal Audit***

The Internal Audit function of the Company is administratively independent of any functions which have operational responsibilities in line with Solvency II Delegated Acts and local legislation.

Through annual audits and consultations, the Internal Audit function provides assurance and advice on the adequacy and effectiveness of the Company’s Internal Control System, operational functions and any matters which would require their review.

The Internal Audit function reports to the Board through the Audit Committee.

The function as at 31.12.2018 was held by Ms Stella Petridou. With effect from May 2019 part of the function will be outsourced to Deloitte. This outsourcing arrangements is part of the enhancements introduced to the system of governance and the internal control system.

– ***Compliance***

The Compliance Function reports to the General Manager and has a direct reporting line to the Board. It is independent of risk-taking functions e.g. underwriting and claims. The function is subject to audit by the Internal Audit function.

The function is held internally by Mr Christos Christodoulou.

– ***Actuarial Function***

The Actuarial function advises the Senior Management and the BoD of the Company on the valuation of the technical provisions, the overall underwriting policy and the reinsurance arrangements and contributes to the effective implementation of the risk-management system. Additionally, it is responsible to assess the pricing adequacy.

The Actuarial function is a measure of quality assurance with a view to safeguarding that certain control tasks of the Company are based on expert technical actuarial advice.

The function is held internally by Mr Stavros Chambi.

– ***Risk Management Function (RMF)***

The RMF aims at facilitating the implementation of the Risk Management System of the Company. The mission of the RMF is the efficient and effective management of risks in accordance with the risk appetite of the Company, as stipulated in its Risk Appetite and Tolerance Statement.

In order to achieve its mission, the RMF designs and implements strategies, processes and reporting procedures necessary to identify, measure, monitor and report the risks on an individual and on an aggregate level. This function is also responsible for the preparation of the Own Risk and Solvency Assessment (ORSA) report which is submitted to the Board for approval and submission to the Regulator at least once a year.

The function is outsourced to Ms Maria Michaelides of Deloitte Actuarial Services Limited.

2.1.3 Material changes in the system of governance over the reporting period

The most material change taking place during the year is the change in leadership through the appointment of a new CEO. Furthermore, during the year three members of the board resigned (two executive and one non-executive) and three new members were appointed (all three non-executive).

2.1.4 Remuneration policy and practices for the BoD and employees

The Company has in place a remuneration policy which ensures that any remuneration is in line with the market norms in order to enable the Company to attract competent and experienced resources and ensure that any resources that it engages do not take excessive risks that could be detrimental to the Company. With regards to the awarding of any performance bonuses, at the end of each financial year the Managing Director together with the executive management propose what global amount of the Company’s profits is to be distributed by way of performance bonus to the employees. The proposed amount is forwarded to the Remuneration Committee and the Board of Directors for final approval, and once this is approved the total amount is distributed to employees depending on their individual performance in the preceding year.

With regards to any commission-based remuneration, the Company ensures that all commission rates are in line with market rates and that these rates do not expose the Company to any potential risks, primarily misspelling and policy churning.

The remuneration policy is reviewed and maintained by the Remuneration Committee and is approved by the BoD. The BoD are responsible for the implementation of the remuneration policy in Prime and specifically its application to BoD.

2.1.5 Information about material transactions during the reporting period

During 2018, there was an outstanding receivable of €1,96 million from related to shareholders companies which was repaid in full in March 2019.

2.2 Fit and proper requirements

The following are applicable to the persons who effectively run the undertaking or have other key functions:

2.2.1 Description of the specific requirements concerning skills, knowledge and expertise

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

Moreover, the BoD collectively possesses professional qualifications, experience and knowledge about at least:

- Insurance and financial markets
- Business strategy and business model
- System of governance
- Financial and actuarial analysis
- Regulatory framework and requirements.

2.2.2 Description of the undertaking's process for assessing the fitness and the propriety

In order to ensure that Senior Managers / Company Directors are fit, they are recruited giving due regard to interview requirements, referencing, relevant skills, personal and professional background and other checks as required and relevant to the role to be undertaken. Some of the general checks conducted include:

- Educational Background Check
- Professional Qualifications / Membership Check.

In order to ensure that Senior Managers / Company Directors are proper, they are subject to a variety of checks at the commencement of their assessment, including:

- Credit checks
- Identity checks
- Employment History
- Criminal History checks.

2.3 Risk management system including the own risk and solvency assessment

2.3.1 Description of the undertaking's risk management system

Prime 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 suite comprises of individual risk 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.

2.3.1.1 *Risk Appetite Statement*

Prime's vision is to create relations of mutual trust with its customers and associates and to offer products that undoubtedly provide quality of life and security.

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 vision.

Prime 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 and Risk Committee for making decisions on the Company's risk profile.

The Company has a target of maintaining a solvency coverage ratio at all time in excess of 115%. Currently this target is not met as a result of the significant financial losses during the year. Following the recapitalisation and the restructuring plan the target is expected to be reached in year 2019.

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.

2.3.1.2 *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.

As mentioned in previous sub-sections, 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.

2.3.1.3 *Risk management Processes*

The Company's Risk Management System encompasses a number of key processes and procedures which address the Company's key risks. These steps are summarised below:

a. ***Risk identification -*** Risks are identified and 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.

b. ***Risk assessment -*** The risk exposures are then assessed qualitatively on a gross basis (inherent risk) and on a net basis (residual risk) on established criteria for frequency and severity for risk not covered by capital and using the Value at Risk (VaR) measure for risks covered by capital. Stress testing is conducted regularly by the RMF as a risk assessment tool in order to assess the Company's vulnerability to possible events or future changes in economic conditions which have unfavourable effects on its performance, solvency, liquidity or reputation and its ability to withstand such changes.

c. ***Risk control and mitigation -*** The Company designs and implements controls to prevent or detect the occurrence of an identified risk event or to mitigate its severity. The Company's control activities are documented in the Risk Register.

d. ***Risk monitoring -*** The RMF has the responsibility to ensure that all material risk exposures are monitored on an on-going basis and that any risks that fall outside the approved risk appetite of the Company are identified and appropriately escalated to the Risk Committee. At least once a year, the Risk Register is formally reviewed by the RMF and any actions deemed necessary following such review are brought to the attention of the Board.

2.3.1.4 *Risk Reporting*

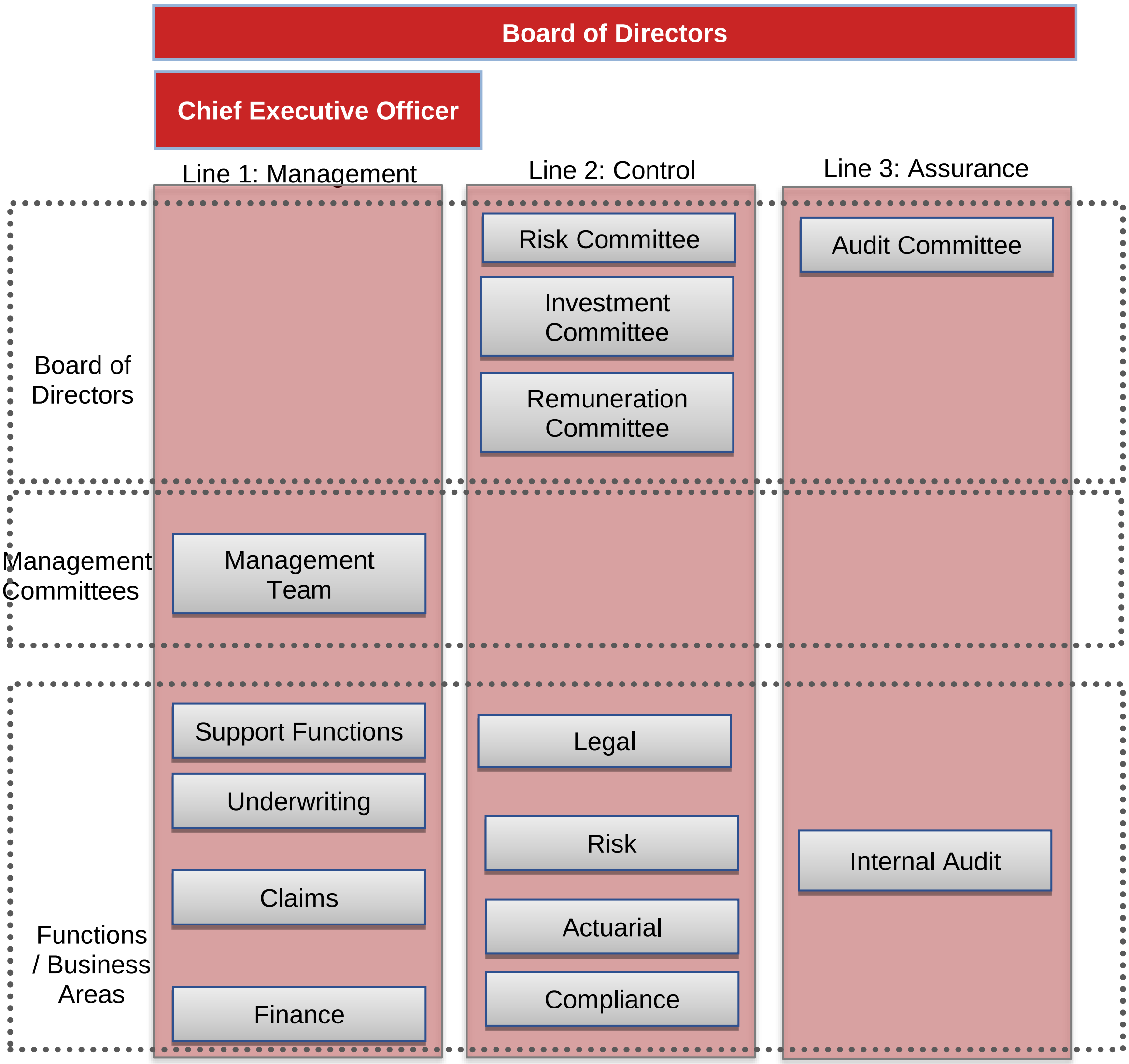
The Risk Management function reports to the BoD, through the Risk Committee at least annually on its assessment of material risks and the management thereof, in particular the actions being taken to mitigate or control key risk exposures. It is also obliged to report the following to the BoD, without delay:

- Any significant changes to the overall risk profile of the Company

- Any deviations from the risk management strategy or risk appetite
- Any risk management matters in relation to strategic affairs, such as major projects and investments.

2.3.2 Description of how the risk management system (including the risk management function) are implemented and integrated into the organisational structure and decision-making processes of the undertaking

In implementing its risk management strategy, the Company operates the 'Three Line of Defence Model' to manage its risk and control its activities. This ensures the establishment of clear responsibility boundaries, the proper segregation of duties and the avoidance of conflicts of interest at all levels, including the BoD, Senior Management, RMF and Business Units.



The **First Line of Defence** relates to the management of risks at the points where they arise. These activities are carried out by persons who take on risks on behalf of the Company. Risk management at this level consists of appropriate checks and controls, incorporated in the relevant procedures and the guidelines that are set by the Risk Committee with the assistance of the RMF.

The **Second Line of Defence** concerns the risk management activities that are carried out by the RMF and the important supporting operations. It also refers to the risk management activities performed by the Risk Committee and includes the approval and oversight of the implementation of risk policies and the establishment of systems and controls so that the overall level of risks and the relationship between risk and rewards remains within acceptable levels.

The **Third line of Defence** concerns the activities of the Internal Audit Function that through its work provides an independent assurance to the BoD, on the performance and effectiveness of the risk management systems within the Company.

The Company embeds the risk management system into the organisational structure and supports it by appropriate internal controls and by information systems that provide relevant, accurate and reliable information. The risk management system then provides information that are fed into the decision-making processes by assessing the risk exposure of alternative strategies the Company is considering with respect to risk mitigation, business volumes and investments.

2.3.3 *Process adopted to fulfil the obligation to conduct an ORSA*

2.3.3.1 *Description of the process undertaken by the undertaking to fulfil its obligation to conduct an ORSA as part of its risk management system*

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 Company follows the steps below to implement its ORSA:

a. ***Identify and classify risks*** - The Company identifies the material risks it faces at a particular point in time. This includes risks considered in the SCR standard formula, as well as risks not included in the standard formula such as liquidity, strategic and business risks.

b. ***Assessment and measurement of risks through different approaches including stress testing*** - 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.

c. ***Capital Allocation*** – According to its risk profile, the Company determines the necessary additional capital over and above the regulatory minimum SCR.

d. ***Capital planning*** – Based on the capital allocation projections, the Company prepares a capital plan for the following 3 years. Such plans depend on the Company's strategic objectives and financial projections and assumptions on future economic conditions.

e. ***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.

f. ***Communicate and document the results*** – The Company presents the results of the process to senior management and the Board of Directors and prepares the ORSA report.

2.3.3.2 *How the ORSA is integrated into the organisational structure and decision-making processes of the undertaking*

ORSA covers all the operations of the organisation and all business units of the Company.

The ORSA considers the Company as whole; Cyprus and Greece. The BoD is the body that bears the ultimate responsibility for the ORSA, its application and embedment within the Company's day to day procedures.

The roles and responsibilities for the ORSA for each body and function of the Company (BoD, Senior Management, RMF, Actuarial function, Compliance function, Finance function, Internal Audit function, Risk taking departments) are defined in the ORSA policy of the Company.

The ORSA process is not independent from the "business as usual' process of the Company. As a result, the RMF reports the Company's risks and stress tests and the BoD and Management make decisions upon the results of these procedures. In addition, the Company considers the impact on its capital in its financial projections. Strategic decisions are assessed and evaluated in the light of their effect on the Company’s risk situation and risk-bearing capacity over the business planning horizon. Such strategic decisions include but are not limited to:

- Target business volumes
- Reinsurance arrangements
- Investment decisions
- Introduction of new products
- Utilisation of additional distribution channels or direct sales.

2.3.3.3 *A statement detailing how often the ORSA is reviewed and approved by the BoD*

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.

2.3.3.4 *A statement explaining how the undertaking has determined its own solvency needs given its risk profile and how its capital management activities and its risk management system interact with each other*

The Company undertook a detailed risk and solvency assessment as well as a forward-looking assessment of capital requirements comprising of the years 2019-2021. These assessments encompass all material risks that the Company faces or could expect to face over its planning period.

The SCR coverage ratio as at 31.12.2018 was 91%. A series of corrective measures and actions took place early in the year, which resulted in a material decrease of Operational Risk SCR. As a result, as at 31.03.2019 date the SCR coverage ratio reached 100%.

The Company has committed to executing further improvements which include injection of share capital and improvement of the robustness of the internal control system which should result in further reduction in the SCR for operational risks. Accordingly, we forecast the SCR coverage to exceed 115% by September 2019.

2.4 Internal control system

2.4.1 Description of the undertaking's internal control system

Internal control is a process effected by Prime’s Board of Directors, management, and other personnel and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

Every member of Prime has a role in the system of internal control. Internal control is people-dependent, and its strength depends on people's attitude toward internal control and their attention to it:

- The Board is responsible for setting the strategy, tone, culture and values of the Company

- Management, Risk Management, Compliance and Actuarial functions design policies and procedures to ensure that an effective internal control system is established within the Company
- The Internal Audit function monitors the effectiveness of the internal control system

There are five interrelated components of effective internal control, which are discussed in the following sections:

- Control Environment
- Risk Management
- Control Activities
- Reporting
- Monitoring.

Each of these are outlined below:

2.4.1.1 *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:

- Integrity and ethical values
- Commitment to competence
- Management's philosophy and operating style
- Organisational structure
- Assignment of authority and responsibility
- HR policies and practices.

2.4.1.2 *Risk Management*

The risk management system 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. As an integral part of its Risk Management system, the Company identifies all reasonably foreseeable material risks and assesses the frequency and severity of such risks, recording such identification and assessment in the Risk Register.

The process is overseen by the Board and Risk Management function. The risk management process is described in detailed in the Company's Risk Management Policy.

2.4.1.3 *Control Activities*

Control activities are the policies and procedures that are designed to ensure that management directives are carried out, strategies are properly implemented, and the necessary actions are taken to address material risks to the achievement of the Company's objectives. Control activities occur throughout the entire Company, at all levels and in all functions. They include a range of activities as diverse as:

- 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.

The Company has appropriate documented policies, procedures, techniques, and mechanisms in place for each of its business areas (e.g. Underwriting, Claims) and control functions (Risk and Compliance). All relevant objectives and associated risks for each significant activity are identified in conjunction with conducting the risk identification process.

Up to date Company policies and procedures are distributed to all relevant personnel, who read and understand them. Management oversees the implementation of the Company's policies and procedures and ensures that control activities are properly applied. Monitoring personnel review the functioning of established control activities and remain alert for instances in which excessive control activities should be streamlined. They act timely on exceptions, implementation problems, or information that requires follow-up.

Control activities are regularly evaluated to ensure that they are still appropriate and working as intended.

2.4.1.4 *Reporting*

Financial and other information must be identified, captured and communicated in a form and timeframe that enables the management and the BoD to carry out their responsibilities. Management accounts, solvency assessments and risk reports are submitted to the BoD on a quarterly basis. Moreover, all key functions report to the Board at least once a year on their activities, the adherence to their respective Company policies together with any proposals for changes to the policy as considered necessary by the relevant function.

2.4.1.5 *Monitoring of internal controls*

The Company has established the necessary monitoring mechanisms that facilitate the understanding of the Company's situation and provide the Board with relevant information for the decision-making process. Management and monitoring personnel know their responsibilities for internal control and make control and control monitoring part of their regular operating processes.

Regular monitoring occurs during normal operations and includes on-going Management activities and actions taken by all personnel when performing their duties. It is performed continually and on a real-time basis, reacts dynamically to changing conditions and is ingrained in the Company's operations.

The effectiveness of the internal control system is monitored on a continuous basis by business areas and control owners, any deficiencies of the system are identified and rectified in a timely manner. As part of the internal control monitoring, the quality of performance over time is assessed and the findings of audits and other reviews are promptly resolved.

2.4.2 Description of how the Compliance function is implemented

The Compliance function ensures that compliance awareness is promoted internally and externally, and that compliance is an integral part of the corporate culture of Prime. Employees within the organisation 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.

Prime has a compliance plan and a compliance policy in place. The compliance policy delineates the responsibilities of the Board of Directors together with the delegated responsibilities of the resources within the Compliance department and more specifically the responsibilities of the Compliance function. 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.

2.5 Internal audit function

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

a. to independently examine and evaluate the functioning and effectiveness of the internal controls and all other elements of the system of governance;

b. to assess compliance with internal strategies, policies, processes and reporting procedures.

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.

2.6 Actuarial function

The Actuarial function is a critical function for Prime given the nature of its product suite and its operations. It 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 is executed by a Fellow of the Institute of Actuaries who fulfils all above criteria.

The Actuarial function reports to the Chief Executive Officer and to the BoD and is subject to the audit of the Internal Audit function regarding the adequacy and effectiveness of its procedures.

The role 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 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 to financial modelling in relation to risk management activities and the ORSA in particular.

The activities of the Actuarial function during 2018 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,
- 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,
- Attended one meeting of the Audit Committee and actively participated in discussions around the Company's restructuring plan and its strategy going forward,
- Carried out investigations to the Company's experience in terms of claims, lapses, expenses and new business volumes.

2.7 Outsourcing

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 particular, the outsourcing policy states that when choosing a service provider for any critical or important functions or activities Prime 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 Prime 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 the Managing Director. 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 Prime 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 tasks Prime plans to transfer and to properly and reliably discharge its duties towards Prime 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 Prime, ensuring that conflicts of interest are avoided and that the service provider cooperates with internal or external auditors as well as the Cyprus Superintendent of Insurance.

2.8 Adequacy of the system of governance

The system of governance has been designed to ensure that the management is able to provide the appropriate levels of oversight whilst allowing decisions to be made more quickly and ensuring that the Company's employees are empowered to make decisions at the right levels of the Company.

The Company continues to align its management and governance structure to proactively respond to the business and regulatory needs.

The BoD has the overall responsibility for setting the Company's strategy and to safeguard that the strategy does not expose the Company to any unwanted levels of risk as defines in its risk appetite statement.

The Committees at BoD level have clearly defined terms of reference, are empowered to make decisions within their limits of authority thereby allowing the Company to adapt to changes in an agile and flexible manner.

Once the strategy and the business plan are agreed the executive management are delegated with the responsibility to implement it and to operate within these constraints. The organisation of Prime is such that enables the implementation of the BoD strategy in an effective manner whilst adequate oversight is taking place through the second line of defence functions.

The risk management system is integrated into the strategy and the business planning process and is generally embedded in the decision-making processes of the Company. This ensures that the strategy results in an acceptable risk profile. It also facilitates awareness of the risk exposures of the

Company and provides early warning signals for the management to take corrective action and ensure sufficient and smooth emergence of profits.

Nonetheless, the Company aims to continuously improve its governance system by ensuring that it is regularly reviewed, evaluated and enhanced.

3 Risk Profile

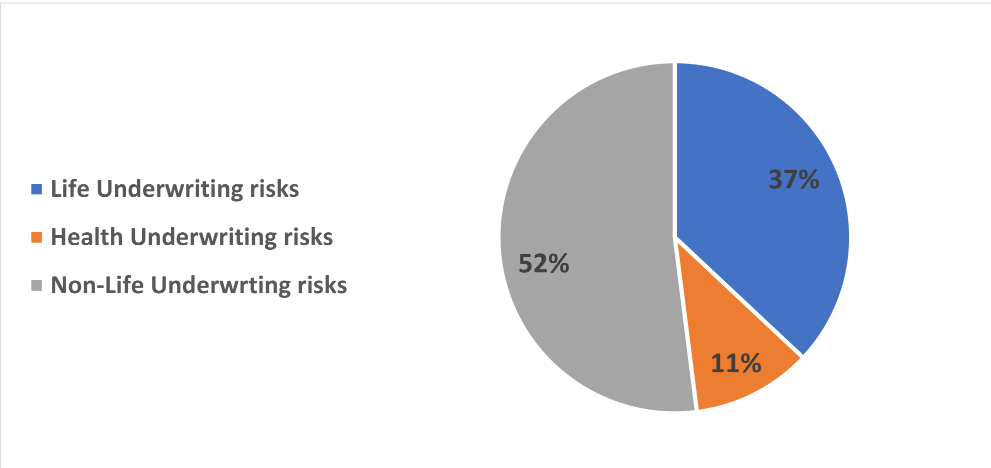
Prime measures quantifiable risks through the 99.5% Value at risk using the Solvency II standard formula (SCR). The Company aims to hold sufficient capital at all times to protect itself from losses occurring due to such risks.

In addition to capital, the Company manages all risks through its processes and procedures and its internal control framework and by monitoring exposures and benchmarking against its risk appetite.

€'000 - 2018	Amount	Percentage
Market risk	10,280	25%
Counterparty risk	5,511	13%
Life Underwriting risks	7,656	18%
Health Underwriting risks	2,193	5%
Non-Life Underwriting risks	10,816	26%
Operational Risk	5,391	13%

The Company's risk profile is mainly driven by its insurance operations. Underwriting risk forms around 49% of the total risk portfolio of Prime. The rest of the risk exposure arises from credit risk (in relation to premium receivables from brokers, reinsurance recoverables and cash at bank) and market risk (in relation to the investments of the Company). Finally, the exposure to operational risk is also assessed through qualitative analyses mentioned in subsequent sections.

3.1 Underwriting Risk



3.1.1 Description of the risk

Prime currently ranks its overall residual exposure to underwriting risk as a medium risk exposure.

The underwriting risk of Prime has three main categories which are listed below in order of magnitude:

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

The mix of business written remains broadly similar to previous years, both in terms of lines of business written, underwriting profile and geographical location. As such, no material changes have been noted in respect of the underwriting profile,

The components of the underwriting risk of Prime by risk category are shown in the table below.

Non-Life Underwriting risk	
Premium and Reserve risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements*
Catastrophe risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events*
Lapse Risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders*
Life underwriting risk	
Lapse risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders*
Life expense risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts*
Mortality risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities*
Life catastrophe	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events*
Disability-morbidity risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates*
Health underwriting risk	
Premium and Reserve risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements*
catastrophe risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events*
Lapse Risk	*the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders*

3.1.2 Description of the measures used to assess the risk

The main risk assessment tools used by the Company are the standard formula solvency capital requirement calculation, stress and scenario testing, the risk register and other quantitative and qualitative assessments. There has been no material change in the tools, parameters or assumptions used since the previous year.

3.1.3 Risk Concentration

No material underwriting risk concentrations have been identified. This is because of:

- The Company writes both life and non-life insurance business. This enables Prime to diversify between different sources of insurance risk.
- The life insurance portfolio enjoys high levels of diversification with respect to age, gender, smoker status, socio- economic class, level of life insurance cover, type of insurance cover and degree of underwriting applied at inception of the cover.
- With respect to the non-life insurance portfolio, the Company underwrites mainly annual policies, and therefore has the ability to rate risks individually and to impose conditions in accordance with the risk under consideration. The underwriting strategy is to diversify the type of insurance risk accepted and within each line of business to obtain a sufficiently large population of risk to reduce the variability of the expected outcome.
- Reinsurance: The Company manages its exposure to any one risk and to catastrophic events using reinsurance. Thus, the loss to the Company is generally limited to its retention.
- Underwriting business both in Cyprus and in Greece, enables geographical diversification within the underwriting risk.

3.1.4 Risk Mitigation

The main risk mitigation technique that Prime employs is reinsurance. Reinsurance protection is in place substantially for the lines of business deemed necessary.

Risks arising from underwriting activities are managed through Prime's underwriting strategy, internal risk limits and underwriting guidelines that are in place to enforce appropriate risk selection criteria and are also reinforced by internal controls.

Product approval process, premium rate reviews and internal underwriting authority and limits are also in place to further mitigate Underwriting Risk exposures.

Prime does not allow, under any circumstances, the underwriting of high-risk or complex products, of which risks cannot be fully understood, measured and/or managed.

Finally, to further mitigate Underwriting Risk, the Company also undertakes an actuarial evaluation of Technical Provisions and the adequacy of premium pricing rates.

3.1.5 Risk Sensitivity

As part of the business and capital planning processes, the risk management function carries out stress tests 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 following table summarises the stress test performed in relation to underwriting risk that will be reported in the 2018 forthcoming ORSA Report.

Stress 1:	10% reduction of life insurance portfolio
Stress 2:	10% reduction in New Business of non-life insurance for Cyprus
Stress 3:	10% reduction in New Business of non-life insurance for Greece

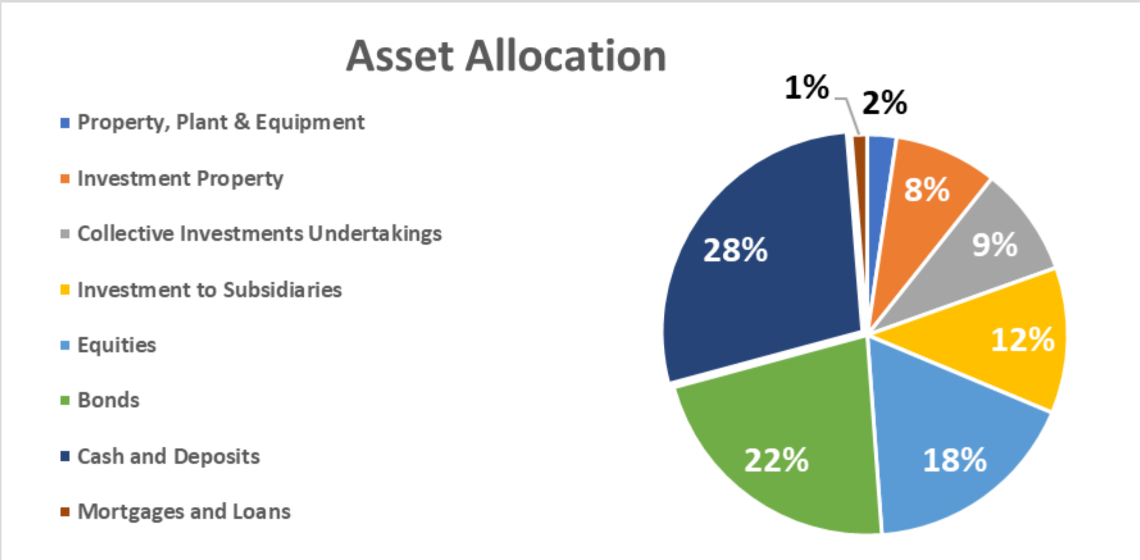
Stress 4:	10% increase in the loss ratio of non-life insurance Cyprus
Stress 5:	10% increase in the loss ratio of non-life insurance Cyprus
Stress 6:	10% higher mortality/morbidity of in the life insurance portfolio

The most material stress of the above was Stress 1 which was the only stress under which the solvency position was marginally breached. The Company demonstrated resilience to the rest of the scenarios.

3.2 Market risk

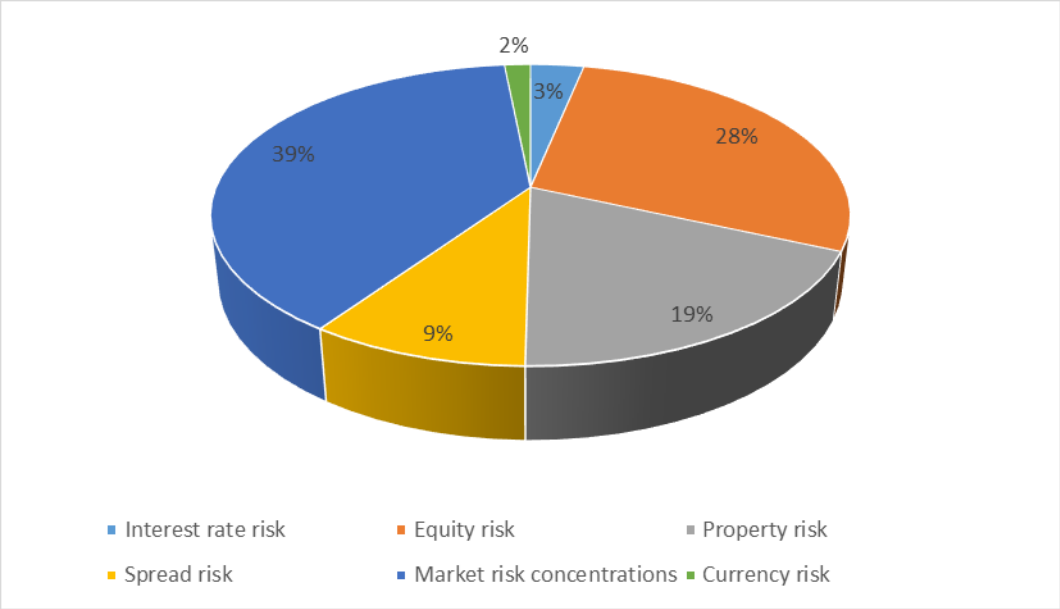
3.2.1 Description of the risk

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.



As at 31 December 2018, Prime's investment assets include property, equity, bonds, mutual funds, cash and deposits. Investments are subject to credit risk (including counterparty default risk, spread risk and concentration risk) and liquidity risk which are dealt with in the respective sections below. Market risk arises in the following forms both on the asset and on the liability side as the value of technical provisions depends on market conditions:

- Interest rate risk: *the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates*
- Equity risk: *the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities*
- Property risk: *the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate*
- Currency risk: *the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates*



The primary sources of market risk are equity and property risks arising from exposure to the respective asset classes. The overall current market risk exposure is considered to be medium.

3.2.2 Description of the measures used to assess the risk

Prime measures its market risk using the standard formula for the calculation of SCR. The measurement is done separately for the sub-categories mentioned above. Then the aggregate market risk measure allows for diversification between its components.

3.2.3 Risk Concentration

A significant portion of Prime's assets are held through collective investment vehicles. These enable higher levels of diversification which may not have been possible with direct holdings.

The investment portfolio of Prime is well diversified with no single name exposure holding more than 5% of the total assets with the only exception being a strategic equity participation of the Company and exposure to Greek government bonds which as at 31.12.2018 formed 7% of the total assets.

3.2.4 Risk Mitigation

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

The Investment 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.

3.2.5 Risk Sensitivity

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

With regards to market risk, Prime assessed the potential scenario of a 10% fall in the market value of Greek government bonds. The Company's solvency position was not breached under this position.

3.2.6 Prudent Person Principle

The Solvency II regulation requires investment of assets in accordance to the "Prudent Person Principle". Considering this, the Company has aligned its investment policy with this principle.

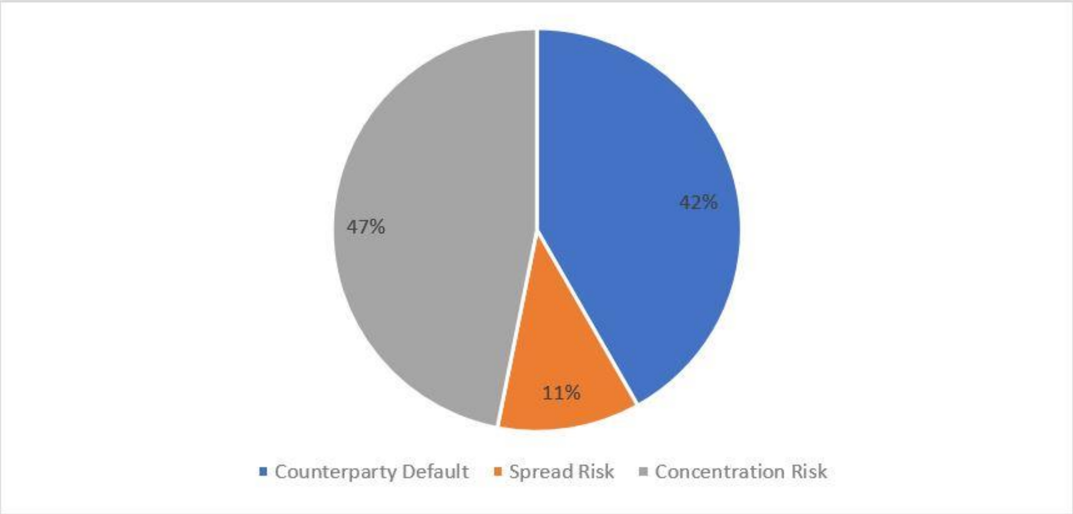
The Company regularly reviews the financial condition of its investment counterparties and ensures that the currency, nature and duration of assets is appropriate to the characteristics of its liabilities, avoiding excessive reliance on any one counterparty or asset class or geographical location. The Company has not invested in derivatives or inadmissible financial instruments.

3.3 Credit risk

3.3.1 Description of the risk

Credit risk refers to the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of counterparties. Prime is exposed to credit risk arising from the following exposures:

- Cash at bank
- Bonds and deposits
- Reinsurance recoverables
- Premium receivables



Credit risk as measured through the SCR is composed of counterparty default risk by **42%**, concentration **47%** and spread risk by **11%**. Credit risk forms more than 10% of the total undiversified SCR.

The overall credit risk exposure is considered to be high. The main driver of credit risk are the overdue balances from intermediaries and policyholders.

3.3.2 Description of the measures used to assess the risk

Prime measures its credit risk using the standard formula for the calculation of SCR. The measurement is done separately for the sub-categories mentioned above.

3.3.3 Risk Concentration

Prime has exposure to several different local and Greek banks. Nonetheless there is some concentration as the balances are not evenly spread across the different banks. Concentration also arises from single name exposures which are unrated and hence there is greater uncertainty as to their creditworthiness.

3.3.4 Risk Mitigation

Credit risk is mitigated by closely monitoring the credit rating and the financial condition of all key counterparties. These are reviewed at least quarterly and management is ready to take action in the event of a deterioration in the credit quality.

Furthermore, the Company has implemented a process for the timely collection of premiums as they fall due thus mitigating the risk of accumulating overdue balances. In addition, the Company has intensified efforts to collect overdue balances and has secured collaterals in several cases which help minimise the risk of default of debtors.

3.3.5 Risk Sensitivity

The Company has not performed any risk sensitivity tests for credit risk as its current exposures are subject to the highest possible shocks under the standard formula since:

1. Bank exposures are of the credit quality CCC or unrated. Any further deterioration would not lead to higher capital requirement.
2. Premium receivables which are more than 3-months overdue obtain under the standard formula a capital charge of 90% on their value.

Furthermore, the provisions set aside for bad debtors are considered very prudent and unlikely to fall short of any defaults in the future.

3.4 Liquidity risk

3.4.1 Description of the risk

Liquidity risk refers to the risk that Prime will be unable to realise investments and other assets in order to settle their financial obligations when they fall due. Given that a significant proportion of the investment assets of Prime are highly realisable due to either being liquid (cash at bank) or due to being highly tradable (listed securities), the Company's exposure to liquidity risk is considered very low.

3.4.2 Description of the measures used to assess the risk

Prime's liquidity requirements are assessed monthly in order to meet the Company's stated liquidity objectives. A projection is performed each month from the accounts department to assess whether all obligations due will be met by the expected cash inflows mainly from premiums due.

3.4.3 Risk Concentration

Sources of cash inflows and cash out flows (premium receivables, claims, expenses etc.) are diversified and to a certain extent independent.

3.4.4 Risk Mitigation

The Company maintains a pool of liquid assets which exceed its short-term liquidity demands. Moreover, Prime has in place a contingency liquidity plan to manage and co-ordinate the actions required to mitigate the effects of a liquidity problem across Prime.

3.4.5 Risk Sensitivity

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

3.4.6 Expected profit in future premiums

With respect to non-life insurance, no allowance is made in the best estimate liabilities for expected profit in future premiums as these are outside contract boundaries.

Regarding the life portfolio, the total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2) is € 10.628. The methodology used in the derivation of this figure is in line with the relevant guidance issued by EIOPA.

3.5 Operational risk

3.5.1 Description of the 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 reinsurance. The Company has the exposure to the following types of operational risk:

Business Disruption & Systems Failure	Interruption of business activity due to system or communication failures
Financial Integrity & Reporting	Disclosure of materially incorrect or untimely information
External Fraud	Acts intended to defraud, misappropriate property or circumvent the law by an external party
Internal Fraud	Acts intended to defraud, misappropriate property or circumvent the law by an internal party
Process Risks	Failure to execute or process transactions timely and accurately with clients and other counterparties
Clients, Products and Business Practices	Lack of productivity and poor customer service

3.5.2 Description of the measures used to assess the risk

The main risk assessment tools used by the Company are the standard formula solvency capital requirement calculations and qualitative assessments. Qualitative assessments are undertaken to track the developments within the risk profile and review the design and operational effectiveness of the control environment across the key processes.

There have been no material changes in the tools, parameters or assumptions used since the previous year.

3.5.3 Risk Concentration

Currently there are no material operational risk concentrations.

3.5.4 Risk Mitigation

The Company addresses its operational risk through:

- The Company's business continuity plan which ensures continuity and regularity in the performance of activities
- The regular Internal Audit
- Its internal control system
- The peer review of material work
- The enforcement of appropriate underwriting, claims and other authority limits
- Insurance against property damage that could cause business disruption

3.5.5 Risk Sensitivity

Due to the complexity of the operational risk, no explicit sensitivities have been performed for the particular risk. Nonetheless, even if the operational risk as at 31.12.2018 increases by 50%, the solvency position of the Company will not be breached.

4 Valuation for solvency purposes

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

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

4.1 Assets

4.1.1 Value of assets

Assets	Solvency II 2018	IFRS Valuation 2018
Deferred acquisition costs	0	3.764
Other intangible assets	0	1.010
Deferred tax assets	503	503
Property, plant & equipment held for own use	1.731	1.731
Investments (other than assets held for unit-linked funds)	55.420	55.420
Assets held for unit-linked funds	53.080	53.080
Reinsurance recoverables	19.199	25.321
Insurance & intermediaries receivables	8.020	8.020
Receivables (trade, not insurance)	4.723	4.731
Cash and cash equivalents	2.860	2.860
Total Assets	145.535	156.440

4.1.2 Description of bases, methods and main assumption used for valuation for solvency purposes

Investments
The fair value of quoted financial assets is based on quoted market prices at the end of the reporting period. If the market for a quoted financial asset is not active or the financial asset is unlisted, the Company establishes other 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.

Reinsurance Assets

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurers' share of technical provisions or receivables from reinsurers (unless netted off against amounts payable to reinsurers). These assets consist of short-term balances due from reinsurers (classified within receivables), as well as receivables (classified as reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Properties

Investment properties are initially measured at cost including related transaction costs. Investment properties are subsequently carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

4.1.3 IFRS vs Solvency II

Differences exist for Reinsurance Recoverables and for Deferred Acquisition Cost assets described in detail below:

Reinsurance recoverables

Reinsurance Recoverables represent the difference between Gross and Net provisions. On a Solvency II valuation these are valued on a best estimate basis.

Deferred Acquisition Cost (DAC)

There is no concept of Deferred Acquisition Costs in Solvency II. The premium provision only allows for future expense cash flows. For the in-force policies, initial expenses such as up-front commission have occurred in the past and thus they are not to be allowed in the premium provision.

Other intangible assets

Relate to softwares which is of nil value under Solvency II

4.2 Technical Provisions

4.2.1 Value of Technical Provisions

4.2.1.1 Non-Life Technical Provisions

The Technical provisions are defined as the probability-weighted average of future cashflows, discounted to take into account the time value of money. Technical provisions are grouped into the following key components:

- Claims Provisions: Best Estimate of provisions relating to outstanding claims
- Premium Provisions: Best Estimate of provisions that relate to the unearned exposure
- Risk Margin: Additional provision to bring the best estimate to the level required to transfer the insurance obligations to a third party

The above figures are shown both gross of reinsurance (RI) and also the share of the reinsurer.

€'000	Claims Provision		Premium Provision		Risk Margin
Line Of Business	Gross BE	RI Recoverable	Gross BE	RI Recoverable	
Motor vehicle liability	32.546	9.160	6.416	1.018	1.012
Fire and other damage	7.669	6.721	689	144	219
General liability	309	165	290	130	16
Medical expenses	3.061	1.432	2.422	1.023	122
Workers' compensation	1.225	11	223	-10	32
Marine, aviation and transport	69	56	61	37	3
Motor, other classes	439	36	1.451	275	49
Total	45.318	17.581	11.551	2.618	1.453

4.2.1.2 *Life and Unit-Linked 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 2018 both gross and net of reinsurance recoverables by line of business.

€'000 LINE OF BUSINESS	GROSS BEST ESTIMATE	REINSURANCE RECOVERABLE	RISK MARGIN
Unit-linked insurance	43.088	-1.578	2.352
Other life insurance	-4.501	578	1.394
Total	**38.587**	**-1.000**	**3.746**

4.2.2 *Description of the bases, methods and main assumptions used*

4.2.2.1 *Non-Life Insurance*

Claims provision

The provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Thus, the components of the Claims Provision are the outstanding case estimates, the Incurred But Not Reported (IBNR), the Incurred But Not Enough Reported (IBNER) and the Unallocated Loss Adjustment Expenses (ULAE). Under Solvency II, the reserves are discounted to allow for the time value of money using the EUR risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA.

The payment pattern of the reserves, for each line of business (LoB), has been derived using the historical payment pattern, as observed in the Paid Claims triangles.

The expense ratio for claims handling was estimated at 5% of claims for Greece and 6% for Cyprus respectively.

Premium provision

The calculation of the best estimate of the premium provision relates to all future cashflows arising from future events, over the remaining duration of unexpired policies. Such cashflows mostly relate to future claims, administration expenses and reinsurance cost.

The expected claims ratio was set at 5-73% depending on the product and the expense ratio at 8% and 11% for Greece and Cyprus respectively.

4.2.2.2 *Unit-Linked Insurance*

For the Unit-Linked Business the best estimate liability (BEL) set up has been derived from the value of the units allocated to the policies that were in force on the valuation date and the present value of the expected future cashflows related to these policies. The cash flow projections are performed on a best estimate basis (i.e. without any prudence margins) and discounting is performed using the EUR risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA.

4.2.2.3 *Other Life Insurance*

The BEL for Other Life Insurance is calculated as the expected present value of all future cashflows arising in relation to other life insurance policies (premiums, expenses, claims etc.). The cash flow projections are performed on a best estimate basis (i.e. without any prudence margins) and discounting is performed using the EUR risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA.

4.2.2.4 *Risk Margin*

The Risk Margin is designed to ensure that the value of technical provisions is equivalent to the amount that a third undertaking would be expected to require in order to take over and meet the Company's insurance 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 their lifetime thereof. This rate, called the Cost-of-Capital, is prescribed at 6%, as published by EIOPA.

4.2.2.5 *Reinsurance Recoverables*

Reinsurance Recoverables represent the difference between Gross and Net provisions.

- For the Claim Provision, the reinsurance recoverables were determined as the reinsurers' share on the current outstanding case by case reserves.
- For the Premium Provision, we have allowed for the cost of reinsurance and assumed zero reinsurance recoverables for classes with non-proportional reinsurance.
- For the Other Life BEL, all cashflows related to the current reinsurance treaties have been projected over the lifetime of the insurance policies. Their net present value represents the reinsurance recoverables.

Reduction of the reinsurance recoverables to allow for expected losses due to the default of counterparty has been also applied.

4.2.2.6 *Discounting*

The euro risk free curve (with no volatility adjustment) as at the valuation date, published by EIOPA, has been used for discounting. As expected, the impact of discounting for non-life and non SLT health was very small due to the short-term nature of the business and the prevailing low interest rates.

4.2.3 *Description of the level of uncertainty associated with the value of technical provisions*

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. Additional comfort on the appropriateness of the Technical provisions is provided through the use of independent external advisors who perform reviews of the results via a parallel valuation.

4.2.4 *Quantitative and qualitative explanation of any material differences between the bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS.*

The following table shows how the value of the IFRS Technical Provisions (Reserves) change under the valuation for solvency purposes on a net of reinsurance basis.

NET TECHNICAL Provisions (€'000s)		
Line Of Business	Solvency II	IFRS
Non-life excl health	33.496	36.026
Health	4.628	1.258
Life excl UL	-3.684	13.180
Life other	47.018	53.080

The main valuation principles of Solvency II leading to differences from reserves shown in the Financial Statements are:

- Prudence margins are removed from the assumption basis and there is a shift to a best estimate approach and replaced by risk margin provisions for Solvency II purposes.
- Allowance for time value of money through the discounting of future cash flows (which under IFRS is not applied to non-life reserves).
- Allowance is possible for negative IBNER where it is expected that there will be a favourable development of case-by-case reserves.

- In the calculation of the Premium Provision under Solvency II, an insurer may take credit for profits embedded in unexpired policies. Under Solvency I this is disallowed, and any profits embedded in the UPR may not be recognised until the expiry of these contracts. An Additional Unexpired Risk Reserve (AURR) is mandatory only where it is positive but not when it is negative.
- There is no concept of risk margin or deferred acquisition costs under the current IFRS valuation.
- Allowance is made in the reinsurance recoverables for the for expected non-payment due to default or dispute.
- Removal of zeroization of negative reserves and allowance of future profits, result in further reduction of the net technical provisions.

4.2.5 Statement on whether the volatility adjustment referred to in Article 77d of Directive 2009/138/EC is used

4.2.6 Statement on whether the transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is applied

4.2.7 Statement on whether the transitional deduction referred to in Article 308d of Directive 2009/138/EC is applied

The Company has not used any of the following:

- Volatility adjustment referred to in Article 77d of Directive 2009/138/EC,
- transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC,
- transitional deduction referred to in Article 308d of Directive 2009/138/EC.

4.3 Valuation of other liabilities

4.3.1 Value of other liabilities

Liabilities	Solvency II 2018	IFRS Valuation 2018
Provisions other than technical provisions	285	285
Reinsurance payables	12.795	12.958
Payables (trade, not insurance)	3.660	3.660
Any other liabilities, not elsewhere shown	1.715	1.715
Debts owed to credit instituitions	333	-
Total Liabilities	**18.788**	**18.618**

4.3.2 Description of the bases, methods and main assumptions used for their valuation for solvency purposes

Insurance payables

This balance is calculated in accordance with the terms and conditions of the contract with the intermediary/policyholder – no adjustments or judgements are made for valuation purposes. There is a high degree of certainty over the economic outflow due to the relatively short timeframe between the commission liabilities arising and the intermediary receiving payment from the Company.

Reinsurance payables

As at 31 December 2018, the balance owed to reinsurers was in excess of €10m. This balance is in respect of reinsurance agreements that were in force at the reporting date, aggregated based on their comparable nature, function, risk and materiality.

Payables (trade, not insurance)

Payables (trade, not insurance) relate to balances owed in respect of other services received by the Company; no estimation methods, adjustments for future value or valuation judgements are required for these balances.

Any other liabilities, not elsewhere shown

Any other liabilities not elsewhere shown relate to current tax liabilities in excess of €1,5m; no estimation methods, adjustments for future value or valuation judgements are required for these balances.

4.3.3 Quantitative and qualitative explanation of any material differences with the valuation bases, methods and main assumptions used for the valuation for solvency purposes and for IFRS

As shown in section 4.3.1 there are no differences on the liability side apart from the technical provisions which are explained in detail in section 4.2.

5 Capital Management

5.1 Own Funds

5.1.1 Objectives, policies and processes employed for managing its own funds

The objective of capital management is to maintain, always, 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 of senior management and 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.

5.1.2 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 2018 as well as at 31 December 2017.

OWN FUNDS € '000S	DEC-18	DEC-17
Ordinary share capital (gross of own shares)	21.951	21.951
Share premium account related to ordinary share capital	3.157	3.157
Reconciliation reserve	480	671
Deferred Tax Assets	503	334
Total Basic Own Funds	**26.091**	**26.113**

The current structure of own funds as shown above is composed only of capital classified as Tier 1 - Unrestricted.

5.1.3 Eligible amount of own funds to cover SCR (by tier)

The Company's own funds are all Tier 1 unrestricted and available to cover the SCR.

5.1.4 Eligible amount of own funds to cover MCR (by tier)

The Company's own funds are all Tier 1 unrestricted and available to cover the MCR.

5.1.5 IFRS Equity vs Own Funds

The following summary table shows the comparisons and movement in the IFRS and Solvency II valuation of assets, liabilities and own funds.

	Solvency II €'000s	IFRS €'000s	Movement €'000s
Total Assets	145.535	156.440	-10.905
Total Liabilities	119.444	143.438	-23.994
Total Own Funds	26.091	13.002	13.089

The movement in the valuation of assets and liabilities arises from the differences in the valuation of IFRS and Solvency II standards, below:

- Deferred Acquisition Cost (DAC) is not included under Solvency II
- Differences in gross technical provisions and reinsurance recoverables (as explained in the previous section)

5.1.6 Ancillary own funds

The Company had no ancillary own funds as at 31.12.2018.

5.1.7 Description of any item deducted from own funds

5.1.8 Brief description of any significant restriction affecting the availability and transferability of own funds within the undertaking

5.2 Solvency Capital Requirement and Minimum Capital Requirement

5.2.1 Amounts of SCR and MCR

As at 31 December 2018 the **SCR** of the Company was calculated at **€28,793K** and the **MCR** at **€10,177K**.

5.2.2 Amount of SCR split by risk modules

The following table shows the SCR split by risk modules:

SOLVENCY CAPITAL REQUIREMENT	€'000s
Market risk	10.280
Counterparty default risk	5.504
Life Underwriting risks	7.656
Health underwriting risk	2.193
Non-Life underwriting risk	10.874
Sum of risk components	**36.507**
Diversification effects	-13.102
Diversified risk	**23.405**
Intangible asset risk	0
Basic SCR	**23.405**
Operational risk	5.388
Adjustments	0
SCR	**28.793**

5.2.3 Simplifications

Simplifications have been used for the

- calculation of catastrophe risk for life insurance
- calculation of risk margin

5.2.4 Undertaking-specific parameters

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

5.2.5 Information on the inputs used to calculate the MCR

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

Notional non-life and life MCR calculation	Non-life activities	Life activities
	C0140	C0150
Notional linear MCR	5.741	639
Notional SCR excluding add-on (annual or latest calculation)	25.908	2.885
Notional MCR cap	11.659	1.298
Notional MCR floor	6.477	721
Notional Combined MCR	6.477	721
Absolute floor of the notional MCR	2.500	3.700
Notional MCR	6.477	3.700

The total MCR for both activities (Life + Non-Life) is equal to **€10,177K**.

5.2.6 Any material change to the SCR and to the MCR over the reporting period, and the reasons for any such change

As shown below, only market risk has changed significantly

	2018	2017	Δ
Market risk	10.280	6.573	3.707
Counterparty default risk	5.504	8.266	-2.762
Life Underwriting risks	7.656	6.629	1.027
Health underwriting risk	2.193	2.221	-28
Non-Life underwriting risk	10.874	10.371	503
Sum of risk components	**36.507**	**34.060**	**2.447**
Diversification effects	-13.102	-11.970	-1.132
Diversified risk	**23.405**	**22.090**	**1.315**
Intangible asset risk	0	0	0
Basic SCR	23.405	22.090	1.315
Operational risk	5.388	1.982	3.406
Adjustments	0	0	0
SCR	**28.793**	**24.072**	**4.721**

The change is mainly due increased concentrations in the composition of the asset portfolio.

5.3 Non-compliance with the MCR and non-compliance with the SCR

5.3.1 Non-compliance with the MCR

The Company has always been compliant with the MCR.

5.3.2 Non-compliance with SCR

The SCR coverage ratio as at 31.12.2018 was 91%. This is a result of the heavy financial losses incurred in 2018 (€5.6m after tax) as well as the imposition of the capital add on. More specifically, in December 2018, the Superintendent of Insurance imposed an additional capital relating to limitations on the system of governance. Following the above sequence of events, the Company prepared a recovery plan which was accepted by the Superintendent of Insurance.

A series of measures and actions took place early in the year 2019, which resulted in a material decrease in the capital add on for Operational Risk SCR. This decrease is effective as at 31.03.2019 with the consent of the Superintendent of Insurance. As a result, on this date the SCR coverage ratio reached 100%.

Further improvements are planned in the coming months. Such plans have been described in detail in a binding capital plan to the Superintendent of Insurance and upon implementation, we forecast the SCR coverage to exceed 115% by September 2019.

Appendices

Appendix A: Quantitative Reporting Templates

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	503
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	1.731
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	55.420
Property (other than for own use)	**R0080**	5.790
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	15.679
Equities - listed	**R0110**	1.959
Equities - unlisted	**R0120**	13.720
Bonds	**R0130**	17.058
Government Bonds	**R0140**	12.663
Corporate Bonds	**R0150**	4.395
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	10.307
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	6.586
Other investments	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	53.080
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	19.199
Non-life and health similar to non-life	**R0280**	20.199
Non-life excluding health	**R0290**	17.742
Health similar to non-life	**R0300**	2.457
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	578
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	578
Life index-linked and unit-linked	**R0340**	-1.577
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	8.020
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	4.723
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet	**R0400**	
Cash and cash equivalents	**R0410**	2.860
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	145.535

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	58.328
Technical provisions – non-life (excluding health)	**R0520**	51.238
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	49.939
Risk margin	**R0550**	1.299
Technical provisions - health (similar to non-life)	**R0560**	7.090
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	6.936
Risk margin	**R0590**	154
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-3.107
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**	-3.107
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	-4.501
Risk margin	**R0680**	1.394
Technical provisions – index-linked and unit-linked	**R0690**	45.440
TP calculated as a whole	**R0700**	
Best Estimate	**R0710**	43.088
Risk margin	**R0720**	2.352
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	285
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	333
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	12.795
Payables (trade, not insurance)	**R0840**	3.660
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	1.715
Total liabilities	**R0900**	119.449
Excess of assets over liabilities	**R1000**	26.086

Annex I

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:				Total
		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	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	12.461		768	24.898	9.647	304	3.965	1.071									53.114
Gross - Proportional reinsurance accepted	**R0120**																	
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**	3.746		18	9.107	2.217	231	2.278	625									18.223
Net	**R0200**	8.715		749	15.790	7.430	73	1.687	445									34.891
Premiums earned																		
Gross - Direct Business	**R0210**	12.906		693	25.601	9.790	287	3.900	1.002									54.179
Gross - Proportional reinsurance accepted	**R0220**																	
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**	3.749		18	9.389	2.223	218	2.227	575									18.399
Net	**R0300**	9.157		675	16.212	7.567	69	1.672	428									35.780
Claims incurred																		
Gross - Direct Business	**R0310**	8.421		315	22.848		115	8.046	103									39.849
Gross - Proportional reinsurance accepted	**R0320**																	
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**	3.259			7.348		102	7.127	42									17.877
Net	**R0400**	5.163		315	15.500		13	920	61									21.971
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**	4.909		309	15.627		95	1.748	358									23.047
Other expenses	**R1200**																	
Total expenses	**R1300**																	23.047

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

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations	Health reinsurance	Life-reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**			16.881	2.380					19.261
Reinsurers' share	**R1420**			922	244					1.166
Net	**R1500**			15.959	2.136					18.095
Premiums earned										
Gross	**R1510**			16.881	2.384					19.265
Reinsurers' share	**R1520**			922	244					1.166
Net	**R1600**			15.959	2.141					18.099
Claims incurred										
Gross	**R1610**			9.134	812					9.946
Reinsurers' share	**R1620**			72	303					376
Net	**R1700**			9.062	508					9.570
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**			3.418	2.654					6.072
Other expenses	**R2500**									
Total expenses	**R2600**									6.072

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GR					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	22.780	30.334					53.114
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	4.579	13.644					18.223
Net	R0200	18.201	16.690					34.891
Premiums earned								
Gross - Direct Business	R0210	23.161	31.018					54.179
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	4.457	13.942					18.399
Net	R0300	18.704	17.076					35.780
Claims incurred								
Gross - Direct Business	R0310	15.112	24.737					39.849
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	2.419	15.459					17.877
Net	R0400	12.693	9.278					21.971
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	9.717	13.329					23.047
Other expenses	R1200							
Total expenses	R1300							23.047

Annex I
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	19.261						19.261
Reinsurers' share	R1420	1.166						1.166
Net	R1500	18.095						18.095
Premiums earned								
Gross	R1510	19.265						19.265
Reinsurers' share	R1520	1.166						1.166
Net	R1600	18.100						18.100
Claims incurred								
Gross	R1610	9.946						9.946
Reinsurers' share	R1620	376						376
Net	R1700	9.570						9.570
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900	6.072						6.072
Other expenses	R2500							
Total expenses	R2600							6.072

Annex I
S.12.01.02
Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**																
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**			25.667	17.421		-4.501				38.587						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**			-973	-605		578				-1.000						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**			26.639	18.026		-5.079				39.587						
Risk Margin	**R0100**		2.352			1.394					3.746						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	**R0110**																
Best estimate	**R0120**																
Risk margin	**R0130**																
Technical provisions - total	**R0200**		45.440			-3.107					42.333						

Annex I
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions calculated as a whole	**R0010**																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**	2.422		223	6.416	1.451	61	689	290									11.551
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	1.023		-10	1.018	275	37	144	130									2.618
Net Best Estimate of Premium Provisions	**R0150**	1.399		232	5.398	1.175	24	545	160									8.933
Claims provisions																		
Gross	**R0160**	3.061		1.230	32.546	439	69	7.669	309									45.323
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	1.432		11	9.160	36	56	6.721	165									17.581
Net Best Estimate of Claims Provisions	**R0250**	1.629		1.220	23.386	403	13	948	144									27.743
Total Best estimate - gross	**R0260**	5.483		1.453	38.962	1.890	130	8.358	599									56.875
Total Best estimate - net	**R0270**	3.027		1.452	28.784	1.579	37	1.493	304									36.676
Risk margin	**R0280**	122		32	1.012	49	3	219	16									1.453
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**																	
Best estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**	5.604		1.485	39.974	1.939	133	8.577	614									58.328
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	2.456		1	10.178	312	93	6.865	295									20.199
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	3.149		1.484	29.796	1.628	41	1.712	320									38.129

Total Non-Life Business

Accident year / Underwriting year	Z0020	Accident year [AY]

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

		Development year												In Current year	Sum of years (cumulative)
Year			1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											417	R0100	417	417
2009	R0160	3.325	1.328	131	110	92	65	7	44	69	73		R0160	73	5.247
2010	R0170	6.447	2.533	531	1.419	295	502	276	273	40			R0170	40	12.316
2011	R0180	7.580	3.140	497	677	353	171	168	166				R0180	166	12.751
2012	R0190	6.805	3.233	992	477	364	135	186					R0190	186	12.191
2013	R0200	7.299	2.448	485	484	252	214						R0200	214	11.182
2014	R0210	7.749	3.755	704	854	356							R0210	356	13.419
2015	R0220	8.865	3.411	580	612								R0220	612	13.467
2016	R0230	11.187	4.677	1.310									R0230	1.310	17.173
2017	R0240	9.837	5.223										R0240	5.223	15.060
2018	R0250	16.520											R0250	16.520	16.520
												Total	R0260	25.117	129.743

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted data)
Year			1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100											646	R0100	645
2009	R0160	2.961	1.073	701	659	427	292	262	195	92	55		R0160	58
2010	R0170	6.653	4.111	3.501	2.207	1.417	1.031	861	636	717			R0170	719
2011	R0180	7.498	3.764	2.847	2.137	1.158	860	626	1.046				R0180	1.049
2012	R0190	7.061	3.937	3.409	2.368	1.859	1.684	1.867					R0190	1.884
2013	R0200	5.950	3.439	2.490	1.711	1.409	1.374						R0200	1.386
2014	R0210	9.267	4.927	3.900	3.057	2.877							R0210	2.889
2015	R0220	8.212	4.232	3.074	2.695								R0220	2.706
2016	R0230	10.686	5.895	5.060									R0230	5.096
2017	R0240	11.009	6.847										R0240	6.845
2018	R0250	22.132											R0250	22.047
												Total	R0260	45.323

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 (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	21.951	21.951			
Share premium account related to ordinary share capital	R0030	3.157	3.157			
Iinitial 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	476	476			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	503				503
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	26.086	25.583			503
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	26.086	25.583			503
Total available own funds to meet the MCR	R0510	25.583	25.583			
Total eligible own funds to meet the SCR	R0540	26.086	25.583			503
Total eligible own funds to meet the MCR	R0550	25.583	25.583			
SCR	R0580	28.793				
MCR	R0600	10.177				
Ratio of Eligible own funds to SCR	R0620	90,60%				
Ratio of Eligible own funds to MCR	R0640	251,38%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	26.086
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	25.610
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	476
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	10.628
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	10.628

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	**R0010**	10.280		
Counterparty default risk	**R0020**	5.504		
Life underwriting risk	**R0030**	7.656		
Health underwriting risk	**R0040**	2.193		
Non-life underwriting risk	**R0050**	10.874		
Diversification	**R0060**	-13.102		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	23.405		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	2.088
Loss-absorbing capacity of technical provisions	**R0140**	
Loss-absorbing capacity of deferred taxes	**R0150**	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency capital requirement excluding capital add-on	**R0200**	25.493
Capital add-on already set	**R0210**	3.300
Solvency capital requirement	**R0220**	28.793
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

Annex I
S.28.02.01
Minimum capital Requirement - Both life and non-life insurance activity

		Non-life activities MCR$_{(NL,NL)}$ Result	Life activities MCR$_{(NL,L)}$Result
		C0010	**C0020**
Linear formula component for non-life insurance and reinsurance obligations	**R0010**	5.741	

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	**C0040**	**C0050**	**C0060**
Medical expense insurance and proportional reinsurance	**R0020**	3.027	8.715		
Income protection insurance and proportional reinsurance	**R0030**				
Workers' compensation insurance and proportional reinsurance	**R0040**	1.452	749		
Motor vehicle liability insurance and proportional reinsurance	**R0050**	28.784	15.790		
Other motor insurance and proportional reinsurance	**R0060**	1.579	7.430		
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	37	73		
Fire and other damage to property insurance and proportional reinsurance	**R0080**	1.493	1.687		
General liability insurance and proportional reinsurance	**R0090**	304	445		
Credit and suretyship insurance and proportional reinsurance	**R0100**				
Legal expenses insurance and proportional reinsurance	**R0110**				
Assistance and proportional reinsurance	**R0120**				
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**				
Non-proportional health reinsurance	**R0140**				
Non-proportional casualty reinsurance	**R0150**				
Non-proportional marine, aviation and transport reinsurance	**R0160**				
Non-proportional property reinsurance	**R0170**				

		Non-life activities MCR$_{(L,NL)}$ Result	Life activities MCR$_{(L,L)}$ Result
		C0070	**C0080**
Linear formula component for life insurance and reinsurance obligations	**R0200**		639

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	**C0100**	**C0110**	**C0120**
Obligations with profit participation - guaranteed benefits	**R0210**				
Obligations with profit participation - future discretionary benefits	**R0220**				
Index-linked and unit-linked insurance obligations	**R0230**			44.666	
Other life (re)insurance and health (re)insurance obligations	**R0240**				
Total capital at risk for all life (re)insurance obligations	**R0250**				466.630

Overall MCR calculation

		C0130
Linear MCR	**R0300**	10.177
SCR	**R0310**	28.793
MCR cap	**R0320**	12.957
MCR floor	**R0330**	7.198
Combined MCR	**R0340**	10.177
Absolute floor of the MCR	**R0350**	6.200
		C0130
Minimum Capital Requirement	**R0400**	10.177

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	**C0150**
Notional linear MCR	**R0500**	5.741	639
Notional SCR excluding add-on (annual or latest calculation)	**R0510**	25.908	2.885
Notional MCR cap	**R0520**	11.659	1.298
Notional MCR floor	**R0530**	6.477	721
Notional Combined MCR	**R0540**	6.477	721
Absolute floor of the notional MCR	**R0550**	2.500	3.700
Notional MCR	**R0560**	6.477	3.700

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF PRIME INSURANCE COMPANY LIMITED

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of Prime Insurance Company Limited (the "Company"), prepared as at 31 December 2018:

- S.02.01.02 - Balance sheet
- S.12.01.02 – Life and Health SLT Technical Provisions
- S.17.01.02 – Non-Life Technical Provisions
- S.23.01.01 – Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.02.01 - Minimum Capital Requirement – Both life and non-life insurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report", as attached.

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 31 December 2018 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

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Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Material uncertainty in relation to the going concern
We draw attention to note 5.3.2 'Non-compliance with SCR' of the Solvency and Financial Condition Report, where it is noted that as at 31 December 2018, the Company incurred a loss of €5.6mln and its Capital Adequacy Ratio was calculated at 91%. These conditions indicate the existence of a material uncertainty in relation to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information
The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report
The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report
Our objectives are to obtain reasonable assurance about whether the relevant QRTs of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Solvency and Financial Condition Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

KPMG Limited

KPMG Limited
Certified Public Accountants and Registered Auditors

14 Esperidon Street
1087 Nicosia
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26 June 2019