# SOLVENCY AND FINANCIAL CONDITION REPORT.

Reporting Year 2022

Genikes Insurance

## About the SFCR

General Insurance of Cyprus Ltd ("Company" or "Genikes Insurance") was incorporated in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company is a wholly owned subsidiary of the Bank of Cyprus Public Company Ltd.

Genikes Insurance transitioned into the Solvency II regulatory framework after implementing a comprehensive program of regulatory requirements in corporate governance, risk assessment and management, solvency and reserving as well as supervisory and public disclosure.

The purpose of the Solvency and Financial Condition Report ("SFCR" or "Report") is to satisfy the public disclosure requirements according to Article 304 (1) of the Delegated Regulation (EU) 2015/35. The Report discloses the information referred to in Articles 292 to 298 of the Regulation under the following main areas: business and performance, system of governance, risk profile, valuation for solvency purposes and capital management. The Report has been prepared with reference date 31 December 2022 ("Reporting Year" or "Reporting Period") and it was approved by the Company's Board of Directors on 3rd of April 2023.

Information disclosed in the SFCR has been subject to external audit. An audit report is issued by external auditors and relevant opinion can be found in the Appendix C of the Report. Contact details of the Company's appointed external auditors are as follows:

PricewaterhouseCoopers Ltd
PwC Central, 43 Demostheni Severi Avenue,
CY-1080 Nicosia, Cyprus
Website: www.pwc.com.cy/

The supervision of the Company is conducted by the Insurance Companies Control Service of the Cyprus Ministry of Finance ("Supervisory Authority" or "Regulator"). Contact details of the Company's Regulator are as follows:

Insurance Companies Control Service
P.O. Box 23364,
1682 Nicosia, Cyprus
Tel. No: 22 602 990
Fax. No: 22 302 938
Email: insurance@mof.gov.cy
Website: www.mof.gov.cy

Genikes Insurance publishes its annual comprehensive Pillar 3 Disclosures on its webpage www.genikesinsurance.com.cy. The Company's registered office is located at 4 Evrou street, Strovolos, P.C 2003, Nicosia, Cyprus.

## Executive Summary

General Insurance of Cyprus Ltd is a member of the Bank of Cyprus Group of Companies. Since its establishment, the Company has played a leading role in the development of the insurance industry and insurance awareness and gained a reputation as one of the most important and reliable insurance companies in Cyprus.

Genikes Insurance offers a wide range of non-life insurance plans including motor, fire, general liability, accident and health, engineering, marine and miscellaneous insurance. The Company is committed to continuously improving traditional non-life insurance plans, while at the same time developing new, innovative and flexible covers which satisfy the modern needs of every individual and business. It also maintains over time, a high level of client service at the time of sale as well as in claims handling.

**A. Business and Performance**
The Company's main lines of business are Motor, Fire and Liability classes which in total account for 90% of the overall business portfolio. In 2022, the Company continued to operate in a challenging environment achieving high profitability levels. The premium production for the year increased by 11%, with total gross written premium income amounting to €59,0m (2021: €53,3m). The Company's net technical result from Cyprus operations accounted to €10,9m (2021: €12,6m) lower from prior year due to higher claims and expense cost. The Company's total net claims ratio for Cyprus operations increased slightly from 34,8% in 2021 to 36,4% in 2022 mainly driven by the motor line of business. Section A of the Report provide details of the overall business and performance of the Company within the reporting year.

**B. System of Governance**
In compliance with the regulatory guidelines for corporate governance the Company has established the "Three Lines of Defence" model as a framework for effective risk and compliance management and control.

The Company's Board of Directors bears the ultimate responsibility for ensuring that corporate governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business. By the end of 2022, the BoD consisted of 7 members, of which 2 were independent non-executive Directors, 1 non-executive Director and 4 executive Directors. The Company's Board delegates authority to certain Committees in order to monitor and oversee specific aspects of the business. In addition, the Company has established and incorporated into its governance system the following key functions: Risk Management, Actuarial, Information Security, Data Privacy/Compliance and Internal Audit.

The Company ensures that all persons who effectively run the undertaking or hold other key functions at all times fulfil their professional qualifications, knowledge and experience and are of good repute and integrity. Genikes Insurance is committed on an ongoing basis to improve and enhance its corporate governance framework to ensure risk and compliance management. Section B of the Report provide details of the overall Company's governance system.

**C. Risk Profile**
The Company uses the standard formula to estimate its Solvency Capital Requirement ("SCR") according to which the SCR calculation is divided into risk modules. The main components of the SCR (before diversification) for the reporting year ended 31 December 2022 are as follows:


For the reporting year, Non-Life Underwriting risk, Counterparty Default risk and Market risk were the main components of the Company's SCR. Non-life underwriting risk components are premium, reserve risk and catastrophic events risk which are mitigated through the purchase of adequate reinsurance cover. The Company assesses and mitigates Counterparty Risk by monitoring exposures to ensure that are within its approved risk appetite limits. Also, the Company follows a defined Investment Policy which includes specific criteria and limits (qualitative and quantitative) for each category of asset in order to ensure that investments are made in a prudent manner.

As part of its risk management process, during the reporting year, the Company carried out stress and scenario testing for material risks through the annual process of Own Risk and Solvency Assessment ("ORSA"). Relevant results of the exercise were documented in the ORSA Report 2022 which was approved by the Company's BoD and submitted to the Supervisory Authority by the end of the year. Based on the assessment performed, the Company's risk profile lies within its defined risk appetite limits. In addition, within the reporting period the Company submitted to the Supervisory Authority its quarterly Quantitative Reporting Requirements according to the Solvency II requirements.

Throughout the reporting year, Company achieved a strong SCR coverage ratio well within its risk appetite limits and regulatory minimum of 100%.

**D. Valuation for solvency purposes**

The valuation of assets and liabilities for Solvency II purposes is the same as the Company's financial statements prepared under International Financial Reporting Standards ("IFRS") except for:

- Differences in the valuation of technical provisions and associated reinsurance recoverables.
- Revaluation of property held for own use for Solvency purposes not accounted for under IFRS.
- Intangibles and deferred acquisition costs recognised as assets under IFRS but valued at zero under Solvency II.
- Differences in deferred tax measurement.

The statement of financial position of the Company for the current reporting year is summarized as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Statutory Accounts €'000 | Solvency II €'000 | Statutory Accounts €'000 | Solvency II €'000 |
| Total Assets | 122.431 | 106.505 | 115.834 | 103.558 |
| Total Liabilities, including technical provisions | 80.323 | 68.401 | 74.745 | 64.164 |
| **Own funds / Equity** | **42.108** | **38.104** | **41.089** | **39.394** |

The following table represents the reconciliation adjustments (as described above) made to calculate Own Funds under Solvency II for the reporting year:

| Own Funds Reconciliation | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Equity (IFRS Financial Statements)** | **42.108** | **41.089** |
| Difference in valuation of technical provisions (net) | 3.252 | 4.184 |
| Premises valuation adjustment | (114) | 19 |
| Deferred Acquisition Costs | (5.441) | (5.143) |
| Intangible assets | (2.256) | (1.000) |
| Differences in deferred tax valuation | 555 | 245 |
| **Own Funds (Solvency II)** | **38.104** | **39.394** |

For the reporting year 2022, the Company's gross technical provisions calculated to €54,9m. The Company does not apply any matching and volatility adjustments nor any transitional measures for the valuation of technical provisions.

**E. Capital Management**

In terms of capital management, Genikes Insurance covered its Solvency II Capital Requirements throughout the year 2022. The Company's SCR as at 31 December 2022 was estimated at €22,7m and was covered by €38,1m of eligible capital resources, providing a surplus of €15,4m. As at 31 December 2022, the SCR coverage ratio amounted to 168% and the MCR coverage ratio amounted to 650%. The movement in the SCR ratio from prior year arose mainly from the lower available capital due to increase in reserves and investment fund losses. The increase in SCR amount is mostly driven by the increase in Underwriting Risk required capital to €13,5m (2021: €12,7m), as a result of increase in reserve risk (driven by the motor and liability lines of business) and premium risk. Increase in Underwriting Risk SCR also impacted by the higher premium production achieved in 2022 compared to prior year.

| SCR Coverage | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Own funds - Basic, Tier 1 Unrestricted | 38.104 | 39.394 |
| SCR | 22.699 | 21.749 |
| **Surplus** | **15.405** | **17.645** |
| **SCR Coverage Ratio** | **168%** | **181%** |
| MCR | 5.862 | 5.718 |
| **MCR Coverage Ratio** | **650%** | **689%** |

The calculated SCR by risk module, at the end of the reporting period is as follows:

| Solvency Capital Requirements by risk module | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Market Risk | 6.647 | 7.167 |
| Counterparty Risk | 6.988 | 6.729 |
| Non-Life Underwriting Risk | 13.491 | 12.691 |
| Health Risk | 432 | 455 |
| Diversification BSCR | (6.570) | (6.644) |
| **Basic SCR (BSCR)** | **20.988** | **20.398** |
| Operational Risk | 1.711 | 1.555 |
| Loss absorbing capacity of deferred taxes | - | (204) |
| **SCR** | **22.699** | **21.749** |
| **SCR coverage ratio** | **168%** | **181%** |
| **MCR** | **5.862** | **5.718** |
| **MCR coverage ratio** | **650%** | **689%** |

# A Business and Performance

## A.1 Business

General Insurance of Cyprus Ltd was incorporated in Cyprus as a limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Genikes Insurance is a wholly owned subsidiary of the Bank of Cyprus Public Company Ltd ("BOC" or "Parent" or "Bank") and is part of the BOC Group of companies ("BOC Group" or "Group").

The principal activities of BOC involve the provision of banking, financial services and management and disposal of property predominately acquired in exchange of debt. BOC is a limited liability company incorporated in 1930 under the Cyprus Companies Law. The shares of BOC's parent company Bank of Cyprus Holdings Public Limited Company, a company incorporated in Ireland, are listed and trading on the London Stock Exchange and the Cyprus Stock Exchange. BOC remains a public company for the purposes of the Cyprus Income Tax Laws. More information on the entities of the BOC Group can be found in the Bank's Annual Financial Report published on the BOC website at www.bankofcyprus.com.

Since its establishment, Genikes Insurance has played a leading role in the development of the insurance industry and insurance awareness and gained a reputation as one of the most important and reliable insurance companies in Cyprus. Genikes Insurance is committed to continuously improving traditional non-life insurance plans, while at the same time developing new, innovative and flexible covers which satisfy the modern needs of every individual and business. It also maintains over time, a high level of client service at the time of sale as well as in claims handling.

Operations of the Company are performed through its Head Office, which is located in Nicosia and the five district branches (Nicosia, Limassol, Larnaca, Famagusta, Paphos). Each branch supports the sales activity and operates as a customer service center, including the handling of claims in its geographical area of responsibility. By the end of the reporting period the Company employed 101 full time employees.

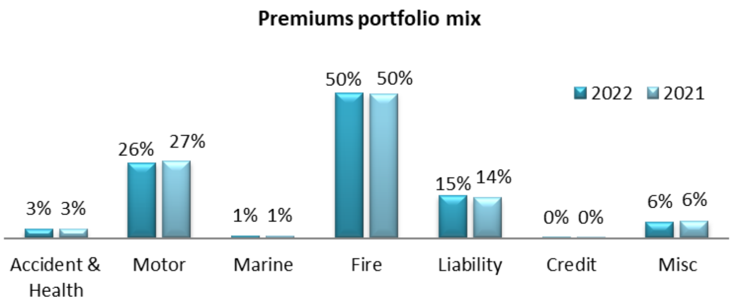
Genikes Insurance offers a wide range of non-life insurance plans including motor, fire, general liability, accident and health, engineering, marine and miscellaneous insurance and carries out business in Cyprus under the following lines of business ("LoB"):

| Per Financial Statements ("IFRS") | Per Solvency II |
|---|---|
| Accident & Health | Medical expense |
| Motor | Motor vehicle liability, Other motor |
| Marine | Marine, aviation and transport |
| Fire | Fire and other damage to property |
| Liability | General liability |
| Credit | Credit and suretyship |
| Miscellaneous | Miscellaneous financial loss |

The Company engaged in insurance operations in Greece via its Branch "Kyprou Asfalistiki". In 2014, the Company entered into a co-operation agreement with another insurance company in Greece regarding the placement of the insurance operations of the Branch upon expiry of insurance policies issued by the Branch. Since then the Branch has been in a run-off status.

## A.2 Underwriting Performance

Gross written premiums portfolio mix for the year ended 31 December 2022 and prior year of 2021 is presented in the following graph:




Since prior year no material changes were identified in the Company's portfolio composition. Fire continues to be the most material LoB with a share of 50% (2021: 50%).

As per the financial statements the Company's underwriting performance is summarised as follows:

| Underwriting performance | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Gross written premiums** | **59.033** | **53.337** |
| **Net earned premiums** | **29.556** | **29.387** |
| Other insurance income | 9.405 | 8.017 |
| Net claims cost | (10.372) | (9.550) |
| Expenses | (17.642) | (15.289) |
| **Net Technical Result** | **10.947** | **12.565** |
| ***Break down by LoB:*** | | |
| Accident & Health | 505 | 555 |
| Motor | 1.963 | 2.749 |
| Marine | (24) | 81 |
| Fire | 6.851 | 6.810 |
| Liability | 1.487 | 2.096 |
| Credit | (54) | (50) |
| Miscellaneous | 219 | 324 |
| **Total** | **10.947** | **12.565** |
| Cyprus operations | 11.050 | 12.588 |
| Greek operations | (103) | (23) |
| **Total** | **10.947** | **12.565** |

| Key Performance Indicators (KPI's) | 2022 % | 2021 % |
|---|---|---|
| **Net Claims Ratio** | | |
| Motor | 64,4 | 57,5 |
| Fire | 19,1 | 24,9 |
| Liability | 36,7 | 25,6 |
| **Total Net Claims Ratio** | **36,4** | **34,8** |
| **Expenses Ratio** | **58,9** | **51,9** |

The premium production for the year increased by 11%, with total gross written premium income amounting to €59,0m (2021: €53,3m).

Net technical result represents the underwriting result of the Company net of reinsurance. The Company maintains adequate reinsurance protection at all times, to reduce the volatility of the claims and underwriting performance. Total net technical result for the reporting year amounted to €10,9m (2021: €12,6m) due to higher claims and expense costs. The Company's total net claims ratio for Cyprus operations increased from 34,8% in 2021 to 36,4% in 2022. Net claims ratio increase is mainly driven by the motor and liability lines with loss ratios of 64,4% and 36,7% respectively.

Based on the latest annual statistics announced by the Insurance Association of Cyprus, the Company's net technical result from Cyprus operations for 2021 represents approximately 30% of the Cyprus non-life market results as demonstrated in the table below:

| Net Technical Result | 2021 €'000 |
|---|---|
| Cyprus non-life market, excluding life companies engaged only in A&H class | 43.825 |
| Genikes Insurance (Cyprus) operations | 12.588 |
| Genikes Insurance share of market profitability | 29% |

In terms of profitability, the net profit from insurance operations decreased by 39% and amounted to €6,7m in 2022, compared to €10,9m in 2021, whilst profit before income tax decreased from €10,8m in 2021 to €6,3m 2022. The decrease is mainly attributable to the cost relating to the Voluntary Staff Exit Plan ("VEP") amounting to €1,0m (2021: €619k) and net investment portfolio losses of €2,4m (2021: €541k).

### A.3 Investment Performance

The Company's investments comprise mainly of cash and deposits, bond funds and properties. Performance and information on income and expenses arising from investments by asset class is presented in the following table:

| | Investment income | | Investment expenses | | Realised gains/(losses) | | Unrealised gains/(losses) | |
|---|---|---|---|---|---|---|---|---|
| Asset Class | 2022 €'000 | 2021 €'000 | 2022 €'000 | 2021 €'000 | 2022 €'000 | 2021 €'000 | 2022 €'000 | 2021 €'000 |
| Cash and deposits | 2 | 34 | - | - | - | - | - | - |
| Investment funds | - | - | 148 | 149 | (58) | 8 | (1.967) | (549) |
| Investment properties | 29 | 30 | - | - | - | (45) | (363) | - |
| Investment in subsidiary | - | - | - | - | - | - | 43 | (19) |
| Other | 14 | 26 | - | - | - | - | - | - |
| **Total** | **45** | **90** | **148** | **149** | **(58)** | **(37)** | **(2.287)** | **(568)** |

Investment funds' performance continued to be affected by the negative yields, as a result of rising inflation that is no longer considered transitory, and which resulted in unrealised losses of €2,0m (2021: €549k).

Investment property prices decreased by €363k in 2022 following the real estate market losses as a result of the ongoing pandemic situation and market trends.

Other investment income is lower compared to last year, mainly due to the lower level of interest rates and dividend received during the reporting period.

### A.4 Performance from other activities

#### A.4.1 Lease arrangements

The Company maintains various operating lease arrangements both as a lessor and a lessee, mainly for commercial real estate. The annual rent receivable in 2022 amounted to €29k (2021: €30k) and the annual rent payable amounted to €412k (2021: €258k) in respect of these arrangements.

During the year, the Company proceeded with an amendment to its existing leasing arrangement as a lessee with a company under common control in respect of its new Head Office premises. As a result of this change and under the provisions of IFRS 16, the Company recognised an additional right of use asset of €167k and an equivalent amount of lease liability.

## A.5 Highlights during the reporting period

### A.5.1 Strong Solvency Position

During the reporting year, Genikes Insurance submitted to the Regulator its quarterly Quantitative Reporting Requirements according to the Solvency II requirements. Throughout the reporting year, Company achieved a strong SCR coverage ratio well within its Risk Appetite limits and regulatory minimum of 100%.

### A.5.2 Voluntary Exit Plan

In October 2022, the Bank of Cyprus Group proceeded with a Voluntary Exit Plan (“VEP”) for its employees in Cyprus. In total 7 employees of the Company opted for the plan, accounting to a one-off cost of €1,0m.

### A.5.3 War between Russia and Ukraine and uncertain economic environment

The economic environment has evolved rapidly since February 2022 following Russia’s invasion in Ukraine. In response to the war in Ukraine, the EU, the UK and the US, in a coordinated effort joined by several other countries imposed a variety of financial sanctions and export controls on Russia, Belarus and certain regions of Ukraine as well as various related entities and individuals. As the war is prolonged, geopolitical tension persists and inflation remains elevated, impacted by the soaring energy prices and disruptions in supply chains. The high inflation weighs on business confidence and consumers’ purchasing power.

In this context the Company is closely monitoring the developments and has assessed the impact the crisis has on its operations and financial performance. Considering the implications as of to date and its assessment regarding the expected developments in relation to Coronavirus (COVID-19), the events in Ukraine and the relevant sanctions against Russia, Management believes that the Company can successfully manage the risks, despite the uncertain financial prospects and that it has sufficient resources to continue its operation in the near future. Consequently, the financial statements continue to be prepared on a going concern basis.

The Management is closely monitoring the situation and is ready to take further measures depending on the developments.

Further to the Ukrainian crisis described above, on March 10, 2023, Silicon Valley Bank (SVB) was closed by the California Department of Financial Protection and Innovation due to the bank’s illiquidity and insolvency problems appointing Federal Deposit Insurance Corporation (FDIC) as the company’s receiver. The US Treasury, FDIC, and Federal Reserve announced a joint action to stabilise the US banking system and restore confidence, ensuring that depositors will have access to their funds at SVB accounts. Concurrently, New York regulators moved to close a second lender, Signature Bank, and said depositors would also have access to funds under a “systemic risk exception”, attempting to get ahead of the panic that sent equities and bond yields down sharply.

On March 15, 2023, following the collapse of shares in Credit Suisse (CS) by as much as 30%, Swiss authorities announced a backstop for the country’s second-biggest bank. On March 19, Switzerland’s biggest bank, UBS, agreed to buy Credit Suisse in an emergency rescue deal aimed at stemming financial market panic.

The situation is still evolving, and the market reaction in the current environment is being closely monitored by the Company and its fund managers who are assessing the investment portfolios’ positioning to mitigate potential risks.

### A.5.4 Digital Strategy

As Genikes Insurance is operating into an evolving insurance landscape and digital transformation is one of its strategic pillars. During 2022, Company implemented and delivered a number of planned digital transformation projects that will modernise the services to be provided to customers and business partners and will allow for internal efficiencies.

### A.5.5 Governance, compliance and risk management

The governance procedures and structure within the Company promote solutions so that compliance and risk management enact as business enablers in the Company's future development. The Company's aim is to proactively identify and manage risks arising from key initiatives to ensure the achievement of the strategy over the planning horizon.

### A.5.6 Social Responsibility

Genikes Insurance is a socially responsible Company, with initiatives to support road and home safety. In 2022, the Company sponsored a Road Safety event, organized by Support CY and Cyprus Police. During the event, members of Support CY and the Police educated the public on road safety issues. What is more, Genikes Insurance provided free insurance Cover for the SupportCY volunteers. To further educate on road safety, the Company created an informative leaflet with the differences in the traffic code and regulations of driving in Greece, circulated to all ship passengers. An important initiative was the filming of three impactful video clips with testimonials by staff of the Ambulance Service, Police Traffic Department, and Fire Department on road safety. The initiative was announced over a Press Conference addressed by the Minister of Transport, Communications and Works, and received extended television coverage. The clips are being promoted on social media.

## A.6 Events after the reporting date

The introduction of the IFRS 17 Insurance Contracts ("IFRS 17") aims to provide the global insurance industry with a standard insurance accounting treatment to ensure comparability and transparency in providing users of accounts with information to allow for a better understanding of the financial position and performance of an insurance company.

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the Board decided to defer the effective date to 2023. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 Insurance Contracts, is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration insurance contracts. The main features of the new accounting model for insurance contracts applicable for the Company are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows).
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the statement of

comprehensive income based on the concept of services provided during the period.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Company plans to adopt the new standard on the required effective date. The Company is in the final stages to implement IFRS 17 and has been performing a transitional impact assessment of IFRS 17.

The Company expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Company and to have an impact on the total equity together with presentation and disclosure. The Company estimates that on adoption of IFRS 17, the transitional impact of the application at 1 January 2022 is a reduction in the Company's total equity in the range of €3,5m-€4, (before tax). The impact mainly derives from the change in the policy for recognition of reinsurance commission income which under IFRS 4 was recognised in profit or loss as incurred, whereas under IFRS 17 it is recognised as part of the fulfilment cash flows and is therefore included in the asset for remaining coverage in a manner consistent with premiums, and the introduction of the liability of incurred claims, asset for incurred claims and the risk adjustment. This assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 17 may change because:
- The Company is continuing to refine the new accounting processes and internal controls.
- Although dry runs were carried out, the new systems and associated controls in place have not been operational for an extended period.
- The Company has not finalised the testing and assessment of controls over its new governance frameworks and IT systems.
- The new accounting policies, assumptions, judgements, and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

# B System of Governance

## B.1 General information on the system of governance

The Company complies with the regulatory guidelines for corporate governance and has established the "Three Lines of Defence" model as a framework for effective risk and compliance management and control. This framework defines the responsibilities in the management process of risk ensuring adequate segregation in the oversight and assurance of risk.

The organisational structure and reporting lines of the Company are designed to:

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

The Company has also established and incorporated into its governance system the following key functions:

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

First Line of Defence: This refers to functions that own and manage risks as part of their responsibility for achieving objectives and are responsible for implementing corrective actions to address process and control deficiencies. It comprises of management and staff of business lines and functions who are directly aligned with the delivery of products and/or services. The first line has the day to day responsibility for:

- Implementation of policies / procedures;
- Risk identification and effective management of risk;
- Compliance with all limits applicable to their operations;
- Smoothly operating controls within their scope of ownership/role;
- Escalation and reporting of risk issues;
- Protection of own information and information assets accordingly.

The first line of defence ensures controls are designed into systems and processes under the guidance of the second line of defence.

Second Line of Defence: This refers to the bodies of the Company that provide challenge and oversight over the activities of the first line of defence and include the Risk Management, Actuarial Function, Information Security, Data Privacy and Compliance functions. The second line of defence establish policies and guidelines that the business lines should operate within.

Third Line of Defence: This refers to bodies that provide independent and objective assurance of the effectiveness of the Company's systems of internal control established by the first and second lines of defence. In practice, this is the Company's Internal Audit Function and ultimately the responsible BoD Committees.

### B.1.1 Main roles and responsibilities of the Administrative, management or supervisory body

The Company's Board of Directors ("BoD") bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business. The BoD of the Company delegates authority to certain Committees in order to monitor and oversee specific aspects of the business. Delegating to specialised Committees, does not in any way release the BoD from collectively discharging its duties and responsibilities. Specifically, the BoD has regular and robust interaction with the Committees it establishes, requesting information from them proactively and challenging it when necessary.

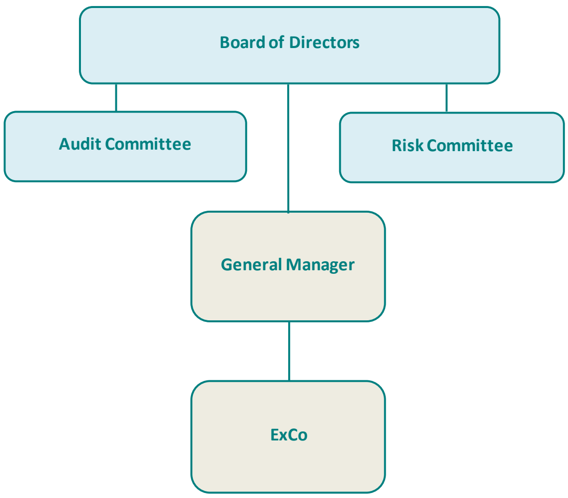
The BoD maintains overall responsibility for the management of the Company, including ultimate oversight of the Company's operations. The BoD organises and directs the affairs of the Company in a manner that seeks to protect its policyholders' interests, maximise the value of the Company for the benefit of its shareholder, while complying with regulatory requirements and relevant governance standards.

In performing its overall oversight function, the BoD reviews and assesses the Company's strategic and business planning, its solvency, as well as the Management's approach to addressing significant risks and challenges facing the business. In performing its oversight function, the BoD maintains frequent, active and open communication and discussions with Management.

The main responsibilities of the Company's BoD are as follows:
- Consider and approve the business strategy; approve and monitor the implementation of business objectives of the Company.
- Oversee the internal control functions and confirm adequacy of the control environment.
- Oversee risk management and establish appropriate and prudent risk management policies. Approve all relevant policy documentation and any exceptions to such policies.
- Understand the capital needs of the Company and oversee the Company's capital management and liquidity.
- Oversee Management. The Board selects and when necessary, replaces Management members and puts in place an appropriate plan for succession.
- Ensure high ethical standards in doing business.
- Assess the governance structure periodically to ensure that it remains appropriate in light of growth, increased complexity etc.

By the end of 2022, the BoD consisted of 7 members, of which 2 were independent non-executive Directors, 1 non-executive Director and 4 executive Directors. BoD meets at regular intervals and at least 4 times a year. Within 2022, the BoD convened 4 times.

The structure of the Company's administrative, management or supervisory body at the end of the reporting period was as follows:



**Board Committees**

The BoD has established two Committees, the Audit Committee ("AC") and Risk Committee ("RC"), to assist it in discharging its obligations. The terms of reference of the Committees define the responsibilities, composition and meeting requirements.

Audit Committee

The role of the AC is to review and monitor the effectiveness of the Company's internal control system, the integrity of the Company's financial statements, the effectiveness and adequacy of the internal and external audit processes, the Company's relationship with the external auditors and the effectiveness of the Company's Compliance Function.

The Chairperson of the AC is an independent Non-Executive Director who reports to the BoD the activities of the Audit Committee. The AC consists of three non-executive Directors and at least two members are independent. The AC meets at regular intervals and at least 4 times a year. During the reporting year 2022, the AC convened 5 times.

Risk Committee

The RC is an advisory Committee to the BoD which it assists with the formulation of the Company's overall risk strategies and policies for managing significant business risks, and is responsible for designing and implementing the Company's Risk Management Framework.

The Chairperson of the RC is an independent Non-Executive Director who reports to the BoD the activities of the Risk Committee. The RC consists of three non-executive Directors and at least two members are independent. The RC meets at regular intervals and at least 4 times a year. During the reporting year 2022, the RC convened 4 times.

**Executive Committee**

In addition to the BoD Committees and in order to promote the effective operation of management, the Company has set up the Executive Committee ("ExCo") which consists of members of the Company's Executive Management and is chaired by the General Manager who has the overall responsibility and oversight for all business operations of the Company.

The ExCo is responsible for the implementation of the business plan and strategy set by the BoD and for the overall coordination of all internal business areas and functions within the Company. In addition, it is responsible for the regular review of the Company's performance, strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken in a timely manner.

The ExCo also acts as:

- Information Technology Steering Committee to review, monitor and prioritise major Information Technology projects and as a
- Business/Product Development Committee, to review and take decisions regarding promotional and selling activities, business campaigns, launching of new products etc.

### B.1.2 Material changes in the system of governance during the reporting period

In December 2022, the Bank of Cyprus Group proceeded with a VEP for its employees in Cyprus. In total 7 employees opted for the plan and left the Company by the end of 2022 accounting to a one-off cost of €1,0m.

There have been no other material changes in the system of governance during the reporting period.

### B.1.3 Remuneration Policy

The Company follows the BOC Group Remuneration Policy.

The Group’s objective to attract, develop, motivate and retain high value professionals is considered fundamental in achieving its goals and objectives and ensuring that the right people are in the right roles whilst managing its remuneration strategy and policies in a manner aligned with its shareholders.

The Group’s aim is to align its Remuneration Policy and human resources practices, with its long term objectives, its risk tolerance, capital and liquidity availability, the interests of its shareholders and ensure that they are consistent with and promote sound and effective management of risk and do not encourage excessive risk-taking.

The main form of remuneration of Executive Management and staff is fixed remuneration which comprises of salary and applicable allowances as determined by job value, individual contribution, employment contracts, collective agreements and relevant employment legislation. Variable remuneration refers to the additional discretionary remuneration paid as an incentive for increased productivity and competitiveness. Within the reporting year no variable remuneration or discretionary pension payments were granted.

The remuneration of non-executive members of the BoD is not linked to the profitability of the Company. It is related to the responsibilities and time devoted for Board meetings and for their participation in the Committees of the Board.

### B.1.4 Material transactions with shareholders, with persons who exercise significant influence and members of the administrative, management or supervisory body

BOC is a tied insurance intermediary of the Company and accounts for a significant share of the Company’s premiums that are written through the Bank’s network. In return for this business the Company incurs commission expenses. Other transactions with BOC within the reporting period, include the payment of dividends, insurance and rental arrangements and interest income earned on bank deposits.
Transactions with members of the BoD and Executive Management include Directors’ fees, salary compensations and retirement benefit plan contributions, as well as the collection of insurance premiums and payment of claims in the normal course of business.

## B.2 Suitability requirements

The Company ensures that all persons who effectively run the undertaking or hold other key functions at all times fulfil the following requirements:

- Their professional qualifications, knowledge and experience are adequate to enable sound and prudent Management.
- They are of good repute and integrity.

A person is considered to have a good reputation if there is no reason to assume anything to the contrary. Any indications that may give rise to well-founded doubts about the ability of that person to ensure reliable and prudent management may adversely affect his good reputation.

When evaluating the experience, skills and knowledge of a person, the Company considers the nature and extent of a number of matters. Such factors include but are not limited to:

- The person’s character, competence and suitability relative to the duties involved, including whether the person:
  - Possesses the necessary skills, knowledge, expertise, diligence and soundness of judgment to undertake and fulfil the particular duties and responsibilities of the particular position.
  - The level and object of the individual’s education and whether it is relevant to the sector or other relevant sectors such as economics, law, management, etc.

- Studies equivalent to a university degree or a recognised professional qualification relevant to financial matters and an adequate knowledge of the sector.
- Knowledge in financial markets, regulatory framework, strategic planning and corporate management, risk management, company organisation, governance and control, accounting, actuarial.
- Interpretation of key insurance figures.
- Adequate professional experience in corporate management or supervisory and control functions.

In addition to the above, the following governance criteria are also evaluated:

- The person does not have a conflict of interest in performing the duties of the position or, if there is a conflict of interest, the Company must conclude that the conflict will not create a material risk that the person will fail to perform properly the duties of the position.
- The individual is able to commit the necessary time to his duties.
- The individual's ability to perform his duties independently without undue influence from others.
- The composition of the BoD, the collective knowledge and experience.

The Company applies the following processes and procedures to ensure that individuals are suitable:

- Training: The Company ensures that all individuals receive appropriate training for maintaining their competence.
- Appraisals: Management carries out annual appraisals to review staff's current performance and establish goals for the upcoming year.
- Annual Declaration: Assessed persons (BoD members, General Manager, Key persons influencing decision making) are required to submit on an annual basis a declaration of any changes to ensure that they remain suitable.
- Board assessment: The Corporate Governance Compliance Officer ("CGCO") is responsible for assessing and evaluating the performance of the BoD, its Committees, the Directors and the Chairperson on an annual basis. For the purposes of assisting such assessment by the CGCO and providing constructive input for the improvement of the BoD as a whole, the BoD adopts a self-assessment policy on its effectiveness and performance through the completion of specific questionnaires.

## B.3 Risk management system

### B.3.1 Risk management framework

The Corporate Governance framework for the management of risks within the Company is based on the "Three Lines of Defence" model as described in previous sections.

The "First Line of Defence" is the business line Management and staff who are responsible for identifying, managing and reporting risks (Underwriting, Claims, etc). The "First Line of Defence" is controlled by the "Second Line of Defence" functions (Risk Management, Compliance, Information Security and Actuarial). The work of the Risk Management Function is supervised by the Risk Committee, the BoD Committee with responsibilities for risk management. The risk governance framework is complemented by the "Third Line of Defence" which is the Internal Audit Function, which provides an independent assurance to the BoD on the performance and effectiveness of the risk management system within the Company.

The Company's risk management framework objectives are to provide:

- A clearly defined and well documented risk management strategy that:
  - Sets the Company's risk management objectives, key risk management principles, and assignment of responsibilities for risk across all the activities of the Company
  - Defines the Risk Appetite Framework which sets the holistic approach of the Company in setting, communicating and monitoring its risk appetite. Risk appetite is defined as the aggregate level and types of risks the Company is willing and able to assume under normal course of activity, in order to achieve its strategic objectives and business plan.

  - Is consistent with the Company's overall business strategy.
- Adequate written policies that:
  - Include a definition and categorisation of the material risks faced by the Company by type, and the levels of acceptable risk limits for each risk type
  - Implement the Company's risk strategy
  - Facilitate control mechanisms
  - Take into account the nature, scope and time horizon of the business and the risks associated with it.
- Appropriate processes and procedures which enable the Company to identify, assess, manage, monitor and report the risks it is or might be exposed to.

As noted above, Company's risk strategy is a core element in the overall risk management framework, as it defines the strategy that needs to be followed in order to manage the risks that the Company faces while implementing its business strategy. With this risk strategy, Genikes Insurance aims to:
- Maintain sufficient solvency to meet regulatory and internal requirements
- Ensure that has sufficient liquidity to meet its liabilities as they fall due
- Remain a profitable company in the non-life insurance sector and
- Protect its reputation and brand image.

### B.3.2 Risk Management Function
The Risk Management Function ("RMF") is responsible for coordinating all risk management activities and comprises of the Head of Risk Management and specialised staff.

The RMF is free from influences that may compromise their ability to undertake their duties in an objective, fair and independent manner. The RMF cooperates with business functions/departments to carry out its role and has a reporting line to the BoD, through the Risk Committee, through which it is possible to escalate issues and act independently from Management. It also has a direct reporting line to the BOC Group's Risk Committee through the BOC Group's Risk Management Function in order to ensure its operational independence and safeguard its ability to escalate important issues.

The main roles and responsibilities of the RMF in the risk management framework are defined below:
- Support the BoD in the determination and implementation of the risk strategy and capital planning
- Coordinate the implementation of the risk management framework
- Evaluate and monitor the level of regulatory capital available to meet risk strategy and business objectives
- Ensure that the eligible own funds are adequate to cover SCR and MCR
- Regular reporting to Management and Risk Committee
- Review the appropriateness of the risk strategy by reference to Company objectives, risk appetite statement and limits, and inform the Risk Committee of any changes that may be required
- Monitor material risk exposures on an ongoing basis
- Develop internal risk methodologies and models
- Escalate breaches to appropriate authority.

### B.3.3 Risk management methodology
Risk management methodology follows the stages below for all categories of risks:
- Risk Identification
- Risk Measurement
- Risk Mitigation
- Risk Monitoring
- Risk Reporting

**Risk identification**

Risk identification is the process followed to identify and record all material risk exposures that arise from the Company's activities. Material risks are identified both formally, through the annual review of the Company's risk strategy, and informally as they arise in the course of business. The risks are assessed based on the severity of adverse impact that they could have on the Company if they were to be crystallised.

The risk identification is performed jointly by the business functions/departments and the RMF and is documented in the Company's Risk Register. Risk identification is performed at all levels of business as listed below:

- Existing risk identification
- Emerging risk identification
- Risks identified following the recording of loss events
- Risks identified through internal audit, compliance and information security reports
- Risk and control self – assessment ("RCSA") process.

**Risk measurement**

Once risks are identified, the measurement procedure is performed by all departments/functions on an annual basis in cooperation with the RMF. Material risks are considered more carefully, in order to measure their impact precisely using qualitative and quantitative techniques. The methodology used to classify risks (low, medium, high or critical) in terms of materiality is based on the "impact and likelihood" method. The impact is measured either in quantitative or qualitative terms (i.e economic loss, capital loss, reputational loss etc.).

Risks are assessed across a consistent scale of likelihood and impact criteria and parameters:

- Likelihood of occurrence refers to the possibility that a given event (risk) will occur within a specific time frame.
- Impact is the extent to which the risk, if realised, would affect the ability of the Company/department/function to deliver its strategy and objectives within a specific time horizon.

**Risk mitigation**

The Company recognises that the prevention of the impact of new/existing risks is achieved through a solid system of internal governance and controls. The Company strives to maintain a strong system of internal controls and governance commensurate with its risk profile and in full compliance with the relevant laws and regulations. Business functions/Departments are responsible to implement the appropriate control procedures for all business processes.

**Risk monitoring**

The monitoring of risk exposures is a joint responsibility between all three lines of defence in the risk management framework, consisting of prudent and regular review of both tolerance levels and exposure levels. The RMF has the responsibility to ensure that all material risk exposures are monitored on an ongoing basis and that any risks that fall outside the approved risk appetite of the Company are identified and appropriately escalated to the Risk Committee. All risk monitoring is undertaken in the context of the BoD's risk appetite.

Key Risk Indicators ("KRIs") metrics are established in order to monitor variables which indicate the possibility of losses.

Action plans and relevant approvals are documented in a consistent manner. Action plans for material breaches, are approved by the Risk Committee and actions are implemented by the risk owner and are overseen by the RMF. Possible actions may include:

- Decrease of the exposure

- Temporary increase of the risk appetite limit (following Risk Committee's approval)
- Transfer of the risk.

Progress against action plans on previous breaches is monitored by the RMF. The RMF supports the business owner in implementing a mitigating plan in order to rectify breaches to the Company's risk appetite.

**Risk reporting**

The RMF, through a set of reports prepared on a regular basis, keeps all interested and involved persons informed of its activities and the findings of the analyses it carries out. Main reports that are prepared on an ongoing basis during each year include:

- ORSA Report - to communicate outcome of the ORSA process and describe the risk profile of the Company
- Risk Management Reports - to describe the risk profile of the Company, highlight risk monitoring results and provide suggestions for managing any exposures and
- Risk Dashboards - to highlight monitoring results for key quantitative risk metrics.

## B.4 Own Risk and Solvency Assessment

The Company conducts an Own Risk and Solvency Assessment ("ORSA") in order to monitor the risks it is exposed to and assess the impact of these risks on the capital adequacy (current and future) of the business. ORSA goes beyond determining the capital needs determined by solely applying standard formula and considers stress scenarios and other non-quantifiable risks and determines how these risks are translated into capital needs. The ORSA is used by the BoD to make future business decisions and to ensure that any risk remaining after controls have been applied is within the Company's risk appetite.

The Company's assessment in terms of risk and solvency is crucial for the implementation of a risk-based regime. The risk-based approach requires that the Company holds an amount of own funds commensurate with the risks which is or may be exposed to. In addition to having sufficient eligible own funds to cover the regulatory capital requirements, the Company assesses the adequacy of this regulatory capital requirement to its individual risk position. This allows the management to take into account all the risks associated with the Company's business strategies and define the required level of capital that the Company needs to cover such risks.

By the end of the reporting year 2022, the Company has prepared and submitted to the Supervisory Authority its ORSA Report following its approval by the BoD.

### B.4.1 Process for performing the ORSA

The Company follows the steps below to implement its ORSA:

**Driving factors**

The Company defines the driving factors before ORSA planning – i.e. size and complexity, importance to the sector, proportionality issues, internal governance issues, supervisory perceptions about the Company and supervisory expectations in relation to ORSA, etc.

**Risk identification**

Risks are identified both formally, through the annual review of the Company's risk strategy, and informally as they arise in the course of business and all of them are documented in the risk register of the Company. The risk register includes a description of the specific risk together with any controls adopted by the Management in order to mitigate it. The risk identification includes risks considered in the SCR formula, as well as risks not included in the standard formula such as liquidity, strategic, business risks, reputational etc.

**Risk measurement**

Once risks are identified, the measurement of material risks through the standard formula as provided by the EIOPA is performed.

**Capital allocation**

Following the risk measurement results in respect of the risks identified in the risk register, the Company determines the need for any additional capital over and above the SCR based on:

- Its existing risk profile, and
- By taking into account risks that are not captured in the standard formula calculation (e.g. liquidity risk, reputational risk, strategic risk).

**Link with financial plan**

Based on the strategic objectives, financial projections and assumptions on future economic conditions, the Company prepares its capital planning for the next 4 years which must be aligned with the risk appetite statement.

**Stress and scenario testing**

As mentioned above, the Company maintains a repository for all risks identified in its risk register. These risks mainly include discrete operational events which are considered for the purposes of the ORSA exercise and modelled onto the Company's financial outlook. This provides the Company with insight into how sensitive its financial health is to changes around individual risks. But measuring individual risks discretely does little to illuminate a more complex landscape of interrelated risks that often move together in the real world. Therefore, the Company takes the further step of coherently clustering risks together into combined scenarios and carries out reverse stress testing by assessing scenarios and circumstances that would render its business unviable, thereby identifying potential business vulnerabilities. Based on the results of stress and scenario testing, actions are developed that can be taken in case the risks are crystallised in the future.

**Communication of the ORSA results**

The ORSA report presents the results and findings of the ORSA exercise to the Management and BoD of the Company. The preparation of the report is coordinated by the RMF and is based on the results and calculations received by the Actuarial Function and the Financial Control Department.

**Decision making**

The Company's risk and solvency assessment is crucial to the decision-making process and serves a critical role in the development, implementation and monitoring of management strategies:

- Risks assessed as high in the ORSA are also considered in the strategic planning of the Company.
- Improvements in the governance, risk and capital management processes suggested in the ORSA document are implemented by the Company.

The BoD uses the output of the ORSA exercise to review the Company's risk profile and assess whether the profile exceeds or approaches the risk appetite limits set. If this is the case, the BoD decides whether to amend the risk appetite limits or mitigate the risk.

## B.5 Internal control system

### B.5.1 Internal control system description

Internal Control is an important aspect of corporate governance, since a system of effective internal controls is fundamental to the safe and sound management of the Company by reducing the possibility of significant errors and irregularities and by assisting in their timely detection when they do occur. Effective internal controls help the Company to protect and enhance shareholders' value and reduce the possibility of unexpected losses or damage to its reputation.

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

- The BoD is responsible for setting the strategy, tone, culture and values of the Company.
- Management is responsible for the implementation of internal control culture and principles.
- Risk Management, Compliance and Actuarial Functions must assess both the internal and extract risks that Company faces.
- The Internal Audit Function assess the effectiveness of the internal control system through the specific engagements performed.

The Company's internal control system comprises of five interrelated components which are discussed below:

- **Control Environment:** All parts of the control environment of the Company are influenced by the actions and decisions of Management. The organisational structure of the Company sets the level of responsibility and defines appropriate and clear internal reporting relationships. Management reviews the organisational structure of the Company and identifies segregation of duties issues and takes the appropriate corrective actions before conflicts can arise. Management ensures that employees are aware of their duties and responsibilities and receive the required guidance and training to ensure proper work flow. Authority and responsibility are clearly assigned throughout the Company and are properly communicated to all employees.
- **Risk Assessment:** The Management has established a process to identify and consider the implication of external and internal risk factors concurrent with establishing entity wide objectives and plans. Management employs qualitative and quantitative methods to identify risk and determine relative risk rankings.
- **Control Activities:** The Company has appropriately documented policies and procedures, in place for each of its business areas (e.g. Underwriting, Claims, Reinsurance, Investments, etc.) and control functions (Risk, Actuarial, Data Privacy and Compliance, Information Security). Management oversees the implementation of the Company's policies and procedures and ensures that control activities are properly applied.
- **Reporting:** The Company has clear reporting and communication lines in relation to the Company's plans, objectives, control environment, risks, control activities, and performance. Personnel understand their own role in the internal control system, as well as how their individual activities relate to the work of others. The Company's management information system supports the frequent and structured reporting across all levels of the organisation. The Company's reporting framework identifies the types of internal reporting, its frequency and the individuals/Departments responsible for their preparation.
- **Monitoring:** The Company has established the necessary monitoring mechanisms that facilitate the understanding of the Company's situation and provide the BoD with relevant information for the decision-making process. Regular monitoring occurs during normal operations and includes ongoing management activities and actions taken by all personnel when performing their duties. The Internal Audit Function maintains an audit universe with all main operations and regulatory obligations of the Company and decides which areas to audit, following a risk-based approach.

### B.5.2 Compliance Function

The Compliance Function ("CF") is part of the second line of defence in the Company. The mission of the CF is to effectively apply throughout the Company a corporate culture of ethics characterized by high standards of integrity, transparency, confidentiality and regulatory compliance. The CF supports the Management in managing all forms of compliance risk (including regulatory, corporate governance, data privacy, and sanctions compliance risks) and embedding and improving compliance arrangements in all levels and structures of the Company.

CF is headed by the Legal & Compliance Manager ("LCM") who reports to the General Manager of the Company. The LCM has the authority as well as the obligation to operate independently from

Management and has free access at all times to BOC Group Compliance Director. The LCM also has a dotted reporting line to the BoD, through the AC, through which it is possible to escalate issues and act independently from Management. Independence of the function is ensured by written policy and by the oversight of the AC.

The CF establishes, implements and maintains appropriate mechanisms and activities to:
- Promote and facilitate a corporate culture of compliance, integrity and ethical values.
- Assist management to design, develop and implement an appropriate and effective compliance framework.
- Exercise oversight to ensure prompt and on-going compliance with legal, regulatory and business obligations.
- Manage effectively risks of non-compliance with these obligations.

Compliance activities are set out in a compliance programme prepared and monitored by the CF to ensure that all relevant areas are appropriately covered, taking into account their susceptibility to compliance risk. The compliance activities include:
- Identifying, on an on-going basis, legal, regulatory and business requirements, which govern and/or affect the operations of the Company.
- Ensuring that a fully updated register (Compliance Chart) of legal, regulatory and business requirements is maintained and that emanating compliance obligations are documented.
- Measuring and assessing the impact of these obligations on the Company's processes, procedures and operations.
- Identifying and documenting the compliance risks associated with the Company's business activities, on a pro-active basis.
- Applying appropriate practices and methodologies to measure compliance risk.
- Cooperating and exchanging information with other internal control and risk management functions on compliance matters.
- Educating, advising and responding to queries on compliance issues from staff.

## B.6 Internal Audit Function

The Internal Audit Function ("IAF") is an independent function responsible for providing its opinion to the BoD, through the Audit Committee of the Company on the design adequacy and operating effectiveness of the Company's internal control, risk management and governance systems. The Company outsources its IAF to the BOC Group's Internal Audit Division ("IA").

Notwithstanding any outsourcing, the Company remains fully responsible for discharging all of its obligations regarding the IAF. Risks inherent in the outsourcing of the IAF are identified, monitored and appropriately mitigated and the service provider is properly supervised and managed. IA reports directly to the Company's BoD (through the AC), as well as to the BOC Group's Audit Committee. The BOC Group's Audit Committee is responsible for monitoring the independence, adequacy, and effectiveness of the IA.

The Internal Audit Director confirms on an annual basis to the BOC Group's Board, through the BOC Group Audit Committee, the organisational independence of the internal audit activity. IAF is governed by the IA Charter, which is formed in accordance with the International Standards for the Professional Practice of Internal Auditing. The Charter complies also with the minimum requirements of the Central Bank of Cyprus Directive on Governance and Management Arrangements in Credit Institutions, issued in 2014. The purpose of the Charter is to define the standing, authority and responsibility of IA and of the IA Director of the BOC Group, as well as their reporting lines, compliance with professional standards and coordination with the external auditors. The Internal Audit Charter is reviewed and updated at least on an annual basis or when deemed necessary.

According to the IA Charter:

- IA staff members should adhere to the Core Principles for the Professional Practice of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing, including the Definition of Internal Auditing and the Code of Ethics. These Standards are principles-focused, mandatory requirements consisting of statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance. These Standards provide a framework for performing and promoting a broad range of value-added internal auditing.
- Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Also, internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The IAF carries out audits, aiming to provide assurance on the following:

- Adequacy of integrity of the accounting, financial reporting, management information and information technology systems;
- Appropriateness of compliance framework governing the operations of the Company;
- Adequacy and effectiveness of the Company's internal controls and procedures; and
- Adequacy and effectiveness of corporate governance and risk management processes.

The IAF prepares an Annual Audit Plan ("AAP"), which is developed following a Risk Based Approach and is approved by the BOC Group Audit Committee. The IAF also follows up on the implementation progress of recommendations arising from internal and external reviews performed. Management responses are reviewed by IAF on an ongoing basis. Evidence is obtained where appropriate and actions taken are challenged, in order to assess the accuracy of the reported status of recommendations. Results are reported to the BOC Group Audit Committee and to the Company's Audit Committee.

IAF reviews its existing policies and procedures on an annual basis. The aim is to keep these in line with best practices, by incorporating relevant publications from professional bodies as well as feedback obtained throughout the year.

## B.7 Actuarial Function

The AF is part of the governance of the Company and advises the BoD and Management on the valuation and adequacy of the technical provisions, the appropriateness of reinsurance arrangements and underwriting policy, and contributes to the effective implementation of the risk-management system.

The responsibilities of the AF include:

- Coordinating the calculation of technical provisions and ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made
- Assessing the sufficiency and quality of the data used in the calculation of technical provisions
- Expressing an opinion on the adequacy of reinsurance arrangements
- Expressing an opinion on the overall underwriting policy and technical pricing and profitability of products
- Contributing to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the Solvency Capital Requirements and to the ORSA exercise.

Responsibility of the Actuarial Function ("AF") falls under the Financial Control, Actuarial and Risk Department and comprises of the Head of the Actuarial Function and specialised actuaries. The AF also has a direct reporting line to the BoD, through the Risk Committee through which it is possible to escalate issues and act independently from Management. The AF and the associated reporting lines are free from influences that may compromise their ability to undertake their duties in an objective, fair and independent manner.

## B.8 Outsourcing

The Company adheres to requirements set out in the Insurance Companies Control Service and EIOPA Guidelines and Solvency II provisions relating to Outsourcing arrangements.

The Company’s outsourcing policy is summarised as follows:

- Assessment of the risks, costs and benefits of the potential outsourcing activity
- Selection and assessment of the outsourcing service provider (due diligence is conducted)
- Approval for outsourcing the activity is obtained
- Notification to the Regulator regarding the outsourcing of the activity
- Establishment of a written agreement which defines all aspects of the arrangement including the rights, responsibilities and obligations of each party
- Monitoring of the execution of the outsourcing agreement and assessing service provider’s performance.

The Company secures that outsourcing critical functions or activities does not lead to a material impairment of the quality of its governance system and there is no increase in the operational risk by:

- Adequately considering the outsourced activities in its risk management and internal control systems.
- Ensuring that the service provider has in place an adequate risk management and internal control system.
- Verifying that the service provider has the necessary financial resources to perform the tasks in a proper and reliable way, and that all staff of the service provider who will be involved are sufficiently qualified and reliable.
- Ensuring that the service provider has adequate contingency plans in place to deal with emergency situations or business disruptions and periodically tests backup facilities where necessary.

When choosing a service provider for any critical or important functions or activities the Company ensures that:

- The potential service provider has the ability, capacity and license required by law to deliver the required functions or activities.
- The service provider has adopted all means to ensure that no explicit or potential conflict of interest with the Company impairs the needs of the outsourcing undertaking.
- The general terms and conditions of the agreement are authorised and understood by the Company’s Management and BoD.
- The outsourcing does not represent a breach of any data protection regulation or any other laws.
- The service provider is subject to the same provisions on the safety and confidentiality of information relating to the Company or to its policyholders or beneficiaries that are applicable to the Company.
- A written agreement between both parties exists, which defines the respective rights and obligations of each party.

As at the end of 2022, the Company outsources within the BOC Group the following critical or important functions or activities:

- Investment portfolio management
- Internal audit services and
- Information Technology services.

All the above service providers are located in Cyprus.

**B.9 Adequacy of the system of governance**

The Company is committed to implementing a sound governance system that is commensurate to the nature, scale and complexity of risks inherent in its business. As such, the Company aims to continuously improve its governance by ensuring relevant systems are reviewed and evaluated with appropriate recommendations made to the Board at least on an annual basis.

The key values of corporate governance that the Company implements are the following:

- The organisational structure is designed to ensure a prudent and effective management of the Company.
- The Board consists of executive and non-executive members (two of which are independent). The Board strives to be sufficiently diverse as regards age, gender, educational and professional background.
- The Audit and Risk Committees have clearly defined responsibilities which have been delegated by the BoD. Committees are empowered to make decisions and take actions within the limits of their delegated authority.
- The ExCo, formulates a strategy in the form of a 4-year plan by taking into account the Company's risk appetite, legal and regulatory framework and the Group's strategic direction.
- The Corporate Governance Manual sets the guidelines and provides transparency on corporate governance throughout the Company.
- The Company's Corporate Governance Compliance Officer reviews on an annual basis the effectiveness and adequacy of the corporate governance policy of the Company.
- The Employee Code of Conduct governs staff obligations.
- The Internal Audit Function is independent and reports to the Board through the Audit Committee.
- Internal and external audits provide further independent evaluation of the Company's governance system and relevant recommendations are considered by the Board/Committees and implemented proportionate to the business risks.

**B.10 Other material information**

All material information regarding the system of governance has been addressed in the previous sections.

# C Risk Profile

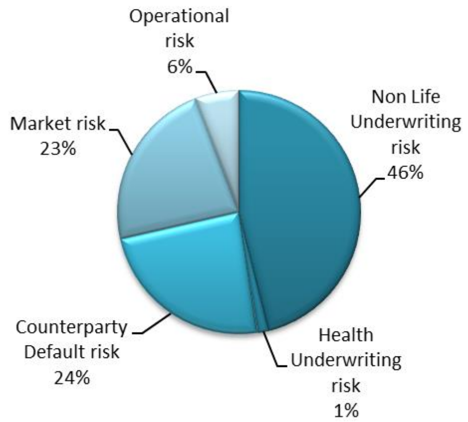
Solvency II is a risk-based solvency requirement framework which requires the Company to hold capital against underwriting, market, credit and operational risks. The Company aims to maintain sufficient available capital to cover all risks faced by the Company and to satisfy regulatory requirements at all times.

The Solvency Capital Requirement ("SCR") is the economic capital that should be held to ensure that the Company can meet its obligations to policyholders and beneficiaries with certain probability and should be set to a confidence level of 99.5% over a 12-month period. That requirement limits the chance of financial loss for the following year to a 1 in 200 year event. There is also a Minimum Capital Requirement ("MCR"), which represents an 85% confidence level and should not be less than 25% of the SCR. The Company uses the standard formula to calculate the SCR, as provided by the EIOPA.

The Company's SCR as at 31 December 2022 was estimated at €22,7m and was covered by €38,1m of eligible capital resources, providing a surplus of €15,4m. As at 31 December 2022, the SCR coverage ratio amounted to 168% and the MCR coverage ratio amounted to 650%. The movement in the SCR ratio from prior year arose mainly from the lower available capital due to lower increase in reserves and investments fund losses. The increase in SCR amount is mostly driven by the increase in Underwriting Risk required capital to €13,5m (2021: €12,7m), as a result of increase in reserve risk (driven by the motor and liability lines of business) and premium risk. Increase in Underwriting Risk SCR is also impacted by the higher premium production achieved in 2022 compared to prior year.

The calculation of the SCR according to the standard formula is divided into modules and sub-modules. The components of the SCR (before diversification) for the reporting period ended 31 December 2022, are presented in the following graph:

SCR Components 2022




For the reporting year 2022, Non-Life Underwriting risk, Counterparty Default risk and Market risk were the main components of the Company's SCR. Non-life underwriting risk components are premium, reserve risk and catastrophic events ("CAT") risk which are mitigated through the purchase of adequate reinsurance cover. To mitigate Market risk, the Company follows a defined Investment Policy which includes specific criteria and limits (qualitative and quantitative) for each category of asset in order to ensure that investments are made in a prudent manner. Counterparty Default risk is also one of Company's material risks and specific mitigation techniques are applied by the Company for proper mitigation.

The Company's SCR, calculated using the standard formula and split by risk module, is presented in Section E – Capital Management. In order to assess the risk sensitivity for each risk, the Company uses the standard formula and performs stress testing scenarios to ensure it will be solvent if any of these scenarios materialise.

As part of its risk management process, during the reporting year, the Company carried out stress and scenario testing for material risks through the annual process of Own Risk and Solvency Assessment (“ORSA”). Details of the stress testing and sensitivity analysis performed for each material category of risk is presented in the following sections.

## C.1 Underwriting Risk

### C.1.1 Key Underwriting Risks

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and/or reserving assumptions. Underwriting risk includes the fluctuations in the timing, frequency and severity of insured events, with relation to the undertaking’s expectations at the time of underwriting and/or reserve setting. This risk can also refer to fluctuations in the timing and amount of claims settlements. Genikes Insurance is exposed to Non-Life Underwriting risk and Health Underwriting risk (applicable for medical line of business). More specifically, the Underwriting risk is analysed in the following sub-modules:

<u>Premium & Reserve risk</u>

The premium and reserve risk only takes into account losses that occur at a regular frequency.

- Premium risk only relates to future claims attributable to the unexpired portion of inforce policies (excluding incurred but not reported (“IBNR”) and incurred but not enough reported (“IBNER”)), and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected.
- Reserve risk only relates to the settled ultimate figure of incurred claim amounts, i.e. existing claims, (including IBNR and IBNER), and originates from the final settled claim amounts being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected.

<u>Lapse risk</u>

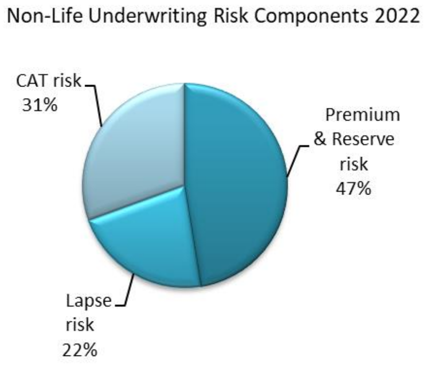
Lapse risk is the risk of a change in value caused by deviations from the actual rate of policy lapses compared to their expected rates. Lapse risk is estimated as the discontinuation of 40% of the insurance policies which would result in an increase of technical provisions. Lapse risk is applicable for non-health business.

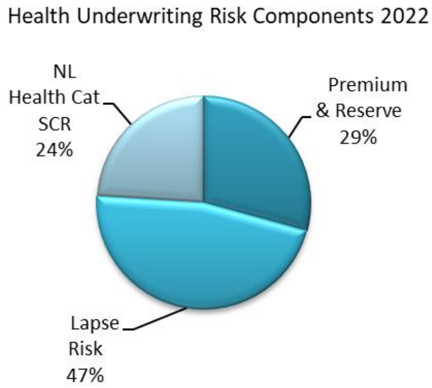
<u>CAT risk</u>

CAT risk is the risk that a single catastrophe event or series of events, of major magnitude, usually over a short period, lead to a significant deviation in actual claims from the total expected claims. It refers to the risk of loss or of adverse change in the value of insurance liabilities resulting from extreme or exceptional events whose effects are not sufficiently captured by the capital requirements from premium and reserve risks.

The non-life CAT risk consists of the natural and man-made catastrophe risk and the non-life health CAT risk from a mass accident and concentration risk arising from unusual accumulation of risks.

The Non-Life and Health Underwriting risks (before diversification) is analysed in the following sub-modules:




**C.1.2 Assessment and risk mitigation techniques for underwriting risk**

The Company's underwriting objective is to maximise earning levels and minimise volatility of earnings, while ensuring that the Company is appropriately compensated for the risks it assumes. The Company monitors and controls underwriting risk through various methods summarised below:

- Having a defined framework for the approval, control, management, monitoring and reporting of underwriting activity and its associated risks as set out in the Company's Underwriting Manual.
- Having defined underwriting authorisation limits and approval procedures.
- Maintaining a risk register which is assessed on a regular basis.
- Performing stress and scenario testing during the ORSA process to assess the risk under stressed conditions.
- Regular monitoring of the Company's underwriting performance by ExCo.
- Using reinsurance, either through proportional or non - proportional arrangements to reduce the Company's exposure.
- Assessment, quantification and monitoring of the underwriting risk exposure through the standard formula SCR calculation.
- The Company's AF conducts quarterly reserve reviews to determine the appropriate reserving levels.

**Reinsurance protection**

The Company maintains adequate reinsurance protection at all times, purchased both directly and through reinsurance brokers. The main reason for purchasing reinsurance is to protect the interest of the Company's policyholders as reinsurance provides liquidity, which can be in need especially in cases of large catastrophic events. Moreover, reinsurance coverage assists the Company to lower its volatility of earnings and increase capacity, allowing it to underwrite a larger volume of business and bigger risks.

The Company's Reinsurance Unit is responsible for analysing the performance and effectiveness of reinsurance arrangements and assessing the necessity for changes including additional capacity, retention levels, wording clauses and exclusions in order to be in line with the Company's underwriting objectives, capital and risk strategies.

**C.1.3 Stress testing and sensitivity analysis**

As part of the ORSA process, the Company carries out stress and scenario testing for the material underwriting risks to which it is exposed to, and the results are summarised as follows. Application guidance was issued by EIOPA during the reporting period, which sets out expectations on the integration of the use of climate change scenarios by insurance undertakings in their ORSA. A relevant materiality assessment was performed by the Management as part of the ORSA exercise for the year 2022.

| Scenario | Assumptions | Impact | Observations/Actions |
|---|---|---|---|
| Major catastrophic event | • Major earthquake impacting Limassol and Paphos districts.<br>• Claims settlement pattern same as for attritional claims.<br>• Dividends at original budget levels. | • Maximum decrease in overall SCR ratio by 62 pp. in the first year of the event. | • Minimise SCR ratio impact through lower dividend distribution.<br>• Reassessment of the Company's capital management strategy.<br>• Liquidation of highly liquid assets. |
| Climate change effect combined with a major wildfire event | • Physical and transition effects were incorporated through worsening of loss ratios and adverse effect in investment/production respectively.<br>• Additional wildfire event with residential exposure.<br>• 2022 reinsurance treaty structure applies.<br>• Dividends at 100% of accounting profits. | • Decrease in overall SCR ratio by 17-53 pp. throughout the planning period. | • Reassessment of the Company's capital management and distribution strategy.<br>• Review and reassessment of underwriting and pricing policies.<br>• Automate and digitally upgrade procedures towards straight through processes to achieve efficiencies and minimize costs.<br>• Introduction of 'green products'. |

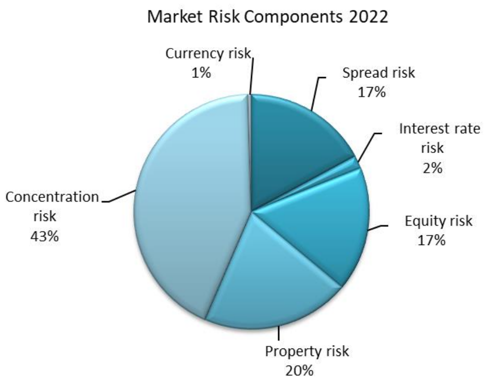
Based on the analysis performed the Company's underwriting risk profile was assessed to be resilient to withstand severe shocks by maintaining higher levels of available capital through restrictive dividend distribution to parent.

## C.2 Market Risk

### C.2.1 Key Market Risks

Market risk represents 23% of the Company's SCR (before diversification). Market Risk is the risk of loss or of adverse change in the financial situation, which may result directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Exposures to Market Risk are measured by the impact of movements in the level of financial variables such as equity prices, interest rates, real estate values and exchange rates.

The Company's Market Risk consists of the following sub-risks:



Spread Risk

Spread risk reflects the change in the value of assets and liabilities caused by changes in the level or the volatility of credit spreads over the risk-free term structure. The capital charge is calculated per instrument and an SCR charge is then derived for spread risk as the sum of the SCRs for each sub-component. The Company's assets subject to spread risk are corporate bonds and term deposits.

Interest Rate Risk

Interest rate risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates. The Company's interest-sensitive assets are investments in bonds and term deposits. The Company's interest-sensitive liabilities are best estimates of technical provisions.

Equity Risk

Equity risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level/volatility of market prices of equities. Investments in equities are analysed between Type 1 and Type 2 equities:

- Type 1 equities comprise equities listed in regulated markets in the countries which are members of the EEA or the OECD.
- Type 2 equities comprise equities listed in stock exchanges in countries which are not members of the EEA or the OECD, equities which are not listed, commodities and other alternative investments, as well as assets where a look-through approach is not possible.

By the end of year 2022, the Company estimates held Type 1 and Type 2 equities on which a 35,98% and 45,98% instantaneous decrease was applied respectively.

Additionally, the Company's fully owned subsidiary is classified as a strategic participation under the Equity Risk module in respect of which an instantaneous decrease of 22% was applied.

Property Risk

Property risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level/volatility of market prices of real estate. Properties of the Company subject to property risk include land and buildings either owner-occupied or used as investment property.

Properties of the Company include land and buildings classified as owner-occupied, investment related and assets with a right of use. Property Risk reduces the market value of the Company's related properties by applying a negative shock of 25%.

Concentration Risk

Concentration risk includes all risk exposures with a loss potential which is large enough to threaten the solvency/financial position of the Company. Concentration Risk applies to assets considered under equity, spread and property risk above and excludes assets covered by the Counterparty Default Risk under Credit Risk section. Risk concentrations with the parent company are noted due to the strategic relationship with BOC Group. More specifically, 88% concentration risk capital requirement (before diversification) arises from the term deposits held with parent company.

Concentration risk assumes that the geographical or sector concentration of the assets held by the Company is not material.

Currency Risk

Currency risk arises from changes in the level or volatility of currency exchange rates. Company may be exposed to currency risk arising from various sources, including investment portfolios, as well as assets, liabilities and investments in related undertakings. For each foreign currency, the capital requirement for currency risk is equal to the larger of the SCR of a 25% increase or decrease in value of the foreign currency against the local currency.

Due to the increased investment in investment funds with indirect investments in financial assets denominated in currencies other than Euro, the currency risk accounts for 1% of the overall market risk exposure (before diversification).

### C.2.2 Investment assets and prudent person principle

The investments of the Company meet the eligibility criteria (qualitative and quantitative) as set out in the Company's Investment Policy per type of asset. The said policy defines specific criteria and limits for each category of asset in order to ensure that investments are made in a prudent manner as follows:

- The overall policy objective is to adequately fund the Company's technical provisions and solvency margin and to contribute to the growth of surplus for the benefit of the shareholders.
- All investments qualify under applicable laws and regulations.
- The Company holds assets with sufficient values and adequate liquidity to meet all liabilities and enable payments as they fall due.
- Investment activities are appropriate so that the Company's shareholders and policyholders are not exposed to undue risks.
- Investments are sufficiently diversified across asset classes, maturities and geographical location of instruments.
- Counterparties are selected by taking into account the credit rating and reputation of each entity. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and Company ensures only counterparties with high credit rating are used.
- The Company does not engage in speculative investments or other high-risk investment activities. The Company does not invest in complex instruments or markets where the risks cannot be sufficiently understood, measured and managed.

### C.2.3 Assessment and risk mitigation techniques for market risk

The Company follows its Investment Policy for managing the risks arising from the Company's investment decisions and practices by defining the framework for the approval, monitoring and reporting of investment activity and associated risks and establishing adequate limits and controls. The investment risk appetite is expressed in terms of acceptable asset classes for investment and the tolerance level for the risks arising from each investment. The Investment Policy is reviewed annually to ensure that the mitigation guidelines defined are still appropriate for the Company.

The RMF monitors, assesses and reports regularly on the investment risk exposures and market developments that may conduce to the generation of potential market risks. A risk register is maintained and stress and scenario testing is performed during the ORSA process to assess the risk under the stressed conditions.

The standard formula SCR includes an assessment and quantification of the market risk exposure.

### C.2.4 Stress testing and sensitivity analysis

As part of the ORSA process, the Company carries out stress and scenario testing for the material market risks to which it is exposed to, and the results are summarised as follows:

| Scenario | Assumptions | Impact | Observations/Actions |
|---|---|---|---|
| Downgrading/impairment of investment funds | • Downgrading by two credit quality steps combined with an impairment loss in | • Decrease in overall SCR ratio by 24-28 pp. throughout the planning period. | • Use of specific approved ECAIs for counterparty selection.<br>• Credit ratings monitoring of investment counterparties.<br>• Monitor investment qualitative and |

| Scenario | Assumptions | Impact | Observations/Actions |
|---|---|---|---|
| | fair value of investment funds | | quantitative limits through appointed investment manager.<br>• Re-assessment of Company's investment strategy. |

Based on the analysis performed the Company's market risk profile was assessed to be resilient to withstand severe shocks and is within the Company's risk appetite.

## C.3 Credit Risk

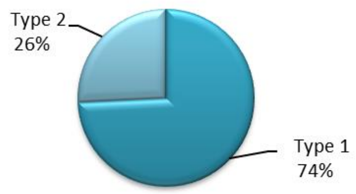
### C.3.1 Key Credit Risk

Credit risk (in the form of Counterparty Default Risk) represents 24% of the Company's SCR (before diversification). Credit risk is the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Company is exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations. Counterparty Default Risk is the risk of loss due to unexpected default, or deterioration in the credit standing of the counterparties and debtors of the Company over the following 12 months.

Counterparty Default risk exposure of the Company is further analysed as follows:

- Type 1 exposures which include the best estimates of reinsurance outstanding amounts and cash at bank (current/sights accounts).
- Type 2 exposures which include premium receivables from agents/brokers and policyholders debtors and are assumed to be well diversified but unlikely to be rated.

Counterparty Default Risk Components 2022




Capital requirement for Type 1 exposures mainly arises from cash deposits (current/sight accounts) with financial institutions. Counterparty default risk exposure for the year 2022 was slightly lower than prior year due to the lower level of term deposits held by the year end.

### C.3.2 Assessment and risk mitigation techniques for credit risk

The Company assesses, monitors and mitigates credit risk through various methods as summarised below:

- Using specific approved external credit assessment institutions (Standards & Poor's, Moody's, or Fitch) for counterparty selection.
- Selecting reinsurance counterparties with a minimum credit rating of "A-" (Standard and Poor's or equivalent).
- Monitoring the credit ratings of reinsurance counterparties on a quarterly basis.
- Regular monitoring of exposures and assessment of the adequacy of existing provisions for bad debts and evaluating of the need for further provisions.
- Selecting only highly reputable and creditworthy counterparties.
- A risk register is maintained and stress and scenario testing is performed during the ORSA process to assess the risk under stressed conditions.
- The standard formula SCR includes an assessment and quantification of the credit risk exposure.

### C.3.3 Stress testing and sensitivity analysis

As part of the ORSA process, the Company carries out scenario testing for the material credit risks to which it is exposed to, summarised as follows:

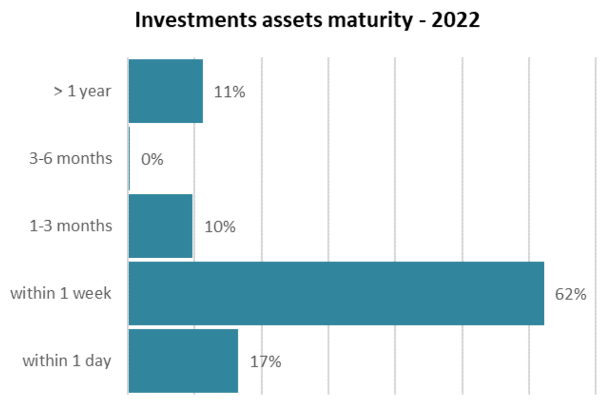
| Scenario | Assumptions | Impact | Observations/Actions |
|---|---|---|---|
| Downgrading/impairment of investment funds | • Downgrading by two credit quality steps combined with an impairment loss in fair value | • Decrease in overall SCR ratio by 24-28 pp. throughout the planning period. | • Use of specific approved ECAIs for counterparty selection.<br>• Credit ratings monitoring of investment counterparties.<br>• Monitor investment qualitative and quantitative limits through appointed investment manager.<br>• Re-assessment of Company's investment strategy. |
| Exit of lead reinsurer from Cyprus market | • 50% of outstanding claim amounts paid by the Company in the first year.<br>• Full replacement of reinsurer's share in 2025. | • Decrease in overall SCR ratio by 52 pp in the first year of the financial plan. | • Re-assessment of the Company's capital management and distribution strategy.<br>• Monitor credit ratings of reinsurance counterparties.<br>• Re-assessment of Company's reinsurance strategy and placement of reinsurance-to-reinsurance counterparty with lower rating. |

The results of the testing showed that the most material impact on the SCR coverage was in the event of the exit of lead reinsurer from Cyprus market. Based on the analysis performed the Company's credit risk profile was assessed to be resilient to withstand severe shocks and is within the Company's risk appetite.

## C.4 Liquidity Risk

Liquidity Risk is the risk that the Company is unable to realise investments and other assets in order to settle its financial obligations when they fall due. Liquidity Risk arises in circumstances where a Company has insufficient liquid or readily realisable assets to meet its commitments and is forced to rely on the realisation of assets that cannot be realised at short notice at a reasonable value.

The greatest threat to liquidity may occur during a catastrophic event, when a large number of claims will be received at once or there may be prospects of a significantly large claim. In case of such events, the Company has in place sufficient reinsurance cover.  Generally, the Company aims to ensure that it has sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses.




As at 31 December 2022, 79% of the Company's investment assets were placed in highly liquid assets which could be liquidated within 1 week.

### C.4.1 Assessment and risk mitigation techniques for liquidity risk

The Investment Policy sets out specific limits to ensure that the Company maintains sufficient liquidity to manage its day to day operations and as sufficient buffer for covering sudden liquidity demands that may arise. The Investment Policy is reviewed at least on an annual basis to ensure its contents reflect the latest regulatory requirements and any changed business processes and economic circumstances.

The RMF monitors, assesses and reports regularly on the liquidity risk exposures and market developments that may conduce to the generation of potential liquidity risks. A risk register is maintained and stress and scenario testing is performed during the ORSA process to assess the risk under stressed conditions.

### C.4.2 Stress testing and sensitivity analysis

As part of the ORSA process, the stress and scenario testing performed under risks mentioned above, also assesses the impact on the Company's liquidity and ability to meet its obligations as they fall due.
Based on the analysis performed, the Company's liquidity risk profile was assessed to be resilient to withstand severe shocks and is within the Company's risk appetite.

### C.4.3 Expected profit included in future premiums

The Expected Profit Included in Future Premiums ("EPIFP") represents the amount of profits expected to be earned in the future, on existing unexpired policies. The expected profit is calculated as the excess of expected future cash inflows over the expected future cash outflows. The EPIFP calculated by the end of the reporting period amounts to €2,5m (net of recoverables).

## C.5 Operational Risk

Operational risk represents 6% of the Company's SCR (before diversification). Operational Risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational Risk excludes Strategic and Reputational Risks and is designed to address risks not been explicitly covered in other SCR risk modules. The risk calculation is based on the best estimates and the premiums earned during the previous twelve months.

The Company classifies operational risks under the following main categories:

- **Internal fraud:** Losses due to acts intended to defraud, misappropriate property or circumvent regulations, the law or Company policy, excluding diversity/discrimination events, which involve at least one internal party e.g. intentional misreporting of positions or employee theft.
- **External fraud:** Losses due to acts intended to defraud, misappropriate property or circumvent the law, by a third party e.g. robbery, forgery or hacking into systems.

- **Employment practices and workplace safety:** Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events e.g. violation of health and safety rules or discrimination claims.
- **Clients, products and business practices:** Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients, or from the nature or design of a product e.g. misuse of confidential customer information.
- **Damage to physical assets:** Losses arising from damage to physical assets from natural disasters or other events such as floods, fires, terrorism or vandalism.
- **Business disruption and system failures:** Losses arising from disruption of business or system failures e.g. electricity outages.
- **Execution, delivery and process management:** Losses from failed transaction processing or process management, from relations with trade counterparties and vendors e.g. data entry errors or incomplete legal documentation.

### C.5.1 Assessment and risk mitigation techniques for operational risk

The Company employs a specific methodology and a number of tools to identify, assess, mitigate and monitor operational risks.

- **Risk Control and Self – Assessment (RCSA):** The most important tool for identifying and assessing operational risk is the RCSA workshops, which allows business-owners to identify and measure (based on likelihood and impact) the exposure to operational risk through estimates by managers and staff. The RCSA process is repeated annually or in the event of significant developments or changes in the organisational structure, processes or systems of the Units/Departments or at the occurrence of any other event that may affect the risk profile of the Company. Every month the progress and status of the risk mitigation action plans are updated by the Units/Departments and the RMF, with the progress achieved towards meeting the actions and deadlines originally set.
- **Key risk indicators (KRIs):** In addition, metrics which are commonly known as KRIs are established in order to monitor variables which indicate the possibility of losses. KRIs are monitored by the RMF and are reported to the RC on a regular basis. KRIs are established from a pool of business data/indicators considered useful for the purpose of risk tracking.
- **Operational loss events:** The Company records data on operational risk events (actual and potential losses as well as near misses) with a set threshold per loss and aggregate thresholds. An operational risk event is defined as any incident where through a failure or lack of control, the Company could actually or potentially have incurred a loss. This enables the identification of weaknesses or vulnerabilities and potential threats, which in turns supports the specification of actions to minimise the risk of similar incidents occurring in the future.
- **Business Continuity Plan/Disaster Recovery Plan:** The Company has in place continuity plans to ensure that any business continuity and disaster recovery risks are managed properly. This enables the Company to operate on an ongoing basis and limit any losses in case of disruption of operations. These plans are reviewed and tested on a regular basis.
- **Outsourcing:** The Company is outsourcing the provision of certain services to external service providers, and as such is exposed to any potential failure on their part. The Company secures that outsourcing critical functions does not lead to a material impairment of the quality of its governance system and there is no increase in the operational risk.

### C.5.2 Stress testing and sensitivity analysis

As part of the ORSA process, the stress and scenario tests performed also assess the impact on the Company's operational risk.

Based on the analysis performed, the Company's risk profile was assessed to be resilient to withstand severe shocks and is within the Company's risk appetite.

## C.6 Other material risks

### C.6.1 Cyber risk and security threats

Cyber risk refers to risks of cyber-attacks, which are deliberate exploitation of computer systems, technology-dependent processes and networks in the cyber realm. Cyber-attacks use manual and automated means to alter or execute computer code, logic or data, resulting in disruptive consequences that can compromise data in terms of its confidentiality, integrity or availability and lead to cybercrimes, such as data exfiltration and modification or unavailability of systems.

The Company aims for strong internal processes and the development and continuous improvements robust technology controls. Policy and associated security Standard of BOC Group are applicable to the Company.

### C.6.2 Reputational risk

Reputational Risk is the risk of potential loss to the Company through deterioration of its reputation or standing due to a negative perception of the Company's image among customers, counterparties, shareholders and supervisory authorities.

The Company monitors early warning indicators of reputational risk that arise from business as usual activities, through the monitoring of its reputation in the market (e.g. through market research, customer satisfaction surveys, third party trust surveys) and the testing of its ability to respond quickly to a deterioration to its reputation.

### C.6.3 Compliance risk

Compliance Risk is defined as the risk arising from the failure to comply with the overall regulatory and supervisory environment governing the conduct of the Company's business.

The Company monitors all regulatory developments very closely and despite the regularly changing regulation environment, Management ensures that Genikes Insurance remains compliant on a continuous basis. The CF of the Company is responsible for the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance of the Company with the existing legal and regulatory framework.

### C.6.4 Strategic risk

Strategic Risk is the risk of the current and prospective impact on earnings or capital arising from adverse business conditions, improper implementation of decisions, or lack of responsiveness to industry changes. The Company monitors changes to the external and internal financial and competitive environment and assesses the impact on its overall strategy at regular intervals. Management monitors all business targets versus actual experience and is very agile in adjusting its business goals in response to changes in the market, competitive or regulatory environment.

The economic environment has evolved rapidly since February 2022 following Russia's invasion in Ukraine. As the war is prolonged, geopolitical tension persists and inflation remains elevated, impacted by the soaring energy prices and disruptions in supply chains. The high inflation weighs on business confidence and consumers' purchasing power. In this context the Company is closely monitoring the developments and has assessed the impact the crisis has on its operations and financial performance. Considering the implications as of to date and its assessment regarding the expected developments in relation to Coronavirus (COVID-19), the events in Ukraine and the relevant sanctions against Russia, Management has performed relevant crisis scenario during its ORSA exercise for the year 2022, in order to assess the impact on its business operations and solvency position. Results of the scenario performed are presented in the following section.

### C.6.5 Stress testing and sensitivity analysis

In addition to the above stress testing scenarios performed under specific risks, the Company also assessed the following:

| Scenario | Assumptions | Impact | Observations/Actions |
|---|---|---|---|
| Adverse impact on growth and profitability due to market crisis | • Adverse premium growth for the first two years of the plan<br>• Increase in expanse base due to inflation<br>• Worsening of loss ratios for the whole strategy plan<br>• Occurrence of a data privacy breach amounted in 2026.<br>• Dividends at 100% of accounting profits. | • Maximum decrease in overall SCR ratio between up 8 pp in the last year of plan. | • Minimise SCR ratio through lower dividend distribution.<br>• Determine the potential for growth of sales through the use of all available tools and channels.<br>• Review and reassessment of underwriting and pricing policies.<br>• Automate and digitally upgrade procedures towards straight through processes to achieve efficiencies and minimize costs.<br>• On-going monitoring of credit ratings of investment counterparties.<br>• On-going application of Group IT/InfoSec Policies. |

Based on the analysis performed, the Company's risk profile was assessed to be resilient to withstand severe shocks and is within the Company's risk appetite.

The Company also took the further step of coherently clustering risks together into combined scenarios and carried out reverse stress testing by assessing scenarios and circumstances that would render its business unviable, thereby identifying potential business vulnerabilities.

# D Valuation for Solvency Purposes

## D.1 Assets and Other Liabilities

### D.1.1 Base and assumptions

The Solvency II framework requires an economic and market-consistent approach for the valuation of assets and other liabilities. According to this approach assets and other liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

The default reference framework for valuing assets and other liabilities, are the IFRSs as adopted by the European Union ("EU"). If IFRSs allow for more than one valuation method, only valuation methods that are consistent with Article 75 of the Solvency II Directive are used. In most cases, IFRSs are considered to provide a valuation consistent with Solvency II principles. Also, the IFRSs' accounting bases, such as the definitions of assets and other liabilities, as well as the recognition and derecognition criteria, are applicable as the default accounting framework, unless otherwise stated. IFRSs also refer to a few basic presumptions, which are equally applicable:

- The going concern assumption.
- Individual assets and liabilities are valued separately.
- The application of materiality.

The following hierarchy of high level principles for the valuation is used:

- Quoted market prices in active markets for the same or similar assets/liabilities.
- Quoted market prices in active markets for similar assets/liabilities with adjustments to reflect differences.
- Mark-to-model techniques that are benchmarked, extrapolated or otherwise calculated as far as possible from a market input.
- Maximum use of relevant observable inputs and market inputs and as little reliance as possible on undertaking-specific inputs, minimising the use of unobservable inputs.

### D.1.2 Valuation

The material classes of assets and other liabilities on the Solvency II Balance sheet, the Solvency II values and the values for the corresponding items shown in the Company's financial statements, as well as the valuation methods used and major differences in valuation are summarised in the table below:

| | Solvency II | | | Financial Statements | | | |
|---|---|---|---|---|---|---|---|
| 31 December Assets | 2022 €'000 | 2021 €'000 | Valuation basis | 2022 €'000 | 2021 €'000 | Valuation basis | Major Differences |
| Intangible assets | - | - | Valued at zero | 2.256 | 1.000 | Cost less accumulated amortisation and impairment losses (IAS 38) | Zero value for Solvency II as they cannot be sold separately and there is no value for the same or similar assets from quoted market prices in active markets |
| Property and equipment held for own use | 4.439 | 4.822 | Same as IFRS | 4.553 | 4.803 | - Fair value less accumulated depreciation (IAS 16)<br>- Right of use asset (IFRS 16) | Assets not revalued as at 31 December 2022 in IFRS financial statements based on IAS 16, par.34. For Solvency II purposes they are stated at fair value as at 31 December 2022. |
| Investment property | 6.986 | 7.349 | Same as IFRS | 6.986 | 7.349 | Fair value (IAS 40) | - |

| 31 December Assets | Solvency II 2022 €'000 | Solvency II 2021 €'000 | Solvency II Valuation basis | Financial Statements 2022 €'000 | Financial Statements 2021 €'000 | Financial Statements Valuation basis | Major Differences |
|---|---|---|---|---|---|---|---|
| Investment in Subsidiary | 741 | 784 | Same as IFRS | 741 | 784 | Fair value (IAS 27) | - |
| Investment in equities | 3 | 3 | Same as IFRS | 3 | 3 | Fair value (IFRS 9) | - |
| Investment in collective investment undertakings | 42.991 | 44.988 | Same as IFRS | 42.991 | 44.988 | Fair value (IFRS 9) | - |
| Deferred acquisition costs | - | - | Valued at zero | 5.441 | 5.143 | Calculated on a basis compatible with that used to determine unearned premiums (IFRS 4) | Zero value for Solvency II |
| Reinsurance recoverables – non life/health technical provisions | 18.142 | 14.769 | Cash flow basis (Best Estimates) | 26.257 | 20.921 | Share of insurance contracts liabilities (IFRS 4) | Refer to section D2 below |
| Insurance and intermediaries receivables | 13.640 | 10.275 | Same as IFRS | 13.640 | 10.275 | Amortised cost less impairment (IFRS 9) | - |
| Reinsurance receivables | 157 | 50 | Same as IFRS | 157 | 50 | Amortised cost less impairment (IFRS 9) | - |
| Receivables (trade, not insurance) | 55 | 36 | Same as IFRS | 55 | 36 | Amortised cost less impairment (IFRS 9) | - |
| Any other assets | 1.009 | 1.247 | Same as IFRS | 1.009 | 1.247 | Asset recognised for the excess of the amount paid over the amount due for current and prior periods (IAS 12) | - |
| Cash and deposits | 18.342 | 19.235 | Same as IFRS | 18.342 | 19.235 | Fair value (IFRS 9) | - |
| **Total Assets** | **106.505** | **103.558** | | **122.431** | **115.834** | | |
| **Other Liabilities** | | | | | | | |
| Insurance and intermediaries payables | 3.214 | 2.493 | Same as IFRS | 3.214 | 2.493 | Amortised cost (IFRS 9) | - |
| Reinsurers' current accounts | 3.504 | 3.278 | Same as IFRS | 3.504 | 3.278 | Amortised cost (IFRS 9) | - |
| Other payables | 2.076 | 2.164 | Same as IFRS | 2.076 | 2.164 | - Best estimate of the expenditure required to settle obligation (IAS 37)<br>- Amortised cost (IFRS 9) | - |
| Deferred tax liability | 557 | 915 | Valued in relation to all assets and liabilities, including technical provisions that are recognised for Solvency or tax | 1.113 | 1.160 | Recognised on all temporary differences between the tax bases of assets/liabilities and their carrying amounts in the IFRS Balance Sheet (IAS 12) | Different valuation basis of assets/ liabilities between IFRS and Solvency II balance sheet. |

| 31 December Assets | Solvency II 2022 €'000 | Solvency II 2021 €'000 | Solvency II Valuation basis | Financial Statements 2022 €'000 | Financial Statements 2021 €'000 | Financial Statements Valuation basis | Major Differences |
|---|---|---|---|---|---|---|---|
| | | | purposes. | | | | |
| Any other liabilities | 4.151 | 6.060 | Same as IFRS | 4.151 | 6.060 | - Best estimate of the expenditure required to settle obligation (IAS 37)<br>- Lease liability (IFRS 16)<br>- Liability recognised for the excess of the amount due over the amount paid for current and prior periods (IAS 12) | - |
| **Total Liabilities** | **13.502** | **14.910** | | **14.058** | **15.155** | | |

## D.2 Technical provisions

### D.2.1 Valuation for Solvency purposes

The Solvency II Technical Provisions consist of the best estimates of claims provisions, the best estimates of premium provisions and the risk margin. The AF calculates technical provisions according to Solvency II requirements and in line with Cyprus Laws and Regulations.

**Claims Provisions**

The provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Thus, the components of the claims provision are the outstanding case estimates, the incurred but not reported, the incurred but not enough reported and the unallocated claims management expenses. Under Solvency II, the reserves are discounted to allow for the time value of money. The claim provisions are estimated as a total for the Cyprus and Greek Branch (Kyprou Asfalistiki) portfolios, given the low number of outstanding claims for the Greek branch which is currently at a run-off status.

The AF performs projections using various deterministic techniques to quantify the undiscounted claims reserves. The main methods used to calculate the claims reserves are the Average Cost per claim, the Chain Ladder on paid and incurred claims the Expected Loss Ratio, the Bornhuetter-Ferguson and the case by case methods:

- Average cost per claim ("ACPC") method forecasts the ultimate number of claims and the average cost per claims separately. The ultimate loss per accident year (cost of settling all claims) is calculated by multiplying the ultimate number of claims to the average cost per claim.
- The Chain Ladder method is appropriate for relatively stable historical development patterns. It uses actual loss data and the historical development profiles of older accident years to project more recent, less developed years to their ultimate position.
- The Expected Loss Ratio method forecasts the ultimate losses by applying an expected loss ratio to the earned premium of the specific accident year.
- The Bornhuetter-Ferguson method is essentially a blend of the Chain Ladder and Expected Loss Ratio methods combining both an independent Loss ratio with the historical development pattern.
- The case by case method refers to when a specific claim is reserved individually by assessing at the claim's specific characteristics and circumstances. This is method usually utilises feedback from the Claims and Underwriting departments as well any bespoke commentary by the claim assessor (if there is one).

The above methods are used interchangeably for each accident year in each line of business depending on the development pattern and on the information gathered by the Claims Department related to large claims and court cases.

Large losses may exhibit a different development pattern to that of attritional claims which can cause distortions to the overall reserving process. By separating the large from the attritional claims and individually projecting these, it is possible to evaluate the impact that the large losses may have to the overall reserving calculation.

Allocated claims handling expenses connected with claims that have occurred at or before the valuation date are included in the claims data and therefore implicitly projected as part of the claims projection. Unallocated claims management expenses or unallocated loss adjustment expenses ("ULAE") are also part of the estimate of claims provisions. These are the estimated cost of all activity (not directly allocated to individual claims) that is to arise in the process of settling the outstanding and IBNR claims as at the valuation date.

**Premium provisions**
The calculation of the best estimate of the premium provision relates to all future cash flows arising from future events, in relation to unexpired policies and for policies which have been agreed to but have not yet incepted. Such cash flows relate to future claims, administration expenses, reinsurance excess of loss and expected cancellation premiums and commissions.

The expected cash flows were estimated by applying an appropriate prospective combined ratio to the unearned premium reserve adjusted for the expected cancellation rate. Reinsurance cost associated with the non-proportional treaties is also factored into the calculation. The combined ratio is defined as the sum of the expense and the claims ratios.

**Discounting**
Claim and premium provisions best estimates are discounted using the euro risk free interest rate curve as at the valuation date, published by EIOPA.

**Risk Margin**
The risk margin is defined as the amount of future cash flows, in excess of the best estimate, that an insurer would require in order to take over and meet the insurance obligations covered by the technical provisions. It is calculated using a cost of capital approach. The risk margin is calculated using one of the simplification methods suggested by EIOPA.

The Company does not apply any matching and volatility adjustments nor any transitional measures for the valuation of technical provisions.

**Assumptions**
The Solvency II Technical Provisions are calculated based on the following key assumptions:

- Future management actions are assumed to be consistent with the Company's current business practice and business strategy.
- Future mix of business, claims handling processes and underwriting guidelines are assumed to remain unchanged from current and prior years'.
- Future external environment and policyholder behaviour is assumed to be the same if there is no indication of the opposite.
- The historic loss development and trend experience is assumed to be indicative of future loss development and trends. Inflation associated with prior claims is implicitly allowed for in the data. Inflation will have a greater impact on the future losses so adjustments were made for the calculations of the reporting year, to lines of business that were deemed appropriate, to future outflows of expected claims and expenses to factor in this impact.
- The information developed from internal sources can be used to develop meaningful estimates of the initial expected ultimate loss ratios. Moreover, historical claims and exposure base (earned premium) are not greatly affected by other systematic influences and therefore no trend adjustment is applied

beyond the one implied in the historical data for deriving the initial expected ultimate loss ratios (applicable for claim provisions).

- Significant losses or types of losses will emerge that are not represented in either the initial expected loss ratios or the historical development patterns (applicable for claim provisions).
- Premium cancellation rates of the previous twelve months are assumed to be the same as the next twelve months (applicable for premium provisions).
- Expense allocations to lines of business and by policy stage, as provided by the various Departments and Branches, are appropriate and are applicable for the next year.
- 50% of the unallocated loss adjustment expense (ULAE) is incurred when the claim is first reported and the remainder until it is settled.
- Reinsurance structure is assumed to be the same for the next twelve months (applicable for premium provisions).
- The Company's risk appetite is assumed to be consistent.

**Reasonableness and validation**

In addition, the AF compares best estimates against experience and uses the insights gained from this assessment to improve the quality of current calculations. This is performed by carrying out Actual vs Expected ("AvE") analyses and via back testing the projection models. The AF interprets any material deviations between best estimates and experience, by identifying their causes and, when applicable, makes appropriate changes in the assumptions underlying the model in order to attenuate such differences. No material changes were made in the assumptions used in the calculation of the technical provisions compared to the previous reporting period.

Although the AF performs various reasonableness checks, reconciliation exercises and validation tests as well as removes data elements that could create obvious distortions in the data, we caution against any uncertainties in the valuation of technical provisions caused by the following:

- Economic, legal, social and political changes
- Distortions caused by 'large losses"
- One-off large claims reviews
- Random claim fluctuations
- Fluctuations in the time, frequency and severity of claim events
- Fluctuations in the amount of expenses
- Changes in legislation
- Changes in claims handling processes and procedures
- Uncertainty in policyholder behaviour.

The causes of uncertainty outlined above are taken into consideration in the estimation of the best estimates, provided that credible information is available to the AF. The AF aims to quantify the level of uncertainty via AvE analyses which compares how the projected results tend to compare with the actual results. Model back testing also provides some insight into uncertainty associate with model chosen. The level of uncertainty varies by LoB with the longer tail lines having higher uncertainty that the short tail lines.

### D.2.2 Valuation in Financial Statements

Insurance contracts liabilities for the purposes of the Company's financial statements are measured in accordance with IFRS 4 Insurance Contracts.

Provision is made for the estimated cost of all claims arising from valid insurance contracts that were in force when the insured incident occurred that affected the policyholder negatively. The provision is estimated separately for each reported claim. Provision is also made for claims incurred but not reported ("IBNR") by the balance sheet date. Past experience as to the number and amount of claims reported after the balance sheet date is taken into consideration, in estimating the IBNR provision. Claims settlement costs are included in the estimation of the provision for outstanding claims. Recoverable amounts arising out of the acquisition of the rights of policyholders with respect to third parties (subrogation) or of the legal ownership of insured property (salvage), are included in the claim amounts so are by extension deducted from the provision.

Provision is also made for unearned premiums which represents the amount of premium income and reinsurance premiums attributable to the period of risk after the balance sheet date. The provision is computed using the 365$^{ths}$ method, according to which the written premium per policy is assumed to being earned in equal 365 daily portions.

At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition cost assets, using current estimates of future contractual cash flows. Any inadequacy is charged to the income statement by establishing an unexpired risk provision. The unexpired risk reserve is calculated based on claims and expenses that may arise after the balance sheet date and relate to insurance policies in force as at this date, to the extent that the likely amount exceeds the unearned premium reserve, net of any deferred acquisition costs.

The principal assumptions underlying the estimates for each claim are based on past experience and market trends and take into consideration claims handling costs, inflation and claim numbers for each accident year. Also, external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are taken into consideration. The insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain key assumptions is monitored and managed on a quantitative basis. For certain assumptions however, such as the introduction of new legislation and the rulings of court cases, it is very difficult to be quantified numerically so a more qualitative assessment takes place. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty over the cost of claims at the reporting date.

No material changes were made in the assumptions used in the calculation of the insurance contracts liabilities compared to the previous reporting period.

### D.2.3 Solvency II and Financial Statements valuation of technical provisions

An overview of the technical provisions, including best estimates and risk margin used for Solvency II purposes and the corresponding information shown in the Company's financial statements are summarised in the table below:

| 2022<br>Lines of Business | Solvency II valuation | | | IFRS valuation | Difference in net technical provisions |
|---|---|---|---|---|---|
| | Net Best estimates<br>€'000 | Risk Margin<br>€'000 | Total net Technical Provisions<br>€'000 | Total net Technical Provisions<br>€'000 | €'000 |
| Medical expense | 442 | 84 | 526 | 723 | (197) |
| Motor vehicle liability | 10.816 | 212 | 11.028 | 12.060 | (1.032) |
| Other motor | 3.626 | 121 | 3.747 | 4.572 | (825) |
| Marine, aviation and transport | 125 | 81 | 206 | (1.392) | 1.598 |
| Fire and other damage to property | 9.663 | 459 | 10.122 | 12.211 | (2.089) |
| General liability | 10.503 | 261 | 10.764 | 11.629 | (865) |
| Credit and suretyship | 17 | 80 | 97 | 12 | 85 |
| Miscellaneous finance loss | 178 | 88 | 266 | 193 | 73 |
| **Total** | **35.370** | **1.386** | **36.756** | **40.008** | **(3.252)** |

The value of the Company’s technical provisions for Solvency II purposes is equal to the sum of the best estimate and the risk margin which are calculated separately and overall are significantly lower compared to IFRS provisions as shown in the Company’s financial statements. The Solvency II technical provisions are calculated by line of business on a discounted best estimate basis removing any margin for implicit or explicit prudence and therefore with equal probability that the estimated values will go up or down.

The insurance contracts liabilities as valued in the Company’s financial statements are calculated in accordance with IFRS 4 Insurance Contracts and consist of the case estimates, the incurred but not reported reserves, the unexpired risk reserves and the unearned premium reserve calculated based on the assumption that the insurance risk is evenly spread throughout the duration of the policy. Also, the IFRS insurance contracts liabilities are not discounted.

### D.2.4 Reinsurance

The risk of an insurance policy arises from the uncertainty of the amount and time of presentation of the claim. Therefore, the level of risk is determined by the frequency of such claims, the severity and their evolution from one period to the other. For the non-life insurance industry, the major risks arise from severe catastrophic events such as natural disasters. These risks vary depending on location, type and nature.

The exposure of the Company to insurance risks is also mitigated by the following measures:

- Application of strict underwriting policies
- Strict review of all claims that occur
- Immediate assessment and processing of claims to minimise the possibility of negative development in the long run and
- Purchase of adequate catastrophe reinsurance protection as per Solvency II requirement to limit the exposure arising out of catastrophic events.

The Company maintains a conservative reinsurance program consisting of proportional and non-proportional contracts. All participating reinsurers in the treaty contracts have at least an A rating from Standard & Poor's or another internationally approved rating agency. The main purpose of the Company's reinsurance program is to reduce the exposure of insurance risk to the desired level. The Company's reinsurance program is evaluated on an annual basis and any suggestions for significant changes are approved by the Company's BoD.
Reinsurance recoverables represent the difference between gross and net technical provisions.

With regards to claims reserves the approach used for the valuation of reinsurance recoverables may differ by line of business depending on its characteristics. The main methodologies used are gross to net techniques and claims development techniques. With regards to premium provisions, the reinsurer has been assumed to have a share in the reserves, as we expect future in flows to arise as a result of having reinsurance with respect to the unexpired policies.

## D.3 Other material information

All material information regarding the valuation of assets and liabilities for solvency purposes has been addressed in the previous sections.

# E Capital Management

## E.1 Own funds

For Solvency II purposes, the Company's capital is defined as "Own Funds" and this is divided into "Basic Own Funds" (such as paid share capital and retained earnings) and "Ancillary Own Funds" (such as unpaid share capital and letters of credit). Own funds are further subdivided into three "Tiers" depending on the quality of the capital. Capital of the highest quality is categorised as Tier 1 and capital of a lower quality is categorised either as Tier 2 or Tier 3. Tier 1 is also further divided into "Restricted" and "Unrestricted". Unrestricted Tier 1 basic own funds include paid-in ordinary share capital, paid-in initial funds, members' contributions, the reconciliation reserve and surplus funds that meet certain criteria. Restricted Tier 1 own funds include Tier 1 own funds items which are not suitable to be classified as unrestricted Tier 1 own funds.

The Company manages its own funds to ensure that it has capital of sufficient value and quality to cover the Capital Requirements (both SCR and MCR). There are restrictions in place in relation to the amount of capital from each tier that can be used to cover Solvency Capital Requirements. These restrictions aim to ensure that the Company possesses capital of sufficient value and quality to absorb losses that may arise in the future due to unforeseen loss events.

The Company has developed and documented a Capital Management Policy which sets out the Company's methodology, policies and procedures in place to manage its capital base, with the purpose of ensuring the maintenance of sufficient capital to:

- Protect the shareholders and the Company's creditors against excess volatility of returns
- Cover all risks faced by the Company
- Protect the Company's economic viability
- Finance new growth opportunities
- Meet regulatory requirements at all times.

Through active capital management the Company aims to ensure that capital satisfies all internal limits. The Company follows the processes describing below for managing its own funds:

- **Business plan:** The Company is preparing its 4-year strategic plan which includes business and financial projections that will allow a strong financial strength position. The 4-year strategy plan is approved by the BoD.
- **Capital planning:** The Company's 4-year plan is fed into the ORSA in order to enable the Company to form an opinion on its future overall solvency needs and own funds. Projected capital requirements are compared with own funds so that the Company is able to observe whether the forecasted available own funds of the Company will be adequate to cover any future strategic actions that the Management intends to take, whilst maintaining its SCR/MCR ratios within desired levels.
- **Monitoring of SCR/MCR:** The Company's Management monitors on a quarterly basis the calculated SCR/MCR and any material changes arising, in order to detect trends and early warning signals and ensure the maintenance of sufficient capital to cover its capital and solvency requirements.
- **Prospective changes in risk profile:** Prospective changes in the Company's risk profile and how they affect its current and projected level of solvency requirements are taken into account during the capital planning process. The quality and profile of the Company's own funds over the planning period is also taken into consideration.
- **On-going monitoring of risk profile:** In addition to the above, a Risk Appetite Framework ("RAF") is currently in place and defines the internal limits that the Company should be operating within.
- **Dividends distribution:** To maintain the required capital the Company may adjust the amount of dividends paid to the Parent company.

The Company's own funds are all classified as Basic Own Funds Tier 1 Unrestricted. Tier 1 Unrestricted capital consist of Ordinary share capital and Reconciliation Reserve and both are available to cover the Company's SCR and MCR as follows:

| Basic Own Funds – Tier 1 Unrestricted | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Ordinary share capital | 5.130 | 5.130 |
| Reconciliation Reserve | 32.974 | 34.264 |
| **Own funds eligible to cover SCR/MCR** | **38.104** | **39.394** |

No significant changes in own funds have occurred over the reporting period.

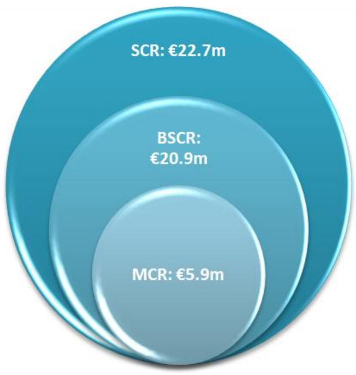
The excess of assets over liabilities as calculated for Solvency purposes is different than the amount of equity as reported in the Company's audited financial statements. The following table presents a reconciliation of own funds between IFRS financial statements and Solvency II:

| Own Funds Reconciliation | 2022 €'000 | 2021 €'000 |
|---|---|---|
| **Equity (IFRS Financial Statements)** | **42.108** | **41.089** |
| Difference in valuation of technical provisions (net) | 3.252 | 4.184 |
| Premises valuation adjustment | (114) | 19 |
| Deferred Acquisition Costs | (5.441) | (5.143) |
| Intangible assets | (2.256) | (1.000) |
| Differences in deferred tax valuation | 555 | 245 |
| **Own Funds (Solvency II)** | **38.104** | **39.394** |

## E.2 SCR and MCR

The SCR consist of the Basic Solvency Capital Requirement ("BSCR"), the operational SCR and any applicable adjustments for the loss absorbing capacity of deferred taxes. As already mentioned, the SCR is the amount of funds that the Company is required to hold in accordance with the Solvency II. The BSCR consist of market risk, counterparty risk, non-life underwriting risk, health risk solvency capital requirements following the diversification between the risk modules. There is also an MCR, which represents an 85% confidence level and should not be less than 25% of the SCR.

The Company calculates the SCR based on the risk modules and sub-modules of the standard formula without using any simplified calculations or undertaking specific parameters.




As at 31 December 2022, the Company's SCR was €22,7m (2021: €21,7m) and the MCR was €5,9m (2021: €5,7m).

Based on the calculations performed the Company's SII SCR (overall and by risk module), at the end of the reporting period is as follows:

| Solvency Capital Requirements by risk module | 2022 €'000 | 2021 €'000 |
|---|---|---|
| Market Risk | 6.647 | 7.167 |
| Counterparty Risk | 6.988 | 6.729 |
| Non-Life Underwriting Risk | 13.491 | 12.691 |
| Health Risk | 432 | 455 |
| Diversification BSCR | (6.570) | (6.644) |
| **Basic SCR (BSCR)** | **20.988** | **20.398** |
| Operational Risk | 1.711 | 1.555 |
| Loss absorbing capacity of deferred taxes | - | (204) |
| **SCR** | **22.699** | **21.749** |
| **SCR coverage ratio** | **168%** | **181%** |
| **MCR** | **5.862** | **5.718** |
| **MCR coverage ratio** | **650%** | **689%** |

As at 31 December 2022, the Company's SCR was estimated at €22,7m and was covered by €38,1m of eligible capital resources, providing a surplus of €15,4m. As at 31 December 2022, the SCR coverage ratio amounted to 168% and the MCR coverage ratio amounted to 650%. The movement in the SCR ratio from prior year arose mainly from the lower available capital due to lower profitability levels in 2022 and the increase in Underwriting Risk required capital to €13,5m (2021: €12,7m). Increase in Underwriting Risk SCR is directly linked with the higher premium production achieved in 2022 compared to prior year.

The inputs used to calculate the MCR are the net premiums written amounts in the previous 12 months and the net best estimate technical provisions both split by Solvency II class of business. The charge for premium and technical provisions elements are then summed to create a total charge.

| Line of business | Net best estimate €'000 | Net written premiums (last 12 months) €'000 |
|---|---|---|
| Medical expense | 442 | 1.020 |
| Motor vehicle liability | 10.816 | 4.480 |
| Other motor | 3.626 | 3.172 |
| Marine, aviation and transport | 125 | 378 |
| Fire & other damage to property | 9.663 | 12.732 |
| General liability | 10.503 | 6.515 |
| Credit and suretyship | 17 | 11 |
| Miscellaneous financial loss | 178 | 336 |

## E.3 Other material information

All material information regarding capital management has been addressed in the previous sections.

# Appendices

| Appendix | Description |
|---|---|
| **A** | Glossary |

The following applicable Solo Quantitative Reporting Templates ("QRTs") are publicly disclosed as part of the SFCR:

| Appendix | Table code | Table Label |
|---|---|---|
| **B1** | S.02.01.02 | Balance Sheet |
| **B2** | S.05.01.02 | Premiums, claims and expenses by line of business |
| **B3** | S.05.02.01 | Premiums, claims and expenses by country |
| **B4** | S.17.01.02 | Non-life Technical Provisions |
| **B5** | S.19.01.21 | Non-life insurance claims |
| **B6** | S.23.01.01 | Own Funds |
| **B7** | S.25.01.21 | SCR - for undertakings on Standard Formula |
| **B8** | S.28.01.01 | MCR |

| Appendix | Description |
|---|---|
| **C** | Independent Auditor's Report |

# Appendix A: Glossary

| | |
|---|---|
| **AAP** | Annual Audit Plan |
| **AC** | Audit Committee |
| **ACPC** | Average Cost per Claim |
| **AF** | Actuarial Function |
| **AvE** | Actual vs Expected |
| **BOC or Bank or Parent** | Bank of Cyprus Public Company Ltd |
| **BoD** | Board of Directors |
| **BSCR** | Basic Solvency Capital Requirement |
| **CAT** | Catastrophic Event |
| **CF** | Compliance Function |
| **CGCO** | Corporate Governance Compliance Officer |
| **CP** | Claims Provisions |
| **ECAI** | External Credit Assessment Institutions |
| **EEA** | European Economic Area |
| **EIOPA** | European Insurance and Occupational Pensions Authority |
| **EPIFP** | Expected Profit included in Future Premiums |
| **EU** | European Union |
| **ExCo** | Executive Committee |
| **Group or BOC Group** | BOC Group of Companies |
| **Genikes Insurance or the Company** | General Insurance of Cyprus Ltd |
| **IA** | BOC Group's Internal Audit Division |
| **IAF** | Internal Audit Function |
| **IAS** | Internal Accounting Standards |
| **IBNR/IBNER** | Incurred But Not Reported/Incurred But Not Enough Reported |
| **ICCS** | Insurance Companies Control Service |
| **IFRSs** | International Financial Reporting Standards |
| **KRIs** | Key Risk Indicators |
| **LCO** | Local Compliance Officer |
| **LCM** | Legal & Compliance Manger |
| **LOB** | Line of Business |
| **MCR** | Minimum Capital Requirement |
| **OECD** | Organisation for Economic Cooperation and Development |
| **ORSA** | Own Risk & Solvency Assessment |
| **PP** | Premium Provisions |
| **QRTs** | Quantitative Reporting Templates |
| **RC** | Risk Committee |
| **RCSA** | Risk and Control Self-Assessment |
| **Report** | Solvency and Financial Condition Report |
| **RMF** | Risk Management Function |
| **SCR** | Solvency Capital Requirement |
| **Supervisory Authority or Regulator** | Insurance Companies Control Service |
| **ULAE** | Unallocated Loss Adjustment Expense |
| **VEP** | Voluntary Exit Plan |

## Appendix B1 - S.02.01.02: Balance Sheet

| | | Solvency II value |
|---|---|---|
| **Assets** | | C0010 |
| Intangible assets | R0030 | - |
| Deferred tax assets | R0040 | - |
| Pension benefit surplus | R0050 | - |
| Property, plant & equipment held for own use | R0060 | 4.439.484 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 57.642.725 |
| Property (other than for own use) | R0080 | 6.986.000 |
| Holdings in related undertakings, including participations | R0090 | 740.796 |
| Equities | R0100 | 3.238 |
| Equities - listed | R0110 | . |
| Equities - unlisted | R0120 | 3.238 |
| Bonds | R0130 | - |
| Government Bonds | R0140 | - |
| Corporate Bonds | R0150 | - |
| Structured notes | R0160 | - |
| Collateralised securities | R0170 | - |
| Collective Investments Undertakings | R0180 | 42.990.611 |
| Derivatives | R0190 | . |
| Deposits other than cash equivalents | R0200 | 6.922.080 |
| Other investments | R0210 | - |
| Assets held for index-linked and unit-linked contracts | R0220 | - |
| Loans and mortgages | R0230 | - |
| Loans on policies | R0240 | - |
| Loans and mortgages to individuals | R0250 | - |
| Other loans and mortgages | R0260 | - |
| Reinsurance recoverables from: | R0270 | 18.142.090 |
| Non-life and health similar to non-life | R0280 | 18.142.090 |
| Non-life excluding health | R0290 | 17.929.459 |
| Health similar to non-life | R0300 | 212.631 |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | - |
| Health similar to life | R0320 | - |
| Life excluding health and index-linked and unit-linked | R0330 | - |
| Life index-linked and unit-linked | R0340 | - |
| Deposits to cedants | R0350 | - |
| Insurance and intermediaries receivables | R0360 | 13.640.279 |
| Reinsurance receivables | R0370 | 156.470 |
| Receivables (trade, not insurance) | R0380 | 55.344 |
| Own shares (held directly) | R0390 | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | - |
| Cash and cash equivalents | R0410 | 11.419.260 |
| Any other assets, not elsewhere shown | R0420 | 1.009.332 |
| **Total assets** | R0500 | 106.504.983 |

| | | Solvency II value |
|---|---|---|
| **Liabilities** | | C0010 |
| Technical provisions – non-life | R0510 | 54.898.723 |
| Technical provisions – non-life (excluding health) | R0520 | 54.159.783 |
| Technical provisions calculated as a whole | R0530 | 0 |
| Best Estimate | R0540 | 52.858.019 |
| Risk margin | R0550 | 1.301.764 |
| Technical provisions - health (similar to non-life) | R0560 | 738.940 |
| Technical provisions calculated as a whole | R0570 | 0 |
| Best Estimate | R0580 | 654.542 |
| Risk margin | R0590 | 84.398 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | - |
| Technical provisions - health (similar to life) | R0610 | - |
| Technical provisions calculated as a whole | R0620 | - |
| Best Estimate | R0630 | - |
| Risk margin | R0640 | - |
| Technical provisions – life (excluding health and index-linked and unit-linked) | R0650 | - |
| Technical provisions calculated as a whole | R0660 | - |
| Best Estimate | R0670 | - |
| Risk margin | R0680 | - |
| Technical provisions – index-linked and unit-linked | R0690 | - |
| Technical provisions calculated as a whole | R0700 | - |
| Best Estimate | R0710 | - |
| Risk margin | R0720 | - |
| Contingent liabilities | R0740 | - |
| Provisions other than technical provisions | R0750 | - |
| Pension benefit obligations | R0760 | - |
| Deposits from reinsurers | R0770 | - |
| Deferred tax liabilities | R0780 | 557.395 |
| Derivatives | R0790 | - |
| Debts owed to credit institutions | R0800 | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | - |
| Insurance & intermediaries payables | R0820 | 3.213.691 |
| Reinsurance payables | R0830 | 3.504.266 |
| Payables (trade, not insurance) | R0840 | 2.076.003 |
| Subordinated liabilities | R0850 | - |
| Subordinated liabilities not in Basic Own Funds | R0860 | - |
| Subordinated liabilities in Basic Own Funds | R0870 | - |
| Any other liabilities, not elsewhere shown | R0880 | 4.150.579 |
| **Total liabilities** | R0900 | 68.400.657 |
| **Excess of assets over liabilities** | R1000 | 38.104.326 |

Solvency and Financial Condition Report

## Appendix B2 - S.05.01.02: Premiums, claims and expenses by line of business

| | | Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)** | | | | | | | | | | | | Line of Business for: **accepted non-proportional reinsurance** | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Health | Casualty | Marine, aviation, transport | Property | |
| | | **C0010** | **C0020** | **C0030** | **C0040** | **C0050** | **C0060** | **C0070** | **C0080** | **C0090** | **C0100** | **C0110** | **C0120** | **C0130** | **C0140** | **C0150** | **C0160** | **C0200** |
| **Premiums written** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0110** | 1.888.232 | 0 | 0 | 9.837.476 | 6.293.060 | 609.213 | 30.690.740 | 8.869.313 | 28.011 | 0 | 0 | 3.305.129 | | | | | 61.521.174 |
| Gross - Proportional reinsurance accepted | **R0120** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | **R0130** | | | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| Reinsurers' share | **R0140** | 822.791 | 0 | 0 | 4.338.129 | 3.173.670 | 215.454 | 16.712.950 | 2.165.236 | 16.320 | 0 | 0 | 2.945.688 | 0 | 0 | 0 | 0 | 30.390.238 |
| Net | **R0200** | 1.065.440 | 0 | 0 | 5.499.347 | 3.119.391 | 393.758 | 13.977.790 | 6.704.077 | 11.691 | 0 | 0 | 359.442 | 0 | 0 | 0 | 0 | 31.130.936 |
| **Premiums earned** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0210** | 1.765.746 | 0 | 0 | 9.359.088 | 6.293.060 | 604.790 | 29.733.289 | 8.217.159 | 28.986 | 0 | 0 | 3.291.670 | | | | | 59.293.789 |
| Gross - Proportional reinsurance accepted | **R0220** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | **R0230** | | | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| Reinsurers' share | **R0240** | 678.240 | 0 | 0 | 2.377.165 | 3.173.670 | 209.045 | 15.974.623 | 1.872.405 | 16.329 | 0 | 0 | 2.948.249 | 0 | 0 | 0 | 0 | 27.249.725 |
| Net | **R0300** | 1.087.506 | 0 | 0 | 6.981.923 | 3.119.391 | 395.745 | 13.758.666 | 6.344.755 | 12.657 | 0 | 0 | 343.421 | 0 | 0 | 0 | 0 | 32.044.064 |
| **Claims incurred** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0310** | 207.108 | 0 | 0 | 6.632.085 | 4.375.978 | 109.007 | 4.281.901 | 1.956.560 | 0 | 0 | 0 | -8.086 | | | | | 17.554.552 |
| Gross - Proportional reinsurance accepted | **R0320** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | **R0330** | | | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| Reinsurers' share | **R0340** | 95.263 | 0 | 0 | 3.216.868 | 2.022.346 | 35.159 | 1.935.591 | -112.810 | 0 | 0 | 0 | -9.954 | 0 | 0 | 0 | 0 | 7.182.463 |
| Net | **R0400** | 111.846 | 0 | 0 | 3.415.216 | 2.353.632 | 73.848 | 2.346.310 | 2.069.370 | 0 | 0 | 0 | 1.868 | 0 | 0 | 0 | 0 | 10.372.089 |
| **Changes in other technical provisions** | | | | | | | | | | | | | | | | | | |
| Gross - Direct Business | **R0410** | 0 | 0 | 0 | -43.134 | 0 | 9.416 | 0 | 0 | 10.541 | 0 | 0 | 0 | | | | | -23.177 |
| Gross - Proportional reinsurance accepted | **R0420** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | 0 |
| Gross - Non- proportional reinsurance accepted | **R0430** | | | | | | | | | | | | | 0 | 0 | 0 | 0 | |
| Reinsurers' share | **R0440** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | **R0500** | 0 | 0 | 0 | -43.134 | 0 | 9.416 | 0 | 0 | 10.541 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -23.177 |
| **Expenses incurred** | **R0550** | 703.182 | 0 | 0 | 2.997.295 | 1.917.357 | 429.802 | 8.948.791 | 3.117.539 | 96.231 | 0 | 0 | 451.212 | 0 | 0 | 0 | 0 | 18.661.409 |
| **Other expenses** | **R1200** | | | | | | | | | | | | | | | | | 0 |
| **Total expenses** | **R1300** | | | | | | | | | | | | | | | | | 18.661.409 |

| | | Line of Business for: **life insurance obligations** | | | | | | **Life reinsurance obligations** | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Health insurance | Insurance with profit participation | Index-linked and unit-linked insurance | Other life insurance | Annuities stemming from non-life insurance contracts and relating to health insurance obligations | Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations | Health reinsurance | Life reinsurance | |
| | | **C0210** | **C0220** | **C0230** | **C0240** | **C0250** | **C0260** | **C0270** | **C0280** | **C0300** |
| **Premiums written** | | | | | | | | | | |
| Gross | **R1410** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share | **R1420** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | **R1500** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Premiums earned** | | | | | | | | | | |
| Gross | **R1510** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share | **R1520** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | **R1600** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Claims incurred** | | | | | | | | | | |
| Gross | **R1610** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share | **R1620** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | **R1700** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Changes in other technical provisions** | | | | | | | | | | |
| Gross | **R1710** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reinsurers' share | **R1720** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net | **R1800** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Expenses incurred** | **R1900** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other expenses** | **R2500** | | | | | | | | | 0 |
| **Total expenses** | **R2600** | | | | | | | | | 0 |

## Appendix B3 - S.05.02.01: Premiums, claims and expenses by country

| | | Home Country | Top 5 countries (by amount of gross premiums written) - non-life obligations | | | | | Total for top 5 countries and home country (by amount of gross premiums written) - non-life obligations |
|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0020 | C0020 | C0020 | C0020 | C0070 |
| | R0010 | | GR | - | - | - | - | |
| | | C0080 | C0090 | C0090 | C0090 | C0090 | C0090 | C0140 |
| **Premiums written** | | | | | | | | |
| Gross - Direct Business | R0110 | 61.521.174 | 0 | | | | | 61.521.174 |
| Gross - Proportional reinsurance accepted | R0120 | 0 | 0 | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | R0130 | 0 | 0 | | | | | 0 |
| Reinsurers' share | R0140 | 30.390.238 | 0 | | | | | 30.390.238 |
| Net | R0200 | 31.130.936 | 0 | | | | | 31.130.936 |
| **Premiums earned** | | | | | | | | |
| Gross - Direct Business | R0210 | 59.293.789 | 0 | | | | | 59.293.789 |
| Gross - Proportional reinsurance accepted | R0220 | 0 | 0 | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | R0230 | 0 | 0 | | | | | 0 |
| Reinsurers' share | R0240 | 27.249.725 | 0 | | | | | 27.249.725 |
| Net | R0300 | 32.044.064 | 0 | | | | | 32.044.064 |
| **Claims incurred** | | | | | | | | |
| Gross - Direct Business | R0310 | 17.636.137 | -81.585 | | | | | 17.554.552 |
| Gross - Proportional reinsurance accepted | R0320 | 0 | 0 | | | | | 0 |
| Gross - Non-proportional reinsurance accepted | R0330 | 0 | 0 | | | | | 0 |
| Reinsurers' share | R0340 | 7.191.063 | -8.600 | | | | | 7.182.463 |
| Net | R0400 | 10.445.074 | -72.985 | | | | | 10.372.089 |
| **Changes in other technical provisions** | | | | | | | | |
| Gross - Direct Business | R0410 | -23.177 | 0 | | | | | -23.177 |
| Gross - Proportional reinsurance accepted | R0420 | 0 | 0 | | | | | 0 |
| Gross - Non- proportional reinsurance accepted | R0430 | 0 | 0 | | | | | 0 |
| Reinsurers' share | R0440 | 0 | 0 | | | | | 0 |
| Net | R0500 | -23.177 | 0 | | | | | -23.177 |
| **Expenses incurred** | R0550 | 18.485.593 | 175.816 | | | | | 18.661.409 |
| **Other expenses** | R1200 | | | | | | | 0 |
| **Total expenses** | R1300 | | | | | | | 18.661.409 |

## Appendix B4 - S.17.01.02: Non-life Technical Provisions

| | | Direct business and accepted proportional reinsurance | | | | | | | | | | | | Accepted non-proportional reinsurance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance | Credit and suretyship insurance | Legal expenses insurance | Assistance | Miscellaneous financial loss | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0120 | C0130 | C0140 | C0150 | C0160 | C0170 | C0180 |
| **Technical provisions calculated as a whole** | **R0010** | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | **R0050** | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| **Technical provisions calculated as a sum of BE and RM** | | | | | | | | | | | | | | | | | | |
| **Best estimate** | | | | | | | | | | | | | | | | | | |
| Premium provisions | | | | | | | | | | | | | | | | | | |
| Gross | **R0060** | 239.584 | . | . | 3.398.723 | 2.693.368 | 90.535 | 7.367.372 | 1.833.429 | 11.280 | . | . | 170.600 | . | . | . | . | 15.804.891 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0140** | 60.723 | . | . | 1.380.811 | 1.112.025 | 15.660 | 2.022.927 | 216.152 | 430 | . | . | 23.437 | . | . | . | . | 4.832.165 |
| Net Best Estimate of Premium Provisions | **R0150** | 178.861 | . | . | 2.017.912 | 1.581.343 | 74.875 | 5.344.445 | 1.617.277 | 10.850 | . | . | 147.163 | . | . | . | . | 10.972.726 |
| **Claims provisions** | | | | | | | | | | | | | 0 | | | | | 0 |
| Gross | **R0160** | 414.958 | . | . | 12.926.954 | 3.361.989 | 106.876 | 8.973.346 | 11.716.475 | 30.707 | . | . | 176.365 | . | . | . | . | 37.707.670 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | **R0240** | 151.908 | . | . | 4.128.749 | 1.317.216 | 56.512 | 4.654.751 | 2.830.658 | 24.981 | . | . | 145.150 | . | . | . | . | 13.309.925 |
| Net Best Estimate of Claims Provisions | **R0250** | 263.050 | . | . | 8.798.205 | 2.044.773 | 50.364 | 4.318.595 | 8.885.817 | 5.726 | . | . | 31.215 | . | . | . | . | 24.397.745 |
| **Total Best estimate - gross** | **R0260** | 654.542 | . | . | 16.325.677 | 6.055.357 | 197.411 | 16.340.718 | 13.549.904 | 41.987 | . | . | 346.965 | . | . | . | . | 53.512.561 |
| **Total Best estimate - net** | **R0270** | 441.911 | . | . | 10.816.117 | 3.626.116 | 125.239 | 9.663.040 | 10.503.094 | 16.576 | . | . | 178.378 | . | . | . | . | 35.370.471 |
| **Risk margin** | **R0280** | 84.398 | . | . | 212.263 | 120.943 | 81.401 | 459.422 | 260.461 | 79.573 | . | . | 87.702 | . | . | . | . | 1.386.162 |
| **Amount of the transitional on Technical Provisions** | | | | | | | | | | | | | | | | | | |
| Technical Provisions calculated as a whole | **R0290** | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Best estimate | **R0300** | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| Risk margin | **R0310** | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . |
| **Technical provisions - total** | | | | | | | | | | | | | | | | | | |
| Technical provisions - total | **R0320** | 738.940 | . | . | 16.537.940 | 6.176.300 | 278.812 | 16.800.140 | 13.810.365 | 121.560 | . | . | 434.667 | . | . | . | . | 54.898.723 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | **R0330** | 212.631 | . | . | 5.509.560 | 2.429.241 | 72.172 | 6.677.678 | 3.046.810 | 25.411 | . | . | 168.587 | . | . | . | . | 18.142.090 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total | **R0340** | 526.309 | . | . | 11.028.380 | 3.747.059 | 206.640 | 10.122.462 | 10.763.555 | 96.149 | . | . | 266.080 | . | . | . | . | 36.756.633 |

# Appendix B5 - S.19.01.21: Non-life insurance claims

**Total Non-Life Business**

| | | |
|---|---|---|
| **Accident year / Underwriting year** | **Z0010** | Accident year [AY] {s2c_AM:x4} |

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

**Development year**

| Year | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10&+ | | In Current year | Sum of years (cumulative) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | | C0170 | C0180 |
| Prior | R0100 | | | | | | | | | | | 63.836 | R0100 | 63.836 | 42.194.375 |
| N-9 | R0160 | 10.597.561 | 3.917.706 | 405.176 | 1.301.227 | 48.863 | 16.025 | 229.159 | 14.582 | -9.071 | 196.970 | | R0160 | 196.970 | 16.718.198 |
| N-8 | R0170 | 9.494.453 | 3.593.044 | 508.271 | 83.984 | 295.112 | 44.003 | 113.999 | -12.125 | 56.794 | | | R0170 | 56.794 | 14.177.535 |
| N-7 | R0180 | 10.168.077 | 2.427.965 | 300.109 | 132.901 | 4.932 | 13.850 | 74.035 | 148.453 | | | | R0180 | 148.453 | 13.270.322 |
| N-6 | R0190 | 7.647.242 | 4.011.442 | 330.674 | 137.163 | 107.079 | 18.331 | 32.544 | | | | | R0190 | 32.544 | 12.284.475 |
| N-5 | R0200 | 8.500.168 | 3.095.411 | 581.951 | 216.139 | 172.072 | 15.937 | | | | | | R0200 | 15.937 | 12.581.678 |
| N-4 | R0210 | 8.919.943 | 4.805.868 | 492.154 | 467.202 | 211.046 | | | | | | | R0210 | 211.046 | 14.896.213 |
| N-3 | R0220 | 7.868.172 | 4.964.978 | 446.125 | 209.848 | | | | | | | | R0220 | 209.848 | 13.489.123 |
| N-2 | R0230 | 6.052.125 | 5.576.510 | 1.597.679 | | | | | | | | | R0230 | 1.597.679 | 13.226.314 |
| N-1 | R0240 | 6.919.527 | 4.217.613 | | | | | | | | | | R0240 | 4.217.613 | 11.137.140 |
| N | R0250 | 6.586.625 | | | | | | | | | | | R0250 | 6.586.625 | 6.586.625 |
| | | | | | | | | | | | | Total | R0260 | 13.337.345 | 170.561.998 |

**Gross undiscounted Best Estimate Claims Provisions**
(absolute amount)

**Development year**

| Year | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10&+ | | Year end (discounted data) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | | C0360 |
| Prior | R0100 | | | | | | | | | | | 2.632.479 | R0100 | 2.591.642 |
| N-9 | R0160 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.064.907 | | R0160 | 1.048.388 |
| N-8 | R0170 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 846.574 | | | R0170 | 833.442 |
| N-7 | R0180 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.371.745 | | | | R0180 | 1.342.898 |
| N-6 | R0190 | 0 | 0 | 0 | 0 | 0 | 0 | 2.183.032 | | | | | R0190 | 2.121.251 |
| N-5 | R0200 | 0 | 0 | 0 | 0 | 0 | 2.313.414 | | | | | | R0200 | 2.233.496 |
| N-4 | R0210 | 0 | 0 | 0 | 0 | 2.042.020 | | | | | | | R0210 | 1.955.937 |
| N-3 | R0220 | 0 | 0 | 0 | 3.142.791 | | | | | | | | R0220 | 3.039.031 |
| N-2 | R0230 | 0 | 0 | 4.880.757 | | | | | | | | | R0230 | 4.671.101 |
| N-1 | R0240 | 0 | 4.471.218 | | | | | | | | | | R0240 | 4.277.382 |
| N | R0250 | 10.830.627 | | | | | | | | | | | R0250 | 10.512.233 |
| | | | | | | | | | | | | Total | R0260 | 34.626.801 |

## Appendix B6 - S.23.01.01: Own funds

| | | Total | Tier 1 - unrestricted | Tier 1 - restricted | Tier 2 | Tier 3 |
|---|---|---|---|---|---|---|
| | | C0010 | C0020 | C0030 | C0040 | C0050 |
| **Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35** | | | | | | |
| Ordinary share capital (gross of own shares) | **R0010** | 5.130.000 | 5.130.000 | | . | |
| Share premium account related to ordinary share capital | **R0030** | . | . | | . | |
| Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings | **R0040** | . | . | | . | |
| Subordinated mutual member accounts | **R0050** | . | | . | . | . |
| Surplus funds | **R0070** | . | . | | | |
| Preference shares | **R0090** | . | | . | . | . |
| Share premium account related to preference shares | **R0110** | . | | . | . | . |
| Reconciliation reserve | **R0130** | 32.974.326 | 32.974.326 | | | |
| Subordinated liabilities | **R0140** | . | | . | . | . |
| An amount equal to the value of net deferred tax assets | **R0160** | 0 | | | | 0 |
| Other own fund items approved by the supervisory authority as basic own funds not specified above | **R0180** | . | . | . | . | . |
| **Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds** | | | | | | |
| Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II | **R0220** | | | | | |
| **Deductions** | | | | | | |
| Deductions for participations in financial and credit institutions | **R0230** | . | . | . | . | |
| **Total basic own funds after deductions** | **R0290** | 38.104.326 | 38.104.326 | . | . | 0 |
| **Ancillary own funds** | | | | | | |
| Unpaid and uncalled ordinary share capital callable on demand | **R0300** | . | | | . | |
| Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand | **R0310** | . | | | . | |
| Unpaid and uncalled preference shares callable on demand | **R0320** | . | | | . | . |
| A legally binding commitment to subscribe and pay for subordinated liabilities on | **R0330** | . | | | . | . |
| Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC | **R0340** | . | | | . | |
| Letters of credit and guarantees other than under Article 96(2) of the Directive | **R0350** | . | | | . | . |
| Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC | **R0360** | . | | | . | |
| Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC | **R0370** | . | | | . | . |
| Other ancillary own funds | **R0390** | . | | | . | . |
| **Total ancillary own funds** | **R0400** | . | | | . | . |
| **Available and eligible own funds** | | | | | | |
| Total available own funds to meet the SCR | **R0500** | 38.104.326 | 38.104.326 | . | . | 0 |
| Total available own funds to meet the MCR | **R0510** | 38.104.326 | 38.104.326 | . | . | |
| Total eligible own funds to meet the SCR | **R0540** | 38.104.326 | 38.104.326 | 0 | 0 | 0 |
| Total eligible own funds to meet the MCR | **R0550** | 38.104.326 | 38.104.326 | 0 | 0 | |
| **SCR** | **R0580** | 22.699.310 | | | | |
| **MCR** | **R0600** | 5.861.642 | | | | |
| **Ratio of Eligible own funds to SCR** | **R0620** | 168% | | | | |
| **Ratio of Eligible own funds to MCR** | **R0640** | 650% | | | | |

| | | C0060 | |
|---|---|---|---|
| **Reconciliation reserve** | | | |
| Excess of assets over liabilities | **R0700** | 38.104.326 | |
| Own shares (held directly and indirectly) | **R0710** | 0 | |
| Foreseeable dividends, distributions and charges | **R0720** | | |
| Other basic own fund items | **R0730** | 5.130.000 | |
| Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds | **R0740** | 0 | |
| **Reconciliation reserve** | **R0760** | 32.974.326 | |
| **Expected profits** | | | |
| Expected profits included in future premiums (EPIFP) - Life business | **R0770** | | |
| Expected profits included in future premiums (EPIFP) - Non- life business | **R0780** | 2.505.630 | |
| **Total Expected profits included in future premiums (EPIFP)** | **R0790** | 2.505.630 | |

# Appendix B7 - S.25.01.21: Solvency Capital Requirement - for undertakings on Standard Formula

| | | Gross solvency capital requirement | USP | Simplifications |
|---|---|---|---|---|
| | | C0110 | C0090 | C0100 |
| Market risk | R0010 | 6.646.912 | | |
| Counterparty default risk | R0020 | 6.988.008 | | |
| Life underwriting risk | R0030 | . | | |
| Health underwriting risk | R0040 | 432.443 | | |
| Non-life underwriting risk | R0050 | 13.491.502 | | |
| Diversification | R0060 | -6.570.512 | | |
| Intangible asset risk | R0070 | . | | |
| **Basic Solvency Capital Requirement** | R0100 | 20.988.353 | | |

| | | |
|---|---|---|
| **Calculation of Solvency Capital Requirement** | | C0100 |
| Operational risk | R0130 | 1.710.957 |
| Loss-absorbing capacity of technical provisions | R0140 | 0 |
| Loss-absorbing capacity of deferred taxes | R0150 | 0 |
| Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC | R0160 | . |
| **Solvency Capital Requirement excluding capital add-on** | R0200 | 22.699.310 |
| Capital add-on already set | R0210 | . |
| **Solvency capital requirement** | R0220 | 22.699.310 |
| **Other information on SCR** | | |
| Capital requirement for duration-based equity risk sub-module | R0400 | . |
| Total amount of Notional Solvency Capital Requirements for remaining part | R0410 | . |
| Total amount of Notional Solvency Capital Requirements for ring fenced funds | R0420 | 0 |
| Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios | R0430 | 0 |
| Diversification effects due to RFF nSCR aggregation for article 304 | R0440 | 0 |

# Appendix B8 - S.28.01.01: Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

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

| | | C0010 |
|---|---|---|
| $MCR_{NL}$ Result | R0010 | 5.861.642 |

| | | Net (of reinsurance/SPV) best estimate and TP calculated as a whole | Net (of reinsurance) written premiums in the last 12 months |
|---|---|---|---|
| | | C0020 | C0030 |
| Medical expense insurance and proportional reinsurance | R0020 | 441.911 | 1.019.919 |
| Income protection insurance and proportional reinsurance | R0030 | . | . |
| Workers' compensation insurance and proportional reinsurance | R0040 | . | . |
| Motor vehicle liability insurance and proportional reinsurance | R0050 | 10.816.117 | 4.479.950 |
| Other motor insurance and proportional reinsurance | R0060 | 3.626.116 | 3.171.507 |
| Marine, aviation and transport insurance and proportional reinsurance | R0070 | 125.239 | 377.527 |
| Fire and other damage to property insurance and proportional reinsurance | R0080 | 9.663.040 | 12.731.805 |
| General liability insurance and proportional reinsurance | R0090 | 10.503.094 | 6.515.186 |
| Credit and suretyship insurance and proportional reinsurance | R0100 | 16.576 | 11.251 |
| Legal expenses insurance and proportional reinsurance | R0110 | . | . |
| Assistance and proportional reinsurance | R0120 | . | . |
| Miscellaneous financial loss insurance and proportional reinsurance | R0130 | 178.378 | 335.841 |
| Non-proportional health reinsurance | R0140 | . | . |
| Non-proportional casualty reinsurance | R0150 | . | . |
| Non-proportional marine, aviation and transport reinsurance | R0160 | . | . |
| Non-proportional property reinsurance | R0170 | . | . |

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

| | | C0040 |
|---|---|---|
| $MCR_{L}$ Result | R0200 | . |

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

**Overall MCR calculation**

| | | C0070 |
|---|---|---|
| Linear MCR | R0300 | 5.861.642 |
| SCR | R0310 | 22.699.310 |
| MCR cap | R0320 | 10.214.689 |
| MCR floor | R0330 | 5.674.827 |
| Combined MCR | R0340 | 5.861.642 |
| Absolute floor of the MCR | R0350 | 4.000.000 |

| | | C0070 |
|---|---|---|
| **Minimum Capital Requirement** | R0400 | 5.861.642 |

# *Appendix C - Independent Auditor's Report*

**To the Board of Directors of General Insurance of Cyprus Limited**

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

### *Opinion*

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of General Insurance of Cyprus Limited (the "Company"), prepared as at 31 December 2022:

- S.02.01.02 – Balance sheet
- S.17.01.02 – Non-Life Technical Provisions
- S.23.01.01 – Own funds
- S.25.01.21 – Solvency Capital Requirement – for undertakings on Standard Formula
- S.28.01.01 – Minimum Capital Requirement – Only life or only non-life insurance activity or reinsurance activity

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

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 31 December 2022 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the Commission Delegated Regulation (EU) 2019/981, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

### *Basis for opinion*

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

**Emphasis of Matter**

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

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## *Other information*

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

Narrative sections:

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

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

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

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

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

## *Responsibilities of the Board of Directors for the Solvency and Financial Condition Report*

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

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

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

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

## *Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report*

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

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

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

## *Other Matter*

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

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

03 April 2023