

Cosmos Insurance Company (Public) Limited

**Solvency Financial Condition Report 2017
(SFCR)**

SOLVENCY FINANCIAL CONDITION REPORT

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Executive Summary

This Solvency Financial Condition Report has been prepared for Cosmos Insurance Company (Public) Limited (hereinafter "Cosmos") in accordance with all applicable laws and regulations. It refers to the financial year ended on 31 December 2017 ("the reference date").

Cosmos is a non-life insurance company registered in Cyprus and regulated by the Superintendent of Insurance.

The Company offers insurance protection across all major lines of business and is looking to continue implementing a growth strategy whilst offering uncompromised levels of protection to its client base. The continuous enhancements made to our product suite resulted in improved competitiveness and marketability, thus generating positive results. The Company has successfully completed in 2017 the phase A of the re-capitalisation plan which included the transfer of two properties with total market value of €2.030.000 from the parent Company in exchange of 5.139.240 ordinary shares of the Company. In addition, the parent Company contributed in 2017 €900.000 in the form of capital contribution. In accordance with Phase B of the re-capitalisation plan and following the approval of Company's prospectus on the 30th of March 2018 by the CySEC for the increase of Company's share capital with the issue of 23.124.240 rights to Company's shareholders as at 19 of April 2018, the Company aims to further increase its capital base with the new shares which will derive from the exercised rights.

The company maintains a well-diversified asset portfolio generating satisfactory investment returns with acceptable market risk exposures.

Our business strategy is to maintain growth over our business planning horizon through adequate structures and commitment.

The Company maintains a robust system of governance which is deemed to be adequate in ensuring the sound and prudent management of the Company. The system of governance witnessed significant improvements over 2017 with further improvements envisaged in 2018 following the appointment of new Directors and the implementation of a continuous training and development program for the BOD as well as for our staff. The Company has fully outsourced Compliance Function to the Office of Ioannides and Demetriou LLC. We continue investing heavily on technology and maintain state of the art systems and IT infrastructure.

Our risk management policy provides for a thoroughly articulated risk appetite statement and a closely monitored risk management system ensuring that the company is not exposed to any unwanted risks.

Financial performance in 2017 was driven by non-recurring expenditure related with the re-capitalisation of the Company, the full impairment of Goodwill, increase of the provision for bad debts and losses from investments properties downward revaluation. Loss before taxation for the year ended 31 December 2017 of €552.930 compared to profit before taxation €244.052 in the prior year.

Other important information

The Company's separate financial statements have been restated to correct errors identified in the 2016 comparative information in the statement of financial position and the statement of profit or loss and other comprehensive income. This is explained in detail in note 39 of the separate financial statements.

Any references made in the Solvency Financial Condition report to the 2016 comparative information which have been corrected, include in the heading of the relevant table, the word "Restated".

Finally, the auditor's opinion, included in the Company's separate financial statements, includes an emphasis of matter paragraph where it is noted that as at 31 December 2017, the Company incurred a loss of €401.499 and its Solvency Capital Ratio was calculated at 102,65%. These conditions indicate the existence of a material uncertainty in relation to the Company's ability to continue as a going concern.

A. Business Performance

A.1 Business

A.1.1 *Name and legal form of undertaking*

Cosmos Insurance Company Public Ltd is a limited liability company incorporated under the laws of Cyprus on April 1981 with company Registration Number: C16361.

Its registered address is 46 Griva Digeni Avenue, 1080 Nicosia, Cyprus

A.1.2 *Supervisory authority*

The Company is authorised and regulated by the Superintendent of Insurance. The Superintendent of Insurance is the competent authority of the insurance sector in the Republic of Cyprus and exercises all the powers granted to him by the Law on Insurance and Reinsurance Services and Other Related Issues of 2016 [Law 38(I) 2016] and by the relevant Regulations, for the purpose of protecting the policyholders and the insurance beneficiaries.

Contact Information:

Address: P.O. Box 23364, 1682 Nicosia

Telephone Number: 22602990

Fax Number: 22302938

E-mail: insurance@mof.gov.cy

A.1.3 *External Auditors*

Its external auditors are KPMG Limited.

Contact Information:

Address: 14, Esperidon Street, 1087 Nicosia

Telephone Number: 22209000

Fax Number: 22678200

A.1.4 *Shareholders*

Cosmos is a publicly listed company in the Cyprus Stock Exchange. Its main shareholder is K.M Tyllis who owns 61,18% of the paid-up share capital. There are no other shareholders controlling more than 10%.

The company is treated as a solo legal entity for insurance supervision purposes.

A.1.5 *Material lines of business and material geographical areas where the company carries on business*

The company is authorised to carry on non-life business for all classes.

Cosmos operates in general business insurance in Cyprus. Personal lines is an area where the Company is particularly strong, having one of the largest motor portfolios and significant business in home, and medical insurance.

Cosmos has a wide distribution network in Cyprus with a large head office in Nicosia and branch offices situated in Limassol and Paphos. The company's network of insurance agents is located throughout Cyprus and provide a very personalized level of service to their customers.

A.1.6 Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

Year 2017 has been a turning point for Cosmos Insurance. A recapitalisation and restructuring plan was successfully implemented allowing the company to relentlessly pursue its growth strategy and offering uncompromised protection to its clientele. The Company aims to further improve its Solvency Ratio with the increase of its share capital through the rights issue which was approved by the CySEC on the 30th of March 2018.

During 2017, the Company registered a modest growth, mainly in motor business which has been the main focus of the management in the past few years.

Furthermore, during the year the company restructured its asset portfolio which is now well diversified across sectors and counterparties and managed by professional experienced asset managers. Throughout 2017, investment conditions remained quite challenging with the persisting low interest rate environment.

The Company continued to undertake restructuring and transformation activity to align the business operations with the board approved strategy. Relentless efforts to differentiate ourselves from the market started during the course of the year and will continue, with a stronger emphasis in 2018. The enhancements made to our product suite helped facilitate improved competitiveness and marketability, thus generating positive sales results.

Additionally, on 1st January 2018, the Directive of the Superintend of Insurance in regards to the premium collection came into force. This was a major change not only for Cosmos but for the entire General Insurance sector. According to the Directive, insurance companies are not allow to offer any credit to the intermediaries and any credit provided by Insurance Companies is provided to the clients. This is expected to have a positive outcome in the Solvency Coverage ratio of Cosmos through the reduction of counterparty default risk.

A.1.7 Trends and factors that contribute to the development, performance and position of the company over its business planning time period

The performance of Cosmos is largely driven by growth in its insurance portfolio and the underlying profitability of the business and is offset by non-recurring expenses incurred in 2017 for consulting, tax and legal services which relates with the recapitalization of the Company, as well as, goodwill impairment, increase of the provision for bad debts and losses from investment properties downward revaluation. In spite of the low interest rate environment investment income contributes to Company's performance. Performance is also driven by operational efficiencies through process improvements and through economies of scale achieved with the growth of the portfolio.

The market remains intensely competitive with market players quoting premium rates which are arguably unsubstantiated and this is reflected in market statistics. Another market challenge is the continuous efforts of competitors approaching other companies' agents which drives up acquisition costs. Furthermore, credit facilities offered to intermediaries and clients exposes the market to credit risk and forces companies to commit additional capital as result of this risk exposure.

Underwriting profitability is continuously monitored and early signals are provided where corrective action is considered necessary. The reinsurance arrangements put together and the continued monitoring of these arrangements contributes to the stability of underwriting profits.

A.1.8 Business Objectives

Cosmos is committed to profitable growth, and ensuring that the company remains well-capitalised. The strategic objective of the Company is to utilise its cutting edge technology which enable process automation and expertise of the management to achieve a steady profitable growth both in the short and medium term. The quality and loyalty of the distribution network is a key component of this strategy.

The company further looks to safeguard the excellent reputation it has in terms of reliability and fast claim settlement.

A.2 Underwriting performance

The Company's underwriting income and expenses consist mainly of insurance premiums written, reinsurance premiums ceded, gross claims incurred, reinsurers' share of claims incurred and acquisition expenses.

As shown in the financial statements, the Company registered an underwriting loss of €401.499 in 2017, compared to profit of €157.977 in 2016. The table below shows the components of the 2017 result together with the comparison for the prior period. The underwriting loss was driven by non-recurring expenses for consulting, tax and legal services for the recapitalization of the Company, goodwill impairment, increase of the provision for bad debts and losses from investment properties downward revaluation.

	2017 €	2016 € Restated
Revenue		
Gross earned premiums	17.356.022	18.739.616
Reinsurer's share on earned premiums	<u>(3.455.510)</u>	<u>(6.940.359)</u>
Net earned premiums	<u>13.900.512</u>	<u>11.799.257</u>
Policy fees and other fees	1.586.005	1.433.537
Commission from reinsurers	964.983	2.352.076
Share of profit from insurer's joint venture	177.250	51.022
Other income	91.140	144.767
Net (loss)/profit from investments	<u>(51.055)</u>	<u>630.321</u>
Total other income	<u>2.768.323</u>	<u>4.611.723</u>
Total income	<u>16.668.835</u>	<u>16.410.980</u>
Net claims incurred	<u>(9.921.583)</u>	<u>(8.577.541)</u>
Commissions payable and other sales expenses	<u>(3.909.237)</u>	<u>(4.293.780)</u>
Operating and administrative expenses from insurance operations	<u>(3.357.267)</u>	<u>(3.199.224)</u>
Finance cost	<u>(45.166)</u>	<u>(41.583)</u>
Total operating and administrative expenses from insurance operations	<u>(17.233.253)</u>	<u>(16.112.128)</u>
Change in unexpired risk reserve	<u>11.488</u>	<u>(54.800)</u>
(Loss)/profit before taxation	<u>(552.930)</u>	<u>244.052</u>
Tax	<u>151.431</u>	<u>(86.075)</u>
(Loss)/profit for the year	<u>(401.499)</u>	<u>157.977</u>

The premiums written, premiums earned and claims incurred by line of business are shown in the table below:

LOB	GROSS PREMIUMS WRITTEN €	GROSS PREMIUMS EARNED €	GROSS CLAIMS INCURRED €
Medical expense insurance	3.068.453	3.053.079	2.446.584
Income protection insurance	51.310	50.727	28.658
Workers' compensation insurance	0	0	0
Motor vehicle liability insurance	10.497.108	9.788.998	6.417.849
Other motor insurance	1.708.211	1.547.371	1.044.387
Marine, aviation and transport insurance	159.300	162.029	59.705
Fire and other damage to property insurance	2.090.523	2.034.847	90.400
General liability insurance	700.190	701.192	241.338
Credit and suretyship insurance	0	0	0
Legal expenses insurance	0	0	0
Assistance	0	0	0
Miscellaneous financial loss	17.779	17.779	1.059
Total for Year 2017	18.292.874	17.356.022	10.329.980
Total for Year 2016	17.780.890	18.739.616	10.635.357
Percentage Increase	2.88%	-7.38%	-2.87%

The Company's reinsurance arrangements did not have a material effect on the Company's underwriting results in 2017. This is due to the fact that, the main reinsurance arrangements are designed to provide the Company with protection from large claims, excessive accumulation of losses and catastrophic events. As no large claims were incurred there was limited participation of reinsurers in such claims.

A.2.1 Underwriting performance over the business planning horizon

The forecasted new business volumes by product line are as follows:

Budgeted New Business Written Premium €'000			
LoB	YE2018	YE2019	YE2020
Medical expense	3.144.437	3.207.326	3.271.472
Income protection	-	-	-
Workers' compensation	436.911	445.649	454.562
Motor vehicle liability	10.772.349	10.987.796	11.207.552
Other motor	1.753.001	1.788.061	1.823.822
Conventional	-	-	-
Marine, aviation & transport	173.768	177.243	180.788
Fire & other prop. damage	2.182.822	2.226.478	2.271.008
General liability	319.705	326.099	332.621
Credit and suretyship	-	-	-
Assistance	-	-	-
Miscellaneous	19.526	19.917	20.315

As shown above, growth in terms of premium income will be driven from organic growth in the domestic market. This will be achieved following growth in the sales force, aggressive marketing and reinforcement of the business development team dedicated to build relationships with corporate clients and explore other growth areas.

Overall the projected portfolio of Cosmos is expected to remain profitable over the business planning horizon.

Availability of reinsurance remains critical for the company to maintain its competitiveness as well as its risk-taking capacity. Reinsurance arrangements are largely expected to remain unchanged with the exception of medical business where the company entered on 01 April 2018 into a 100% proportional arrangement with a major global player in the field who is expected to contribute enormously to the growth and improvement of the portfolio with their international know-how and expertise.

A.3 Investment Performance

Investment performance remains important to our overall profitability although to a lesser extent. Our strategic asset allocation is determined with the objective to achieve the maximum possible diversification and to meet predefined risk tolerance limits safeguarding that no unwanted investment risk is taken on. This approach is a radical change to the practice of previous years where a short term profit-maximising attitude was adopted.

The Company's investment portfolio is managed by experienced investment managers and their performance is reviewed monthly by the Company's senior management.

A significant portion of the asset portfolio is in the property market and efforts are made to gradually reduce this exposure. This should further boost the company's rich liquidity position as well the diversification and risk profile of the portfolio. During 2017 the company made conscious efforts to improve the diversification of its asset portfolio following recommendations of the Asset-Liability Management (ALM) study carried out during the year. The main recommendation of the ALM study was the reduction of property exposure and investing the majority of proceeds in the fixed income space. In order to achieve the returns required for the guaranteed rates of interest-sensitive business the company introduced ring-fencing of the funds based on the embedded guaranteed levels and targeting different investment returns for each of these subgroups.

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

The composition of the investment portfolio as at 31.12.2017 was as follows:

Type	€
Fixed Income Securities	678.785
Foreign Mutual Funds	5.825.987
Equities	1.015
Investment Property	6.163.000
Cash & Cash equivalents	1.453.209

A.3.1 Income and expenses arising from investments by asset class

Type	€
Fixed Income Securities	49.294
Mutual Funds	37.243
Investment Property	(149.410)
Cash	11.818

Income arising is composed of unrealized market value gains, interest income and rental income received. The loss in investment property is due to downward revaluation of property market values and due to a realized loss from the disposal of an investment property.

A.4 Performance of other activities**A.4.1 Other material income and expenses**

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

A.5 Any other information

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

B. System of Governance

B.1 General information on the system of governance

Cosmos 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 Cosmos
- Clear lines of responsibility and accountability throughout Cosmos
- 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 Cosmos and that Fit and Proper requirements are met
- There is appropriate oversight of Cosmos'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 Cosmos's ethical values, objectives, strategy and control environment

The Corporate Governance framework for Cosmos is based on the 'three lines of defence model'. This model supports the implementation of a robust internal control system and is aligned with the 'four eye principle'. In practice, there is sufficient control and challenge at all levels of the organization.

B.1.1 The structure of the Board of Directors (BoD)

The BoD is responsible for leading and controlling the Company, devising strategies and plans for their implementation and reviewing and evaluating the Company's performance against such strategies and plans.

The BoD organises and directs the affairs of Cosmos in a manner that seeks to protect its policyholders' funds, maximize the value of Cosmos for the benefit of its shareholders, while complying with regulatory requirements and relevant governance standards.

Furthermore, the members of the BoD act as advisers and counsellors to the CEO and Senior Management and oversee the Senior Management's performance.

The Directors are responsible for the general governance of Cosmos, its proper administration and management and for the general supervision of its affairs. The day-to-day management of Cosmos is delegated by the Directors to an executive committee (the "Executive Committee") consisting of the company's senior management.

Selection and Appointment of Board Members

The Directors are appointed by election at the annual general meeting of the Company.

The directors of the Company shall not be required to retire by rotation. Their appointment shall stand until removed by their appointors.

The current members of the Board of Directors of Cosmos are as below:

Andreas P. Erotokritou (Chairman)

Michael Tyllis (Executive Vice-Chairman)

Andreas Tyllis (Managing Director)

Frixos Kitromilides (Member)

Costas Agathocleous (Member)

Christos Kythraiotis (Member)

All members of the Board and Senior Management should fulfil the Fit and Proper requirements in accordance with the Solvency II framework.

Board Meetings

The BoD shall meet formally at least 4 times a year in the context of its regular duties in the annual business cycle. Additional meetings may also be held upon such need as identified by the senior management or by members of the BoD or its Committees.

Board Committees

For a more effective organisation of Cosmos, the Board established the below-mentioned Committees.

Committee	Brief Terms of Reference	Composition
Audit Committee	Ensures the operation of an effective system of internal controls within Cosmos and oversees the selection and remuneration of external auditor	Christos Kythraiotis (President) Costas Agathocleous (Member) Frixos Kitromilides (Member)
Nominations Committee	Identifies necessary board member skills, suggests potential members and orients new members.	Andreas Erotokritou (Chairman) Andreas Tyllis (Member) Costas Agathocleous (Member)
Remunerations Committee	Determines its member's remuneration.	Costas Agathocleous (Chairman) Frixos Kitromilides (Member) Christos Kythraiotis (Member)

B.1.2 Organisational Structure

The Organisational structure and reporting lines of Cosmos are designed to:

- Enable apportionment of responsibilities and clear accountabilities and responsibilities
- Facilitate prompt transfer of information to all persons who need it
- Prevent conflicts of interest
- Ensure the prudent and effective management of Cosmos

As previously mentioned Cosmos's ultimate supervisory body is the BoD.

The Senior Management, has the day to day responsibility for the implementation of the BoD's approved strategy and reports to the BoD. Reporting to the BoD is both structured, through planned meetings and regular reporting and ad hoc as required. The operation and responsibilities of senior management are outlined in this Policy.

The Business Functions of Cosmos have the responsibility for the implementation of the BoD's strategy in their business functions. They report directly to the Senior Management with regards to their day-to-day duties. In order to minimize the probability of a potential conflict of interest and preserve their

operational independence, the key control functions have additional direct reporting lines to the BoD or Board Committees. These additional reporting lines are implemented in order to ensure that these functions have the ability to escalate important issues directly to the BoD. Consequently, the Risk, Compliance and Actuarial Functions have a reporting line to the Risk Committee.

The Organisational structure of Cosmos is presented in Appendix A.

B.1.3 Key Functions

In accordance with the Solvency II framework the Key Functions recognised by the BoD are the following:

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

Details of the duties of these functions are shown in subsequent sections.

Each key function reports directly to the Board without any restrictions and the Board is ultimately responsible for reviewing the performance of the key functions and considering any recommendations made by these functions.

The Board is also responsible for ensuring that all key functions are operationally independent, which implies that each function should be free from any undue influence, control or constraint from any other key function or the Board itself.

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

There have been no material changes in the system of governance in 2017.

B.1.5 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 attract competent and experienced resources and ensure that any resources that it engages do not take excessive risks that could be detrimental to the company.

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

The remuneration policy is reviewed and maintained by the Senior Management and is approved by the BoD.

The remuneration of BoD members during 2017 was as follows:

Andreas P. Erotokritou	€8.720
Andreas Tyllis	€100.600 (in his executive capacity)
Michael Tyllis	€100.600 (in his executive capacity)
Costas Agathokleous	€5.220
Frixos Kitromilides	€5.400
Christos Kythraiotis	€1.700
Nearchos Petrides	€1.700

B.1.6 Information about material transactions during the reporting period with:

The material transactions between the company, its shareholders and members of the BoD for 2017 were as follow:

Expenses	Nature of expense	2017 €
Andreas P. Erotokritou LLC	Legal fees	122.296

On 13 October 2017, the Company issued and allotted 5.139.240 ordinary shares to KM Tyllis and Co Ltd at a nominal value of €0,02 each, in exchange of 2 properties with a market value €2.030.000.

On 13 October 2017, the Company received €900.000 from KM Tyllis and Co Ltd in the form of capital contribution. With the €900.000 KM Tyllis and Co Ltd will exercise the rights from the upcoming rights issue which is expected to be completed on 23 of May 2018.

B.2 Fit and proper requirements

Prior to the appointment of any member of the BoD and or any member of senior management of the Key Function, the Company carries out an evaluation of the fitness and propriety of that individual. Furthermore, such appointments are subject to approval by the Superintendent of Insurance.

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

The fit and proper test criteria satisfy at a minimum the relevant regulatory requirements as well as additional criteria laid down by Cosmos.

The Fitness test assesses the individual's professional and technical competence through a consideration of:

- previous experience, knowledge and professional qualifications and whether these are adequate to enable sound and prudent management of the Company;
- proof of skill, care, diligence and compliance with the relevant standards of the area/sector he/she has previously worked in;

The Propriety test assesses honesty, integrity, reputation and financial soundness of the individual by considering their:

- reputation, including an enquiry as to whether there have been any criminal or financial antecedents or past experience with regulatory authorities which may cast doubt on the ability of that person to adequately discharge his/her duties in line with applicable rules, regulations and guidelines.

The assessment is facilitated through:

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

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

The detailed criteria and documentation requirement in the context of the fit and proper test are describe in the company's governance policy which is also subject to review on an annual basis.

The fitness of employees is the responsibility of the Human Resources department and is implemented through the recruitment process.

Furthermore, all Directors and members of staff must comply with the company's code of conduct.

Key Function Holders

The persons holding Key Function roles in Cosmos are as follows:

Managing Director – Andreas Tyllis

Chief Finance Officer – Ioannis Mavrides

Operations Manager - Vacant

Sales Manager - Vacant

Actuarial Function – Dimitris Dimitriou

Risk Management Function – Outsourced to Lux

Compliance Function – Outsourced to Ioannides & Demetriou LLC

Internal Audit Function – Outsourced to Deloitte

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

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

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

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

Risk Appetite Statement

Cosmos' vision is to continue its conservative approach by maintaining a steady growth in the market with its main focus being profitability and the exceptional service to its clients.

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

Cosmos 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 decision on the Company's risk profile.

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

The company has a target of maintaining a solvency coverage ratio at all times in excess of 115%.

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

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	<ul style="list-style-type: none"> The responsibility for the approval and periodic review of the risk profile and risk appetite, as well as the risk strategy and the policies for managing risks, lies with the BoD, so as to ensure that the BoD takes all measures necessary for the monitoring and control of risks, in accordance with the approved risk strategy and policies. This information reaches the BoD through the Risk Committee.
Risk Committee	<ul style="list-style-type: none"> Responsibility for the supervision of the risk management framework is assumed by the Risk Committee. 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.
Head of the RMF and the RMF	<ul style="list-style-type: none"> Supports the BoD in the determination and implementation of the risk strategy and capital planning. Coordinates the implementation of the risk management framework and is the main unit for risk management responsibilities. 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 this Policy with Solvency II requirements and the appropriateness of risk strategy with Company objectives, appetite and limits, and informs the Risk Committees 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 full responsibilities of the RMF are documented in the RMF Policy.
Senior Management	<ul style="list-style-type: none"> The Company's Senior Management is responsible for the implementation of the risk strategy, as this has been approved by the BoD, and for the development of the policies, methodologies and procedures required to identify, measure, monitor and control every type of risk, in accordance with the nature and complexity of the Company's operations.

Body / Function	Roles in the risk management framework
	<ul style="list-style-type: none"> They also have the responsibility to apply the framework in their day to day activities.
Business Units	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The Actuarial function is a specialist function that advises the Senior Management of the Company on the calculation of technical provisions and capital requirements, as well as on the technical aspects of risk management and modelling.
Compliance Function	<ul style="list-style-type: none"> The Compliance Function applies suitable procedures for the purpose of achieving a timely and on-going compliance of the Company's risk management framework with existing and new laws and regulations.
Internal Audit	<ul style="list-style-type: none"> The Internal Audit Function undertakes independent reviews and testing of the risk management framework or of specific components of the framework and reports the results to the Audit Committee. The responsibilities of Internal Audit are governed by the Internal Audit Policy.

Risk management Processes

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

Risk Identification

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

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

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

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

Risk Assessment / Measurement

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

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

- Assessing the frequency of risk events and their resulting severity (inherent risk);
- Identifying the controls in place that prevent or detect the occurrence of the risk event or mitigate its severity;

- Assessing the design and performance of each control; and
- Assessing the frequency of risk events and their resulting severity, having considered the effectiveness of existing controls (residual risk).

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

Risk Control and Mitigation

Controls are developed and used to safeguard the integrity of the Company's processes and systems.

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

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

Cosmos's policies on risk transfer including the use of reinsurance or other instruments are documented in the Company's Reinsurance and Other Risk Mitigation Techniques Policy.

Once Cosmos has identified and quantified its risks, it can implement a strategy for mitigating them with appropriate policies, procedures, systems, and controls. Within the established risk appetite and tolerance, Cosmos would retain a certain portion of risk, transfer another portion (through insurance), and then finance those risks it could not insure.

Risk Monitoring and Reporting

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.

Specifically, the RMF monitors the following for each risk:

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

In addition, on an annual basis:

- the Risk Register is formally reviewed by the Risk Management Function and any actions deemed necessary following such review are brought to the attention of the Board; and
- the Risk Management Function runs stress and scenario tests and reports the results and suggested courses of action to the Board.

B.3.2 Significant Risk Exposures

The main risk exposures as at 31 December 2017 as measured through the Solvency II standard formula are shown in the table below:

99.5% VALUE AT RISK (SCR)	€'000s
Market risk	2.240.333
Counterparty default risk	2.044.151
Life Underwriting risks	0
Health underwriting risk	493.439
Non-Life underwriting risk	4.422.043
Intangible asset risk	0
Operational risk	520.527

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

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

B.3.4 Prudent Person Principle

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

An asset liability study is conducted on a regular basis which provides an assessment of the adequacy of the strategic asset allocation in relation to liabilities.

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

B.3.5 Credit Assessments

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

Cosmos considers these external ratings as adequate for the purpose of the credit risk assessment of these counterparties unless information emerges which is thought to compromise their credit worthiness and has not yet been allowed for by the rating agencies.

B.4 Own Risk and Solvency Assessment (ORSA)

ORSA Process

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

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

Cosmos follows the steps below to implement its ORSA:

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

- ii. **Assessment and measurement of risks** - the Company collects data, quantifies and aggregates risks using different approaches such as Value at Risk and stress testing. The assessment is done using predefined risk metrics. This also includes an assessment of the Solvency II standard formula and whether it adequately reflects the underlying risk profile of the company.
- iii. **Capital Allocation** – According to its risk profile, the Company determines the necessary risk capital required at that point in time.
- iv. **Capital planning** – The company projects its risk profile based on its business plan and prepares a capital plan over the business planning horizon. The capital plan depends on its strategic objectives and financial projections and assumptions on future economic conditions.
- v. **Stress testing** - The Company applies stress and scenario testing to the forward-looking capital plan and develops actions that can be taken in unforeseen circumstances in the future. Stress tests complement the use of the standard formula by assessing the financial effect of events or sequence of events that lead to specific adverse scenarios. Thus, they can be used to understand the Company's vulnerability to its various risk exposures and the level of financial strain that it can withstand.
- vi. **Communicate and document the results** – The Company presents the results of the process to senior management and the BoD and prepares the ORSA report. The BoD reviews and challenges the results of the ORSA through minuted discussions.

Governing the ORSA

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

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

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

ORSA and decision making processes

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

Frequency of the ORSA

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

These changes include, but are not limited to:

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

Solvency needs and Risk Profile

In 2017, the Company undertook a detailed risk and solvency assessment as well as a forward-looking assessment of capital requirements comprising of the year 2018-2020. These assessments encompass all material risks that the Company faces or could expect to face over its planning period.

The assessment also addressed the adequacy of the standard formula and how it relates to the underlying risk profile of the company. The assessment provided satisfactory evidence for the adequacy of the standard formula and comfort that we can continue using this as a key risk metric. Furthermore, it provided confidence that the capital requirements address the material risk exposures and the available own funds provide a satisfactory buffer in safeguarding business continuity beyond the 99.5% confidence threshold.

Any risks not covered by capital are believed to be adequately mitigated through the control measures applied internal and no additional capital beyond the SCR was deemed necessary.

B.5 Internal control system

B.5.1 Description of the undertaking's internal control system

Internal control is a process effected by Cosmos'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 Cosmos 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 function 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 and described in detail in the company's Internal Control Policy:

B.5.2 Compliance Policy and Compliance Function

The Compliance Function is fully outsourced to Ioannides and Demetriou LLC.

The Compliance Function ensures that compliance awareness is promoted internally and externally and that compliance is an integral part of the corporate culture of the company.

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 with regards to 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 .

B.6 Internal audit function

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

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

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

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

B.6.1 Internal Audit in 2017

During 2017 the Internal Audit will cover areas of Corporate Governance, IT General Controls, Claims Management, Treaty Reinsurance, Financial Management.

B.7 Actuarial Function

The Actuarial Function is a critical function for Cosmos given the nature of its product suite and its operations. It is subject to the fit and proper criteria and according to the relevant legislation it should at all times be carried out by persons who are fit and proper to carry out the duties outlined below, in an objective manner and free from any undue influences. The Actuarial Function of Cosmos is outsourced to Lux Actuaries and Consultants (Cyprus) Limited, and is executed by a Fellow of the Institute of Actuaries who fulfils all above criteria.

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

The role of the Actuarial Function is to 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 all financial modelling in relation to risk management activities and the ORSA in particular.

The activities of the Actuarial Function during 2017 were as follows:

- Carried out the calculation of technical provisions on a quarterly basis in accordance with all relevant regulatory requirements;

- Submitted reports in relation to the above calculations to the BoD;
- Provided modelling assistance for the calculation of Solvency Capital Requirements on a quarterly basis;
- Assessment of data quality;
- Expressed opinion on adequacy of Reinsurance Arrangements and participated in the discussions with the Reinsurers for the renewal of treaties;
- Expressed opinion on the company's underwriting policy;
- Worked closely with the management and addressed areas of its expertise in relation to the company's ongoing operations;
- Provided the modelling for carrying out the financial and solvency projections of the ORSA;
- Attended four meetings of the BoD 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.

B.8 Outsourcing

Cosmos outsources the following key functions:

Function	Entity	Person Responsible
Actuarial Function	Lux Actuaries & Consultants	Dimitris Dimitriou
Risk Management Function	Lux Actuaries & Consultants	Maria Michaelides
Compliance function	Ioannides & Demetriou LLC	Katerina Hadjischristofi
Internal audit	Deloitte	Charalambos Pitsillos

Cosmos has opted to outsource these functions given the high level of specialisation and the limited availability of such skills in the domestic market. Furthermore, we have selected providers with significant expertise in their areas who can introduce knowhow and skillset in a beneficial way for the company. Outsourcing is also believed to be a cost efficient approach for the selected functions.

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

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

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

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

B.8.1 Outsourcing Policy

The criteria for the selection of service providers and the process for their appointment is laid down in the company's outsourcing policy which is approved by the BoD and reviewed once a year. In particular the Outsourcing Policy states that when choosing a service provider for any critical or important functions or activities Cosmos ensures that:

- The potential service provider has the ability and capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the undertaking's objectives and needs;

- The service provider has adopted all means to ensure that no explicit or potential conflict of interests with Cosmos 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 CEO. The outsourcing does not represent a breach of any data protection regulation or any other laws; and
- The service provider is subject to provisions on the safety and confidentiality of information relating to Cosmos or to its policyholders or beneficiaries.

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

- Verify that the service provider has adequate financial resources to take on the additional tasks Cosmos plans to transfer and to properly and reliably discharge its duties towards Cosmos 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, and
- 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 Cosmos, ensuring that conflicts of interest are avoided and that the service provider cooperates with internal or external auditors as well as the MFSA.

B.9 Adequacy of the system of governance

Assessment of the adequacy of the system of governance to the nature, scale and complexity of the risks inherent in its business.

B.10 Any other information

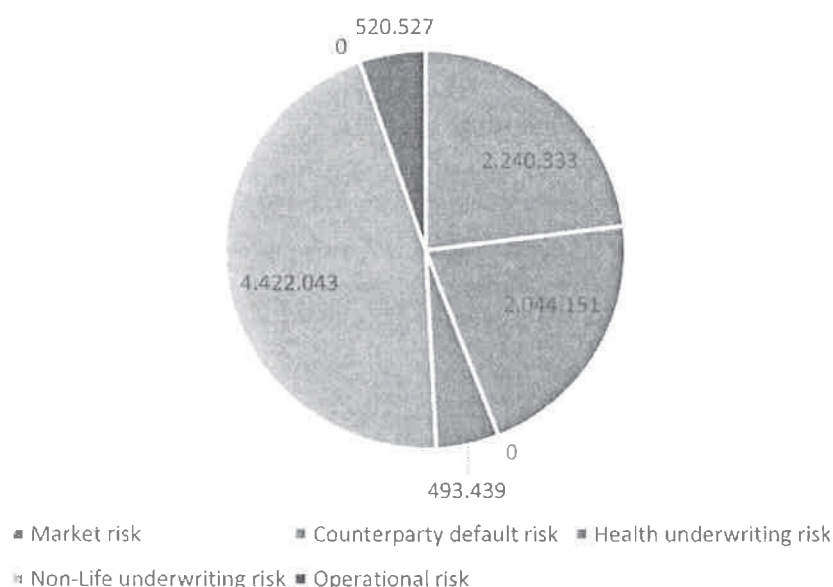
Include in a separate section any other material information regarding the system of governance of the undertaking.

C. Risk Profile

Quantifiable risks are assessed through the 99.5% Value at risk as measured with the Solvency II standard formula (SCR). The company aims to hold sufficient capital at all times to protect itself from losses occurring due to such risks. Non-quantifiable risks are measured through qualitative analysis and a frequency/severity approach.

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 those against its risk appetite.

Contribution of each risk to SCR



The Company's risk profile is mainly driven by its exposure to the underwriting risk. Underwriting risk forms around 50% of the total risk portfolio of Cosmos. The second material risk exposure (23%) of Cosmos is the Market risk and is the result of the investment operations of the Company. The third largest exposure (21% of undiversified SCR) is the Counterparty default risk, which arises mainly from recoverables from debtors and current accounts in Banks. The exposure to operational risk is relatively small (5%).

The risk profile of Cosmos as at 31 December 2017 was in line with its risk strategy.

C.1 Underwriting Risk

C.1.1 Overview of any material risk exposures anticipated over the business planning period

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

The Company underwrites mainly annual policies (with the exception of Contractors All Risks contract term cover, Travel and Marine short term 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.

Being an insurance company specializing in non-life and health lines of business, the Company's largest risk exposure is in Premium and Reserving Risk.

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

Over the business planning horizon, the Company is expecting steady growth which will proportionately increase the underwriting risk.

As part of its business planning exercise, Cosmos has considered its business objectives and strategy and how they fit with its capital and risk strategies. The higher expected volumes of business over the business planning horizon will give rise to a moderately higher underwriting risk exposure. On the other hand, they will also yield significant profits which will increase the capital base of the Company and its overall solvency ratio.

C.1.2 Risk Assessment/Measurement

Cosmos measures its Underwriting risk primarily using the standard formula. The measurement addresses three sources of risk: Premium risk, Reserve risk and Catastrophe risk.

The results of the risk assessment as described above are summarised below:

	99.5% VALUE AT RISK
Premium & Reserve risk	4.779.823
Lapse Risk	196.824
Catastrophe Risk	447.508

Cosmos also adopts other risk assessment tools such as stress and scenario testing (both on the current position and over the business planning horizon), maintenance of a risk register, comparison of actual exposure and risk tolerance limits and use of Key Risk Indicators.

These enable Cosmos to monitor the portfolio under normal circumstances, understand the magnitude of loss in the event of severe or extreme scenarios and ensure that it holds adequate levels of capital to protect its policyholders and other stakeholders. Using the assessment tools consistently (if appropriate), enables the company to understand whether its risk is increasing and thus take action if appropriate. The tools used have significantly improved over the past year and are expected to be further developed and optimised over the next year.

C.1.3 Risk Concentration

Information on any material risk concentrations the undertaking is exposed to

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

- Cosmos's well-diversified insurance portfolio: The portfolio enjoys high levels of diversification with respect of geographical cover and between lines of business.
- Low catastrophe risk: The catastrophe risk (assessed using the two scenarios prescribed by the standard formula) is very low (€447.508)
- Reinsurance: Cosmos manages its exposure to any one risk and to catastrophic events using reinsurance. Thus, the loss to Cosmos is generally limited to its retention.

Overview of any future risk concentrations anticipated over the business planning period and how they will be managed

Cosmos plans to maintain its business diversification over the planning period and continue to closely monitor its portfolio to avoid unintended risk concentration. From 01/04/2018 the Company changed its reinsurance arrangements by reducing its retention to Motor Line of Business from €250.000 to €200.000. Additionally for the non-marine reinsurance the Company increased its retention from a 5%/95% quota share into 30%/70% quota share plus surplus to mitigate retained risk. Treaty (Proportional), facultative and catastrophe reinsurance will continue to be used to manage the net retention and maintain risks within the risk appetite limits approved by the Board.

C.1.4 Risk Mitigation

Information on the techniques currently used

C.1.4.1.1 Product design process

All new products, prior to their launch are thoroughly assessed through a profit testing analysis carried out by the Actuarial Function. They test the underlying profitability of the products and its sensitivity, the capital intensiveness and any inherent risks. Furthermore, market research and internal analyses help assess the marketability and competitiveness of our products. Training is also provided to the TILs to ensure that products are targeted to the appropriate clientele. IT is also engaged in ensuring that proposed products are compatible with the company's systems and IT infrastructure. Availability of reinsurance is critical prior to the launch of any new product.

C.1.4.1.2 Reinsurance

Cosmos uses reinsurance to protect against claims volatility. A proportional reinsurance arrangement is in place for all product lines except Motor and Health lines of businesses whereas, the Company has a non-proportional reinsurance. Any single policy where the sum insured is beyond the treaty limits is reinsured on a facultative basis. A detailed analysis is undertaken on an annual basis to assess the most appropriate reinsurance structure in accordance to the business, capital and risk strategies of the company. The actuarial function also issues an opinion on the adequacy of reinsurance arrangements annually. The credit rating and the financial condition of the key reinsurance counterparties are reviewed on a quarterly basis, so that corrective action is taken in the event of a deterioration in their financial quality.

The effectiveness of the current reinsurance structure as well as that of potential reinsurance agreements considered are also assessed in the ORSA with respect to their impact on profitability and solvency coverage ratio over the business planning horizon.

Use of reinsurance protection enable the company to manage and optimise its underwriting portfolio, whilst protecting its balance sheet and maintaining its exposure to the risk limits set by the Board of Directors. The steps taken to ensure that both the reinsurance structure and the reinsurance counterparties are appropriate, have enabled Cosmos to remain profitable with little volatility in its financial results.

C.1.4.1.3 Portfolio Monitoring

The senior management of the Company receives and reviews:

- Regular reports on the gross written premium, risks written (Sum Assured), claims and reserves; and
- Regular detailed profitability analyses and reviews undertaken by the Actuarial Function

The management of the Company undertakes the reviews above to ensure that the company is protected against the risk of inadequate pricing. The frequency of the reviews, will enable the management to take quick action to resolve any issues identified.

C.1.4.1.4 Clear delegation of underwriting and claims authorities

There is a clear delegation of underwriting and claims authorities within the company and peer review requirements, with the most complex risks and claims requiring review and sign-off by the CEO. This ensures that the risks and claims are assessed by personnel of appropriate experience and expertise and the premium charged reflects the characteristics of each risk and appropriate claim provisions are put in place.

Clear delegation of underwriting and claims authorities and peer review ensures that the operational risks related with underwriting, claims and reserving; risk of insuring unintended exposures, risk of fraudulent claims or claims overpayment and the risk of inadequate pricing or under-reserving are reduced.

Description of any material risk mitigation techniques the undertaking is considering purchasing or entering into over the business planning period and the rationale

The continued effectiveness of the risk mitigation techniques and controls described above is monitored continuously by the Senior Management. In the event of any findings or shortcomings identified, quick action is taken and the risk mitigation techniques are adjusted accordingly.

Cosmos will continue to use the risk mitigation techniques mentioned above, continuously aiming at enhancing them to reduce risk. Cosmos does not plan to enter or purchase any additional risk mitigation products over the planning period.

C.1.5 Risk Sensitivity

As part of the business and capital planning processes, the risk management function carries out stress tests including the assessment of alternative scenarios (not necessarily with a negative impact) 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.

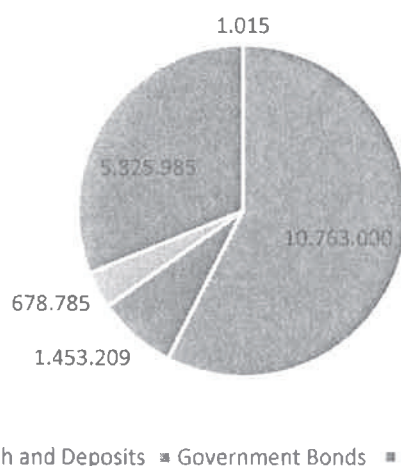
C.2 Market risk

C.2.1 Overview of any material risk exposures anticipated over the business planning period and how they are managed

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

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

Asset Allocation



As at 31 December 2017, Cosmos's investment assets include property, bond and money market mutual funds, bonds, bank deposit and cash. 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*

C.2.2 Risk Assessment/Measurement

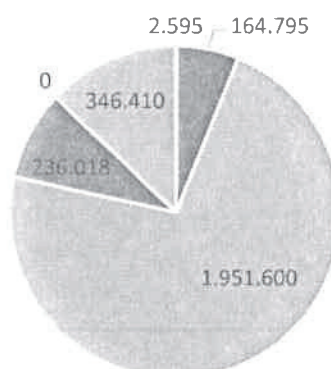
Cosmos measures its market risk using the standard formula, the adequacy of which was assessed during the latest ORSA. The measurement is done separately for the sub-categories mentioned above. Then the aggregate market risk measure allows for diversification between its components.

Cosmos also adopts other risk assessment tools such as stress and scenario testing (both on the current position and over the business planning horizon), maintenance of a risk register, comparison of actual exposure and risk tolerance limits and use of Key Risk Indicators.

Over the business planning horizon, Cosmos expects its own funds to increase materially as business is written on profitable terms. Inevitably, the higher capital base will introduce additional market risk.

With the support of the RMF, the Company assesses the impact of any material investment decisions on its solvency coverage ratio.

Market Risk



■ Interest rate risk ■ Equity risk ✕ Property risk ■ Spread risk ≡ Concentration risk

The primary sources of market risk are equity risk and property risk arising from exposure to such investment securities. The overall current market risk exposure is considered to be high.

Equity Risk

The total Equity portfolio of Cosmos as at 31.12.2017 was €1,015 and the total SCR for Equity risk on the same date was €164,795 due to the stress of investment funds and equipment under equity risk.

Property Risk

The company has a significant portion of its asset portfolio invested in properties. This relates to the company's head office as well as properties held for investment and for rental income. The composition of the property portfolio is as follows:

	2015	2016	2017
Property (Head Office)	4.400.000	4.756.000	4,600,000
Investment Property	2.929.000	4.111.000	6,163,000
Total	7.329.000	8.867.000	10,763,000

The fair value of foreign properties was determined by reference to two independent professionally qualified valuers. The basis of valuation adopted by the independent qualified valuer is the 'Open Market Value' which gives an opinion of the best price at which the sale of the property would be completed unconditionally, for cash consideration, by a willing seller, assuming there had been a reasonable period for the proper marketing of the property, and for the agreement of the price and terms for the completion of the sale.

C.2.3 Risk Concentration

Information on any material risk concentrations the undertaking is exposed to

Overall the investment portfolio of Cosmos is well diversified across and within different asset classes, with respect to issuers/counterparties, industries, countries. Part of the Company's investments are held through collective investment vehicles which further enhance the level of diversification within the portfolio.

Some concentration is present with regard to its holdings in property which are entirely placed in Cyprus hence there is a lack of geographical diversification. The largest single holding is the Company's head office building in Nicosia.

Overview of any future risk concentrations anticipated over the business planning period and how they will be managed

The investment mix is not expected to change over the business planning period and hence Cosmos anticipates the same level of market risk concentration.

C.2.4 Risk Mitigation

Information on the techniques currently used

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

The continued effectiveness of the risk mitigation techniques and controls is monitored by Senior Management and additional oversight is provided by the Board of Directors.

C.2.5 Prudent Person Principle

The Solvency II regulations require investment of assets in accordance to the "Prudent Person Principle". In light of this, the Company has aligned its investment policy and ALM strategy with this principle.

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

With regards to investments held through collective investment vehicles, before entering into these investments, diligence was performed on the underlying fund holdings and enquiries were made on the availability of data on these holdings on a look through basis such that Cosmos was satisfied that it was possible to properly identify, measure, monitor, manage, control and report on their underlying risk and be able to perform the required solvency capital calculations.

C.2.6 Risk Sensitivity

Stress tests and scenario analyses

As part of the business and capital planning processes, the risk management function carries out stress tests including the assessment of alternative scenarios (not necessarily with a negative impact) to feed into the ORSA.

C.3 Credit risk

C.3.1 Overview of any material risk exposures anticipated over the business planning period and how they are managed

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. Cosmos is exposed to credit risk rising from the following exposures:

- Reinsurer's share
- Cash at bank
- Available for sale financial assets through P&L
- Reinsurance recoverables

C.3.2 Risk Assessment/Measurement

Cosmos measures its credit risk using the standard formula, the adequacy of which was assessed during the latest ORSA. With respect to exposures to banks, bond issuers, loan holders and reinsurers the assessment depends highly on the credit rating of the counterparties which defines the probability of default. On the other hand, for premium receivables the assessment is based on how long overdue these are and the probability of default is determined based on that.

Cosmos also adopts other risk assessment tools such as stress and scenario testing (both on the current position and over the business planning horizon), maintenance of a risk register, comparison of actual exposure and risk tolerance limits and use of Key Risk Indicators.

The overall credit risk exposure is considered to be medium.

Credit risk is expected to reduce over the business planning horizon due to the implementation of Directive issued by the Superintendent of Insurance in regards to premiums collection.

C.3.3 Risk Concentration

Information on any material risk concentrations the undertaking is exposed to

The 10 largest counterparty exposures are summarised in the table below:

Counterparty	Total Exposure
Hire Risk Pool	571.711
Bank Of Cyprus	196.269
Hellenic Bank Public Company Ltd	110.999
RCB	19.003
National Bank Cyprus	17.020
Astro Bank Cyprus	11.461
Alpha Bank - Cyprus	11.408
Cyprus Development Bank	7.995
Coop	7.234
USB Bank Cyprus	5.463

Premium Debts are significant component of the company's balance sheet. An aging analysis of these debtors as at 31/12/2017 is shown in the table below:

Debtor Category	Balance Due €.000	Overdue for more than 3 months	Within 3 months
Client	2.013.255	-	2.013.255
Agents	1.862.353	119.905	1.742.448
TOTAL	3.875.608	119.905	3.755.703

C.3.4 Risk Mitigation

Information on the techniques currently used

The Company mitigates its credit risk, through the credit risk policy, which prescribes minimum creditworthiness requirements for its investment counterparties and reinsurers and by ensuring an adequate level of diversification in its investment portfolio.

The credit rating and the financial condition of all key counterparties are reviewed at least quarterly and management is ready to take action in the event of a deterioration in the credit quality.

Moreover, the terms and conditions of the reinsurance contracts stipulating exit terms in the event of changes in the financial conditions of the counterparties.

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. This has worked very effectively in the recent years and is continuously reinforced by the company.

Description of any material risk mitigation techniques the undertaking is considering purchasing or entering into over the business planning period and the rationale

Cosmos uses the mitigation techniques mentioned above to ensure that the risk of default or non-payment is within the risk appetite limits set by the Board. The vetting, regular monitoring of the financial condition of the company and the tight terms and conditions allow the company to take action as early as possible and protect the company's financial and liquidity position.

The continued effectiveness of the risk mitigation techniques and controls is monitored through the risk register, which is a dynamic list of the risks the company faces and their controls (amongst others). The risk register is reviewed and updated continuously as new risks are identified and/or failures in controls.

Cosmos will continue to use the risk mitigation techniques mentioned above, continuously aiming at enhancing them to reduce risk. Cosmos does not plan to enter or purchase any additional risk mitigation products over the planning period.

C.3.5 Risk Sensitivity

C.3.5.1 Description of relevant stress tests and scenario analysis including their outcome, description of the methods used and the main assumptions underlying those stress test and scenario analyses

As part of the business and capital planning processes, the risk management function carries out stress tests including the assessment of alternative scenarios (not necessarily with a negative impact) to feed into the ORSA.

C.4 Liquidity risk

C.4.1 Overview of any material risk exposures anticipated over the business planning period

Liquidity risk is defined as the risk that the Company is unable to realise investments and other assets (or realise them at excessive cost) in order to settle its financial obligations when they fall due.

The liquidity risk of the company is generally very low as:

- A significant proportion of the assets is invested in short-term products, including cash and bank deposits.
- Most of the assets held (mutual funds and government bonds) are highly tradeable securities which enables fast and low cost liquidation of assets.

The composition of the asset portfolio is not expected to change over the business planning horizon in a way that would introduce liquidity risk.

C.4.2 Risk Assessment/Measurement

Cosmos'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.

C.4.3 Risk Concentration

Information on any material risk concentrations the undertaking is exposed to

Sources of cash in and cash out flows such as insurance receivables, claims, expenses etc., are diversified and to a large extent independent. This risk concentration within liquidity risk is limited.

Overview of any future risk concentrations anticipated over the business planning period and how they will be managed

The company does not anticipate a deterioration in its liquidity position or risk during the business planning period.

C.4.4 Risk Mitigation

Techniques currently used

The company has developed investment guidelines (reviewed and approved by the Board) which, among others, limit investment in illiquid assets and ensure appropriate number of counterparties and levels of asset diversification are in place.

The Company adopts a prudent liquidity risk management approach by maintaining a sufficient proportion of its assets in cash and marketable securities through the ability to close out market positions. Senior management is updated on a regular basis on the cash position of the Company illustrating, inter alia, actual cash balance net of operational commitments falling due in the short term as well as investment commitments falling due in the medium and long term.

Cosmos also minimizes liquidity risk by:

- ensuring that the Accounting function designs and implements proper controls, documented in the procedure manual, to ensure that inflows are actively managed, monitored and followed up;
- ensuring that income generated from the investment portfolio is duly received by the Company;
- catering for unexpected cash flows, since the quota for highly liquid assets provides a good buffer over and above the maximum historic cash outflows;
- considering the effect of any proposed new business on liquidity and liquidity risk at Board level;
- closely monitoring the timing of claims payments and reinsurance recoveries.

Description of any material risk mitigation techniques the undertaking is considering purchasing or entering into over the business planning period and the rationale

The company does not deem necessary to adopt any risk mitigation techniques given the low level of its liquidity risk.

C.4.5 Expected profit included in future premiums

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

C.4.6 Risk Sensitivity

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

C.5 Operational risk

C.5.1 Overview of any material risk exposures anticipated over the business planning period

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.

C.5.2 Risk Assessment/Measurement

Cosmos measures operational risk through the following:

- a qualitative assessment of operational risks is performed at least once a year during which potential sources of risk are identified, then a frequency severity assessment is performed both before and after any risk mitigation/control actions taken thus measuring inherent and residual risk.
- Loss event collection - the company maintains a register of historical losses occurring due to process related events in order to ensure mitigating actions are taken to avoid repetition of such losses.

Furthermore the company commits capital as a buffer to absorb losses due to operational risks as measured through the standard formula.

C.5.3 Risk Concentration

C.5.3.1 Material risk concentrations

Currently there are no material operational risk concentrations.

C.5.3.2 Overview of any future risk concentrations anticipated over the business planning period and how they will be managed

The operational risk profile of the Cosmos is not expected to change over the business planning period.

C.5.4 Risk Mitigation

Information on the techniques currently used

The Company addresses its operational risk through the following:

- an Operational Risk Policy is in place to ensure that operational risks are properly identified, recorded, addressed and controlled;

- an Outsourcing Policy is in place to minimise the operational risks that result from outsourcing;
- an internal control system is in place;
- a business continuity plan is in place to ensure continuity and regularity in the performance of activities;
- Regular Internal Audit;
- Performance management and reviews to ensure employees are satisfied with their work and perform to the best of their abilities;
- Legal advice is sought at the earliest opportunity from specialised lawyers;
- Peer review of material work and appropriate underwriting, claims and other authority limits in place;
- Insurance against property damage that could cause business disruption.

Description of any material risk mitigation techniques the undertaking is considering purchasing or entering into over the business planning period and the rationale

Cosmos will continue to use the risk mitigation techniques mentioned above, continuously aiming at enhancing them to reduce risk. Cosmos does not plan to enter or purchase any additional operational risk mitigation products over the planning period.

C.5.5 Risk Sensitivity

Description of relevant stress tests and scenario analysis including their outcome, description of the methods used and the main assumptions underlying those stress test and scenario analyses

As part of the business and capital planning processes, the risk management function carries out stress tests including the assessment of alternative scenarios (not necessarily with a negative impact) to feed into the ORSA.

D. Valuation for solvency purposes

D.1 Assets

D.1.1 Value of assets

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

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

	SOLVENCY II	IFRS
ASSETS	2017	2017
Intangible Assets	0	159.221
Investments	14.121.996	14.121.996
Deferred Acquisition Costs	0	2.053.136
Receivables	4.659.162	4.659.162
Reinsurance Assets	2.335.692	4.694.080
Property, Plant & Equipment	4.827.592	4.827.592
Other Assets (Tax receivable)	101.062	101.062
Total Assets	26.045.503	30.616.249

D.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 financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Deferred Tax Assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deferred tax assets can be utilised.

Reinsurance Recoverables

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 longer term receivables (classified as reinsurers' share of technical provisions) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Properties

Investment properties are initially measured at cost including related transaction costs. Investment properties are subsequently carried at fair value, representing open market value determined annually by external valuers, or by virtue of a Directors' valuation. 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.

D.1.3 Differences between IFRS and Solvency II valuation

Differences exist for Reinsurance Recoverables and for Deferred Tax 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.

Internally developed software

The internally developed software is recognized in the financial statements of the Company in accordance with requirements of IAS38. This intangible is not recognized in SII Balance Sheet because the Company cannot demonstrate the existence of a market value deriving from an active market.

D.2 Technical provisions

The valuation of technical provisions was calculated in accordance with the Solvency II best estimate valuation principles. The results are summarised in the table below. These results make allowance for discounting, claims handling expenses and the adjustment for the expected counterparty default in the reinsurance recoverable.

TECHNICAL PROVISIONS €'000	CLAIMS PROVISION		PREMIUM PROVISION		RISK MARGIN
	GROSS BEST ESTIMATE	REINSURANCE RECOVERABLE	GROSS BEST ESTIMATE	REINSURANCE RECOVERABLE	
Medical expense	257.116	10.017	380.451	35.499	67.470
Income protection	7.730	6.888	10.596	7.632	135
Workers' compensation	0	0	0	0	0
Motor vehicle liability	8.838.381	51.662	3.006.076	191.724	509.698
Other motor	409.158	0	922.788	39.122	76.629
Marine and transport	32.159	25.063	11.102	6.907	1.853
Fire and other prop. damage	523.111	532.445	313.677	214.145	5.882
General liability	920.748	790.010	127.730	70.989	17.519
Credit and Suretyship	0	0	0	0	0
Legal expenses	0	0	0	0	0
Assistance	0	0	201.871	90.970	0
Miscellaneous	6.519	5.462	4	0	163
Total	10.994.922	1.421.547	4.974.295	656.988	679.349

D.2.1 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. The components of the claims provision under IFRS are the Case by Case Estimates (OSLR), the Incurred But Not Reported (IBNR), the Incurred But Not Enough Reported (IBNER) and the reserve for Claims Handling Expenses. Under Solvency II, the reserves are discounted to allow for the time value of money.

Several methods have been applied to calculate this reserve namely the Chain Ladder on Paid and Incurred claims, the Loss Ratio method and the Bornhuetter Ferguson method. The methods applied, capture both the IBNR and IBNER reserves. The IBNER was determined by subtracting the IBNR calculation from the total reserve.

When triangulation methods are used, there are a number of issues to consider that may invalidate the underlying assumption that the future claims development is likely to be in line with the past claims development (i.e. Distortions caused by "Large Losses", Changes in claims handling procedures, Changes in Claims reporting processes, One-off Claims Reviews, Changes in Reserving Policy, Changes in Legislation etc.)

Therefore actuarial judgment was used during the reserving process rather than the mechanical application of a triangulation method to the data. In particular, considerable care should be taken in applying the method that prevents unusual and one-off aspects in the data which have a significant impact on the results.

In general, the development factors were chosen based on the average and weighted average of the development factors of the 10 previous accident years but also taking into account any trends of either deterioration or improvement during the last 3-4 accident years.

The impact in the development factors of Motor Business, caused by the one-off Claims Review was also considered when selecting the development factors.

D.2.2 Premium Provision

The calculation of the premium provision relates to all potential future claim payments arising from future events, post the valuation date, that have not yet expired and to all administrative expenses associated with these policies.

The premium provision is determined on a prospective basis taking into account the expected cash-in and cash-out flows and the time value of money. The expected cash flows were determined by applying an appropriate prospective combined ratio and payment pattern to the unearned premium reserve.

On the basis of the data analysis, this methodology and its underlying model and assumptions are deemed to be realistic for each line of business. The conditions rendering this method valid are met, namely:

- It can be expected that the combined ratio, explained below, remains stable over the run-off period of the premium provision;
- A reliable estimate of the combined ratio can be made;
- The unearned premium provision is an adequate exposure measure for estimating future claims during the unexpired risk period.

The Combined Ratio is defined as the sum of the expense ratio, the claims ratio and the reinsurance cost ratio. This enables the claims forecast and the expense forecast to be modelled separately. For the calculation of the premium provision, the Company has included all expense items except for the acquisition expenses which have been allocated to each Solvency II line of business.

D.2.3 Risk Margin

The risk margin is equivalent to the amount that would be paid to another insurance or reinsurance company to take over 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 the lifetime thereof. This rate, called the Cost-of-Capital, is prescribed by EIOPA and currently stands at 6%.

D.2.4 Reinsurance Recoverables

Reinsurance Recoverables represent the difference between Gross and Net provisions. Due to the nature of the Reinsurance arrangements (non-proportional reinsurance), for the Claim Provision the reinsurance recoverable was determined as the reinsurers' share of current outstanding case by case reserve. For the Premium Provision, we have assumed zero reinsurance recoverable. Reduction of reinsurance recoverables to allow for expected losses due to a counterparty default is also applied. The Company does not use any special purpose vehicles.

D.2.5 Level of Uncertainty

The variability of reserve estimates was quantified using the Mack Method, a statistical technique, based on the historical development of paid claims. Using the volatility of the development factors over the previous years, an estimate for the standard deviation of the total Claims Provision for each line of business has been produced. The standard deviation of the total Claims Provision was set equal to the sum of the estimated standard errors for each line of business. It has been assumed that the total Claims Provision follows a lognormal distribution and the confidence interval range lies between the 5th and the 95th percentile.

D.2.6 Differences between IFRS and Solvency II valuation

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

- Removal of any implicit or explicit margin for prudence;
- Allowance for time value of money through the discounting of future cash flows;

- 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 II 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;
- The UPR/URR only allows for policies in force at the valuation date. The Premium Provision needs to include all policies that the (re)insurer is obligated to, at the valuation date, including policies that have not yet incepted;
- for the URR calculation to allow for reasonably foreseeable events only;
- There is no concept of Deferred Acquisition Costs (DAC) in Solvency II;
- There is no concept of risk margin under the current IFRS valuation;
- In addition to differences stemming from requirements to value in line with gross liabilities, there are also differences in requirements specific to the valuation of reinsurance. These include the requirement to allow for expected non-payment due to default or dispute.

The differences are summarised as follows in €'000s:

	SOLVENCY II VALUATION €'000				IFRS VALUATION €'000	
	NET CLAIM PROVISION	NET PREMIUM PROVISION	RISK MARGIN	NET TECHNICAL PROVISIONS	NET CLAIMS RESERVE	NET UNEARNED PREMIUM RESERVE
Medical expense	247.099	344.952	67.470	659.521	241.088	368.898
Income protection	842	2.964	135	3.942	362	790
Workers' compensation	0	0	0	0	0	0
Motor vehicle liability	8.786.719	2.814.351	509.698	12.110.768	8.385.039	4.145.790
Other motor	409.158	883.666	76.629	1.369.454	416.755	1.036.448
Marine, aviation & transport	7.096	4.195	1.853	13.144	6.253	4.450
Fire & other prop. damage	-9.334	99.532	5.882	96.081	26.924	116.630
General liability	130.737	56.741	17.519	204.997	586.886	59.616
Credit and Suretyship	0	0	0	0	0	0
Legal expenses	0	0	0	0	0	0
Assistance	0	110.901	0	110.901	0	137.778
Miscellaneous	1.057	4	163	1.224	287	0
Total	9.573.374	4.317.306	679.349	14.570.032	9.663.594	5.870.400

D.2.7 Other Information

Cosmos has not used any of the following:

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

D.3 Valuation of other liabilities

There are no other liabilities in the company's balance sheet.

D.4 Any other information

Disclosure of any other material information regarding the valuation of assets and liabilities for solvency purposes.

E. Capital Management

E.1 Own Funds

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

The objective of capital management is to maintain, at all times, sufficient own funds to cover the SCR and MCR with an appropriate buffer. These should be of sufficient quality to meet the eligibility requirements in accordance with the Solvency II framework. 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.

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

The following table shows the structure of own funds as at 31 December 2017:

Own Funds (€'000s)	Dec-17
Ordinary share capital	462.485
Preference shares	-
An amount equal to the value of net deferred tax assets	-
Retained Earnings	-
Reconciliation reserve	7.042.180
Other Own Funds	-
Total Basic Own Funds	7.504.665

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

The composition of Own Funds as at 31.12.2017 and the classification into tiers is shown below:

Eligible Own Funds €'000	Total	Tier 1	Tier 2	Tier 3
Ordinary share capital (net of own shares)	462.485	462.485		
Retained earnings	9.146.172	9.146.172		
Preference shares	-	-		
Deferred tax assets	-	-		
Reconciliation reserve	-2.103.992	-2.103.992		
Adjustments to assets	-4.394.932	-4.394.932		
Adjustments to technical provisions	1.908.546	1.908.546		
Other own funds not specified above	382.395	382.395		
TOTAL ELIGIBLE OWN FUNDS	7.504.665	7.504.665		

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

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

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

E.1.5 IFRS Equity vs Own Funds

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

	IFRS €	SOLVENCY II €	MOVEMENT €
Total Assets	30.616.249	26.045.503	4.394.932
Total Liabilities	21.007.592	18.540.840	2.290.941
Total Own Funds	9.608.657	7.504.663	2.103.991

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);
- Recalculation of the deferred tax asset to allow for the tax associated with the different profits recognised in the Solvency II balance sheet.; and
- Internally developed intangible asset.

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

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

E.1.7 Plans to raise additional own funds

The Company has successfully completed in 2017 the phase A of the re-capitalisation plan which included the transfer of two properties with total market value of €2.030.000 from the parent Company in exchange of 5.139.240 ordinary shares of the Company. In addition, the parent Company contributed in 2017 €900.000 in the form of capital contribution. In accordance with Phase B of the re-capitalisation plan and following the approval of Company's prospectus on the 30th of March 2018 by the CySEC for the increase of Company's share capital with the issue of 23.124.240 rights to Company's shareholders as at 19 of April 2018, the Company aims to further increase its capital base with the new shares which will derive from the exercised rights. The company maintains a well-diversified asset portfolio generating satisfactory investment returns with acceptable market risk exposures.

E.1.8 Amounts of SCR and MCR

As at 31 December 2017 the SCR of Cosmos was calculated at €7.328K and the MCR at €3.700K.

E.1.9 Breakdown of SCR by risk modules

The following table shows the SCR split by risk modules:

SOLVENCY CAPITAL REQUIREMENT	€'000s
Market risk	2.240.333
Counterparty default risk	2.044.151
Life Underwriting risks	0
Health underwriting risk	493.439
Non-Life underwriting risk	4.422.043
Sum of risk components	9.199.966
Diversification effects	-2.392.970
Diversified risk	6.806.997
Intangible asset risk	0
Basic SCR	6.806.997
Operational risk	520.527
Adjustments	0
SCR	7.327.524

E.1.10 Simplifications

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

E.1.11 Undertaking-specific parameters

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

E.1.12 Information on the inputs used to calculate the MCR

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

MINIMUM CAPITAL REQUIREMENT	€'000s
Linear MCR	2.378.406
SCR	7.327.524
MCR cap	3.297.386
MCR floor	1.831.881
Combined MCR	2.378.406
Absolute floor of the MCR	3.700.000
MCR	3.700.000

E.2 Non-compliance with the SCR

E.2.1 Non-compliance with SCR

During 2016 following the write-off of certain assets the company encountered difficulties in meeting the Solvency Capital Requirements under Solvency II. In accordance to the provisions of the law, the Company initiated a recapitalisation plan.

The Company has successfully completed in 2017 the phase A of the re-capitalisation plan which included the transfer of two properties with total market value of €2.030.000 from the parent Company in exchange of 5.139.240 ordinary shares of the Company. In addition, the parent Company contributed in 2017 €900.000 in the form of capital contribution. In accordance with Phase B of the re-capitalisation plan and following the approval of Company's prospectus on the 30th of March 2018 by the CySEC for the increase of Company's share capital with the issue of 23.124.240 rights to Company's shareholders as at 19 of April 2018, the Company aims to further increase its capital base with the rights which will be exercised.

E.2.2 Any reasonably foreseeable risk of non-compliance with the SCR

In addition to the re-capitalisation plan of the Company, the management of the Company undertake measures to reduce risk profile of the Company to further reduce the Solvency Capital Requirements. Such measures include the disposal of investments which generate high capital requirements investing available cash at bank to money market funds.

E.2.3 Plans to ensure compliance with SCR is maintained

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

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

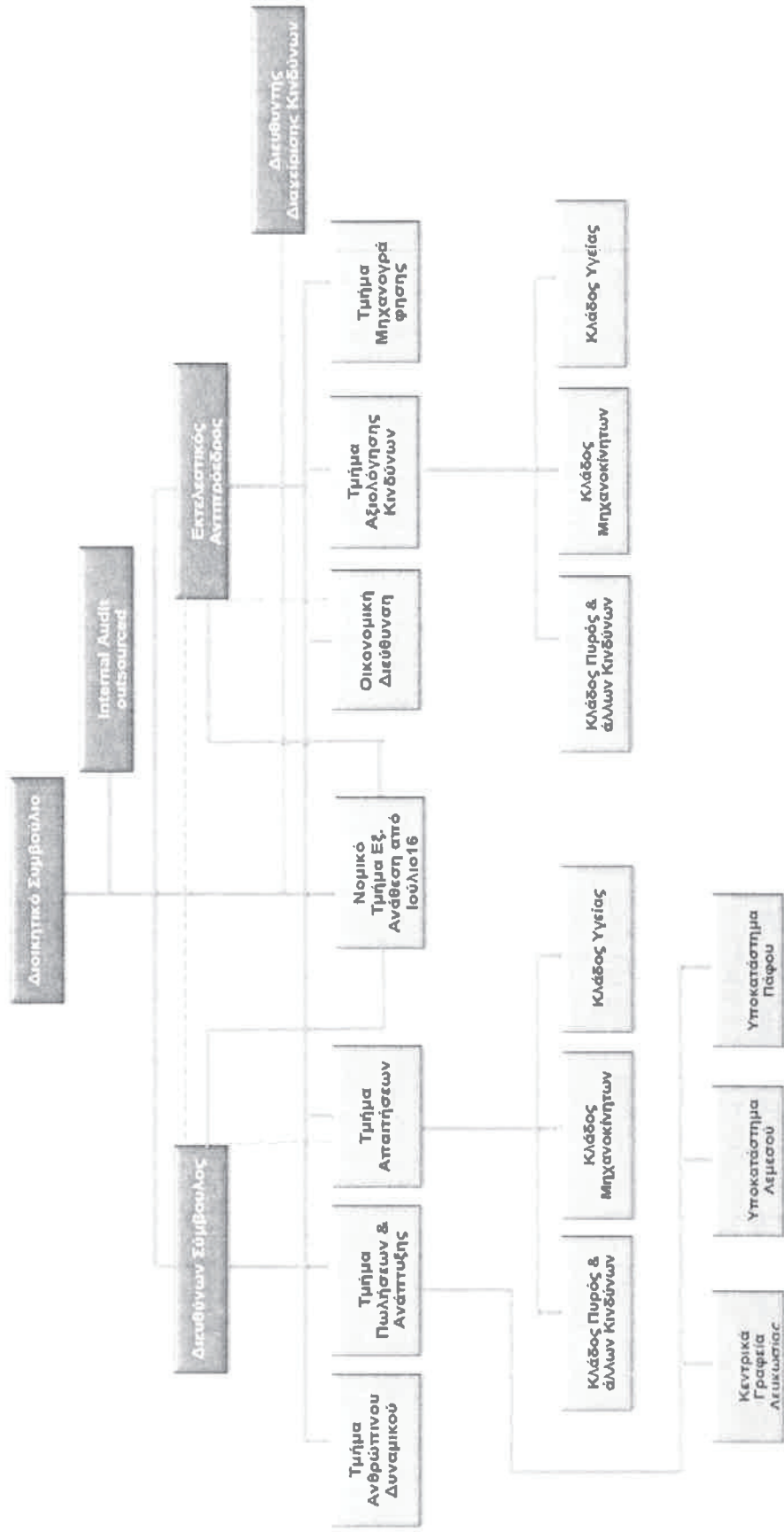
Despite being sufficiently capitalised (based on the above projections), a medium-term capital management plan has been developed which includes realistic plans as to how to raise additional capital if and when required.

APPENDICES

Appendix A: Cosmos Organisational Structure



ΕΤΑΙΡΙΚΟ ΟΡΓΑΝΟΓΡΑΜΜΑ



Appendix B: Extracts from Annual QRTs

SE.02.01.16 - Balance sheet



Contents

Microsoft Excel based
Software, all reporting currency

	Solvency II value	Statutory accounts value	Reclassification adjustments
T. IA Assets	60010	60020	130021
Goodwill		2.053.136	
Deferred acquisition costs		159.221	
Intangible assets			
Deferred tax assets			
Pension benefit surplus			
Property, plant & equipment held for own use	4.827.592	4.827.592	
Investments (other than assets held for index-linked and unit-linked contracts)	13.620.787	13.620.787	0
Property (other than for own use)	6.163.000	6.163.000	
Holdings in related undertakings, including participations			
Equities	1.015	1.015	0
Equities - listed	1.015	1.015	
Equities - unlisted			
Bonds	678.785	678.785	0
Government Bonds	678.785	678.785	
Corporate Bonds			
Structured notes			
Collateralised securities			
Collective Investments Undertakings	5.825.987	5.825.987	
Derivatives			
Deposits other than cash equivalents	952.000	952.000	
Other investments			
Assets held for index-linked and unit-linked contracts	0	0	0
Loans and mortgages			
Loans on policies			
Loans and mortgages to individuals			
Other loans and mortgages			
Reinsurance recoverables from:			
Non-life and health similar to non-life	2.078.535	3.585.603	
Non-life excluding health	2.078.535	3.585.603	
Health similar to non-life	2.018.499	3.585.603	
Life and health similar to life, excluding health and index-linked and unit-linked	60.036	0	
Health similar to life	0	0	
Life index-linked and unit-linked			
Life index-linked and unit-linked			
Deposits to cedants	3.875.609	3.875.609	
Insurance and intermediaries receivables	432.969	1.108.477	
Reinsurance receivables	783.553	783.553	
Receivables (trade, not insurance)	0		
Own shares (held directly)	0		
Amounts due in respect of own fund items or initial fund called up but not yet paid in	501.209	501.209	
Cash and cash equivalents	101.062	101.062	
Any other assets, not elsewhere shown	26.221.315	30.616.248	0
Total assets			

	2020	2019
Liabilities		
Technical provisions – non-life	16.648.566	18.557.111
Technical provisions – non-life (excluding health)	15.925.067	17.804.430
Technical provisions calculated as a whole	0	
Best Estimate	15.313.323	
Risk margin	611.745	
Technical provisions – health (similar to non-life)	723.498	752.681
Technical provisions calculated as a whole	0	
Best Estimate	655.893	
Risk margin	67.605	
Technical provisions - life (excluding index-linked and unit-linked)	0	0
Technical provisions - health (similar to life)	0	
Technical provisions calculated as a whole		
Best Estimate		
Risk margin	0	
Technical provisions – life (excluding health and index-linked and unit-linked)		
Technical provisions calculated as a whole		
Best Estimate		
Risk margin		
Technical provisions – index-linked and unit-linked	0	
Technical provisions calculated as a whole		
Best Estimate		
Risk margin		
Other technical provisions		
Contingent liabilities		
Provisions other than technical provisions		
Pension benefit obligations		
Deposits from reinsurers		
Deferred tax liabilities	392.595	392.595
Derivatives		
Debts owed to credit institutions	362.151	362.151
Debts owed to credit institutions resident domestically	362.151	0
Debts owed to credit institutions resident in the euro area other than domestic		
Debts owed to credit institutions resident in rest of the world		
Financial liabilities other than debts owed to credit institutions	0	0
Debts owed to non-credit institutions	0	0
Debts owed to non-credit institutions resident domestically		
Debts owed to non-credit institutions resident in the euro area other than domestic		
Debts owed to non-credit institutions resident in rest of the world		
Other financial liabilities (debt securities issued)		
Insurance & intermediaries payables		
Reinsurance payables	757.326	1.139.721
Payables (trade, not insurance)	556.014	556.014
Subordinated liabilities	0	0
Subordinated liabilities not in Basic Own Funds		
Subordinated liabilities in Basic Own Funds	0	0
Any other liabilities, not elsewhere shown		
Total liabilities	18.716.652	21.037.593
Excess of assets over liabilities	7.504.663	9.608.655

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)											Line of Business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	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	
Premiums written																
Gross - Direct Business	3,068	51	0	10,497	1,708	159	2,091	700	0	0	0	18				18,293
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	181	49	0	704	116	137	1,871	460	0	0	16	16	0	0	0	3,534
Reinsurers' share	2,887	3	0	9,794	1,592	22	220	240	0	0	1	1	0	0	0	14,759
Premiums earned																
Gross - Direct Business	3,053	51	0	9,789	1,547	162	2,035	701	0	0	18	18				17,356
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	176	48	0	690	112	139	1,827	446	0	0	16	16	0	0	0	3,456
Reinsurers' share	2,877	3	0	9,099	1,435	23	208	255	0	0	1	1	0	0	0	13,901
Claims incurred																
Gross - Direct Business	2,447	29	0	6,418	1,044	60	90	241	0	0	1	1				10,330
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	28	26	0	14	2	48	87	202	0	0	1	1	0	0	0	408
Reinsurers' share	2,419	2	0	6,404	1,042	12	3	39	0	0	0	0	0	0	0	9,922
Changes in other technical provisions																
Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	1,796	35	0	8,335	1,385	84	1,527	464	0	0	3	3	0	0	0	13,630
Other expenses																
Total expenses																13,630

Annex II

S.05.01.02

Premiums, claims and expenses by line of business

Premiums written
 Gross - Direct Business
 Gross - Proportional reinsurance accepted
 Gross - Non-proportional reinsurance accepted
 Reinsurers' share
 Net

Premiums earned
 Gross - Direct Business
 Gross - Proportional reinsurance accepted
 Gross - Non-proportional reinsurance accepted
 Reinsurers' share
 Net

Claims incurred
 Gross - Direct Business
 Gross - Proportional reinsurance accepted
 Gross - Non-proportional reinsurance accepted
 Reinsurers' share
 Net

Changes in other technical provisions
 Gross - Direct Business
 Gross - Proportional reinsurance accepted
 Gross - Non-proportional reinsurance accepted
 Reinsurers' share
 Net

Expenses incurred
Other expenses
Total expenses



	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 marine, aviation and transport reinsurance		Non-proportional property reinsurance
000000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
000001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
000002	380	11	0	3,006	923	11	314	128	0	0	202	0	0	0	0	4,974
000003	35	8	0	192	39	7	214	71	0	0	91	0	0	0	0	657
000004	345	3	0	2,814	884	4	100	57	0	0	111	0	0	0	0	4,317
000005	257	8	0	8,838	409	32	523	921	0	0	0	7	0	0	0	10,995
000006	10	7	0	52	0	25	532	790	0	0	0	5	0	0	0	1,422
000007	247	1	0	8,787	409	7	-9	131	0	0	0	1	0	0	0	9,573
000008	638	18	0	11,844	1,332	43	837	1,048	0	0	202	7	0	0	0	15,969
000009	592	4	0	11,601	1,293	11	90	187	0	0	111	1	0	0	0	13,891
000010	67	0	0	510	77	2	6	18	0	0	0	0	0	0	0	679
000011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
000012	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
000013	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
000014	705	18	0	12,354	1,409	45	843	1,066	0	0	202	7	0	0	0	16,649
000015	46	15	0	243	39	32	747	861	0	0	91	5	0	0	0	2,079
000016	660	4	0	12,111	1,369	13	96	205	0	0	111	1	0	0	0	14,570

000017 **Technical provisions calculated as a whole**

000018 Total Recoverables from reinsurance/SPV and Frite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole

000019 **Technical provisions calculated as a sum of BE and RM Best estimate**

000020 Premium provisions

000021 Gross

000022 Total recoverable from reinsurance/SPV and Frite Re after the adjustment for expected losses due to counterparty default

000023 Net Best Estimate of Premium Provisions

000024 **Claims provisions**

000025 Gross

000026 Total recoverable from reinsurance/SPV and Frite Re after the adjustment for expected losses due to counterparty default

000027 Net Best Estimate of Claims Provisions

000028 **Total Best estimate - gross**

000029 **Total Best estimate - net**

000030 **Risk margin**

000031 **Amount of the transitional on Technical Provisions**

000032 Technical Provisions calculated as a whole

000033 Best estimate

000034 Risk margin

000035 **Technical provisions - total**

000036 Technical provisions - total

000037 Recoverable from reinsurance contract/SPV and Frite Re after the adjustment for expected losses due to counterparty default - total

000038 Technical provisions minus recoverables from reinsurance/SPV and Frite Re - total

P 19.01.21 - Non-life Insurance Claims Information (simplified template for the public disclosure)

Comments

Tabular
Microsoft Excel based
Solvency II reporting solution

Total Non-Life Business

Accident year / Underwriting year: **Z0020** Accident year [AY]:

Gross Claims Paid (non-cumulative)

(absolute amount)

Year	Development year										In Current year	Sum of years (cumulative)	
	0	1	2	3	4	5	6	7	8	9			10 & +
Prior	8.376	3.332	597	457	286	434	302	152	374	155	0	0	0
N-9	7.919	2.675	1.039	460	384	349	128	223	260	155	0	14.467	
N-8	8.176	2.832	625	423	329	72	509	50	260	0	0	13.438	
N-7	7.284	3.417	687	253	158	671	74	0	0	0	0	13.016	
N-6	5.878	2.192	571	107	78	68	0	0	0	0	0	12.544	
N-5	4.928	1.924	211	132	97	0	0	0	0	0	0	8.894	
N-4	4.389	1.478	491	135	0	0	0	0	0	0	0	7.293	
N-3	4.312	1.359	595	0	0	0	0	0	0	0	0	6.492	
N-2	4.227	1.750	0	0	0	0	0	0	0	0	0	6.267	
N-1	4.437	0	0	0	0	0	0	0	0	0	0	5.976	
N												4.437	92.824
Total												7.621	

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

Year	Development year										Year end (discounted data)		
	0	1	2	3	4	5	6	7	8	9		10 & +	
Prior	0	0	0	0	0	0	0	0	0	0	0	0	0
N-9	0	0	0	0	0	0	0	0	633	606	0	605	605
N-8	0	0	0	0	0	0	0	1.040	997	0	0	996	996
N-7	0	0	0	0	0	0	0	889	0	0	0	887	887
N-6	0	0	0	0	0	942	1.029	0	0	0	0	1.028	1.028
N-5	0	0	0	0	1.066	979	0	0	0	0	0	978	978
N-4	0	0	0	687	781	0	0	0	0	0	0	780	780
N-3	0	0	666	735	0	0	0	0	0	0	0	735	735
N-2	0	1.187	879	0	0	0	0	0	0	0	0	879	879
N-1	4.610	1.149	0	0	0	0	0	0	0	0	0	1.148	1.148
N	2.961	0	0	0	0	0	0	0	0	0	0	2.959	2.959
Total												10.995	

5.23.01.01 - Own funds

Contents
www.kpmg.com/au

Tabular
 Multiple level digital
 Summary / Detailed column

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	€000,000	€000,000	€000,000	€000,000	€000,000
462.485	462.485	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
7.042.179	7.042.179	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
7.504.663	7.504.663	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
7.504.663	7.504.663	0	0	0	0
7.504.663	7.504.663	0	0	0	0
7.504.663	7.504.663	0	0	0	0
3.727.524	3.727.524	0	0	0	0
3.700.000	3.700.000	0	0	0	0
1.0242	1.0242	0	0	0	0
2.0283	2.0283	0	0	0	0

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	€000,000	€000,000	€000,000	€000,000	€000,000
7.504.663	7.504.663	0	0	0	0
462.485	462.485	0	0	0	0
7.042.179	7.042.179	0	0	0	0
0	0	0	0	0	0

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of 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

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
 Supplementary members calls under Article 96(2) 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

Available and eligible own funds
 Total available own funds to meet the SCR
 Total eligible own funds to meet the 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)
 Forseeable 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
 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)



Contents

Gross solvency capital requirement	USP	Simplifications
2.240	63050	63020
2.044		
0		
493		
4.422		
-2.393		
0		
6.807		

- Market risk
- Counterparty default risk
- Life underwriting risk
- Health underwriting risk
- Non-life underwriting risk
- Diversification
- Intangible asset risk
- Basic Solvency Capital Requirement**

Calculation of Solvency Capital Requirement

- Operational risk
- Loss-absorbing capacity of technical provisions
- Loss-absorbing capacity of deferred taxes
- Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC

Solvency capital requirement excluding capital add-on

- Capital add-on already set
- Solvency capital requirement**
- Other information on SCR**
- Capital requirement for duration-based equity risk sub-module
- Total amount of Notional Solvency Capital Requirement for remaining part
- Total amount of Notional Solvency Capital Requirements for ring fenced funds

- Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios
- Diversification effects due to RFF nSCR aggregation for article 304

521
0
0
0
7.328
0
7.328
0
0
0
0
0



Linear formula component for non-life insurance and reinsurance obligations

€ M

€ 000,000

MCRNL Result

€ 000,000

2.378.406

Net (of reinsurance/SPV) best estimate and TP calculated as a whole

Net (of reinsurance) written premiums in the last 12 months

	€ 000,000	€ 000,000
Medical expenses insurance and proportional reinsurance	592.051	2.882.132
Income protection insurance and proportional reinsurance	3.806	2.532
Workers' compensation insurance and proportional reinsurance	11.601.070	9.287.464
Motor vehicle liability insurance and proportional reinsurance	1.292.824	2.097.981
Other motor insurance and proportional reinsurance	11.291	21.819
Marine, aviation and transport insurance and proportional reinsurance	90.198	219.782
Fire and other damage to property insurance and proportional reinsurance	187.478	240.383
General liability insurance and proportional reinsurance		
Credit and suretyship insurance and proportional reinsurance		
Legal expenses insurance and proportional reinsurance	110.901	0
Assistance and proportional reinsurance	1.060	1.456
Miscellaneous financial loss insurance and proportional reinsurance		

Overall MCR calculation

R0300	Linear MCR	2.378.406
R0310	SCR	7.327.524
R0320	MCR cap	3.297.386
R0330	MCR floor	1.831.881
R0340	Combined MCR	2.378.406
R0350	Absolute floor of the MCR	3.700.000

COV70

R0400	Minimum Capital Requirement	3.700.000
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