

PRIME INSURANCE COMPANY LIMITED

SOLVENCY AND FINANCIAL CONDITION REPORT

Year 2020



Executive Summary

This Solvency and Financial Condition Report has been prepared for Prime Insurance Company Limited (hereinafter “Prime” or “Company”) in accordance with all applicable laws and regulations. It refers to the financial year ended **31 December 2020**.

Business and Performance

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

Life Business

Classes 1, 3 and 4

Non-Life Business

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, closed to new business since April 2020, under the Freedom of Establishment Act.

The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

As the Greek operations are discontinued following the BoD’s decision in 2019, Prime’s continuing operations (Cyprus) illustrated an underwriting loss before tax of €4,28 million compared to €1,31 million profit in 2019. The underwriting losses before taxes arising from discontinuing operations (Greece) were €0,72 million compared to €0,89 million losses in 2019. Overall, the Company had an underwriting loss before tax of €5,00 million in 2020 compared to underwriting profit of €425K in 2019 and after-tax losses of €5,58 million, compared to after tax losses of €565K experienced in 2019.

Capital Management

The SCR coverage ratio as at **31.12.2020** was **113%**, massively improved from the 94% reported as at 31.12.2019. The company took active steps to improve its coverage ratio through de-risking and discontinuing loss making operations.

The company aims to improve coverage ratio even further by increasing market share, further restoring individual lines and overall profitability.

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1 Business Performance

1.1 Business

1.1.1 Name and legal form of undertaking

Prime Insurance Company Limited

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 Limited 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% - No. of shares 25.174.700
Shareholders of Rodardo:
 - Golvenveil Ltd 83,3% - No. of shares 8.080
 - Michael Michaelides 15,0% - No. of shares 1.455
 - Dalantel Trading Ltd 1,7% - No. of shares 165
- Intervista AE: 1.34% - No. of shares 345.000
- Michael Michaelides: 1.18% - No. of shares 304.712

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
- Term insurance
- Other life insurance

Health Insurance

- Either stand alone or health riders to life contracts

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 Company decided to stop new business and ultimately cease operations in the non-life sector in Greece. As a result, the Company agreed to sell renewal rights to a major competitor in Greece (Interamerican) at an agreed consideration as at beginning of April 2020. This move will improve the SCR ratio and prevent further losses from the traditionally loss-making Greek branch operations. Initially however, some losses have occurred, attributed to various run-off costs such as redundancies and expense overruns. The planned cost cutting exercise in Cyprus was successfully executed. Further, following the successful implementation of the overall recovery plan, there was also a complete removal of the capital add on of €3,3mIn on 31.12.2018, to nil as at 31.12.2020.

1.2 Underwriting performance

1.2.1 Qualitative and quantitative information on the Company'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	YE2020	YE2019	%
Gross premiums earned	47,868	64,997	-26%
Net premium earned	36,214	48,228	-25%
Other Income (Reinsurance commission and Investment gain)	3,196	10,290	-69%
Insurance Benefits (Life)	-10,856	-14,912	-27%
Net insurance claims incurred (including reserves)	-13,206	-16,548	-20%
Total expenses	-20,350	-26,633	-24%
Underwriting result	-5,002	425	

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

€ '000s	YE2020	YE2020	YE2019	YE2019
	General business	Life business	General business	Life business
Net premium earned	14,504	21,710	25,443	22,785
Other Income (Reinsurance commission and Investment gain)	1,557	1,640	4,680	5,611
Insurance Benefits (Life)	-	-10,856	-	-14,912
Net insurance claims incurred (including reserves)	-9,977	-3,229	-12,191	-4,357
Total expenses	-13,148	-7,202	-19,244	-7,390
Underwriting result	-7,064	2,062	-1,312	1,737

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

€ '000s	YE2020	YE2020	YE2019	YE2019
	Cyprus	Greece	Cyprus	Greece
Gross premiums	38,081	9,788	40,665	24,332
Net premium earned	30,720	5,493	34,725	13,504
Other Income (Reinsurance commission and Investment gain)	2,550	646	6,736	3,555
Insurance Benefits (Life)	-10,856	-	-14,912	-
Net insurance claims incurred (including reserves)	-11,999	-1,206	-11,257	-5,291
Total expenses	-14,693	-5,657	-13,977	-12,656
Underwriting result	-4,278	-724	1,315	-888

1.3 Investment Performance

Investment performance remains important to our overall profitability. We aim to determine our strategic asset allocation following thorough investigations and asset liability modelling and 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 and even negative 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.

The composition of the investment portfolio as at 31.12.2020 was as follows:

Type - € '000s	Total	Life	General
Property, Plant & Equipment	3,143		3,143
Investment Property	7,485	2,515	4,970
Collective Investments Undertakings	30,287	25,772	4,515
Investment to Subsidiaries	11,902		11,902
Equities	2,918	2,852	66
Bonds	12,321	8,196	4,125
Cash and Deposits	24,033	20,894	3,139
Mortgages and Loans	865	865	-
Total	92,954	61,094	31,860

1.3.1 Income and expenses arising from investments by asset class,

Type - € '000s	Total	Life	General
Interest income	385	200	185
Dividend income	30	30	-
Rental income	25	14	11
Fair value losses on investment properties	- 100	- 67	- 33
Loss from investments at fair value through profit or loss	225	- 778	1,003
Loss on disposal of investments	- 100	889	-1,170
Impairment of subsidiary	-	-	-
Other income	168	12	157
Exchange differences	- 59	- 59	-
Total	574	241	153

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

1.3.2 Any gains and losses recognised directly in equity

Type - € '000s	Total	Life	General
2020 - Loss from investments Available for Sale (AFS)	-922	-	-922
2019 - Loss from investments Available for Sale (AFS)	-926	-	-926

1.4 Performance of other activities

As mentioned in the 2019 SFCR report, the Greek operations closed to new business and renewal rights were sold to another Greek insurance company at a premium of €975.000.

This premium was credited to the 2020 accounts.

1.5 Any other information

The Coronavirus disease 2019 (COVID-19) has been impacting both local and world economies since Q1 2020 leading to decreased economic activity and increased government debt.

The impact on Prime's financials has been fairly benign with temporarily increased life insurance lapses when the disease first broke out, combined with reduced motor and health insurance claims. Reduced loss ratios are expected for at least the first half of this year. As per last year, death rates are not expected to be affected by the disease as they often relate to over 65s. In addition, despite the initial shocks both unit-linked and own funds have recovered, with the latter exhibiting positive returns for the year 2020 as a whole.

Uncertainties still remain as to when social and economic activity will return back to normality. However, the expected widespread vaccination adopted by many countries, including Cyprus, should help improve matters by the end of the year.

Following the measures adopted by the Cyprus authorities in response to the outbreak of COVID-19, Prime has taken some measures to ensure smooth operations during the lockdown:

- Adoption of targeted measures (such as Office sanitisation, use of antiseptic-antibacterial dispenser) for mitigating the spread of the virus within office premises.
- Use of digital and/or telephone communication methods for communication with clients, for facilitating customer service and premium collections.
- Working from Home and in-house Skeleton staff – i.e., minimum number of employees needed to operate the business.

Regarding its investment strategy, the Company will continuously monitor asset exposures and consider switching to non-cyclical sectors where possible or exploit new emerging opportunities.

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 (resigned 13/02/2021)
- Mrs Maria Contomina, Chairwoman, Non-Executive (appointed 13/02/2021)
- Mr Panayiotis Panayiotou, Vice Chairman, Executive CEO
- Mr Savvas Agapiou, Non-Executive, (resigned 27/01/2021)
- Mrs Theoni Panagopoulou, Non-Executive
- Mr George Christodoulou, Non-Executive
- Mr Alexandros Economou, Non-Executive
- Mr Socrates Ellinas, Non-Executive (appointed 22/12/2020)
- Mr Marios Cosmas, No-Executive (appointed 24/03/2021)

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

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 07/04/2021).

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	Mr Marios Cosma Mr Alexandros Economou Mrs Theoni Panagopoulou
Compliance	Monitor's 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	Mr Alexandros Economou Mr George Christodoulou Mr Socrates Ellinas
Investment Committee	Reviews and challenges the investment policy of Prime and its implementation in the business	Mr Panayiotis Panayiotou Mr George Christodoulou Mrs Theoni Panagopoulou
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 George Christodoulou Mr Panayiotis Panayiotou

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.

– 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.

– 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.

– ***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.

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

During the year two members of the Board resigned (one 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 regard 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 misselling 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

The company received €975.000 in 2020 from Interamerican representing the sale of Greek portfolio renewal rights.

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.

Members are also approved by the regulator.

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.

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

The Company has a target of maintaining a solvency coverage ratio at all time in excess of **115%**. This target is expected to be reached by the end of the year.

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. The roles of the key functions in the Risk Management System are outlined below:

Body / Function	Roles in the risk management framework
BoD	The responsibility for the approval and periodic review of the risk profile and risk appetite, as well as the risk strategy and the policies for managing risks, lies with the BoD, so as to ensure that the BoD takes all measures necessary for the monitoring and control of risks, in accordance with the approved risk strategy and policies. This information reaches the BoD through the Risk Committee
Risk Committee	Responsibility for the supervision of the risk management framework is assumed by the Risk Committee

Body / Function	Roles in the risk management framework
	• The Risk Committee reviews on an annual basis the suite of Risk Policies of the Company and pre-approves any required changes, and subsequently forwards the updated Policy to the BoD for final approval • The Risk Committee receives frequent information on the levels of risks to which the Company is exposed, with the purpose of ensuring that the Company's risk profile remains within the established risk tolerance limits. Risk appetite and risk limits are set at a level which is commensurate with the sound operation of the Company and its strategic goals
Risk Management Function (RMF)	• Supports the BoD in the determination and implementation of the risk strategy and capital planning • Coordinates the implementation of the risk management framework and is the main unit for risk management responsibilities • Regular reporting to the Senior Management and Risk Committee • Risk management training to the BoD, Committees, Senior Management and Risk-taking functions directly involved in the management and oversight of risk, on the contents of the current and other risk-specific policies, and for providing guidance on their application • Moreover, the RMF continuously reviews the compliance of the Risk Management Policy with Solvency II requirements and the appropriateness of risk strategy with Company objectives, appetite, and limits, and informs the Risk Committee of any changes that may be required • Monitors the risk profile of the Company against the BoD's risk appetite • Develops internal risk methodologies and models • The RMF also brings to the attention of the Risk Committee any breaches of the Risk Management Policy • The full responsibilities of the RMF are documented in the RMF Policy
Managing Director and Senior Management with risk taking capacity	• The Company's Senior Management is responsible for the implementation of the risk strategy, as this has been approved by the BoD, and for the development of the policies, methodologies and procedures required to identify, measure, monitor and control every type of risk, in accordance with the nature and complexity of the Company's operations • They also have the responsibility to apply the framework in their day-to-day activities
Business Units	• The individual business units under the direction of their Heads have the responsibility to know and apply the requirements of the risk strategy and policies in their area of business
Actuarial Function	• The Actuarial function is a specialised function that advises the Senior Management of the Company on the calculation of technical provisions, capital requirements, product pricing, as well as on the technical aspects of risk management and modelling. The actuarial department provides further input on items such as -business planning -overall risk management -investment management

Body / Function	Roles in the risk management framework
Compliance Function	The Compliance Function applies suitable procedures for the purpose of achieving a timely and on-going compliance of the Company's risk management framework with existing and new laws and regulations
Internal Audit	The Internal Audit Function undertakes independent reviews and testing of the risk management framework or of specific components of the framework and reports the results to the Audit Committee. The responsibilities of Internal Audit are governed by the Internal Audit Policy

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.

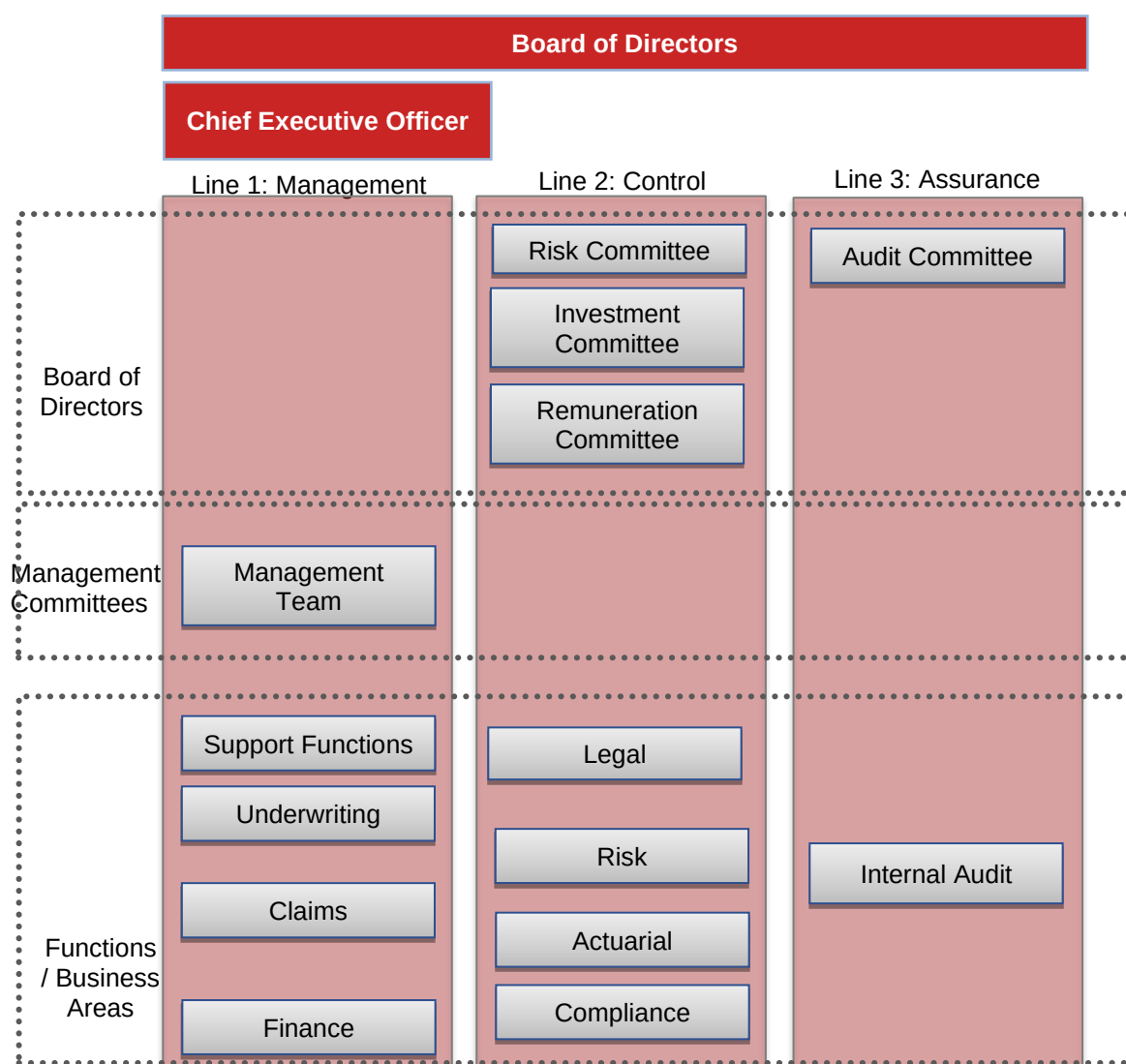
2.3.1.4 Risk Reporting

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:

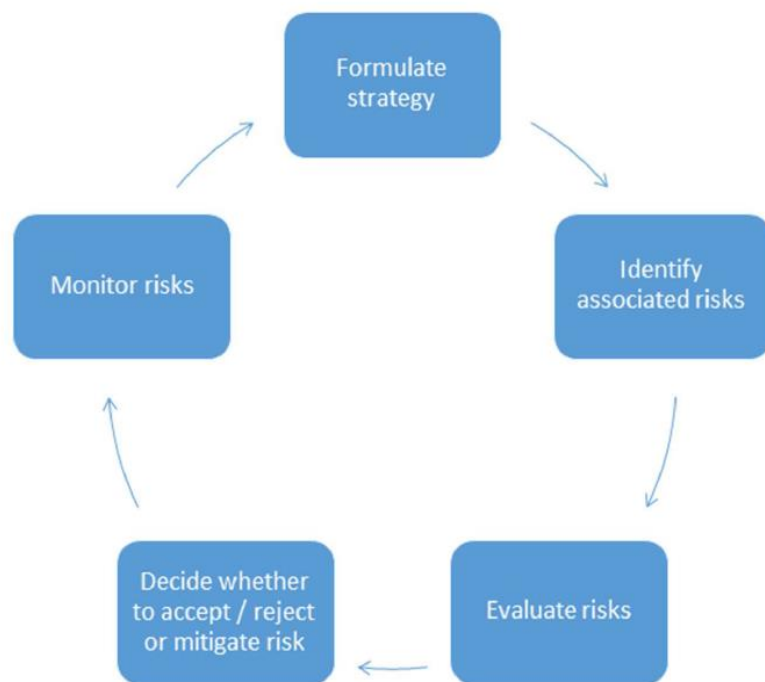
- a. Identify and classify risks** - The Company identifies the material risks it faces at a particular point in time. This includes risks considered in the SCR standard formula, as well as risks not included in the standard formula such as liquidity, strategic and business risks.
- b. Assessment and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

Solvency needs are determined by the EIOPAs standard formula. Hence the standard formula is the key capital optimisation tool used by the company. Each individual risk module sensitivities are investigated, and the company makes informed decisions as to whether a risk should be taken, maintained, increased or decreased taking into account the respective risk / return considerations. For example, the investment portfolio is assessed against the market risk components such as equity, spread and concentration risk formulae and individual investments are readjusted accordingly.

Coverage was increased from 94% in 2019 to 113% in 2020 through a number of measures, including:

- Investment de-risking (investing in higher rated bank institutions)
- Closing loss making operations in Greece (reduced impact on own funds, coupled with reduced capital requirements)

The Company is committed to executing further improvements to improve the SCR coverage ratio in the upcoming years through measures targeted at increasing profitability whilst keeping capital requirements to a minimum.

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 always 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 2020 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 Audit Committee meetings 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, considering 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 discharge its duties properly and reliably 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.

Tania Kyprianidou (Deloitte Actuarial Services Limited) is the Risk Management Function Holder of the Company.

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.

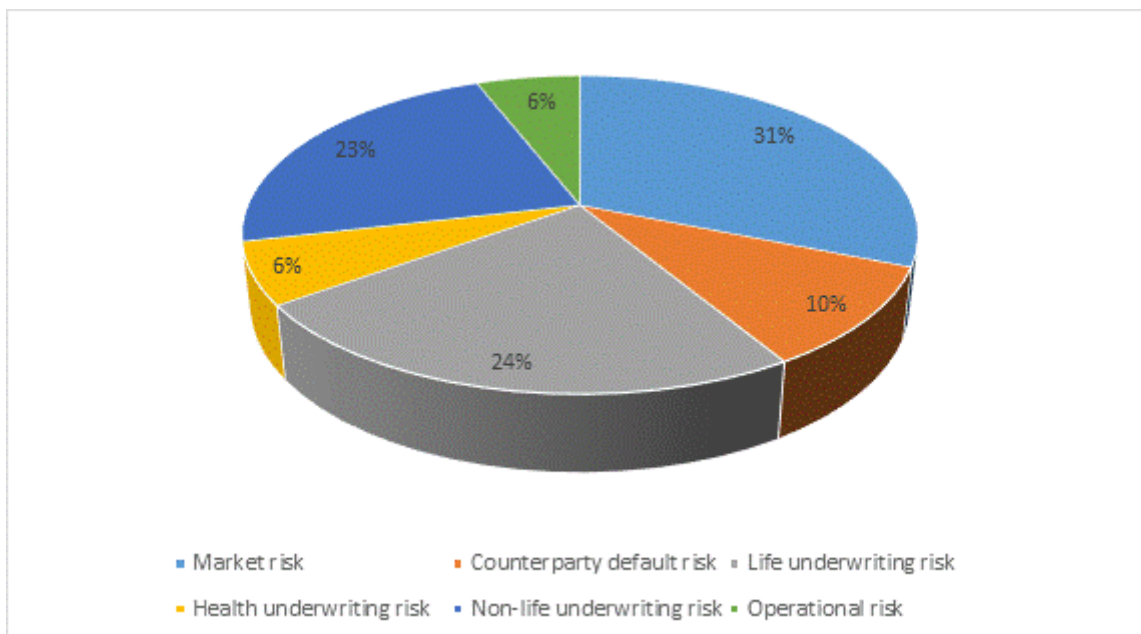
The risk management system is integrated into the strategy and the business planning process and is generally embedded in the decision-making processes of the Company. This ensures that the strategy results in an acceptable risk profile. It also facilitates awareness of the risk exposures of the Company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

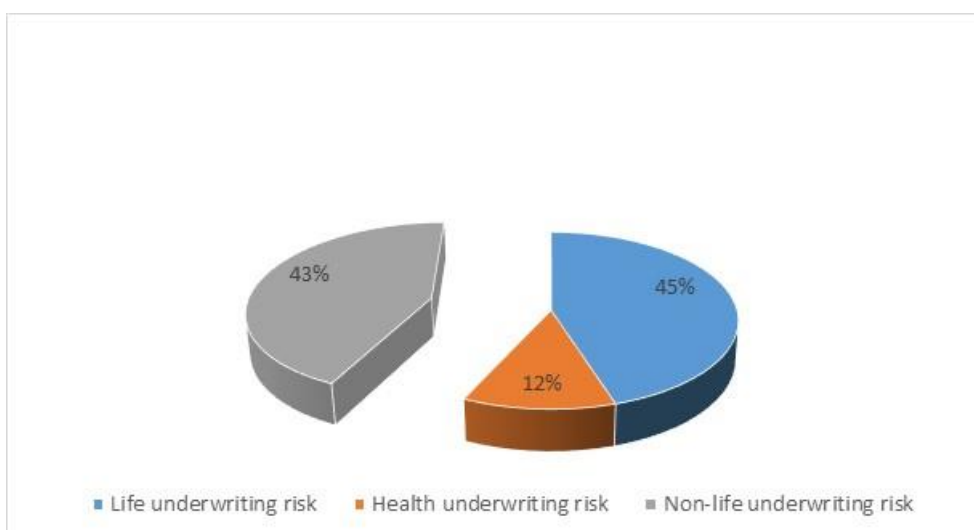
Prime measures quantifiable risks through the 99.5% Value at risk using the Solvency II standard formula (SCR). The Company aims to always hold sufficient capital to protect itself from losses occurring due to such risks. In addition to capital, the Company manages all risks through its processes and procedures and its internal control framework and by monitoring exposures and benchmarking against its risk appetite.

The components of the SCR (before diversification) for the reporting period ended 31 December 2020, are presented in the following graph:



The Company's risk profile is mainly driven by its insurance operations. Underwriting risk forms around 50% 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

Due to closure to new business in Greece, non-life underwriting risk has fallen significantly.

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	<i>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</i>
Catastrophe risk	<i>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</i>
Lapse Risk	<i>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</i>
Life underwriting risk	
Lapse risk	<i>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</i>
Life expense risk	<i>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</i>
Mortality risk	<i>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</i>
Life catastrophe	<i>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</i>
Disability-morbidity risk	<i>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</i>
Health underwriting risk	

Premium and Reserve risk	<i>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</i>
catastrophe risk	<i>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</i>
Lapse Risk	<i>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</i>

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.

3.1.4 Risk Mitigation

The main risk mitigation technique that Prime Insurance 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.

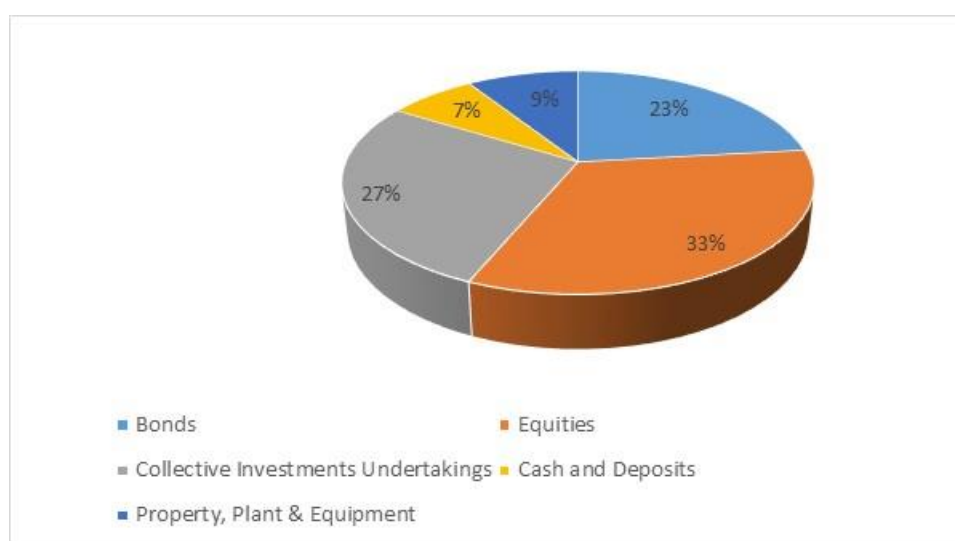
3.1.5 Risk Sensitivity

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.

3.2 Market risk

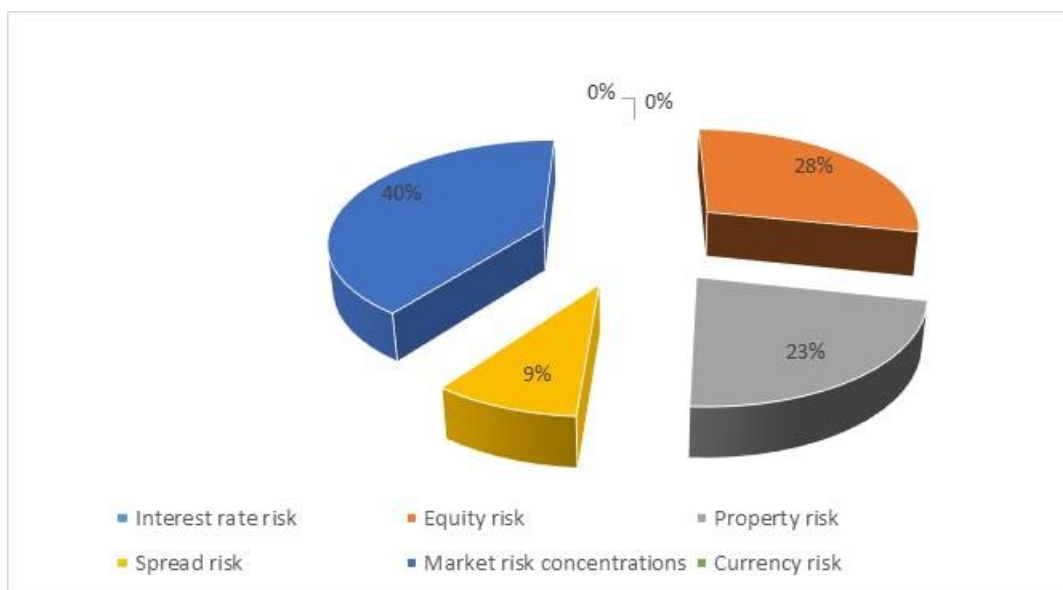
3.2.1 Description of the risk

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 2020, 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. Significant concentration risk arises from high exposure in single investments. Interest rate is nil due to liability shocks moving in the opposite direction. Currency risk is zero due to nil non-euro denominated investments.

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.

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.

3.2.6 Prudent Person Principle

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

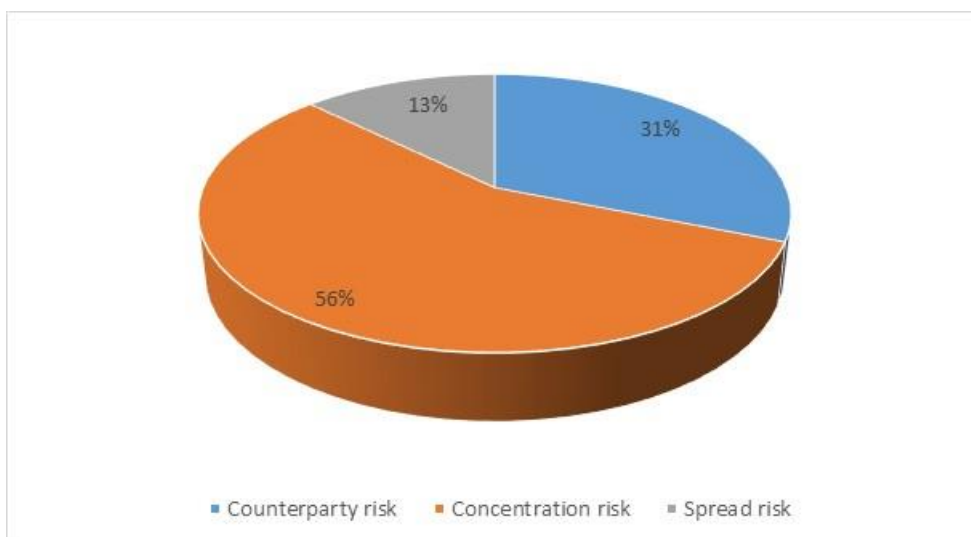
The Company regularly reviews the financial condition of its investment counterparties and endeavours that the currency, nature, and duration of assets is appropriate to the characteristics of its liabilities, avoiding excessive reliance on any one counterparty or asset class or geographical location. 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



The overall credit risk exposure is considered to be high at 9.3mln. The main driver of credit risk concentration risk with just a few large holdings affecting the overall concentration risk capital requirement.

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

Concentration mainly arises from single name exposures which are unrated and hence there is greater uncertainty as to their creditworthiness. Another source of concentration risk is local / Greek bank exposure which is constantly mitigated by increasing money market investments.

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, although it may lead to real losses.
2. Premium receivables which are more than 3-months overdue obtain under the standard formula a capital charge of 90% on their value.

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 company's Net Asset Value is notionally backed by debtors, property and other less liquid assets, liquidity risk can be significant. Hence the company aims to liquidate a significant part of its own funds' investment portfolio.

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. In addition, a notional allocation of assets is mapped per the main obligations, i.e., reserves, other liabilities (such as tax) and own funds.

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 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 €8.952k. 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

The overall exposure to operational risk is classified as low.

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.

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 valuation's 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 2020	IFRS Valuation 2020
Deferred acquisition costs	0	1.587
Other intangible assets	0	895
Deferred tax assets	0	0
Property, plant & equipment held for own use	3.290	3.290
Investments (other than assets held for unit-linked funds)	37.647	37.647
Assets held for unit-linked funds	49.622	49.622
Reinsurance recoverables	17.540	21.387
Insurance & intermediaries receivables	2.842	3.927
Receivables (trade, not insurance)	2.135	2.135
Cash and cash equivalents	2.619	2.619
Total Assets	115.695	123.109

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 tries to establish 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. However, there are cases where some short-term bonds are valued at cost due to lack of active markets.

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 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 software's 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 consider 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 below 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	26.355	11.245	2.077	-217	639
Fire and other damage	6.225	5.913	181	58	144
General liability	345	105	196	88	12
Medical expenses	1.846	719	1.254	362	88
Workers' compensation	1.066	187	112	-10	33
Marine, aviation and transport	24	21	9	4	1
Motor, other classes	114	159	23	5	3
Total	35.976	18.349	3.853	289	921

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 2020 both gross and net of reinsurance recoverables by line of business.

€'000	GROSS BEST ESTIMATE	REINSURANCE RECOVERABLE	RISK MARGIN
LINE OF BUSINESS			
Unit-linked insurance	42.009	-1.527	2.060
Other life insurance	-4.198	429	1.473
Total	37.811	-1.098	3.533

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 4% of claims for Greece and 3% 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 5-77% depending on the product and the expense ratio at 25% and 10% 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 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	18.969	23.170
Health	3.142	670
Life excl UL	-3.154	11.122
Life other	45.596	49.622

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 2020	IFRS Valuation 2020
Provisions other than technical provisions	601	251
Reinsurance payables	6.911	6.894
Payables (trade, not insurance)	2.163	2.163
Any other liabilities, not elsewhere shown	2.428	2.428
Debts owed to credit institutions		
Total Liabilities	12.103	11.736

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 2020, the balance owed to reinsurers was circa of €7mIn. 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 €2m; 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 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 2020 as well as at 31 December 2019.

OWN FUNDS € '000S	2020	2019
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	- 4.039	476
Deferred Tax Assets	-	503
Total Basic Own Funds	21.069	26.086

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	115.695	122.905	-7.210
Total Liabilities	94.626	118.137	-23.510
Total Own Funds	21.069	4.769	16.300

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 31.12.2020.

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 2020 the SCR of the Company was calculated at €18.7k and the MCR at €7,6mln.

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	8.779
Counterparty default risk	2.909
Life Underwriting risks	6.695
Health underwriting risk	1.765
Non-Life underwriting risk	6.384
Sum of risk components	26.532
<i>Diversification effects</i>	-9.534
Diversified risk	16.998
Intangible asset risk	0
Basic SCR	16.998
Operational risk	1.672
Adjustments	0
SCR	18.670

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	2.904	569
Notional SCR excluding add-on (annual or latest calculation)	15.613	3.058
Notional MCR cap	7.026	1.376
Notional MCR floor	3.903	764
Notional Combined MCR	3.903	764
Absolute floor of the notional MCR	2.500	3.700
Notional MCR	3.903	3.700

The total MCR for both activities (Life + Non-Life) is equal to **€7.6mln.**

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

As shown below, only non-life underwriting risk has changed significantly

	2020	2019	Δ
Market risk	8.779	10.112	-1.333
Counterparty default risk	2.909	6.502	-3.592
Life Underwriting risks	6.695	7.049	-354
Health underwriting risk	1.765	2.104	-339
Non-Life underwriting risk	6.384	8.446	-2.062
Sum of risk components	26.532	34.212	-7.680
<i>Diversification effects</i>	-9.534	-12.215	2.681
Diversified risk	16.998	21.998	-5.000
Intangible asset risk	0	0	0
Basic SCR	16.998	21.998	-5.000
Operational risk	1.672	2.736	-1.063
Adjustments	0	0	0
SCR	18.670	24.733	-6.063

The change in SCR is due to

- Investment de-risking
- Reduced non-life exposure due to Greek branch closing to new business (reduced premium and reserving risks)
- Removal of capital add on for operational risk

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 company's SCR was above 100% throughout 2020 and reached 113% by the end of the year. As per the business plan, coverage ratio is expected to improve further in 2021.

Appendix A:

Quantitative Reporting Templates

Annex I
S.02.01.02
Balance sheet

	Solvency II value	
	C0010	
Assets	R0030	
Intangible assets	R0040	
Deferred tax assets	R0050	
Pension benefit surplus	R0060	3,290
Property, plant & equipment held for own use	R0070	37,647
Investments (other than assets held for index-linked and unit-linked contracts)	R0080	4,970
Property (other than for own use)	R0090	
Holdings in related undertakings, including participations	R0100	11,968
Equities	R0110	66
Equities - listed	R0120	11,902
Equities - unlisted	R0130	8,391
Bonds	R0140	2,980
Government Bonds	R0150	5,411
Corporate Bonds	R0160	
Structured notes	R0170	
Collateralised securities	R0180	9,873
Collective Investments Undertakings	R0190	
Derivatives	R0200	2,446
Deposits other than cash equivalents	R0210	
Other investments	R0220	49,622
Assets held for index-linked and unit-linked contracts	R0230	
Loans and mortgages	R0240	
Loans on policies	R0250	
Loans and mortgages to individuals	R0260	
Other loans and mortgages	R0270	17,540
Reinsurance recoverables from:	R0280	18,638
Non-life and health similar to non-life	R0290	17,380
Non-life excluding health	R0300	1,258
Health similar to non-life	R0310	429
Life and health similar to life, excluding health and index-linked and unit-linked	R0320	
Health similar to life	R0330	429
Life excluding health and index-linked and unit-linked	R0340	-1,527
Life index-linked and unit-linked	R0350	
Deposits to cedants	R0360	2,842
Insurance and intermediaries receivables	R0370	
Reinsurance receivables	R0380	2,135
Receivables (trade, not insurance)	R0390	
Own shares (held directly)	R0400	
Amounts due in respect of own fund items or initial fund called up but not yet	R0410	2,619
Cash and cash equivalents	R0420	
Any other assets, not elsewhere shown	R0500	115,695
Total assets		
	Solvency II value	
	C0010	
Liabilities	R0510	40,750
Technical provisions – non-life	R0520	36,350
Technical provisions – non-life (excluding health)	R0530	
TP calculated as a whole	R0540	35,550
Best Estimate	R0550	799
Risk margin	R0560	4,400
Technical provisions - health (similar to non-life)	R0570	
TP calculated as a whole	R0580	4,279
Best Estimate	R0590	121
Risk margin	R0600	-2,725
Technical provisions - life (excluding index-linked and unit-linked)	R0610	
Technical provisions - health (similar to life)	R0620	
TP calculated as a whole	R0630	
Best Estimate	R0640	
Risk margin	R0650	-2,725
Technical provisions – life (excluding health and index-linked and unit-linked)	R0660	
TP calculated as a whole	R0670	-4,198
Best Estimate	R0680	1,473
Risk margin	R0690	44,069
Technical provisions – index-linked and unit-linked	R0700	
TP calculated as a whole	R0710	42,009
Best Estimate	R0720	2,060
Risk margin	R0740	
Contingent liabilities	R0750	601
Provisions other than technical provisions	R0760	
Pension benefit obligations	R0770	
Deposits from reinsurers	R0780	306
Deferred tax liabilities	R0790	
Derivatives	R0800	124
Debts owed to credit institutions	R0810	
Financial liabilities other than debts owed to credit institutions	R0820	
Insurance & intermediaries payables	R0830	6,911
Reinsurance payables	R0840	2,163
Payables (trade, not insurance)	R0850	
Subordinated liabilities	R0860	
Subordinated liabilities not in BOF	R0870	
Subordinated liabilities in BOF	R0880	2,428
Any other liabilities, not elsewhere shown	R0900	94,626
Total liabilities	R1000	21,069
Excess of assets over liabilities		

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	
Premiums written																		
Gross - Direct Business	R0110	10,416		774	7,827	2,798	77	1,948	772									24,612
Gross - Proportional reinsurance accepted	R0120																	
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140	3,008		18	2,596	808	58	1,198	455									8,141
Net	R0200	7,408		755	5,231	1,990	20	749	317									16,470
Premiums earned																		
Gross - Direct Business	R0210	11,618		768	10,671	4,215	155	2,586	864									30,878
Gross - Proportional reinsurance accepted	R0220																	
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240	3,342		18	3,988	1,223	117	1,429	520									10,638
Net	R0300	8,276		750	6,684	2,991	38	1,157	345									20,240
Claims incurred																		
Gross - Direct Business	R0310	5,319		816	14,593		8	449	133									21,318
Gross - Proportional reinsurance accepted	R0320																	
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340	1,588		228	6,522		7	287	12									8,644
Net	R0400	3,731		587	8,071		1	162	122									12,674
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	4,891		500	9,633		90	1,655	460									17,228
Other expenses	R1200																	
Total expenses	R1300																	

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	
Premiums written										
Gross	R1410			14,852	2,138					16,990
Reinsurers' share	R1420			454	563					1,017
Net	R1500			14,398	1,575					15,973
Premiums earned										
Gross	R1510			14,852	2,138					16,990
Reinsurers' share	R1520			454	563					1,017
Net	R1600			14,398	1,575					15,973
Claims incurred										
Gross	R1610			9,978	277					10,255
Reinsurers' share	R1620			62	0					62
Net	R1700			9,916	277					10,193
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900			2,865	1,999					4,864
Other expenses	R2500									
Total expenses	R2600									4,864

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	20,861	3,751					24,612
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	6,312	1,829					8,141
Net	R0200	14,548	1,922					16,470
Premiums earned								
Gross - Direct Business	R0210	21,090	9,788					30,878
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	6,343	4,294					10,638
Net	R0300	14,747	5,493					20,240
Claims incurred								
Gross - Direct Business	R0310	18,491	2,827					21,318
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	7,023	1,621					8,644
Net	R0400	11,467	1,207					12,674
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	9,855	7,374					17,228
Other expenses	R1200							
Total expenses	R1300							17,228

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	16,990						16,990
Reinsurers' share	R1420	1,017						1,017
Net	R1500	15,973						15,973
Premiums earned								
Gross	R1510	16,990						16,990
Reinsurers' share	R1520	1,017						1,017
Net	R1600	15,973						15,973
Claims incurred								
Gross	R1610	10,255						10,255
Reinsurers' share	R1620	62						62
Net	R1700	10,193						10,193
Changes in other technical provisions								
Gross	R1710							
Reinsurers' share	R1720							
Net	R1800							
Expenses incurred	R1900	4,864						4,864
Other expenses	R2500							
Total expenses	R2600							4,864

Annex I

S.12.01.02

Life and Health SLT Technical Provisions

Technical provisions calculated as a whole
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best Estimate

Gross Best Estimate

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Best estimate minus recoverables from reinsurance/SPV and Finite Re - total

Risk Margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070				C0080	C0090	C0100			
R0010																
R0020																
R0030			26,575	15,434		-4,198				37,811						
R0080			-992	-535		429				-1,098						
R0090			27,567	15,969		-4,627				38,909						
R0100		2,060			1,473					3,533						
R0110																
R0120																
R0130																
R0200		44,069			-2,725					41,344						

Annex I

S.17.01.02

Non-life Technical Provisions

Technical provisions calculated as a whole

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

Technical provisions calculated as a sum of BE and RM

Best estimate

Premium provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Premium Provisions

Claims provisions

Gross

Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default

Net Best Estimate of Claims Provisions

Total Best estimate - gross

Total Best estimate - net

Risk margin

Amount of the transitional on Technical Provisions

Technical Provisions calculated as a whole

Best estimate

Risk margin

Technical provisions - total

Technical provisions - total

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total

Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total

Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
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	
C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010																
R0050																
R0060	1,254		112	2,077	23	9	181	196								3,853
R0140	362		-10	-217	5	4	58	88								289
R0150	892		123	2,295	18	6	123	108								3,564
R0160	1,846		1,066	26,356	113	24	6,225	345								35,976
R0240	719		187	11,245	159	21	5,913	105								18,349
R0250	1,127		879	15,111	-47	4	312	240								17,627
R0260	3,100		1,179	28,434	136	34	6,406	541								39,829
R0270	2,019		1,002	17,406	-28	10	435	349								21,191
R0280	88		33	639	3	1	144	12								921
R0290																
R0300																
R0310																
R0320	3,188		1,212	29,073	139	35	6,550	553								40,750
R0330	1,081		177	11,028	164	24	5,971	192								18,638
R0340	2,107		1,035	18,045	-25	10	579	361								22,112

Annex I

S.19.01.21

Non-life Insurance Claims Information

Total Non-Life Business

Accident year /
Underwriting year

Z0020	Accident year [AY]
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Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year											In Current year	Sum of years (cumulative)
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100										353	R0100	30,396
2011	R0160	7,575	3,140	497	677	353	171	168	65	693	283	R0160	13,622
2012	R0170	6,805	3,233	992	477	364	135	164	378	1,643		R0170	14,190
2013	R0180	7,299	2,448	485	484	252	214	286	133			R0180	11,601
2014	R0190	7,749	3,755	704	854	356	229	464				R0190	14,112
2015	R0200	8,865	3,411	580	612	749	773					R0200	14,989
2016	R0210	11,187	4,679	1,310	923	1,681						R0210	19,780
2017	R0220	9,834	5,223	1,469	2,580							R0220	19,106
2018	R0230	10,740	6,015	2,851								R0230	19,606
2019	R0240	15,346	5,109									R0240	20,455
2020	R0250	9,955										R0250	9,955
Total												R0260	187,813

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year											Year end (discounted data)	
	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		
Prior	R0100										1,542	R0100	1,568
2011	R0160	7,800	3,906	3,003	2,228	1,216	934	732	1,098	421	348	R0160	3,810
2012	R0170	7,280	4,082	3,593	2,496	1,948	1,778	1,776	1,505	6,280		R0170	2,889
2013	R0180	6,097	3,532	2,599	1,793	1,399	1,456	1,127	2,013			R0180	2,051
2014	R0190	9,567	5,117	4,099	3,195	2,960	1,545	1,034				R0190	1,053
2015	R0200	8,464	4,365	3,234	2,793	2,406	1,270					R0200	1,293
2016	R0210	10,970	6,056	5,275	3,769	1,774						R0210	1,795
2017	R0220	11,255	7,041	5,369	2,597							R0220	2,636
2018	R0230	18,521	12,213	9,212								R0230	9,339
2019	R0240	11,126	3,543									R0240	3,602
2020	R0250	5,868										R0250	5,938
Total												R0260	35,976

Annex I
S.23.01.01
Own funds

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

Ordinary share capital (gross of own shares)
Share premium account related to ordinary share capital
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings
Subordinated mutual member accounts
Surplus funds
Preference shares
Share premium account related to preference shares
Reconciliation reserve
Subordinated liabilities
An amount equal to the value of net deferred tax assets
Other own fund items approved by the supervisory authority as basic own funds not specified above

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

Deductions

Deductions for participations in financial and credit institutions

Total basic own funds after deductions

Ancillary own funds

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

Total ancillary own funds

Available and eligible own funds

Total available own funds to meet the SCR
Total available own funds to meet the MCR
Total eligible own funds to meet the SCR
Total eligible own funds to meet the MCR

SCR

MCR

Ratio of Eligible own funds to SCR

Ratio of Eligible own funds to MCR

Reconciliation reserve

Excess of assets over liabilities
Own shares (held directly and indirectly)
Foreseeable dividends, distributions and charges
Other basic own fund items
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

Reconciliation reserve

Expected profits

Expected profits included in future premiums (EPIFP) - Life business
Expected profits included in future premiums (EPIFP) - Non- life business
Total Expected profits included in future premiums (EPIFP)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
R0010	21,951	21,951			
R0030	3,157	3,157			
R0040					
R0050					
R0070					
R0090					
R0110					
R0130	-4,039	-4,039			
R0140					
R0160					
R0180					
R0220					
R0230					
R0290	21,069	21,069			
R0300					
R0310					
R0320					
R0330					
R0340					
R0350					
R0360					
R0370					
R0390					
R0400					
R0500	21,069	21,069			
R0510	21,069	21,069			
R0540	21,069	21,069			
R0550	21,069	21,069			
R0580	18,670				
R0600	7,603				
R0620	112.85%				
R0640	277.10%				

	C0060
R0700	21,069
R0710	
R0720	
R0730	25,108
R0740	
R0760	-4,039
R0770	8,953
R0780	
R0790	8,953

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 8,779		
Counterparty default risk	R0020 2,909		
Life underwriting risk	R0030 6,695		
Health underwriting risk	R0040 1,765		
Non-life underwriting risk	R0050 6,384		
Diversification	R0060 -9,534		
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	R0100 16,998		
Calculation of Solvency Capital Requirement	C0100		
Operational risk	R0130 1,672		
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 18,670		
Capital add-on already set	R0210		
Solvency capital requirement	R0220 18,670		
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		
Approach to tax rate	Yes/No		
Approach based on average tax rate	C0109		
	R0590		
Calculation of loss absorbing capacity of deferred taxes	LAC DT		
LAC DT	C0130		
LAC DT justified by reversion of deferred tax liabilities	R0640		
LAC DT justified by reference to probable future taxable economic profit	R0650		
LAC DT justified by carry back, current year	R0660		
LAC DT justified by carry back, future years	R0670		
Maximum LAC DT	R0680		
	R0690		

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) Re sult	Non-life activities	Life activities
	C0010	C0020		
Linear formula component for non-life insurance and reinsurance obligations	R0010	2,904		
			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	2,019	7,408	
Income protection insurance and proportional reinsurance	R0030			
Workers' compensation insurance and proportional reinsurance	R0040	1,002	755	
Motor vehicle liability insurance and proportional reinsurance	R0050	17,406	5,231	
Other motor insurance and proportional reinsurance	R0060	-28	1,990	
Marine, aviation and transport insurance and proportional reinsurance	R0070	10	20	
Fire and other damage to property insurance and proportional reinsurance	R0080	435	749	
General liability insurance and proportional reinsurance	R0090	349	317	
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	Non-life activities	Life activities
	C0070	C0080		
Linear formula component for life insurance and reinsurance obligations	R0200	569		
			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		43,536	
Other life (re)insurance and health (re)insurance obligations	R0240			
Total capital at risk for all life (re)insurance obligations	R0250			376,987

Overall MCR calculation

	C0130
Linear MCR	R0300
SCR	R0310
MCR cap	R0320
MCR floor	R0330
Combined MCR	R0340
Absolute floor of the MCR	R0350
	C0130
Minimum Capital Requirement	R0400

Notional non-life and life MCR calculation

	Non-life activities C0140	Life activities C0150
Notional linear MCR	R0500	2,904
Notional SCR excluding add-on (annual or latest calculation)	R0510	15,613
Notional MCR cap	R0520	7,026
Notional MCR floor	R0530	3,903
Notional Combined MCR	R0540	3,903
Absolute floor of the notional MCR	R0550	2,500
Notional MCR	R0560	3,903

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 2020:

- 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 2020 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").

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 2020, the Capital Adequacy Ratio of the Company was calculated at 113%. This condition indicates 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.

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
Cyprus

8 April 2021