Generali Pojišťovna a.s.

SOLVENCY AND FINANCIAL CONDITION REPORT 2016

Index

Introduction

Generali Pojišťovna a.s. (the Company) falling under the scope of Solvency II Directive reporting is required to predispose their own Solvency and Financial Condition Report (SFCR). This is in accordance with Directive 2009/138/EC (the “Solvency II Directive”) as well as with Delegated Regulation 2015/35/EC (the “Delegated Act”) and related guidelines.

The document has been approved by the Board of Directors on 15 May 2017.

Policyholders and beneficiaries are the main addressees of a SFCR, benefitting from increased market discipline that encourages best practices as well as from a higher market confidence that leads to an improved understanding of business.

The SFCR’s specific content is defined by primary legislation and implementing measures, which provide detailed information on the essential aspects of its businesses, such as a description of the activity and performance of the undertaking, the system of governance, its risk profile, an evaluation of assets and liabilities as well as capital management for solvency purposes.

When disclosing the information referred to in this Regulation figures reflecting monetary amounts shall be disclosed in thousands of units in Czech Crowns (“CZK”), which is the Company’s functional currency, unless otherwise stated. Negligible differences can arise due to rounding.

Generali Pojišťovna, falling under the scope of Solvency II Directive reporting is required to predispose the first SFCR with reference to the financial year starting from 1 January 2016. In general 2015 figures are not presented in the report, as Solvency II replaced Solvency I on 23 September 2016, making a comparison of the two years not possible.

Glossary

AFS	Aviable For Sale
AHD	Accident, Health and Disability
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Management
AMSB	Administrative, Management and Supervisory Body
BEL	Discounted Best Estimate of Liabilities
BoD	Board of Directors
BOF	Basis Own Funds
BSCR	Basic Solvency Capital Ratio
CAT	CATastrophic reinsurance contract
CAT XL	CATastrophic eXcess of Loss reinsurance contract
CB	Contract Boundaries
CDA	Counterparty Default Adjustment
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIB	Czech Insurers' Bureau
CMP	Capital Management Plan
CoC	Cost of Capital
COR	Combined Ratio
CRO	Chief Risk Officer
CV	Curriculum Vitae
CZK	Czech Crowns
CzNIP	Czech Insurance Nuclear Pool
D&O	Directors and Officers liability
DFM	Development Factor Models
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EC	European Community
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected Profit Includes in Future Premiums
EU countries	Countries of the European Union
EUR	Euro
FV	Fair Value
FVTPL	Fair value through Profit and Loss
FX derivates	Foreign eXchange derivates
FY	Financial Year
GCRO	Group Chief Risk Officer
GIGP	Group Investment Governance Policy
GRG	Group Risk Guidelines
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
ICS	Internal Control System
ID number	IDentification number
IFRS	International Financial and Accounting Standards
IT	Information Technology
L	Life insurance
LAE	Lost adjustment expenses
LAF	Life Actuarial Function
LDC	Loss Data Collection
LoB	Line of Business
LTI	Long Term Incentive programs
MCR	Minimum Capital Requirement
MCZK	Millions of Czech Crowns
MTPL	Motor Third Party Liability
MVBS	Market Value Balance Sheet
MVM	Market Value Margin
NAT CAT	Natural Catastrophic excess of loss reinsurance contract
NCC	New Civil Code
NG	Percentage of IFRS Net Outstanding Claims Reserve on IFRS Gross Outstanding Claims Reserve for each accident year
NL	Non-life insurance
No	Number
OCR	Outlstanding Claims Reserve
ORSA	Own Risk and Solency Assessment
P&C	Property & Casualty, Non-life insurance
P&L	Profit and Loss
PDF	Probability Distribution Forecast
PIM	Partial Internal Model
QRT	Quantitative Reporting Template
RA	Risk Adjustement
RAF	Risk Appetite Framework
RBNS	Reported But Not Settled
ResQ	Group Reserving Tool
RFF	Ring Fenced Funds
RM	Risk Margin
RSR	Regular Supervisory Report
SAA	Strategic Asset Allocation

SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II: the set of legislative and regulatory provisions introduced following the issue of Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009
SLT	Simmiliar to Life Techniques
SME business	Small and Medium Enterprise business
SPV	Special Purpose Vehicle
STI	Short Term variable Incentives
TCZK	Thousands of Czech Crowns
the Bureau	Czech Insurers' Bureau
TP	Technical Provisions
TPL	Third Party Liability
TRCR	Technical Reserves Coverage Requirement
UBEL	Undiscounted Best Estimate of Liabilities
UL (products)	Unit Linked products
ULAE	Unallocated Loss Adjustment Expenses
UW	Underwriting
VaR calculation	Value at Risk calculation
XL	Excess of Loss reinsurance
YE	End of the Year

Summary

Generali Pojišťovna falling under the scope of Solvency II Directive reporting is required to predispose its own Solvency and Financial Condition Report (SFCR). This is in accordance with Directive 2009/138/EC (the "Solvency II Directive") as well as with Delegated Regulation 2015/35/EC (the "Delegated Act") and related guidelines.

The objective of the Solvency and Financial Condition Report (SFCR) is to increase transparency in the insurance market by requiring insurance and reinsurance undertakings to disclose publicly a report on their solvency and financial condition on at least an annual basis.

In compliance with Solvency II regulation, the SCR is calculated based on the EIOPA Standard Formula. Suitability of the Standard Formula for the Company's risk profile and solvency needs is assessed on the regular basis within the own risk and solvency assessment (ORSA) process.

The Company's System of Governance is set in order to ensure: effectiveness and efficiency of the operations, reliability of financial reporting, compliance with laws and regulations, developing and following of Company's strategies, detection and prevention of conflict of interests and internal fraud. Adequacy of the System of Governance is on yearly basis subject to independent review by Internal Audit Function.

Generali Pojišťovna has implemented a risk management system that aims at identifying, evaluating, monitoring and managing the most important risks to which the Company is exposed, which means the risks whose consequences could affect the solvency of the The main objectives of the risk management process are to maintain the identified risks below an acceptable level in line with the Company's risk strategy, to optimise the capital allocation and to improve the risk-adjusted performance.

Risk management policies and guidelines of the Company are in place treating the management of all the significant risks the Company is exposed to (incl. methodologies to identify and assess risks, definition of risk preferences and tolerances, escalation process etc.).

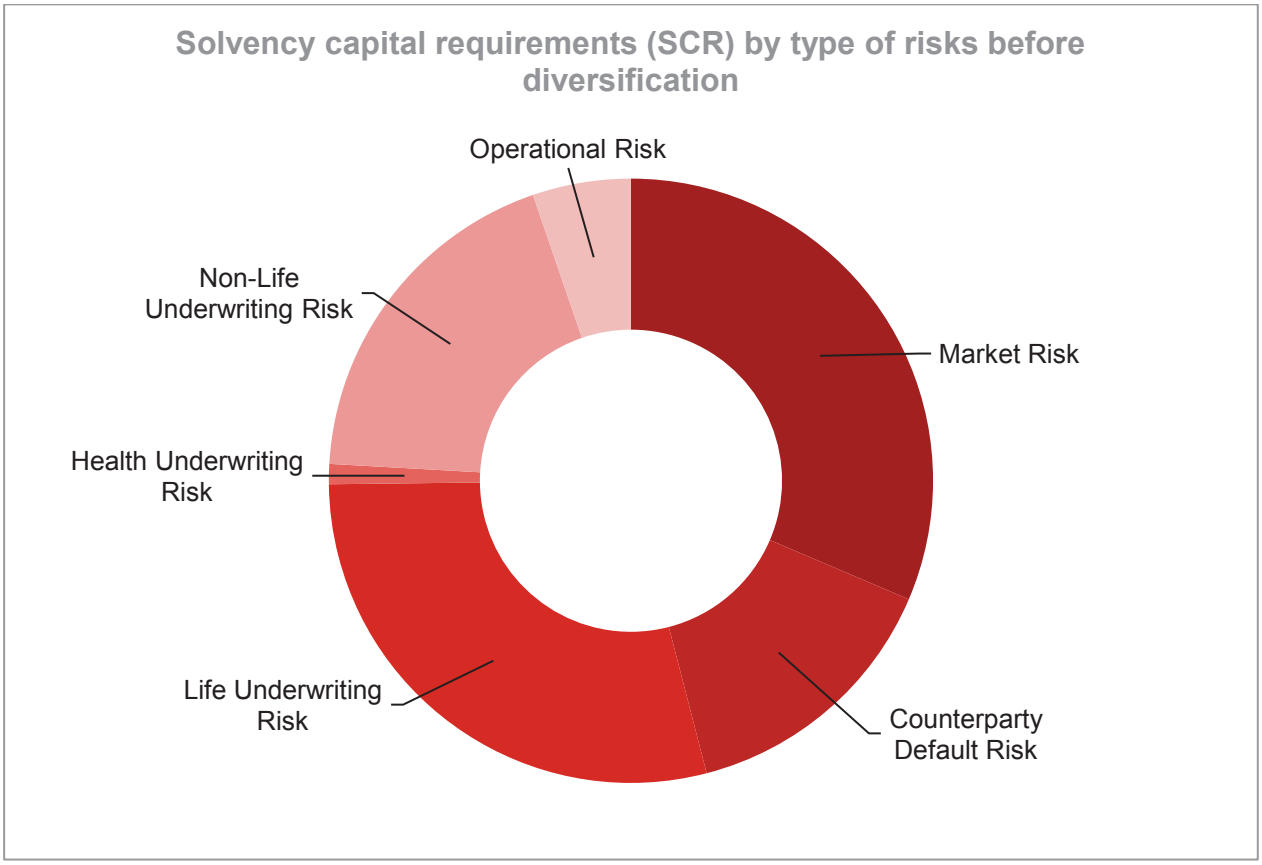
Risk management system is based on three main pillars:

- risk assessment process: aimed at identifying and evaluating the risks and the solvency position of the Company;
- risk governance process: aimed at defining and controlling the managerial decisions in relation with relevant risks;
- risk management culture: aimed at embedding the risk awareness in the decision making processes and increasing the value creation.

The Company regularly assesses its statutory solvency position which is derived from the ratio of its available capital and the capital requirement. Generali Pojišťovna has a very strong capital position. At the end of 2016, the ratio of total eligible own funds to SCR reached 211%, i.e. eligible own funds amounted to more than double the required level prescribed by Solvency II. The strong capital position should enable the Company to face any adverse external events or events with an impact higher than required by Solvency II (for instance catastrophic floods) and be able to fully meet the liabilities towards the clients and at the same continue to fulfil all capital requirements prescribed by the regulation. Generali Pojišťovna is a composite insurer providing a comprehensive range of services, encompassing life and non-life personal lines, insurance for small, mid-sized, and large customer covering industrial and business risks, and agriculture. The wide structure of products and a big portfolio allows well diversify the risks and thus Generali Pojišťovna achieves long term stable financial results and strong capital position. Customers benefit from this diversification by having a strong and reliable partner, which is able to help under all circumstances even under unfavourable economic conditions.

Regulatory capital requirements in respect of Solvency position as at 31 December 2016.

(CZK million)	SCR	Eligible Own Funds	Solvency Ratio
	2,556	5,391	211%



Outside the basic framework of the solvency position, the Company has defined hypothetic adverse events (or sensitivities) and continues to manage the risks arising from these scenarios while quantifying their potential impact on the Company's solvency position (see for instance section E.6.) Should such additional adverse situations occur, the Company will be able to fully meet the regulatory requirements on equity.

A. Business and Performance

A.1. BUSINESS

A.1.1. BASIC COMPANY INFORMATION

Generali Pojišťovna a.s. was incorporated on 1 January 1995. Its registered address is located at Bělehradská 299/132, Vinohrady, 120 00 Prague 2. The Company was founded by Generali Holding Vienna AG.

As defined by the Act on Insurance, the Company is engaged in life and non-life insurance, non-life reinsurance and activities related to the insurance and reinsurance business.

The Company was granted an insurance license on 26 October 1994 and the Company's principal business activities are as follows:

- life insurance
- personal accident insurance
- car insurance
- third party liability car insurance
- transport insurance
- fire insurance and other property insurance
- liability insurance
- industry and entrepreneur insurance
- travel insurance
- nuclear risk insurance
- other

The sole shareholder of the Company is Generali CEE Holding B.V., Diemerhof 42, Diemen, 1112 XN, the Kingdom of the Netherlands. Since 2008, Generali Pojišťovna has been included in the Generali Group, respectively Generali CEE Holding B.V. („the Generali Group"). Its ultimate controlling person is Assicurazioni Generali S.p.A with its registered address in Italy, which since 16 January 2015 has been the sole shareholder with a 100% share of Generali CEE Holding B.V.

Company name:	Generali Pojišťovna a.s.
Legal form:	joint stock company
Registered office:	Praha 2, Bělehradská 132
ID number:	618 59 869
Tax ID number:	CZ 699 00 1273
Date of inception:	1 January 1995
Legal regulation:	The Company was incorporated by registration in the Commercial Register on 1 January 1995
Incorporation in Commercial Register:	Prague Municipal Court, section B, file number 2866
Date of incorporation in Commercial Register:	1 January 1995
Share capital:	CZK 500,000,000
Paid up:	100%

Information about supervisory authority

Supervisory authority for the entity

Name:	ČESKÁ NÁRODNÍ BANKA
Registered office:	Na Příkopě 864/28, 115 03 Praha 1 - Nové Město
ID Number:	48136450
Telephone:	+420 224 411 111
Fax:	+420 224 412 404

Supervisory authority for the Group

Name:	IVASS - Istituto per la Vigilanza sulle Assicurazioni
Registered office:	Via del Quirinale 21, 00187 Řím, Itálie
ID Number:	97730600588
Telephone:	+39.06.42133.1
Fax :	+39.06.42133.206
email:	*ivass@pec.ivass.it*

Information about the external auditor

Since 2012, the financial statements have been audited by Ernst & Young Audit, s.r.o. The financial statements of Generali Pojišťovna for year 2016 were audited on 7 March 2017.

Registration number:	267 04 153
Registered office:	Na Florenci 2116/15, Nové Město, 110 00 Praha 1
Statutory audit licence number:	401
Auditor-in-charge:	Lenka Bízová
Authorisation number:	2331

Information about holders of qualifying holdings in the undertaking

The Company's sole shareholder is Generali CEE Holding B.V., a company fully owned by Assicurazioni Generali S.p.A. (“Generali”), the ultimate parent company of the Company. The financial statements of Generali Group are publicly available on www.generali.com.

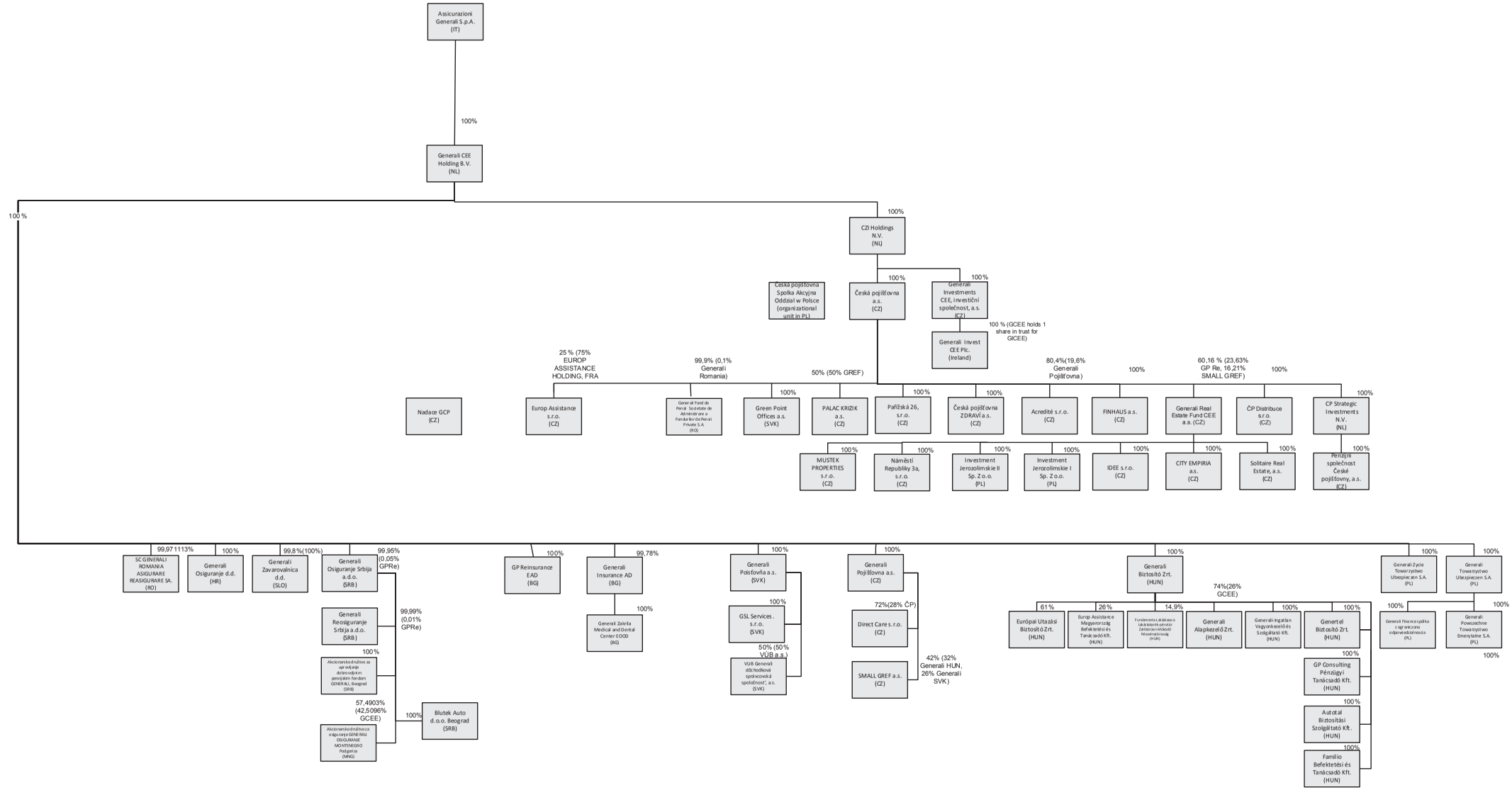
Generali CEE Holding B.V.

Legal form:	limited liability company
Registered office:	1112XN Diemen, Amsterdam, Diemerhof 42, the Netherlands
File number at the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Share capital:	EUR 100,000
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of inception:	8 June 2007
Principal businesses:	holding activities

Assicurazioni Generali S.p.A

Legal form:	joint stock company
Registered office:	Piazza Duca degli Abruzzi 2, Trieste, Italy
Trieste Company Register number:	00079760328
Share capital:	EUR 1,556,873,283
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of inception:	26 December 1831
Principal businesses:	providing insurance and finance products

Generali Pojišťovna Group Structure Chart as at 31 December 2016



A.1.2. SUBSIDIARIES

The following table provides details about the Company's subsidiaries and associates:

For the year ended 31 December 2016

Name	Country	Proportion of ownership interest (%)	Proportion of voting power (%)	Note
Direct Care s.r.o.	Czech Republic	72	72	
Acredité s.r.o.	Czech Republic	20	20	1
Small GREF a.s.	Czech Republic	42	42	2
Generali Development s.r.o	Czech Republic	0	0	3
Generali Services CEE a.s.	Czech Republic	0	0	3
Nadace GCP	Czech Republic	50	50	

Detailed information on transactions with subsidiaries of the Company is provided below.

1. **Renaming of subsidiaries**

   On 23 August 2016 Reficor, s.r.o. was changed to Acredité s.r.o

2. **Acquisition of Small GREF a.s.**

   On 7 March 2017, the Company acquired 42 shares of Small GREF a.s. and thus gained an interest of 42% on the share capital. The acquired share was paid for with a non-monetary contribution in the form of the Generali Real Estate Fund CEE a.s. with a book value of TCZK 423,508.

3. **Sale of Generali Development and Generali Services CEE**
   In accordance with the Generali Group strategy in the Czech Republic, on 30 September 2016 a contract was signed related to the transfer of a share in Generali Development, s.r.o. and the entire share was sold for TCZK 40,445. Moreover, on 26 September 2016 the Company's share in Generali Services CEE a.s. (renamed to FINHAUS a.s on 19 April 2016) was sold for TCZK 4,871. Česká pojišťovna, a.s. was the buyer in both cases.

A.1.3. MATERIAL LINES OF BUSINESS AND MATERIAL GEOGRAPHICAL AREAS

Gross earned premium revenue	
Motor vehicle liability insurance	1,672,182
Other motor insurance	1,255,695
Fire and other damage to property insurance	1,497,870
General liability insurance	755,152
Other	303,721
Total non-life	**5,484,620**

Insurance with profit participation	318,615
Index-linked and unit-linked insurance	1,529,107
Other life insurance	1,281,697
Total life	**3,129,419**

All segment revenues are generated from sales to external customers. No single external customer amounts to 10% or more of the Company's revenues.

In 2016, the Company operated mainly in the Czech Republic and in other EU countries. More than 99% of the income from insurance contracts came from clients in the Czech Republic.

A.1.4. SIGNIFICANT BUSINESS OR OTHER EVENTS THAT HAVE OCCURRED OVER THE REPORTING PERIOD

Awards

Generali Pojišťovna enjoyed success in Hospodářské noviny's prestigious Best Insurance Company contest, winning Most Customer Friendly Life Insurance Company category thanks to the availability of products offerings, excellent communication with the client and one the best prices of the life insurance on the market.

A.2. UNDERWRITING PERFORMANCE

A.2.1. NON-LIFE

	Motor vehicle liability insurance	Other motor insurance	Non-motor	Total
Premiums written				
Gross - Direct Business	1,721,479	1,309,402	2,367,853	5,398,735
Gross - Proportional reinsurance accepted	0	525	174,724	175,249
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	677,622	536,460	1,538,681	2,752,763
Net	**1,043,858**	**773,466**	**1,003,897**	**2,821,221**
Premiums earned				
Gross - Direct Business	1,672,182	1,255,275	2,379,526	5,306,983
Gross - Proportional reinsurance accepted	0	421	177,217	177,637
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	658,595	516,440	1,560,778	2,735,812
Net	**1,013,586**	**739,256**	**995,966**	**2,748,808**
Claims incurred				
Gross - Direct Business	1 018 202	868,323	1,044,029	2 930 554
Gross - Proportional reinsurance accepted	-405	-85	234,792	234 301
Gross - Non-proportional reinsurance accepted	0	0	0	0
Reinsurers' share	414 455	345,494	793,340	1 553 2881
Net	**603 342**	**522,743**	**485,481**	**1 611 567**
Expenses incurred	**491,124**	**315,735**	**413,698**	**1,220,557**

Non-life premiums grew mainly due to the retail and fleet business where MTPL showed positive growth in all sales segments and Casco recorded very high sales mainly connected with high new cars sales. Fire and other damage to property: The personal and SME business remained almost flat, a visible drop occurred in corporate business.

The profitability of MPTL and Casco dropped due to an increase in the average claim amount (inflation of the price of spare parts). Non-motor lines of business were hit by weather calamities with an impact of CZK 111 million in the Agro business and CZK 45 million in personal business (both in fire and other damage lines of business).

A.2.2. LIFE

	Total
Premiums written	
Gross	3,129,419
Reinsurers' share	85,598
Net	3,043,821
Premiums earned	
Gross	3,129,419
Reinsurers' share	85,598
Net	3,043,821
Claims incurred	
Gross	1,510,541
Reinsurers' share	8,909
Net	1,501,632
Changes in other technical provisions	
Gross	(423,375)
Reinsurers' share	95
Net	(423,281)
Expenses incurred	933,559

Life's regular premiums remained flat, while production dropped, which was visible on the whole life market. Life's technical results were higher mainly due to lower commissions (decrease in production).

A.3. INVESTMENT PERFORMANCE

Financial investments stand alongside insurance and reinsurance as another important area of operations for the Company. They contribute significantly to the Company's assets and are primarily financed from insurance provisions and equity.

The Company's investment strategy complies with the requirements of the Prudent Person Principle. The objective of the strategy is to establish appropriate return potential together with ensuring that the Company can always meet its obligations without undue cost and in accordance with its internal and external regulatory capital requirements.

There are no investments in securitization.

Performance of the Company's investment portfolio

Income	2016
Interest income	**276,288**
Interest income from loans and receivables	1,700
Interest income from available-for-sale financial assets	274,327
Interest income from cash and cash equivalents	261
Other income	**48,417**
Income from investment properties	10,978
Other income from available-for-sale financial assets	37,439
Realized gains	**59,803**
Realized gains on available-for-sale financial assets	59,803
Y/Y change of unrealized gains on AFS investments	**195,259**
Unrealised gains on bonds	75,427
Unrealised gains on equities	11,040
Unrealised gains on investment fund units	108,793
Reversal of impairment	**415,383**
Reversal of impairment of other receivables	415,383
Total	**995,150**

Drop in interest income is caused by decreasing volume of traditional life reserves and low reinvestments yields on fixed income instruments. Net realised gains (gains-losses) close to zero compared to gains realized in prior year as the stock of unrealized gains on equities potentially realizable remained at low level during the year.

Expense	2016
Interest expense	**7,438**
Interest expense on loans, bonds and other payables	3,003
Interest expense on deposits received from reinsurers	4,435
Other expenses	**28,889**
Depreciation of investment properties	13,758
Expenses from investment properties	15,131
Realized losses	**58,361**
Realized losses on available-for-sale financial assets	58,361
Y/Y change of unrealized losses on AFS investments	0
Impairment losses	**574,990**
Impairment of investment properties	27,500
Impairment of loans and receivables	460,816
Impairment of available-for-sale financial assets	86,460
Impairment of other receivables	214
Total	**669,679**

Expenses on one investment building newly part of investment result due to the transfer from own-used to investment properties in late 2015. Impairment on the building recognized by YE 2016 with the delay in leasing negotiations.

Significant increase of impairments on equities thanks to poor performance on equity market combined with the quantitative impairment rules applied.

A.4. PERFORMANCE OF OTHER ACTIVITIES

Other income and expenses are analysed in the following tables:

Acquisition and administrative costs

	2016	
	Non-life insurance	Life insurance
Acquisition costs and other commissions	714,567	696,424
Change of deferred acquisition costs	(18,489)	11,601
Other administration costs	308,992	181,832
Total	**1,005,070**	**889,857**

Other income

	2016
Reversal of other provisions	45,858
Income from services and assistance activities and recovery of charges	21,458
Other technical income	38,881

Other expense

	2016
Amortisation of intangible assets	38,421
Depreciation of tangible assets	13,259
Restructuring charges and allocation to other provisions	(4,343)
Expense from service and assistance activities and charges incurred on behalf of third parties	67,872
Other technical expenses	61,095
Staff costs (including non-employee costs)	352,441

A.5. ANYOTHER INFORMATION

All significant information about business and performance are mentioned in the sections above and in the Annual Report of the Company.

B. System of Governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The system of governance of the Company is adequate to the nature, scale and complexity of the risks inherent in its business. Details on the system of governance are provided in following chapters.

B.1.1. INFORMATION ON GENERAL GOVERNANCE

Board of Directors

(as at 31 December 2016)

Chairman:	Pavel Mencl, Chief Executive Officer
Vice Chairman:	Petr Bohumský, Chief Financial Officer
Member:	Karel Bláha, Chief Corporate Business Officer

Supervisory Board

(as at 31 December 2016)

Chairman:	Luciano Cirinà
Member:	Gianluca Colocci
Member:	Gregor Pilgram

Audit Committee

(as at 31 December 2016)

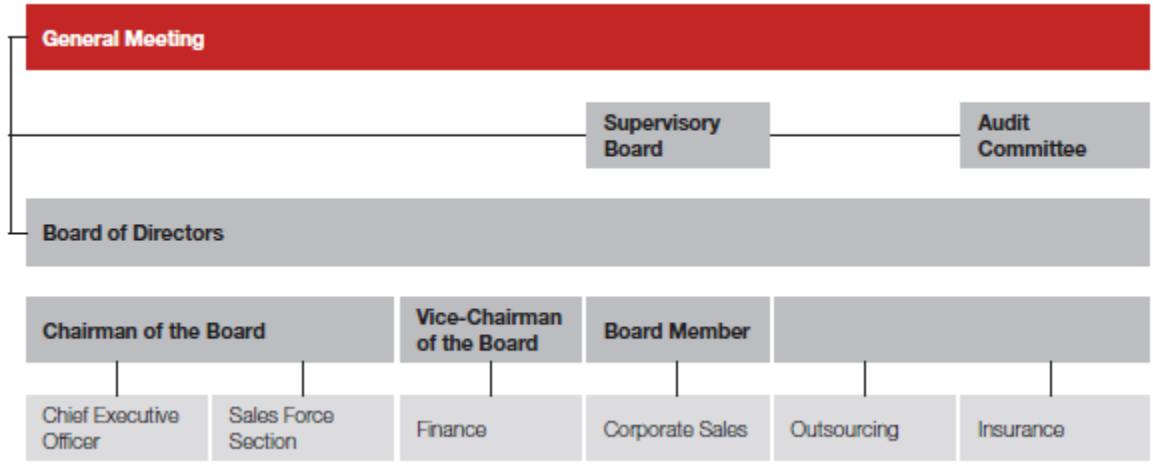
Chairman:	Gianluca Colocci
Member:	Martin Mančík
Member:	Roman Smetana

Generali Pojišťovna a.s. is governed by Board of Directors (the "Board"). The Board is responsible for the performance and strategy of the Company. Governance requirements are largely set by regulatory and legal requirements. Members of the Board are responsible within the field of competencies:

Field of Competencies:

CEO Organizational Units, Insurance, Claims, Retail Sales:	Chief Executive Officer
Operations & Finance:	Chief Financial Officer
Corporate Sales:	Chief Corporate Business Officer

Detailed information on the segregation of responsibilities in the specific areas is described in the dedicated paragraphs of this report. A description of the principles and functioning of the Company's bodies can also be found in the Annual report.



Other main committees supporting the Board of Directors are the Risk Committee, Financial Committee, Non-life Committee.

B.1.2. CHANGES IN THE SYSTEM OF GOVERNANCE

Board of directors (as at 31 December 2016)
No changes occurred on the board of directors during 2016.

Supervisory board (as at 31 December 2016)
No changes occurred on the supervisory board during 2016.

Audit Committee (as at 31 December 2016)
Martin Mančík became a member of the Audit Committee on 1 January 2016.
Roman Smetana became a member of the Audit Committee on 1 January 2016.

The Board of directors (Board) or the members of the Board within their field of competencies approve any organisational changes in the Company on a monthly basis. Rules pertaining to organizational changes are set by the Organizational Code of the Company.

B.1.3. REMUNERATION POLICY

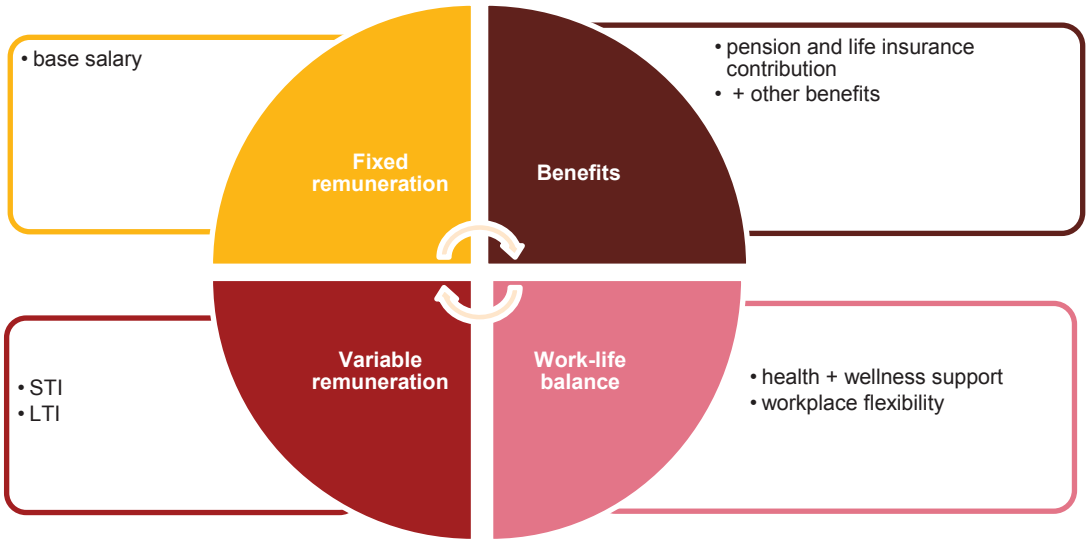
The Company's remuneration policy is intended to attract, hire and retain employees whose values are aligned to our culture and values.

We primarily focus on high performance motivation, so that all employees can positively contribute to the Company's strategy and business objectives.

The Company aims to continuously improves its performance management principles based on positive motivation and identification and use of the individual employees' strengths. Our training and development strategy and remuneration systems are tightly bound to the performance management principles.

The Company´s remuneration policy is regularly revised to ensure its the external competitiveness and internal fairness.

Overall compensation structure



Fixed remuneration

A fixed reward is the compensation paid to the employee for performing a specific job.

The foundation of the Company´s remuneration policy is the job family structure division of all specific jobs according to their contribution, difficulty and responsibility into the internal structure of salary bands. All jobs are regularly benchmarked against market data. Each salary band has a minimum level that is defined by the Collective Agreement. Individual positions within the salary band range take into account the long-term performance, experience and potential of our employees.

Variable remuneration

A variable reward is compensation contingent on performance, discretion and achieved results. The variable remuneration seeks to motivate employees to achieve business targets by creating a direct link between incentives and quantitative and qualitative goals set at Company, team and individual levels.

a) Short-term variable incentives (STI)

Short-term variable incentives consist of yearly bonuses paid to management at all levels and senior professionals. The total budget for the payment of bonuses of this group population is connected with Company results and amended based on the fulfilment of Company criteria. Short-term variable opportunities vary according to the organisational level and the impact of the individual role on the business.

For remaining employees, incentives are paid within an accounting period (monthly or quarterly) or upon an event (reaching an objective, completing a project, etc.)

For its sales force, the Company has commissions in place that are paid in addition to the fixed salary.

b) Long-term incentive programmes (LTI)

Long-term incentive programmes for executive management and key employees are in place to deliver improvements in performance and align performance with the long-term strategic goals of the Company.

Supplementary pensions

The Company has a defined contribution plan in place based on the length of service by employees. Supplementary pension schemes have not been introduced.

B.1.4. TRANSACTIONS WITH SHAREHOLDERS, WITH PERSONS WHO EXERCISE A SIGNIFICANT INFLUENCE ON THE UNDERTAKING, AND WITH MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY

During the reporting period no material transactions with shareholders, with persons who exercise a significant influence on the undertaking, or with members of the administrative, management or supervisory body took place.

B.1.5. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS INTEGRATION INTO THE ORGANIZATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING. STATUS AND RESOURCES OF THE FOUR FUNCTIONS WITHIN THE UNDERTAKING

The Company established the Risk Management, Compliance and Actuarial Functions as independent departments without any responsibility in the operational areas. The functions are organized as follows:

- The Risk Management and Compliance Functions: Report hierarchically to the Chief Executive Officer and functionally to the BoD.
- The Actuarial Function: Reports hierarchically to the Chief Financial Officer and functionally to the BoD.
- The Internal Audit Function: Provided via Agreement on the Shared Costs from Česká pojišťovna. Reports to the BoD.

To ensure proper coordination and direction from the Generali Head Office/Generali CEE holding, all control functions report also to the respective Group/Regional functions.

More details on the organization, responsibilities and resources can be found in the dedicated sections of this report.

B.1.6. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE FUNCTIONS AND HOW THEY REPORT TO AND ADVISE THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY OF THE INSURANCE OR REINSURANCE UNDERTAKING

Details for the individual control functions can be found in the dedicated sections of this report.

B.2. FIT AND PROPER REQUIREMENTS

B.2.1. DESCRIPTION OF SKILLS, KNOWLEDGE AND EXPERTISE REQUIRED OF PERSONS WHO EFFECTIVELY RUN THE UNDERTAKING OR HAVE OTHER KEY FUNCTIONS

Professional adequacy of members of the Board of Directors and Supervisory Board:

The Board of Directors and the Supervisory Board of the Company and their members shall collectively possess appropriate experience and knowledge on the fields mentioned below:

- Market knowledge means an awareness and understanding of the wider relevant business, economic and market environment in which the Company operates and an awareness of the level of knowledge and customers´ needs.
- Business strategy and business model knowledge refers to a detailed understanding of the Company's business strategy and model.
- Knowledge of the system of governance refers to the awareness and understanding of the risks that the Company is facing and the capability to manage them. Furthermore, it includes the ability to assess the effectiveness of the Company's arrangements to deliver effective governance, oversight and controls in the business and, if necessary, oversee changes in these areas.
- Capability of actuarial and financial analysis means the ability to interpret the Company's actuarial and financial information, identify and assess key issues, and take any necessary measures (including appropriate controls) based on this information.
- Knowledge of the regulatory framework and requirements refers to the awareness and understanding of the regulatory framework in which the Company operates, in terms of both the regulatory requirements and expectations, and the capacity to adapt to changes in the regulatory framework without delay.

Other highly responsible persons:

Other highly responsible persons (also called relevant persons) who are within the scope of persons evaluated according to internal standards are assessed in relation to the job they perform. The Company takes into the account the job experience declared in professional CVs, attained education and work performance to date (if this person has already been working for the Company).

Personal credibility:

Both above-mentioned groups of persons are also assessed from the point of view of their personal credibility. The assessment of whether persons are credible and of upright character includes an assessment of their honesty based on relevant evidence regarding their character and personal behaviour.

The personal integrity of the persons is also assessed based on evidence regarding the following:

- any criminal convictions;
- serious disciplinary or administrative measures applied as a consequence of willful misconduct or gross negligence, also related to relevant breaches of the Group Code of Conduct and the implementing Group Rules.

Criminal convictions and disciplinary measures are assessed in relation to laws governing banking, financial, securities or insurance activity, or concerning securities markets or securities or payment instruments, including, but not limited to, laws on money laundering, market manipulation, or insider dealing and usury, as well as any offences of dishonesty such as fraud or financial crime. They also include any other serious criminal offences under legislation relating to companies, bankruptcy, insolvency and consumer protection.

The above-mentioned situations will automatically preclude assessed persons from being appointed or continuing in their current role.

B.2.2. PROCESS FOR ASSESSING THE FITNESS AND THE PROPRIETY OF THE PERSONS

The assessment of the professional fitness/adequacy and personal credibility of persons with high responsibility towards the Company (including members of the boards) is essentially based on two internal standards:

- Group Fit and Proper Policy implemented in the entire (worldwide) Generali Group.
- This policy is complemented by the Company's interpretational standard policy respecting and implementing particular local conditions.

Assessment of the relevant persons is first performed before the persons are appointed to their positions and then periodically (usually once a year). The Company standard includes seven assessee categories and four assessment systems:

- Members of the Boards of Directors: The Board of Directors as a group assesses the professional fitness/adequacy and personal credibility of its members.
- Members of the Supervisory Board: The Supervisory Board as a group assesses the professional fitness/adequacy and personal credibility of its members.
- Members of the Audit Committee: Assessed in relation to the professional fitness/adequacy and the personal credibility by the Board of Directors.
- Key employees managing the control functions: Assessed in relation to professional fitness/adequacy and the personal credibility by the Board of Directors and the respective Group control functions.
- Employees with significant impact on the risk profile of the Company defined by Company standards: Assessed in relation to professional fitness/adequacy and the personal credibility by the Board of Directors.
- Other highly responsible persons defined by internal standard (in the scope of the assessed group): Assessed in regards to their professional fitness/adequacy and personal credibility by the Board of Directors.
- Employees performing their work inside departments/units focused on Company control functions: Assessed in relation to professional fitness/adequacy and the personal credibility by the heads of their departments.

B.3. RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1. RISK MANAGEMENT SYSTEM

The purpose of the risk management system is to ensure that based on the defined risk strategy, all risks that the Company is exposed to are properly and effectively managed, following a set of processes and procedures and based on clear governance provisions.

The principles defining the risk management system are provided in the Risk Management Policy[1] that is the cornerstone of all risk-related policies and guidelines. The Risk Management Policy covers all risks the Company is exposed to, both on a current and a forward-looking basis.

The risk management process is defined within the following phases:

1. Risk identification

The purpose of the risk identification phase is to ensure that all material risks to which the Company is exposed are properly identified. For that purpose, the Risk Management Function interacts with the main business functions in order to identify the main risks, assess their importance and ensure that adequate measures are taken to mitigate them according to a sound governance process. Within this process, emerging risks are also taken into consideration.

[1] The Risk Management Policy covers all Solvency II risk categories and, in order to adequately deal with each specific risk category and underlying business processes, it is complemented by the following risk policies:
- Investment Governance Policy
- P&C and Reserving Policy
- Life and Reserving Policy
- Operational risk Management Policy
- Liquidity Risk Management Policy
- Other risk-related policies, such as Capital Management Policy.

Based on Solvency II risk categories and for the purpose of a Solvency Capital Requirement (SCR) calculation, risks are categorized according to the following Risk Map:

Risk Map

Risks covered by Standard Formula				
Market Risks	**Counterparty Default**	**Insurance Risks Non-Life**	**Insurance Risks Life & Health**	**Operational Risks**
Interest Rate	Counterparty Default	Premium	Mortality	
Equity		Reserve	Longevity	
Property		CAT	Disability	
Spread		Lapse	Lapse	
Currency			Expense	
Concentration			CAT	
			Health	
			Revision	

The Company has also developed an effective risk management system for risks that are not included in the SCR calculation, such as Liquidity Risk and Other Risks (so called 'non-quantifiable risks', i.e. Reputational Risk, Contagion Risk and Emerging Risks).

Please see sections C.4 Liquidity Risk and C.6 Other Risks.

2. Risk measurement

The risks identified during this first phase are then measured by their contributions to the SCR and eventually complemented by other modelling techniques deemed appropriate and proportionate to better reflect the Company risk profile. Using the same metric for measuring risks and the SCR ensures that each risk is covered by an adequate amount of solvency capital that could absorb the loss incurred if the risk were to materialize.

In compliance with Solvency II regulations, the SCR is calculated with the help of the EIOPA standard formula. The suitability of the Standard Formula for the Company's risk profile and solvency needs is assessed on a regular basis within the ORSA process.

Risks not included in the SCR calculation, such as Liquidity Risk and the Other Risks, are evaluated with quantitative and qualitative risk assessment techniques and models.

3. Risk management and control

As part of the Generali Group, the Company operates under a sound risk management system in line with the processes and the strategy set by the Generali Group. To ensure that risks are managed according to the Group risk strategy, the Company follows the governance defined in the Group risk appetite framework (RAF) and further specified in the local risk appetite framework. RAF governance provides a framework for risk management, embedding control mechanisms as well as escalation and reporting processes in day-to-day and extraordinary business operations.

The purpose of the RAF is to set the desired level of risk (in terms of risk appetite and risk preferences) and limit excessive risk-taking. Tolerance levels based on capital and liquidity metrics are set accordingly. Should an indicator approach or breach the defined tolerance levels, escalation mechanisms are activated.

4. Risk reporting

Risk monitoring and reporting is a key risk management process which that keeps business functions, top management, the BoD and the supervisory authority aware and informed of the risk profile's development, risk trends and breaches of any risk tolerances.

The Own Risk and Solvency Assessment (ORSA) is the main risk reporting process, coordinated by the Risk Management Function. Its purpose is to provide the assessment of risks and of the overall solvency needs on a current and forward-looking basis. The ORSA process ensures the ongoing assessment of the solvency position in line with the Strategic Plan and Capital Management Plan, followed by the regular communication of ORSA results to the supervisory authority after BoD approval. More details are provided in section B.3.3.

Risk management function

The Risk Management Function ensures that the risk management process complies with Solvency II and the principles set in the Risk Policies as described in section B.3. The function further supports the BoD and top management in ensuring the effectiveness of the risk management system.

The Risk Management Function coordinates the ORSA process and reports the most significant risks it identifies to the Board. The Risk Management Function is responsible for:

- assisting the Board of Directors and Supervisory Board and other functions in the effective operation of the risk management system;
- monitoring the risk management system and the implementation of the Risk Management Policy;
- monitoring the general risk profile of the Company and coordinating the risk reporting, including reporting any tolerances breaches;
- advising the Board and supervisory board and supporting the main business decision-making processes including those related to product approval, strategic affairs such as corporate strategy, mergers and acquisitions and major projects and investments.

The Risk Management Function is an independent function within organizational structure and is not responsible for any operational area. The head of the Risk Management Function (Chief Risk Officer - CRO) reports hierarchically to the Chief Executive Officer (CEO) and functionally to the BoD. To ensure proper coordination and direction from the Head Office, the Function also reports to the Group Chief Risk Officer (GCRO). The Risk Management Function has full access, in accordance with local laws and regulations, to all information, systems and documentation related to activities within risk management. The Function is also involved in all the key committees of the Company.

The Risk Management Function also chairs the Risk Committee where the representatives of Risk Management, key Risk Owners and Control Functions discuss current risk topics, the results of risk assessments and advise the BoD on risk related matters.

The Resources of the Risk Management Function include financial and human resources, as well as access to external advisory services and specialized skills.

Head of the Risk Management Function shall have the necessary qualifications, knowledge, experience and professional and personal skills to carry out the Function's duties effectively. The head shall have solid relevant experience in the insurance (or financial) industry, in risk management practices and risk related regulations. This person shall have also the capacity to relate to the commercial mind-set of the business and develop an overall understanding of the organization from the operational and strategic point of view. The head of the Function shall follow applicable risk policies that set out the relevant responsibilities, goals, processes and reporting procedures to be applied.

All personnel carrying out risk management functions shall fulfil the above requirements and characteristics, commensurate with the degree of complexity of the activities to be carried out. The requirements must be maintained at an appropriate and adequate level at all times.

Compliance with the above mentioned requirements is assessed at least on yearly basis and also during the year in case of changes in the staffing of the Risk Management Function.

B.3.2. STANDARD FORMULA: GOVERNANCE AND DATA

Generali Pojišťovna, as an insurance undertaking, guarantees to be fully compliant with the principles of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, together with implementing measure Commission Delegated Regulation (EU) 2015/35 and other complementary and consultation papers, including local legal regulations.

The SCR calculation is carried out based on standard formula regulatory principles and is performed annually, quarterly or ad-hoc, e.g. in case of regulatory or internally identified stress tests. In addition, Generali Pojišťovna continually monitors its risk profile and any significant deviations from the assumptions used in the latest calculation of the standard formula.

The SCR calculations are the responsibility and final review of the Risk Management Department which receives inputs from departments across the Company (mainly the Actuarial, Reinsurance and Accounting Department). This requires control process to be applied such as the four eyes control principle, analysis on year movements, trend analysis, CRO review, challenging the results by the Risk Committee and the Board of Directors and reviews at the level of Generali CEE Holding and the Generali Head Office.

Insurance undertakings are obliged to have an appropriate data quality framework, a governance system and processes for review in place.

The Company has implemented a data quality framework to ensure that the data used for the calculation of SCR and evaluation of technical provisions is accurate, complete and appropriate. For this purpose, all data used are recognised, data flows are tracked to the level of primary systems, risks of potential non-quality data are identified and evaluated, adequate controls are implemented and their results are monitored and documented.

B.3.3. ORSA PROCESS

The ORSA process is a key component of the risk management system and aims to assess the adequacy of the solvency position and the risk profile on a current and forward-looking basis.

The ORSA process documents and properly assesses the main risks the Company is exposed to, or might be exposed to based on its Strategic Plan. The process includes the assessment of the risks within the scope of the SCR calculation, but also other risks not included in the SCR calculation. In terms of risk assessment techniques, stress tests (defined by Company and Group) and sensitivity analyses are also performed to assess the resilience of the Company risk profile to changed market conditions or specific risk factors.

An ORSA Report is produced on an annual basis. In addition to the annual ORSA Report, non-regular ORSA Reports are produced when the risk profile has changed significantly.

All results are properly documented in the ORSA Report and discussed during meetings of the Company 's Risk Committee. After discussion and approval by the BoD, the Report is submitted to the supervisory authority. As a rule, the information included in the ORSA Report is sufficiently detailed to ensure that the relevant results can be used in the decision-making process and in the business planning processes.

The results of the ORSA process at Company level are also reported to the parent company as an input to the ORSA process of the Generali Group. For this reason, the Company follows the principles set in the Risk Management Policy and additional operating procedures. These are issued by Head Office to assure the consistency of the ORSA process across the companies of the Generali Group.

B.3.4. RISK EMBEDDING IN THE CAPITAL MANAGEMENT PROCESS

Capital Management and Risk Management are strongly integrated processes. This integration is deemed essential to ensure the proper alignment of business and risk strategies.

By means of the ORSA process, the projection of the capital position and the forward-looking risk profile assessment contribute to the strategic planning and capital management processes.

The ORSA report also influences the capital management plan as it verifies the adequacy and the quality of the Company's eligible own funds to cover overall solvency needs on the basis of the plan assumptions.

To ensure the continuous alignment of risk and business strategies, risk management actively supports the strategic planning process.

B.4. INTERNAL CONTROL SYSTEM

B.4.1. INTERNAL CONTROL SYSTEM

The Company has fully adopted the Group Directives on Internal Control and Risk Management system, which include the key elements of the internal control system and the risk management framework and list, particular activities,roles and responsibilities. The Accordingly, the Company set up an organizational and operational structure aimed at supporting its strategic objectives, operations and internal control and risk management systems.

The internal control environment includes the integrity, ethical values, competence development of personnel, management's philosophy and operating style, the way roles and responsibilities are assigned, the organization set-up and governance.

The internal control system ensures compliance with applicable laws, regulations and administrative provisions and the effectiveness and efficiency of the operations in light of objectives. It also ensures the availability and reliability of financial and non-financial information.

The internal control and risk management system is founded on the establishment of three lines of defence:

i. The operating functions (the risk owners) represent the first line of defence and have ultimate responsibility for risks relating to their area of expertise
ii. The actuarial, compliance and risk management functions represent the second line of defence
iii. The internal audit function represents the third line of defence and together with actuarial, compliance and risk management functions represents the control functions.

Monitoring and reporting mechanisms within the internal control system and the control functions are established to provide senior management and the Board of Directors with relevant information essential for its decision-making processes.

B.4.2. INFORMATION ON INTERNAL CONTROL FUNCTION: ORGANIZATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING. STATUS AND RESOURCES OF THE INTERNAL CONTROL FUNCTION WITHIN THE UNDERTAKING

The Company established the Compliance Function as an independent department and as part of the internal control system and its second line of defence. The head of the compliance department reports to the Board of Directors.

The Company fully adopted the Group Compliance Policy that has been approved by the Board of Directors of Assicurazioni Generali S.p.A and is periodically reviewed. The compliance department follows the policy while its role and responsibilities are specified in the internal Statute of Compliance.

The resources of the compliance department include financial and human resources, as well as access to external advising services and specialised skills, the organizational infrastructure, contemporary reference material on compliance management and legal obligations, professional development and technology.

The reporting process aims to ensure that appropriate information on the performance of the Compliance Function and the compliance management system, its continuing adequacy and all relevant instances non-compliances, is provided to senior management and the Board of Directors as well as to the Group Compliance Function.

The compliance department submits the annual plan of activities together with the annual budget of the compliance function to the Board of Directors for approval. The annual plan is drafted taking into account the results of risk assessment activities. At least twice a year ,the compliance department reports to the Board on the state of the realisation of the annual plan of activities. The compliance department also provides regular updates to the Board of Directors and senior management. It informs the Board of any material changes in the compliance risk profile of the Company without undue delay.

B.4.3. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE INTERNAL CONTROL FUNCTION

The employees of the compliance function have the necessary qualifications, knowledge, experience and professional and personal skills to enable them to carry out their duties effectively. Such requirements are defined for each control function position. The compliance officers must understand the obligations, legislation, standards and rules that affect the business and be familiar with the methodologies compliance risk management.

The Compliance Function is independent of the functions in the organization structure. It is not responsible for any operational areas. The head of the compliance function reports hierarchically to the CEO and functionally directly to the Board, which confers the necessary authority to the function.

In accordance with local laws and regulations, the compliance department has complete access to all information, systems and documentation related to activities within the compliance scope. The compliance officer may attend relevant AMSB and committee meetings (e.g. Risk Committee) to raise compliance risk related matters, whenever appropriate. All accessed information and documents are handled in a prudent and confidential manner.

B.5. INTERNAL AUDIT FUNCTION

B.5.1. INFORMATION ON INTERNAL AUDIT FUNCTION: ORGANIZATIONAL STRUCTURE, THE DECISION MAKING PROCESSES, STATUS AND RESOURCES OF THE INTERNAL AUDIT FUNCTION

The organizational structure is described in the Organizational Chart (see section B.1.1.) and in the Internal Audit Charter. Internal audit services are provided via Agreement on Shared Costs by Česká pojišťovna.

As a part of internal regulations, the current Internal Audit Charter has been approved and issued on 31 March 2016. It contains a definition of internal auditing, the mission of the internal audit department, its area of responsibility, duties (audit planning, execution of the audit engagement, reporting and comments processing, information flows and other tasks), powers and responsibilities, assurance and consulting engagements characteristics (assurance and audit engagements, consulting engagements, implementation assistance) and information flow management.

The Head of Internal Audit creates a strategic plan of internal audit activities, which is at least annually updated and approved by the Board of Directors with positive advice from the Audit Committee. The periodic (annual) internal audit function's plan of engagements must be based on documented risk assessments. The internal audit function shall remain fully independent of judgment regarding risk extent and inclusion of the given process or area in the audit plan. The chief audit executive considers accepting proposed consulting engagements based on the engagement's potential to improve the management of risks, add value, and improve Company operations. Accepted engagements must be included in the annual audit plan. The annual audit plan should clearly indicate the skills of the personnel in charge of each audit, the timing, and the time expected to be spent on the engagement. The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan. To carry out the internal audit's activities as effectively and efficiently as possible, the personnel of the internal audit function is to be put in close contact with the areas of the business whose processes are to be reviewed. This will avoid the internal audit function being entirely extraneous to the context in which it operates. Audits are hence performed onsite with more in-depth and comprehensive operational analysis.

B.5.2. INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE INTERNAL AUDIT FUNCTION

The Company implemented the Internal Audit Policy clearly setting out the relevant responsibilities, objectives, processes and reporting procedures to be applied in consistency with Company strategy.

In line with this policy the Internal Audit Function is an independent, effective and objective function established by the AMSB to examine and evaluate the adequacy, functioning, effectiveness and efficiency of the internal control system and all other elements of the system of governance, with a view of improving the efficacy and efficiency of the internal control system, of the organization and of the

governance processes. The Internal Audit Function supports the AMSB in identifying the strategies and guidelines on internal control and risk management, ensuring they are appropriate and valid over time. It provides the AMSB with analysis, appraisals, recommendations and information concerning the activities reviewed and also carries out assurance and advisory activities for the benefit of the AMSB, the top management and other departments.

The Internal Audit Function governs itself by adherence to mandatory guidance by the Institute of Internal Auditors' including its Definition of Internal Auditing, Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes the principles and fundamental requirements for the professional practice of auditing and for evaluating the effectiveness of the audit activity's performance.

The Internal Audit Function shall be provided with an appropriate budget and resources. The Internal Audit Function staff must possess the knowledge, skills and competencies required to carry out their work with proficiency and due professional care.

The head of the Internal Audit Function is a person meeting the requirements of the local regulation authority's regime, the Solvency II regulation and Generali Group requirements. The head of the function must have solid relevant experience within the areas of audit, control, insurance, finance, risk or in the auditing of financial statements.

The head of the Internal Audit Function does not assume responsibility for any other operational function and has an open, constructive and cooperative relationship with regulators to supports the sharing of information relevant to carry out their respective responsibilities.

Other personnel belonging to the internal audit function should also have the skills and a proven record of accomplishment commensurate with the degree of complexity of the activities to be carried out. The Internal Audit Function must include employees with high professional development potential. Internal audit staff is expected to avoid, to the maximum extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest. They must behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks and duties must always be kept completely confidential.

B.6. ACTUARIAL FUNCTION

In line with the organizational model defined by the Generali Group, the Actuarial Function is hierarchically located under the CFO area to ensure the effective coordination of the calculation of technical provisions. In addition, to preserve independence, the head of the Actuarial Function functionally reports to the Board with independent and direct access. Additionally, the Company has strengthened the independency of its second line of defence by organizationally separating its calculation and validation activities from the Actuarial Function. The heads of both of these activities report directly to the CFO. The head of the validation activities is considered a control function, focusing on validation activities and the expression of an independent opinion on technical provisions, underwriting policy and reinsurance arrangements to the Board with unrestricted access to the information necessary to carry out such responsibilities, to the extent legally permitted. Finally, in cases of fundamental issues in the actuarial validation function's areas of interest, the function is obliged to report its findings directly to the Board.

Resources of the actuarial function include financial and human resources, as well as access to external advice and specialized skills. All the employees involved in the Function possess an actuarial background with a degree in actuarial sciences, statistics or mathematics, or other specific finance/insurance post degree qualifications. Some of them are employees of Česká pojišťovna and provide the evaluation and reporting of technical provision as a part of the outsourcing activities for the Company. The main rationale for this outsourcing is a new target operating model approved by the Regulatory Authority (Czech National Bank) and the integration and optimisation of the operating model of both insurance companies belonging to the Czech Generali Group. This outsourcing is fully in line with the rules and processes as described in the dedicated section of this report.

The main responsibilities of the Actuarial Function, as required by Solvency II principles (Article 48 of Directive 2009/138/EC), are the following:

- coordinate the calculation and validate the technical provisions;
- inform the Board of Directors on the reliability and adequacy of the calculation of the technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of the reinsurance arrangements;
- contribute to the effective implementation of the risk-management system.

B.7. OUTSOURCING

B.7.1. INFORMATION ON OUTSOURCING POLICY

The Company fully adopted the **Group Outsourcing Policy**, which sets consistent minimum mandatory outsourcing standards, assigns the main outsourcing responsibilities and ensures that appropriate controls and governance structures are established within any outsourcing initiative.

The policy introduces a risk-based approach, distinguishing between critical and non-critical outsourcing, the materiality of each outsourcing agreement and the extent to which the Company controls the service providers.

The Company also adopted **local outsourcing rules**, that specify all rules and obligations for the proper set up and management of outsourcing relationships both within and outside of the Group, the criteria for the classification of outsourcing significance, roles and responsibilities, contract content, internal process, evidence and the monitoring of outsourcing.

An outsourcing business officer is appointed for each outsourcing contract. This person is responsible for the overall execution of the outsourcing lifecycle, from risk assessment to final management. The officer also monitors the service level agreements defined in the contracts as well as the quality of the provided service.

B.8. ANY OTHER INFORMATION

B.8.1. ASSESSMENT OF THE ADEQUACY OF THEIR SYSTEM OF GOVERNANCE TO THE NATURE, SCALE AND COMPLEXITY OF THE RISKS INHERENT IN THEIR BUSINESS

At least once a year, the internal audit department regularly performs an independent overall evaluation of the internal control system of the Company. The evaluation reflects the main requirements of local regulation and general corporate governance principles. It is one of the inputs provided to the Supervisory Board so that it may perform its supervision of the internal control system. In addition, it is also an independent source of information for the Board of Directors in the process of managing the ICS.

The internal control system is broadly defined as a process, effected by the Company's Board of Directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with laws and regulations;
- development of and adherence to strategies;
- principles for the detection and prevention of conflicts of interest and internal fraud.

B.8.2. OTHER MATERIAL INFORMATION REGARDING THE SYSTEM OF GOVERNANCE

There is no other relevant information.

C. Risk Profile

Within the Company risk profile, no risk exposure arises from off-balance sheet positions and no transfer of risk to special purpose vehicles takes place.

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Life and health underwriting risks include biometric and operating risks embedded in the life and health insurance policies. Biometric risks derive from the uncertainty in the assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in insurance liability valuations. Operating risks derive from the uncertainty regarding the amount of expenses and from the adverse exercise of contractual options by policyholders. Along with premium payment, the lapse of a policy is the most significant contractual option held by policyholders.

Life and health underwriting risks identified in the Company's Risk Map are:

- *Mortality risk*, defined as the risk of loss, or of an adverse change in the value of insurance liabilities, resulting from changes in the mortality rates, where an increase in the mortality rates leads to an increase in the value of insurance liabilities. Mortality risk also includes mortality catastrophe risk, as the risk of loss, or of an adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events;
- *Longevity risk* similar to mortality, defined as the risk resulting from changes in the mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities;
- *Disability and morbidity risks* are defined as the risk of loss, or of an adverse change in the value of insurance liabilities, resulting from changes in the disability, sickness, morbidity and recovery rates;
- *Lapse risk* is linked to the loss or adverse change in liabilities due to a change in the expected exercise rates of policyholder options. The relevant options are all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. This also includes catastrophic events upon lapse;
- *Expense risk*, as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the expenses incurred in servicing insurance or reinsurance contracts;

The following table briefly summarizes the interactions between products and risks:

Products	Mortality Risk	Longevity Risk	Morbidity / Disability Risk	Lapse Risk	Expense Risk	Health
Accident and Disability	✓		✓	✓	✓	
Pure Risk	✓		✓	✓	✓	
Annuity in payment		✓			✓	
Annuity in accumulation	✓	✓	✓	✓	✓	
Capitalization				✓	✓	
Endowment and Others	✓		✓	✓	✓	
Non-life Annuities in payment		✓			✓	

The main life underwriting risks in the Company's portfolio are lapse and expense risk.

The approach underlying the life underwriting risk measurement is based on the calculation of the loss for the Company resulting from unexpected changes in biometric/operating assumptions. In particular, the capital requirements for life underwriting risks are calculated based on the difference between Solvency II technical provisions after the application of stresses to the biometric/operating assumptions and Solvency II technical provisions under best-estimate expected conditions.

Life underwriting risks are measured through a quantitative model aimed at determining the SCR, based on the methodology and parameters defined in the standard formula approach.

Risk measurement derives from the application of pre-defined stresses to the best estimate biometric/operating assumptions with a probability of occurrence equal to 0.5%.

For mortality and longevity risks, uncertainty in insured population mortality and its impact on the Company is measured by applying permanent and catastrophe stresses to policyholder death rates.

For morbidity and disability risks, the uncertainty in sickness or morbidity of the insured population and its impact on the Company is measured applying permanent or catastrophe stresses to policyholder morbidity, disability and recovery rates.

For lapse risks, risk calibration and loss modelling aims at measuring the uncertainty in policyholder behaviour with respect to legal or contractual options that give them the right to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse. Similar to biometric risks, the measurement is done via the application of permanent and catastrophe stresses to these policyholder behaviours.

Expense risk is measured through the application of stresses to the amount of expenses and expense inflation that the Company expects to incur in the future.

No significant changes in risk measurement occurred in the reporting period.

RISK MANAGEMENT AND MITIGATION

The techniques for mitigating, monitoring and managing life underwriting risks are based on quantitative and qualitative assessments embedded in the processes that are carefully defined and monitored both at the Company's and the Generali Group level (such as life product approval and underwriting limit processes).

Risk mitigation

Robust pricing and ex-ante selection of risks through underwriting are the main two defences against life underwriting risks.

Product pricing

Effective product pricing consists of setting product features and assumptions regarding expenses, biometric, policyholder behaviour as to allow the Company to withstand any adverse development in the realisation of these assumptions.

For savings insurance portfolios, this is mainly achieved through profit testing, while for protection insurance portfolios involving a biometric component, this is achieved by setting prudent assumptions.

For example, lapse risks, related to voluntary withdrawal from a contract, or expense risk, related to the uncertainty concerning expenses the Company expects to incur in the future, are evaluated in a prudential manner in the pricing of new products. This evaluation is taken into account in the construction and the profit testing of a new tariff, considering the underlying assumptions derived from the experience of the Company.

For insurance portfolios with a biometric risk component, the mortality tables used in pricing include reasonably prudential margins. The standard approach is to use population or experience tables with adequate safety loadings. For these portfolios, comprehensive reviews of mortality experience are performed every year at the head office level and involve a comparison with the expected mortality of the portfolio, determined according to the most up-to-date mortality tables available in each market. This analysis taking into consideration the mortality by sex, age, policy year, sum assured and other underwriting criteria, allows to continuously check the adequacy of the mortality assumptions considered in product pricing and to address misestimation risk for the next underwriting years.

Similarly as for mortality risk, for longevity risk, an annual assessment of the adequacy of the mortality tables used in pricing is performed. This assessment not only considers biometric risks but also financial risks related to the minimum interest rate guarantee and any potential mismatch between the liabilities and the corresponding assets. In this case as well, the analysis allows to continuously check the adequacy of the longevity assumptions considered in product pricing and to address the misestimation risk for the next underwriting years.

All operating assumptions used in the pricing phase of products or for the valuation of new businesses are derived from the Company's own experience in line with underwriting policy. They are consistent with the assumptions used for technical provisions (TP) valuation. Furthermore, to ensure full alignment with Company's strategy on product approval, the process includes the on-going monitoring of the products to be launched by the Company and a biannual update of the profitability review, done at the parent company level.

Underwriting process

The parent company issues underwriting guidelines, determines operating limits to be followed by the Company and defines the standard process to request exemptions to maintain the risk exposure between pre-set limits and to ensure a the coherent use of capital.

Particular emphasis is put on the underwriting of new contracts considering medical and financial risks. The Group has defined clear underwritings standards through manuals, forms and medical and financial underwriting requirements. The autonomy of the Company in its underwriting policies depends on its structure and portfolio and is determined by the parent company.

For insurance riders[2] most exposed to moral hazard, the Company sets maximum insurability levels. In order to mitigate these risks, policy exclusions and financial underwriting rules are also defined.

The Company regularly monitors risk exposures and adherence to operative limits, reports any abnormal situation and follows an escalation process proportionate to the nature of the breach to ensure that remediation actions are undertaken swiftly.

Role of risk management in pricing and product approval processes

The Company CRO supports the pricing process as a member of the product and underwriting committees.

The product approval process includes a review by risk management function to assure that new products are in line with the risk appetite framework (both in regards to quantitative and qualitative dimensions) and that risk-capital is considered within risk-adjusted performance management.

Underwriting risks can also be transferred through reinsurance to another (re)insurance undertaking to reduce the financial impact of these risks on the Company. This effectively reduces the SCR needed to be held to cover them.

The life reinsurance function at Group level supports, steers and coordinates the reinsurance activity done by the Company by defining appropriate guidelines aimed at ensuring a tight control of risk, in line with the Group and Company risk appetite. The guidelines are also intended to fully take advantage of all opportunities that reinsurance offers in each market.

The Group acts as the main reinsurer for the Company. Nevertheless, with the parent company's consent and when justified by specific business reasons, the Company can also transact with another reinsurance companies on the open reinsurance market.

When subscribing reinsurance contracts with market reinsurers, the Company agrees and relies on the above-mentioned guidelines that indicate also outline admissible reinsurance transactions, the relevant maximum allowed cession and the selection of counterparties based on their financial strength.

The reinsurance programme is subject to the Life Actuarial Function (LAF) opinion regarding adequacy. The actuarial function should consider the reinsurance arrangements to be sufficient and adequate and ascertain that own retention limits have been adequately set. Companies to whom contracts are ceded usually belong to the Generali Group; hence there is minimum risk of potential unavailability of reinsurance cover.

C.1.2. NON-LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Property and casualty (P&C) underwriting risk is the risk arising from P&C insurance obligations and relates to the perils covered and the processes used in the conduct of business. It includes at least the risk of underestimating the frequency and/or severity of the claims in defining pricing and provisions (respectively pricing risk and reserving risk) and the risk of losses arising from extreme or exceptional events (catastrophe risk).

The Company cannot avoid exposure to potential losses stemming from the risks intrinsically related to the nature of its core businesses. However, properly defining standards and recognizing, measuring, setting limits to these risks is of critical importance to ensure the Company's resilience under adverse circumstances and to align P&C underwriting activities with the Company risk appetite.

In line with Generali Group risk strategy, the Company underwrites and accepts risks that are known and understood, where the available information and the transparency of exposure enables the businesses to achieve a high level of professional underwriting, with consistent development. Moreover, risks are underwritten with quality standards in the underwriting procedures to secure profitability and limit moral hazard.

[2] A rider is an add-on to the primary policy, which offers benefits over and above the policy subject to certain conditions.

The business underwritten by the Company contains a mix of retail, commercial and industrial risks. Most significant is motor insurance, followed by property, liability and other segments.

The exposures of the Company to underwritten risks are described in the corresponding section D.2.2 of the documentation, related to technical provisions and the market value balance sheet.

The P&C underwriting risks are measured through a quantitative model aimed at determining the SCR, based on the methodology and parameters defined in the Standard Formula approach.

The risk measurement derives from the application of a pre-defined stress to the best estimate with a probability of occurrence equal to 0.5%.

As the risks according to the Standard Formula approach are driven by exposures, particularly the earned premium for premium risk and the best estimate of claim provisions for reserving risk, the movement in these risks is in line with the movements in the corresponding exposures, mainly by the increase of premium and provisions in motor business.

All property business underwritten by the Company is located in the Czech Republic. Based on the SF approach, companies operating on the CZ market are exposed to three natural catastrophe risks, namely floods, windstorms and earthquakes. By far the biggest risk is represented by flood events, but to a properly selected reinsurance structure, this risk is mitigated by reinsurance and the net risk represented by flood perils is on the same level as the net risk arising from windstorms. The SCR emanating from earthquake risk is considerably lower. The SCR generated by natural events declined in comparison to the last year because of a more precise assessment of reinsurance structure to the risk scenarios.

In addition to natural catastrophe risks man-made catastrophe risks are also considered according to SF scenarios. The majority of SCR from man-made catastrophes is generated by liability insurance.

Non-life lapse risk is not considered in the SCR calculation due to immaterial impacts on the Company's own funds.

The assessment of P&C underwriting risks in terms of SCR can be found in section E.

RISK MANAGEMENT AND MITIGATION

P&C risk selection starts with an overall proposal in terms of underwriting strategy and corresponding business selection criteria in agreement with the Group. The underwriting strategy is formulated to be in consistence with the risk preferences defined by the BoD within the Risk Appetite Framework.

During the strategic planning process, targets are established and translated into underwriting limits, with the objective to ensure that business is underwritten according to plan. Underwriting limits define the maximum size of risks and classes of business the Company shall be allowed to underwrite without seeking any additional or prior approval. The limits may be set based e.g. on value limits, risk type or product exposure. The purpose of these limits is to attain a coherent and adequately profitable book of business that is founded on the expertise of the Company.

Reinsurance is the key risk mitigation technique for the P&C portfolio. It aims to optimise the use of risk capital by ceding part of the underwriting risk to selected counterparties while simultaneously minimising the credit risk associated with such operations.

The Company transfers reinsurance contracts to the Generali Group (through the Generali regional CEE captive reinsurer GP Re).

The property catastrophe reinsurance programme for 2017 is designed as follows:

- protection aims to cover single occurrence losses up to a return period of at least 250 years;
- protection proven capable in all recent major catastrophic losses;
- substantial risk capital saved by means of protection.

The same level of return period protection and risk capital savings are guaranteed for other non-catastrophe protections, i.e. related to single extreme risks in the property, transportation and liability lines of business.

The Company has historically preferred traditional reinsurance as a tool for mitigating catastrophe risk resulting from its P&C portfolio, and continues to show no appetite for other mitigating techniques.

The Risk Management Function confirms the adequacy of the risk mitigation techniques on an annual basis.

C.2. MARKET RISK

As a composite insurer, the Company collects premiums from policyholders in exchange of payment promises contingent on pre-determined events. The Company invests the collected premiums in a wide variety of financial assets, with the purpose of honouring future promises to policyholders and generating value for its shareholders.

The Company might then be exposed to the following market and credit risks, that:

- invested assets do not perform as expected because of falling or volatile market prices;
- cash of maturing bonds are reinvested at unfavourable market conditions, typically lower interest rates;
- invested assets do not perform as expected because of perceived or actual deterioration of the credit worthiness of the issuer;
- derivative or reinsurance contracts do not perform as expected because of perceived or actual deterioration of the credit worthiness of the counterparty.

Because the Company is a long term liability driven investor and holds its assets until they are needed to redeem the promises to policyholders, the Company is fairly immune to short-term decreases and fluctuations in the market value of its assets.

Nonetheless, the Company is required by the Solvency II regulation to hold a capital buffer, with the purpose of maintaining a sound solvency position even under adverse market movements. For more information, please refer to section E.2.

For this purpose, the Company manages its investments in a prudent way according to the prudent person principle[3], and strives to optimise the return of its assets while minimizing the negative impact of short term market fluctuations on its solvency.

The Company invests the premiums collected in financial instruments ensuring that benefits to policyholders can be paid on time. Should the value of the financial investments substantially decrease when benefits to policyholders need to be paid, the Company may fail to maintain its promises to policyholders. Therefore, the Company must ensure that the value of the financial investments backing the insurance contracts does not fall below the value of its obligations.

In the case of its unit-linked business, the Company typically invests the collected premiums in financial instruments but does not bear any market or credit risk. However, with respect to its earnings the Company is exposed as fees are the main source of profits for the Company and are directly linked to the performance of the underlying assets. Therefore, adverse developments in the markets directly affect the profitability of the Company, should contract fees become insufficient to cover costs.

More in detail, the Company is exposed to the following main asset classes:

Asset allocation	Market value
Government bonds	7,328,286
Corporate bonds	6,586,156
Investment funds	3,644,887
Equity	2,144,816
Structured notes	2,123,245
Cash and deposits	725,714
Mortgages and loans	3,244
Property	585,078
Derivatives	(112,457)
Total	**23,028,968**

[3] The Prudent Person Principle set out in Article 132 of Directive 2009/138/EC requires the Company to only invest in assets and instruments whose risk can be identified, measured, monitored, control and reported as well as taken into account in the Company's overall solvency needs. The adoption of this principle has been prescribed in the Group Investment Governance Policy (GIGP).

C.2.1. RISK EXPOSURE AND ASSESSMENT

The market risks included in the company Risk Map are the following:

- Equity risk is the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices that may lead to financial losses.
- Interest rate risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of interest rates in the market. The Company is mostly exposed to upward changes in interest rates as higher interest rates decrease the present value of the promises made to policyholders less than the value of the assets backing those promises.
- Concentration risk is the risk of incurring significant financial losses because the asset portfolio is concentrated on a small number of counterparties, thus increasing the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses;
- Currency risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in exchange rates.
- Property risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of property market prices.
- Spread risk: the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.

The current allocation to market risks is as follows:

Exposure to risk type *	Market value
Concentration Risk	15,329,517
Property Risk	999,295
Equity Risk	5,000,064
Interest Rate Risk	16,596,802
Currency Risk	1,043,127
Spread Risk	9,523,041

* Besides Currrency Risk, Assets only

For the evaluation of its market risks, the Company makes use of the EIOPA standard formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate.

A breakdown of the SCR based on this methodology and originating from market risks can be seen in section E.

The methodology used to evaluate the market risks remains unchanged from the previous reporting period.

Market risk concentration is explicitly modelled by the Standard Formula. According to the results of the model and the composition of the balance sheet, the Company has no material risk concentrations.

C.2.2. RISK MANAGEMENT AND MITIGATION

The 'Prudent Person Principle' is the main cornerstone of the Company investment management process. To ensure the comprehensive management of the effect market risks have on assets and liabilities, the Company's strategic asset allocation (SAA) process needs to be liability-driven and strongly inter-dependent with insurance-specific targets and constraints. Following the Generali Group approach, the Company has integrated its strategic asset allocation (SAA) and asset liability management (ALM) within the same process.

One of the main risk mitigation techniques used by the Company consists in the liability driven management of the assets, aiming to assure a comprehensive management of assets that takes into account the Company liabilities structure.

The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the investment management process and based on the 'Prudent Person Principle'. The aim is not just to eliminate the risk but also to define an optimal risk-return profile satisfying the return target and the risk appetite of the Company over the business planning period.

The Company also uses derivatives with the aim to mitigate the risk present in the asset or/and liability portfolios. The derivatives help the Company to improve the quality, liquidity and profitability of the portfolio, according to the business planning targets.

ALM and SAA activities aim at ensuring that the Company holds sufficient and adequate assets to reach defined targets and meet liability obligations. This implies detailed analyses of asset-liability relationships under a range of market scenarios and expected/stressed investment conditions.

The ALM and SAA processes rely on the close interaction between the investment, finance, actuarial, treasury and risk management functions. The inputs and targets received from these functions guarantee that the ALM and SAA processes are consistent with the risk appetite framework, strategic planning and capital allocation processes.

The aim of the strategic asset allocation process is to define the most efficient combination of asset classes which, according to prudent person principle and related relevant implementation measures, maximizes the investment contribution to value creation, taking into account solvency, actuarial and accounting indicators.

The annual SAA proposal:

- defines target exposure and limits, in term of minimum and maximum exposure allowed, for each relevant asset class;
- embeds the deliberately permitted ALM mismatches and potential mitigation actions that can be enabled on the investment side.

The Group has centralized the management and monitoring. of specific asset classes (private equity, alternative fixed income, etc.), These kinds of investments are subject to accurate due diligence aiming at assessing the quality of the investments, the level of risk related to the investments and their consistency with the approved liability-driven SAA.
In addition to risk tolerance limits set on the Company solvency position defined within the RAF, the current risk monitoring process of the Company is also integrated through the adoption of the Generali Group Risk Guidelines (GRG) provided by the head office. The GRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

Furthermore, the Company also actively implements market risk mitigation strategies:

Currency risk

The Company's functional currency is CZK. However, in the investment portfolios instruments are also denominated in foreign currencies. According to general policy these instruments are either dynamically hedged into CZK via FX derivatives or assigned to foreign currency technical provisions in a corresponding value. The process in place guarantees the hedging's high effectiveness.

For group consolidation purposes the Company implements the hedge accounting to reflect its hedging strategy within the Group financial statements of the Generali Group. Within the hedge accounting activities, effectiveness of hedging is measured as a ratio of gains/losses on hedged items to profit and loss result of hedging instrument. The effectiveness test is performed regularly each month and compliance with the 80-125% rule is verified.

Interest rate risk

The Company concludes derivative trades to manage the interest rate risk position of the asset portfolio as part of this risk management strategy.

The objective of the investment and hedging strategy is to manage the overall interest rate risk position on a continuous basis. The Company achieves this objective through a dynamic strategy. The asset manager dynamically adjusts the positions within the fixed income portfolio and the hedging derivatives that are used to adjust and hedge the interest rate sensitivity of the overall portfolio.

Positions of individual instruments within the portfolio, whether underlying assets or hedging derivatives, are opened, adjusted or terminated even before the maturity date of the instrument, based on the actual state of the Company's risk capacity or risk appetite, any development in the credit quality of the instrument's issuer, a change in the instrument's liquidity or in its relative risk/return profile. The asset manager monitors the development of the overall interest rate position on an ongoing basis.

For group consolidation purposes the Company implements hedge accounting to reflect its hedging strategy within the Group financial statements of the Generali Group. Within the hedge accounting activities, the effectiveness of hedging is measured as a ratio of gains/losses on the hedged items to the profit and loss result of the hedging instrument. The effectiveness test is performed regularly each month and compliance with the 80-125% rule is verified.

C.3. CREDIT RISK

For general information on the market and credit risk context, see section C.2. Market Risk.

C.3.1. RISK EXPOSURE AND ASSESSMENT

Counterparty default risk: reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following 12 months.

Allocation to credit risk

Exposure to risk type	Market value
Counterparty default risk	2,959,480

To ensure that the level of credit risks deriving from the invested assets is adequate to the business run by the Company and the obligations taken with the policyholders, the investment activity is performed in a sound and prudent manner in accordance with the prudent person principle set out in Article 132 of Directive 2009/138/EC, as ruled in the Group Investment Governance Policy (GIGP), approved by the head office and subsequently approved by the Company BoD.

The prudent person principle is applied independently of the fact that assets are subject to market risks, credit risks or both.

Common risk measurement methodologies (both qualitative and quantitative) are applied to provide an integrated measurement of the risks borne by the Company.

For the evaluation of its credit risks, the Company makes use of the EIOPA Standard Formula, as ruled by the Solvency II Directive, complemented by additional measurement techniques deemed appropriate and proportionate.

The breakdown of the SCR originating from credit risks and based on this methodology can be seen in Section E.

The methodology used to evaluate the credit risks remains unchanged with respect to the previous reporting period.

C.3.2. RISK MANAGEMENT AND MITIGATION

The credit risks borne by the Company are managed in many concurrent ways.

One of the main risk mitigation techniques used by the Company consists in liability driven asset management. The asset portfolio is invested and rebalanced according to the asset class and duration weights defined through the investment management process described above and based on the prudent person principle The aim is not just to eliminate the risk but also to define an optimal risk-return profile satisfying the return target and the risk appetite of the Company over the business planning period.

Moreover, the application of the standard formula produces a set of quantitative Risk Metrics that allow the definition of risk tolerance levels and to perform sensitivities analysis on selected risk scenarios.

In addition to the framework illustrated above, the current risk monitoring process of the Company is also integrated by the adoption of the Generali Group Risk Guidelines (GRG) provided by the Group head office. The GRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

C.4. LIQUIDITY RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

Liquidity risk is defined as the uncertainty emanating from business operations, investment or financing activities, over the ability of the insurer to meet payment obligations in a full and timely manner, in a current or stressed environment. This could include meeting commitments only through credit market access at unfavorable conditions or through the sale of financial assets incurring in additional costs due to the illiquidity of (or difficulties in liquidating) the assets.

The Company is exposed to liquidity risk as a result of its insurance operating activity that depends on the cash-flow profile of the expected new business. Liquidity risks also arise due to potential mismatches between the cash inflows and the cash outflows deriving from the business. Additional liquidity risk can also stem from the Company's investing activity, due to potential liquidity gaps deriving from the management of the Company's assets portfolio as well as from a potentially insufficient level of liquidity (i.e. capacity of being sold at a fair price in adequate amounts and within a reasonable timeframe) in case of disposal. Finally, the Company can be exposed to liquidity outflows related to issued guarantees, commitments, derivative contract margin calls, or regulatory constraints regarding the coverage ratio of insurance provisions and its capital position.

The Company's liquidity risk management relies on projecting cash obligations and available cash resources into the future, to monitor that available liquid resources are at all times sufficient to cover the cash obligations that will come due in the same period.

For this purpose, a set of liquidity risk metrics has been defined and is used to regularly monitor the liquidity situation. All such metrics are forward-looking, i.e. they are calculated at a future date based on projections of cash flows, assets and liabilities and an estimation of the level of liquidity of the asset portfolio.

The metrics are calculated under both the base scenario, in which the values of cash-flows, assets and liabilities are consistent with the strategic plan, and under a set of stress scenarios, in which the projected cash inflows and outflows, market price of assets and amount of technical provisions are recalculated to take into account unlikely but plausible circumstances that would adversely impact the Company's liquidity.

Liquidity risk limits are defined in terms of values of the above-mentioned metrics not to be exceeded by the Company. The limit framework is designed to ensure that the Company holds a buffer of liquidity in excess of the amount required to withstand the adverse circumstances depicted in the stress scenarios.

In addition to regularly monitored and reported quantitative liquidity metrics, the Company is supported with qualitative liquidity indications (like setting limits on business activities, early warning indicators, stress testing) that complement the comprehensive assessment of liquidity risk and provide information on corrective actions when needed.

Liquidity metrics show a stable liquidity position without any relevant deviations.

Material liquidity risk concentrations could arise from large exposures to individual counterparties or groups. In fact, default or other liquidity issues of a counterparty towards which a significant risk concentration exists may negatively affect the value or the liquidity of the Company's investment portfolio and its ability to promptly raise cash by selling the portfolio on the market in case of need. For this purpose, the Company has a set of investment risk limits that manage the concentration risk taking a number of dimensions, including asset class, counterparty and credit rating into consideration .

C.4.2. RISK MANAGEMENT AND MITIGATION

The Company manages and mitigates liquidity risk in consistency with the framework set in the Group's internal regulations. The Company aims to ensure its capacity to meet its commitments also in adverse scenarios, while achieving its profitability and growth objectives. To that end, it manages expected cash inflows and outflows to maintain a sufficient available cash level to meet short and medium term needs and by investing in instruments that can be quickly and easily converted into cash with minimum capital losses. The Company considers its prospect liquidity situation under plausible market conditions as well as under stressed scenarios.

The Company has established clear governance guidelines for liquidity risk measurement, management, mitigation and reporting in consistency with Group regulations. This includes the setting of specific limits and escalation processes should limits be breached or other liquidity issues arise.

The principles for liquidity risk management designed in the Liquidity Risk Management Policy and the risk appetite framework are fully embedded in the Company's strategic planning as well as in business processes including investments and product development. As far as the investment process is concerned, the Company has explicitly identified liquidity risk as one of the main risks connected with investments and has stipulated that the strategic asset allocation process must rely on indicators strictly related to liquidity risk, including the mismatch of duration and cash-flows between assets and liabilities. Investment limits have been imposed on the Company to ensure

that the share of illiquid assets is kept within a level that does not impair the Company's asset liquidity. As far as product development is concerned, the Company follows the life and P&C underwriting policies defining the principles to be applied to mitigate the impact on liquidity from lapses and surrenders in respect of the life business and claims in respect of the non-life business.

C.4.3. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

The expected profit included in future premiums (EPIFP) represents the expected present value of future cash-flows resulting from the inclusion of premiums relating to existing insurance and reinsurance contracts in technical provisions. These are expected to be received in the future, but may not be received for any reason other than the occurrence of the insured event, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The amount of EPIFP underwritten by the Company has been calculated in accordance with Article 260(2) of the Delegated Acts and amounts to CZK 3,700 million for the life business and CZK 37 million for the P&C business at the end of year 2016.

C.5. OPERATIONAL RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Operational risk is the risk of losses arising from inadequate or failed internal processes, personnel or systems or from external events. Compliance and financial reporting risks fall within this category.

In line with industry practices, the Company has adopted the following classification categories:

- Internal fraud: the losses due to acts intended to defraud, misappropriate property or circumvent regulations, the law or Company policy, excluding diversity/discrimination events, which involves at least one internal party.
- External fraud: the losses due to acts intended to defraud, misappropriate property or circumvent the law, by a third party.
- Employment practices and workplace safety: the losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity/discrimination events.
- Clients, products and business practices: refer to the losses arising from the unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.
- Damage to physical assets: the losses arising from the loss of the damage to physical assets from natural disasters or other events.
- Business disruption and system failures: the losses arising from disruption of business or system failures.
- Execution, Delivery and Process Management: the losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

Following best industry practices, Generali's framework for operational risk management includes as main activities the Loss Data Collection (LDC)as well as risk assessment and scenario analyses.

The Loss Data Collection is the process of collecting losses events and provides a backward-looking view on the Company's risk profile in operational risks.

Risk assessment and scenario analyses provide a forward-looking view on the Company's risk profile in operational risks and require an analysis of the risks performed jointly with the risk owners:

- Risk assessments provide a high-level evaluation of the forward-looking inherent and residual risk exposure of the Company. The outcomes of the assessment drive the execution of the scenario analysis.
- A scenario analysis is a recurring process that, considering the risk assessment results, provides a detailed evaluation of the Company's operational risk exposure through the selection and the evaluation of specific risk scenarios.

MAIN COMPANY RISKS

For the Company and for the entire industry one the main operational risks arises from the implementation of all requirements emanating from new regulations. The Company therefore closely monitors new requirements in the areas of customer data privacy and customer protection and takes necessary actions to ensure full compliance with both regulatory requirements and security standards. The Company is also fully aware of the significance of external fraud risk. Thanks to a highly developed and structured detection system, this risk has been efficiently mitigated.

C.5.2. RISK MANAGEMENT AND MITIGATION

To identify, measure, monitor and mitigate operational risk, a dedicated specialist within the risk management function has been assigned with the mandate to steer the operational risk framework. Risks related to non-compliance are monitored by the compliance function.

Furthermore, specific risks such as financial reporting risks, IT risk, tax risk, fraud risk and corporate security are investigated and managed jointly with specialized units within the first line of defence

Overall, the operational risk management system is based primarily on assessing the risks by experts in different fields of Company operations and collecting information on actually occurred losses. Outputs of these analyses are used to support investments in new or modified controls and mitigation actions to keep the level of operational risks in an acceptable range and to enhance operational efficiency.

C.6. OTHER MATERIAL RISK

As part of the qualitative risk management framework the following risk categories are also considered:

- Reputational risk refers to potential losses arising from the deterioration in reputation or the negative perception of the Company among its customers, counterparties and the supervisory authority. Processes in place to manage these risks are: communication and media monitoring activities, corporate and social responsibility, customer relations and distribution management.
- Emerging risks arise from new trends or risks difficult to perceive and quantify, although typically systemic. These usually include internal or external environment changes, social trends, regulatory developments, technological achievements, etc.
- Strategic risks involve external changes and/or internal decisions that may influence the future risk profile of the Company.
- Contagion risks derive from problems elsewhere within the Generali Group that may affect the solvency and the economic situation of the Company.

The above mentioned risks are identified and evaluated within the ORSA process, both in with a current and forward-looking perspective. These risks are not subject to the calculation of the SCR, however their impact on the financial and solvency conditions of the Company is estimated at least on the qualitative basis.

C.7. ANY OTHER INFORMATION

To test the Company's solvency position and its resilience to adverse market conditions or shocks, a set of stress test and scenario analyses are performed. These are defined considering unexpected and potentially severe but plausible events across the risk categories. Looking at the potential effect on the Company's financial and capital position serves to outline appropriate management actions to take if such events were to materialise.

The Company also performs a sensitivity analysis that considers simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads and interest rate volatility). Their main purpose is to measure the variability of the own funds and solvency ratio to variations in specific risk factors. The set chosen aims to provide the assessment of resilience to the most significant risks.

The impacts of the sensitivities are reported in section E.

D. Valuation for Solvency Purposes

D.1. ASSETS

D.1.1. GENERAL VALUATION FRAMEWORK

The Solvency II regulation clarifies the relationship between the SII valuation of assets and liabilities and the international accounting standards (IFRS) adopted by the European Commission in accordance with Regulation (EC) No 1606/2002, provided that those standards include valuation methods consistent with the requirement of Art 75 – L1 Dir. The primary objective for valuations as set out by the Solvency II regulation requires an economic, market-consistent approach to the valuation of assets and liabilities. According to the approach defined by Solvency II, when valuing balance sheet items on an economic basis, undertakings need to consider the risks that arise from a particular balance sheet item, using assumptions that market participants would use in valuing the asset or the liability.

According to this approach assets and liabilities are valued as follows:

i. Assets should be valued at the amount for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction.
ii. Liabilities should be valued at the amount for which they could be transferred, or settled, between knowledgeable and willing parties in an arm's length transaction.

When valuing liabilities under point (ii) no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

The IFRS accounting bases, such as the definitions of assets and liabilities as well as the recognition and derecognition criteria, are applicable as the default accounting framework, unless otherwise stated. IFRS also refer to a few basic presumptions, which are equally applicable:

- the going concern assumption,
- separate valuation of individual assets and liabilities;,
- the application of materiality, whereby omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the Solvency II balance sheet. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be a determining factor.

Fair value measurement approach

Items shall be valued on an economic basis, having IFRS as a reference.
On this basis, the following hierarchy of high-level principles for the valuation of assets and liabilities is used:

i. Undertakings must use quoted market prices in active markets for the same or similar assets or liabilities.
ii. Where the use of quoted market prices for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences shall be used.
iii. If no quoted market prices in active markets are available, mark-to-model techniques, are used as alternative valuation techniques and have to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input.
iv. Undertakings have to make maximum use of relevant observable and market inputs relying as little as possible on undertaking-specific inputs to minimise the use of unobservable inputs.
v. When valuing liabilities using fair value, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement has to be eliminated. In addition, when valuing financial liabilities subsequently after initial recognition, the adjustment to take account of the own credit standing as required by IFRS 13 Fair Value Measurement and as defined by IFRS 7 Financial Instruments: Disclosures, has to be eliminated.

A quoted instrument is an instrument that is negotiated on a regulated market or on a multilateral trading facility. To assess whether the market is active or not, the Company carefully determines whether the quoted price really reflects the fair value. When the price has not changed for a long period or the Company has information about an important event that did not change the price accordingly, the market is considered not active.

The definition of fair value in IFRS 13 is based on an exit price notion. It uses a fair value hierarchy resulting in a market-based, rather than entity-specific measurement.

Fair value hierarchy

Level 1 inputs
Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs
Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

They include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
    - inputs other than quoted prices that are observable for the asset or liability, for example:
    - interest rates and yield curves observable at commonly quoted intervals;
    - implied volatilities;
- credit spreads;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs).

Level 3 inputs
Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Where possible, the Company tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to reasonable alternatives. Where possible, valuations for Level 3 investments are sourced from independent third parties and, where appropriate, validated against internally modelled valuations, third-party models or broker quotes..

Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations or where no third-party pricing source is available, the Company undertakes, where feasible, sensitivity analyses on the following basis:

- For third-party valuations validated against internally modelled valuations using significant unobservable inputs, the sensitivity of the internally modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing the inputs of internal models to a reasonable alternative, including the yield, NAV multiple, IRR or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security, the implied yield would be the rate of return that discounts the security’s contractual cash flows to equal the third-party valuation.

Fair value measurement

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

A fair value measurement requires an entity to determine all of the following:

- the particular asset or liability that is the subject of the measurement (consistent with its unit of account);
- for a non-financial asset, the valuation premise that is appropriate for the measurement consistent with its highest and best use);
- the principal (or most advantageous) market for the asset or liability
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

IFRS 13 provides further detailed guidance on the measurement of fair value.

Valuation techniques

In some cases, a single valuation technique will be sufficient, whereas in others, multiple valuation techniques will be appropriate.
The fair value of properties is determined using independent valuations provided by third parties. Exceptions are required or IFRS valuation methods are excluded only for some specific items.

D.1.2. SII SPECIFICITIES

In the Solvency II environment, fair valuations should generally be determined in accordance with the IFRS principles statement. Exceptions are required or IFRS valuation methods are excluded only for some specific items..

In particular, the exceptions refer to:

- goodwill and intangible assets;
- participations (or related undertakings);
- deferred taxes

GOODWILL AND INTANGIBLE ASSETS

According to Solvency II, insurance and reinsurance undertakings shall value goodwill, deferred acquisition costs and intangible assets other than goodwill at zero, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that a quoted market price exists for the same or similar assets. Computer software tailored to the needs of the undertaking and “off the shelf” software licenses that cannot be sold to another user shall be valued at zero as well.

All intangible assets are valued at zero in the Company’s market value balance sheet.

PARTICIPATIONS (OR RELATED UNDERTAKINGS)

Participation is constituted by share ownership or by the full use of a dominant or significant influence over another undertaking. The following paragraphs describe how participations can be identified. When classifying participation based on share ownership, directly or by way of control, the participating undertaking has to identify:

i. its percentage holding of voting rights and whether this represents at least 20% of the potential related undertaking’s voting rights (paid-in ordinary share capital) and
ii. its percentage holding of all classes of share capital issued by the related undertaking and whether this represents at least 20% of the potential related undertaking’s issued share capital (paid-in ordinary share capital and paid-in preference shares).

Where the participating undertaking’s holding represents at least 20% in either case its investment should be treated as a participation.

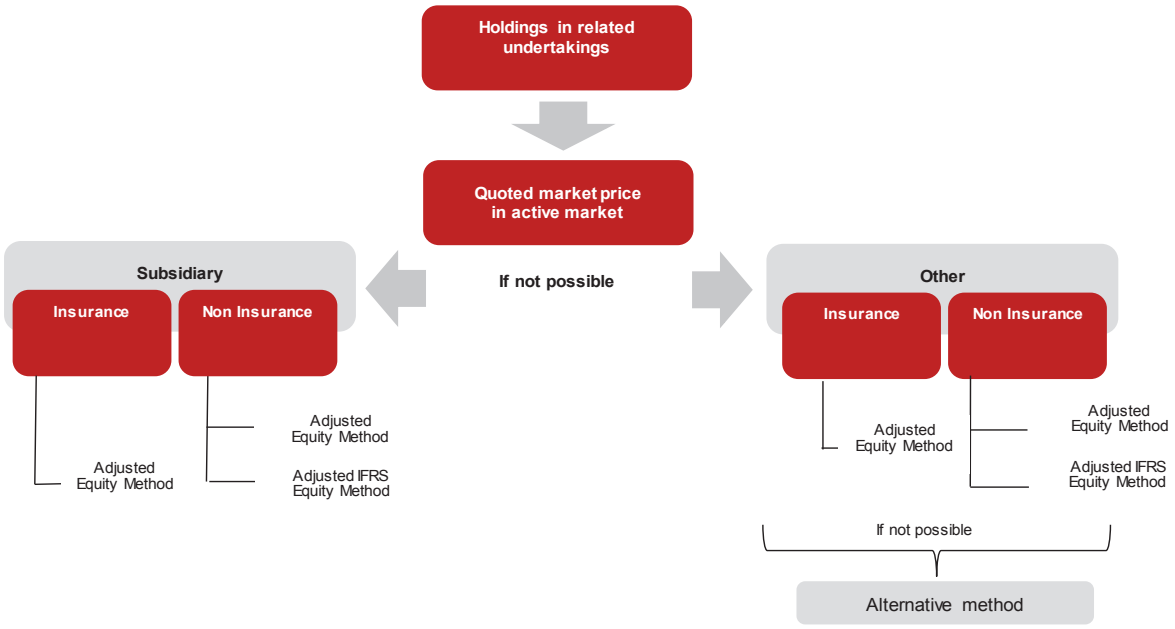
Valuation

Solvency II guidelines provide a hierarchy that shall be used to value holdings in related undertakings for solvency purposes. The hierarchy consist of the following:

- quoted market price
- adjusted equity method (if no active market)
- IFRS equity method (if non-insurance)
- alternative techniques (if associates or joint controlled entities)

The following figure shows the structure of this hierarchy.

In this respect, the IFRS concept of control and significant influence applies. As a result, holdings are not limited to equity instruments. However, the measurement principles in IAS 27, IAS 28 and IAS 31 do not apply to the solvency balance sheet, since they do not reflect the economic valuation required by the Solvency II Directive (Article 75).



As shown in the previous figure, the economic value of holdings shall correspond to the quoted market price in an active market, if available. When an active market for the instrument constituting the insurer's holding in a related undertaking exists, it is assumed that the holding can be disposed for a price equal to the quoted price on that market..

The quoted price will include the market participants' assessment of elements in the related undertaking that otherwise would not be included in a Solvency II balance sheet, e.g. goodwill and intangible assets. However, this valuation is justified if the equity instruments have a quoted price in an active market and could presumably be sold on this market

Many related undertakings will not be listed on securities markets. This will particularly be the case for subsidiary and joint venture undertakings. If no observable quoted price from an active market is available, the adjusted equity method should be applied to insurance and reinsurance related undertakings. The adjusted equity method represents an insurer's or reinsurer's share of the excess of assets over liabilities valued in accordance with Article 75 of the directive.

In case of non-insurance related undertakings, the equity method as prescribed in IFRS with the deduction of the value of goodwill could be applied (adjusted IFRS equity method) as an alternative. For associates, where an adjusted equity method /adjusted IFRS equity method is not possible, the use an alternative valuation method is also allowed, provided that this method is consistent with the valuation approach set out in Article 75.

Using the adjusted IFRS equity method instead of the adjusted equity method based on Solvency II valuation principles may not lead to a proper economic value because, in many cases, not all balance items will be measured at fair value. However, this method is introduced to facilitate and harmonise the valuation in cases where it is difficult to revalue the complete balance sheet of the related undertaking based on Solvency II principles. Therefore, it only can be applied when the same method has been applied in the financial statements – i.e. if the information is already available. To have consistency with the adjusted equity method based on Solvency II principles, goodwill shall be deducted.

Normally, it will be possible to recognise and value the individual assets and liabilities in the related undertakings in accordance with the Solvency II approaches applied on its directly owned assets and liabilities. In some cases, however, when the related undertaking is not controlled by the insurer or reinsurer (i.e. the related undertaking is not a subsidiary) the parent undertaking may not have sufficient knowledge of the individual assets and liabilities in the related undertaking to apply an economic valuation on them. In such cases the insurer or reinsurer can apply an alternative valuation.

DEFERRED TAXES

In accordance with the IAS 12 statement, deferred tax liabilities are income taxes payable in future periods in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

i. deductible temporary differences;
ii. the carry-forward of unused tax losses; and
iii. the carry-forward of unused tax credits.

Valuation

The solvency II regulatory framework states that in the SII balance sheet, deferred tax assets and liabilities shall be recognized in accordance with International Accounting Standards (IAS 12).

In particular, deferred tax assets and liabilities - other than deferred tax assets arising from the carry-forward of unused tax credits and the carry-forward of unused tax losses (DTA) - should be determined based on the difference between the values ascribed to assets and liabilities and the values ascribed to assets and liabilities as recognized and valued for tax purposes.

In other words, the deferred tax value has to be based on the difference between the value of the underlying assets and liabilities assumed in the valuation consistent with the Solvency II Directive and the value for tax purposes.

Moreover, undertakings shall only ascribe a positive value to deferred tax assets where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits.

In fact, IAS 12 requires the enterprise to recognize deferred tax assets and liabilities deriving from temporary differences.

A temporary difference is a difference between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either:

1) taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit of future periods when the carrying amount of the asset or liability is recovered or settled; or

2) deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit of future periods when the carrying amount of the asset or liability is recovered or settled.

While a deferred tax liability (DTL) must be accounted for all temporary taxable differences, the recognition of a DTA is subject to conditions.

In particular, IAS 12 provides that the enterprise shall recognize a deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

An entity shall consider the following criteria in assessing the probability that taxable profit will be available to offset the unused tax losses or unused tax credits:

i. the existence of sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses or unused tax credits can be utilized before they expire;
ii. the probability that the entity will realize taxable profits prior to the expiration of the unused tax losses or unused tax credits;
iii. the resulting unused tax losses from identifiable causes which are unlikely to recur; and
iv. the availability of tax planning opportunities for the entity to create taxable profit in the period in which the unused tax losses or unused tax credits can be utilized.

Furthermore, IAS 12 provides that the enterprise shall recognize a deferred tax asset with respect to the carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

With reference to taxable temporary differences, IAS 12 provides that the entity shall recognize a deferred tax liability for all taxable temporary differences with some exceptions.

In particular, with reference to investments in subsidiaries, associated companies, joint ventures and investment vehicles and in

accordance with IAS 12, sec. 39, an enterprise shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- The parent, investor or venturer is able to control the timing of the reversal of the temporary difference.
- It is probable that the temporary difference will not reverse in the foreseeable future.

In calculating the amount of deferred taxes, any mismatch between the SII balance sheet value of assets /liabilities under analysis and their related carrying value for tax purposes should be considered.

A deferred tax asset (DTA) is a tax credit that should be recovered in the future because of an expected loss (decrease of the net asset value).

When switching from local GAAP values to SII balance sheet values, it should be possible to assume the accounting value under local GAAP as the carrying value for tax purposes. In fact, any mismatch between accounting values under local GAAP and carrying values for tax purposes should have already been considered, with the (possible) recognition of the related deferred tax assets/deferred tax liabilities (DTA/DTL), which should then be re-recorded under SII balance sheet.

In other words, in the event that such mismatches (between accounting and tax values) are to be regarded as temporary differences (deductible/taxable), it will be necessary to determine the related deferred tax assets and/or liabilities (DTA/DTL) for the purposes of the recognition under the SII balance sheet, along with any DTA/DTL (already) recognized under local GAAP.

In particular, a deferred tax liability (DTL) should be recognized in either of the following cases:

- The SII balance sheet value of an asset is higher than the related carrying value for tax purposes.
- The SII balance sheet value of a liability is lower than the related carrying value for tax purposes.

In contrast, a deferred tax asset (DTA) should be recognized in either of the following cases:

- The SII balance sheet value of an asset is lower than the related carrying value for tax purposes; or
- The SII balance sheet value of a liability is higher than the related carrying value for tax purposes.

Recoverability test for recognition of DTA

While a DTL can be recognized in the balance sheet without further justification, the recognition of a DTA is subject to a recoverability test, which aims at showing that sufficient profits will be available in the future to absorb the tax credit. Be it in the initial balance sheet or in the SCR calculation, a DTA can only be recognized to the extent that it is probable that future taxable profit will be available against which the DTA can be utilized.

The table below presents the deferred tax asset and liability recognised by the Company..

Category	final DTA	final DTL
Insurance provisions and amount ceded to reinsurers from insurance provisions	0	750,441
Other	81,643	27,810
Total	**81,643**	**778,251**

No material deferred tax asset was recognised, only an immaterial DTA from intangible assets and deferred acquisition costs was recognised). Deferred tax liabilities arise mostly from the difference between the tax value of technical provision and technical provisions calculated according to SII.

No deferred tax asset relates to unused losses from the current or the preceding period.

D.1.3. DEVIATIONS FROM IFRS

Solvency II, in accepting valuation methods defined in IFRS, anticipates cases where IFRS valuation methods will not be consistent with Solvency II requirements and will require the valuation of balance sheet items at fair value. Solvency II excludes specific valuation methods such as cost or amortised cost and models where value is determined at the lower of the carrying amount and fair value less

costs to sell.

Furthermore, other valuation methods usually applied for specific assets or liabilities are to be excluded in SII environment or are to be adjusted. The following applies:

- Properties, investment properties, plant and equipment shall not be valued at cost less depreciation and impairment.
- The net realizable value for inventories shall be adjusted by the estimated cost of completion and the estimated costs necessary to make the sale if these costs are material.
- Non-monetary grants shall not be valued at their nominal amount.
- The value of biological assets is adjusted by adding the estimated cost to sell.

D.1.4. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

Assets	Solvency II Value	Statutory Accounts Value	Note	Amounts per Financial Statements	Mapping
Deferred acquisition costs	0	225,325	Deferred acquisition costs are for SII valued at zero	227,774	
Intangible assets	0	171,628	Intangible assets are for SII valued at zero	171,628	
Deferred tax assets	0	6 223	Impact of different valuation methodology and netting in SII	0	
Property, plant & equipment held for own use	60,035	61,213		50,620	Other tangible assets are presented in Other Assets in Financial Statements
Investments (other than assets held for index-linked and unit-linked contracts)	16,889,628	16,797,785		15,113,857	
Property (other than for own use)	525,043	485,525	Investment properties valued at fair value for SII	485,525	
Holdings in related undertakings, including participations	485,234	437,892	Participations valued at Fair value for SII.	437,891	
Equities	322,990	318,007		318,007	
Bonds	14,343,695	14,343,695		12,764,187	
Government Bonds	6,725,838	6,725,838		6,725,838	
Corporate Bonds	6,189,621	6,189,621		4,610,113	In Financial Statements classified in FVTPL, AFS and loans and receivables categories. Repo operations are classified as loans and receivables in Financial Statements.
Structured notes	1,428,236	1,428,236		1,428,236	
Collective Investments Undertakings	864,219	864,219		864,219	

Assets	Solvency II Value	Statutory Accounts Value	Note	Amounts per Financial Statements	Mapping
Derivatives	8,420	8,420		(113,634)	Derivatives assets and liabilities are presented netted in Financial Statements
Deposits other than cash equivalents	340,027	340,027		357,662	Excess of assets over liabilities for unit-linked policies is reported as Cash and Deposits in Financial Statements.
Assets held for index-linked and unit-linked contracts	6,008,857	6,008,857		5,991,223	Excess of assets over liabilities for unit-linked policies is reported as Cash and Deposits in Financial Statements.
Loans and mortgages	3,244	3,244		1,582,753	Repo operations are classified as loans and receivables in Financial Statements.
Loans on policies	3,244	3,244		0	
Reinsurance recoverables	1,514,292	3,636,638	Impact of different valuation methodology	0	Reinsurance recoverables are decreasing Technical Provisions in liabilities in Financial Statements
Insurance and intermediaries receivables	308,093	308,093		308 093	Balances together represents receivables in Financial Statements. Specific trade receivables presented netted with liabilities in Financial Statements
Reinsurance receivables	703,096	703,096		703 096	
Receivables (trade, not insurance)	450,077	450,077		346 004	
Cash and cash equivalents	189,259	189,259		189,258	
Any other assets, not elsewhere shown	11,169	11,170		19,314	Other tangible assets reported in in Property for SII purposes
Total assets	**26,137,750**	**28,572,608**		**24,703,620**	

D.2. TECHNICAL PROVISIONS

D.2.1. LIFE TECHNICAL PROVISIONS

OVERVIEW OF LIFE TECHNICAL PROVISIONS

The Solvency II life technical provisions at the end of 2016 have been calculated according to Articles 77 to 83 of Solvency II Directive 2009/138/EC.

The following table shows the amount of life technical provisions at the end of 2016, split into their main components: the best estimate of liabilities, reinsurance recoverables net of the counterparty default adjustment and risk margin.

	2016
Bel Gross of Reinsurance	8,674,108
Recoverables from Reinsurance (before CDA)	(151,585)
Counterparty Default Adjustment (CDA)	12,182
Bel Net of Reinsurance	8,534,706
Risk Margin (RM)	587,978
TP Net of Reinsurance Regulatory view	9,122,684

****positive signs represent a liability*

The best estimate of liabilities (BEL) corresponds to the average of the present values of expected future cash flows generated from contracts present in the Company portfolio, and therefore includes both a probabilistic assessment of their occurrence and an appropriate assessment of the time value of money, obtained on the basis of the risk-free interest rates as at 31. December 2016, as observed in the market and officially communicated by EIOPA. This curve (derived for the main markets and from interbank swap rates) includes both an adjustment to consider the residual default risk of these instruments (the so-called credit risk adjustment, for CZK amounting to -10bps) and an adjustment to consider the excess return achieved in a risk-free manner by the assets covering the insurance liabilities (the so-called volatility adjustment, equal to +1bps for CZK).

The method used to derive the best estimate of liabilities is based on a direct approach that involves the projection and discounting of all future expected incoming and outgoing cash flows for the duration of the policyholder's liabilities, in line with the contractual limits defined by regulations (contract boundaries). In particular, the projections consider all future premiums and all outflows associated with both the occurrence of insured events (e.g. claims and capital payable in case of survival of the insured when the contract expires) and the possible exercise of contractual options (for example surrender or paid-up options).

The best estimate of liabilities of a residual part of the portfolio (the majority are either matured and lapsed policies whose provisions are still in the books (just waiting to be paid out) or RBNS/IBNR provisions that the Company currently does not evaluate (based on the prudency approach), or which were evaluated using a simplified approach and assumed to be equal to IFRS provisions.

As shown in the above table, the best estimate of liabilities gross of reinsurance amounted to CZK 8.67 billion.

Only 1.6% of gross BEL is transferred via reinsurance outside of the Company, and the reinsurance recoverables net of the counterparty default adjustment related to these contracts amounted to CZK 139 million. The reinsurance recoverables were evaluated by means of appropriate projections of cash flows expected from reinsurance contracts and adjusted using the counterparty default adjustment to take account of the risk of default of the reinsurer.

The risk margin represents an allowance to take account of the inevitable uncertainty linked to the volatility of the operating assumptions and inherent in future cash flows. The risk margin is calculated by means of a cost of capital approach that considers the cost associated with non-hedgeable risks.

The capital requirement needed to cover non-hedgeable risks was determined using the Standard Formula model. The rate used to determine the cost of capital is 6% per annum. The cost of capital of each projection year was discounted at the valuation date using the term structure of interest rates without an adjustment for volatility. In line with the regulation, the risk margin is calculated net of reinsurance. The future projection of the capital requirement needed to cover the non-hedgeable risks. Its allocation by business lines

was carried out by means of suitable risk drivers applied to the capital required in respect of each risk included in the calculation of risk margin.

At 31 December 2016, the risk margin associated with Generali Pojišťovna life insurance contracts is equal to CZK 588 million.

In conclusion, the total value of Solvency II life technical provisions of Generali Pojišťovna at 31 December 2016, calculated as the sum of the best estimate of liabilities net of reinsurance and risk margin, amounted to CZK 9.12 billion.

The following table reports the amount of the Solvency II life technical provisions split according to lines of business:

- insurance with profit participation - traditional savings products, also including some risk covers and traditional part of “hybrid” products ;
- unit linked - contracts without options and guarantees - pure UL products and UL part of hybrid products ;
- other - contracts without options and guarantees - pure risk products and all riders ;
- annuities stemming from non-life obligations - MTPL annuities (RBNS only).

Life Technical Provisions YE2016 by lines of business

	Technical Provisions Regulatory View	
	2016	% weight
Total	**9,122,684**	**100.0%**
Life	9,122,684	100.0%
Health	-	0.0%

**** positive signs represent a liability*

	2016	% weight
Total	**9,122,684**	**100.0%**
Insurance with profit participation	4,380,782	48.0%
UL - Contracts without options and guarantees	4,480,966	49.1%
UL - Contracts with options and guarantees	-	0.0%
Other - Contacts without options and guarantees	(8,509)	-0.1%
Other - Contacts with options and guarantees	-	0.0%
Annuities stemming from non life obligations	269,445	3.0%
Accepted reinsurance with profit participation	-	0.0%
Accepted reinsurance UL contracts	-	0.0%
Accepted reinsurance Other contract	-	0.0%
Accepted reinsurance annuities stemming from non-life obligations	-	0.0%
SLT HEALTH - with options and guarantees	-	0.0%
SLT HEALTH - without options and guarantees	-	0.0%
SLT HEALTH - Annuities stemming from non-life obligations	-	0.0%
SLT HEALTH - Accepted	-	0.0%

**** positive signs represent a liability*

The following table compares the technical provisions reported in the financial statements with the Solvency II life technical provisions at the end of 2016.

	IFRS	Solvency II	Delta
Gross reserves/BEL gross	11,778,914	8,674,108	3,104,806
Ceded reserves/Reinsurance Recoverables after CDA	(209,915)	(139,403)	(70,512)
Risk Margin		587,978	(587,978)
Net reserves/Net TP	**11,568,999**	**9,122,684**	**2,446,315**

**** positive signs represent a liability*

The difference between the statutory provisions and Solvency II life technical provisions is due to substantial methodological differences between the two approaches making the comparison between the two amounts not informative of the adequacy of the current reserving basis. The Solvency II assessment, in fact, considers the future cash flows projected taking account of best estimate assumptions, future profit sharing and the financial cost of the guarantees, using as the discount rate the current structure of interest rates. The evaluation of the technical liabilities in the statutory balance sheet, instead, uses the assessments of the technical provisions calculated in accordance with local accounting principles and thus generally uses demographic pricing assumptions, discounts the contractual flows at the technical rate defined at the issue of the contract and, in general, does not consider any future financial profit share on unrealized gains/losses in force at the valuation date.

More specifically, the main differences between the two evaluations are attributable to the following items:

- cash flows resulting from premiums, future expenses and contractual options:
  - *premiums*: statutory provisions are usually calculated using pure premiums (i.e. loadings are excluded from the calculation); conversely, in Solvency II valuation, all premiums collected are considered;
  - *expenses*: typically future costs are excluded from the assessment of statutory provisions or, depending on the type of product, measured indirectly by means of the provision of loadings collected in the past (management provisions); in contrast, the Solvency II valuation includes the best estimate of the present value of the costs that will be incurred by the company to fulfil all contractual obligations;
  - *contractual options*: typically, the calculation of statutory provisions does not consider the probability the insured will exercise their contractual options such surrenders or failure to pay premiums; conversely, these elements are appropriately considered in Solvency II.
- operating assumptions: the provisions reported in the statutory financial statements are generally valued using conservative operating assumptions (or first order), while the technical provisions of Solvency II are valued using best estimate assumptions (or second order).
- economic assumptions: the Solvency II technical provisions are valued using the current economic framework both in terms of interest rate curves and market values of backing assets. In practice, this impacts:
  - projected economic returns and, consequently, future policyholder bonuses included in future cash flows;
  - interest rates used for discounting.

In contrast, cash flows of financial statement provisions typically do not consider future policyholder bonuses and are discounted by means of technical interest rates defined at the inception of the contract.

- counterparty default adjustment: unlike in a statutory valuation, the amount of reinsurance recoverables of Solvency II is adjusted to take into account the probability of the counterparty´s default;
- risk margin: unlike statutory provisions, Solvency II includes an explicit assessment of the amount to be held against non-hedgeable risks.

SOURCES OF UNCERTAINTY

The evaluation of the Solvency II life technical provisions depends not only on the methods, models, and data used, but also on assumptions concerning a number of economic and operational factors whose future realisations might differ from the expectations at the valuation date

The underwriting parameters affect the Generali pojistovna portfolio only slightly. In particular, the most relevant operating factor is the lapse risk affecting the entire portfolio. A variation of 10% in the surrender assumptions changes the best estimate of liabilities by about 3%. Other operating assumptions have a relatively small effect on the TP due to the application of contract boundaries (CB) on accident riders. Without the application of CB, the surrender assumptions and morbidity assumptions would generate a high materiality impact on the TP.

The effect on the best estimate of liabilities resulting from possible changes regarding the economic environment is reported in the dedicated section E of this document.

LONG-TERM GUARANTEE MEASURES (VOLATILITY ADJUSTMENT, MATCHING ADJUSTMENT AND TRANSITIONAL MEASURES)

The valuation of the best estimate of liabilities has been performed using the volatility adjustment (as referred to in Article 77d of Directive 2014/51/EU) provided by EIOPA for CZK and equal to 1bps at year end 2016. A change to zero of the volatility adjustment would correspond to an increase of 2 CZK millions in the life technical provisions of Generali Pojišťovna.

The matching adjustment (as referred to in Article 77b of Directive 2014/51/EU) has not been applied.

The transitional measure on the risk-free interest rate-term structure (as referred to in Article 308c of Directive 2014/51/EU) and the transitional measure on technical provisions (as referred to in Article 308d of Directive 2014/51/EU) have not been used.

D.2.2. P&C TECHNICAL PROVISIONS

OVERVIEW OF P&C TECHNICAL PROVISIONS

The P&C technical provisions, related to both

- outstanding claims, whether reported or not, that occurred before the evaluation date and whose costs and related expenses have not been completely paid by that date (outstanding claims reserve)
- future claims of contracts that are either in force at the valuation date or for which a legal obligation exists to provide coverage (premiums reserve),

are calculated as the sum of the discounted best estimate of liabilities (BEL) and the risk margin (RM)

TP=BEL+RM

The discounted best estimate of liabilities (BEL) is calculated applying the methods and assumptions that are briefly described in the following paragraphs, separately for the outstanding claims reserve and the premiums reserve.

Outstanding claims reserve

The approach to derive the BEL for the outstanding claims reserve depends on the possibility to apply the actuarial methods.

- The BEL of the un-modelled and semi-modelled business (the line of business or the part of a line of business that, due to different reasons, i.e.lack of adequate, appropriate and complete data or the inhomogeneity of the business has not been analysed with the actuarial methods) has been calculated using IFRS figures. Both un-modelled and semi-modelled business represents less than 7% of IFRS provisions and contain mainly provision for bonuses and rebates and reinsurance accepted business.
- The BEL of the modelled business (the business which, thanks to the availability of adequate, appropriate and complete data, has been analysed in detail by means of actuarial methods) has been assessed in the following steps:

Claims and Grouping

To perform an appropriate actuarial analysis of the technical provisions and to carry out the projections to ultimate cost, historical claims data on a paid and incurred basis (gross of contractual and facultative reinsurance) have been taken into account. Development data used for these purposes fulfil appropriate quality attributes of proportionality, materiality and completeness.
Each portfolio is reviewed to identify homogeneous groups of risks, type of coverage and other specificities, such as the length and the variability of the claims run-off. The minimum level of granularity adopted considers the split between types (direct business, proportional accepted business, non-proportional accepted business) and in each category identifies twelve lines of business (workers' compensation; medical expense; income protection; motor vehicle liability; other motor; marine, aviation and transport; fire and other damage to property; general liability; credit and suretyship; legal expenses; assistance; miscellaneous financial loss). Where necessary, a more granular segmentation of the portfolio is used, especially in the case of property and lLiability insurance. Where reasonable, claims have been split depending on their size into attritional, large and extremely large claims and the analysis has been done separately for each claims type. In addition, annuity claims are treated separately.

Expenses

The reserve for loss adjustment expenses (LAE) consists of two parts. i.e. the reserve for expenses directly arising from a particular compensation case (allocated loss adjustment Expenses (ALAE)), and the reserve for expenses not directly arising from a particular compensation case (unallocated loss adjustment expenses (ULAE)). ULAE payments are related to the whole package of services offered by an insurance company and are not automatically associated with a specific claims. A simplified approach is used to derive the total LAE reserve that is assumed proportional to the UBEL (Undiscounted Best Estimate of Liabilities) of the LoB (i.e.,$\text{LAE Reserve} = \text{R} \cdot \text{UBEL}$), where R is estimated based on recent experience.

Inflation

The historical data on claims paid and outstanding include the outcomes of observed inflation in both its exogenous and endogenous components. The inflation environment in Czech Republic is considered stable enough to project UBEL from historical data, which means that inflation is already embedded in projections.

Actuarial Methods

The actuarial methods used for projecting the experienced history of claims and provisions are the ones implemented in the Group reserving tool (ResQ) and described in the GHO methodology paper. In particular, the following methods have been considered:

- Link Ratio Methods on paid (or Development Factor Models - DFM) are a generalisation of the Chain Ladder Method, based on an analysis of cumulative payments along the years. This class of methods is based on the hypothesis that the settlement process is stable across origin periods.
- Link Ratio Methods on incurred technically work as the previous ones but are based on incurred developments, i.e. the sum of cumulative paid and outstanding amounts;
- Bornhuetter-Ferguson Methods on paid or incurred combine the projected ultimate (obtained e.g. by means of a Development Factor Method) with an alternative (a priori) value, using a weighted credibility approach;
- Cape Cod Methods on paid or incurred which, similarly to Bornhuetter Fergusson Method combines already emerged claims with expected claims to be paid or reported late, based on assumptions derived from the emerged proportion of claims;
- The frequency-average severity method combines the projections of the expected number of claims and expected average claims, where ultimate claims are the product of these two items;
- Incremental Loss Ratio Methods on paid or incurred also known as the Additive Method expect a stable development in the contribution to the loss ratio across the origin years.

An analysis using more than one of the methods listed above is done to confirm the results.

The best estimate assessment for the annuities stemming from P&C contracts is performed separately for annuities in payment (i.e. RBNS – reported but not settled - annuities), treated with life techniques, and for the annuities which could emerge in the future from non-annuity claims (i.e. IBNR – incurred but not reported – annuities). The BEL for the IBNR Annuities is assessed using the frequency/severity approach.

To obtain the final gross UBEL, all excluded or separately evaluated items (e.g. extremely large claims, un-/semi-modelled parts, expenses) are added to the ultimate claims cost.

Net Evaluation

In general, less risky portfolios are covered by a 40% and more risky portfolios are covered by a 70% quota share. In addition to that, lines of business exposed to the risk of large single claims such as MTPL or large risk portfolios in property and liability insurance are covered by XL treaties (non proportional reinsurance – individual or aggregated excess of loss). Finally, property and Casco insurance is covered by CAT XL to protect the company from severe losses caused by natural events. The reinsurance share on IFRS claims provisions is mostly represented by a quota share hence a feasible simplification is used for the net evaluation of UBEL. For each homogeneous group of risks, the UBEL net of reinsurance is calculated adopting the following simplified approach:

$$UBEL_{net}^{OC} = UBEL_{gross}^{OC} \cdot \%NG$$

where %NG indicates the percentage of IFRS net outstanding claims reserve on IFRS gross outstanding claims reserve.
The valuation of the best estimate net of reinsurance is performed taking into account an adjustment for the expected losses due to default of the reinsurance counterparties (counterparty default risk adjustment).

Premiums Reserve

For contracts with premiums already written, the UBEL of the premium provisions is defined as the sum of the following two components (considering gross and net inputs to obtain gross and net results):

- a claims related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the current year loss ratio, aiming to take out the effect of the adequacy of the estimated UBEL of the outstanding claims reserve (OCR).
- an administration expenses related component: the amount of the unearned premium provisions derived from IFRS is multiplied by a specific measure of the administration expense ratio, to represent the expected part due to expenses stemming from existing contracts.

For un-incepted (instalments included) and multi-year contracts, the UBEL of the premium reserve is defined as the sum of the following cash flows:

- cash in-flows arising from future premiums
- cash out-flows arising from future claims, net of salvage and subrogation
- cash out-flows arising from allocated and unallocated claims administration expenses in respect of claims occurring after the valuation date as well as costs arising from on-going administration of in-force policies and acquisition costs insofar related to the considered portfolio.

Similarly to the outstanding claims reserve, also the net premiums reserve is adjusted to take into account the default risk of the counterparties.

Discounting

The discounted best estimate of liabilities (BEL), both related to outstanding claims reserve and premiums reserve, is derived by discounting the expected future payments of the UBEL by the reference basic risk free rate curve.

Risk Margin

The risk margin is added to the BEL to arrive at a market-consistent value of liabilities. It captures the economic value of non-hedgeable risks (reserving, pricing, catastrophe, counterparty default and operational) to ensure that the value of technical provisions is equivalent to the amount that an insurance company would be expected to require to take over and meet the insurance obligations. The risk margin is calculated with a cost of capital (CoC) approach at the line of business level taking the diversification benefits between risk types and lines of businesses into account.

Fair Value of Outstanding Claim Provisions -Total

Gross IFRS Reserve	6,003,483
Best Estimate of liabilities gross of reinsurance	3,037,229
Recoverables from reinsurance after CDA	(1,299,805)
Best estimate of liabilities net of reinsurance	1,737,425
Risk Margin	194,425
Technical Provisions net of reinsurance	**1,931,849**

Fair Value of Outstanding Premium Provisions -Total

Gross IFRS Reserve	1,564,431
Best Estimate of liabilities gross of reinsurance	720,976
Recoverables from reinsurance after CDA	(75,084)
Best estimate of liabilities net of reinsurance	645,892
Risk Margin	60,077
Technical Provisions net of reinsurance	**705,969**

Fair Value of Outstanding Claims Provisions

Line of business	IFRS reserves Net of Reinsurance	BEL Net if Reinsurance after CDA	Risk Margin	TP Net of Reinsurance
Total	**3,261,928**	**1,737,424**	**194,425**	**1,931,849**
Direct Insurance	**2,939,506**	**1,421,726**	**185,630**	**1,607,356**
Non life - motor	1,964,893	886,872	59,963	946,835
Non life - non motor	910,172	502,947	124,608	627,555
Accident, Health and Disability	64,441	31,907	1,059	32,966
Accepted Proportional Insurance	**322,422**	**315,699**	**8,795**	**324,493**
Non life - motor	4,618	4,359	151	4,510
Non life - non motor	317,804	311,340	8,644	319,984
Accident, Health and Disability	0	0	0	0

Fair Value of Premium Provisions

Line of business	IFRS reserves Net of Reinsurance	BEL Net if Reinsurance after CDA	Risk Margin	TP Net of Reinsurance
Total	**879,263**	**645,892**	**60,077**	**705,969**
Direct Insurance	**866,140**	**646,799**	**58,741**	**705,540**
Non-life motor	562,009	472,080	25,089	497,170
Non-life non motor	291,990	178,246	33,233	211,479
Accident, Health and Disability	12,141	3,528	419	(3,109)
Accepted Proportional Insurance	**13,123**	**907**	**1,336**	**429**
Non-life motor	276	191	7	198
Non-life non motor	12,846	(1,098)	1,329	231
Accident, Health and Disability	0	0	0	0

No significant changes in the methodology used for the calculation of fair value of outstanding reserve were undertaken in comparison to last year, with the exception of more granular detailed net-to-gross ratios for the derivation of net UBEL. The evaluation of fair value of premium provision was enlarged to include future instalments and un-incepted business, which were not considered in previous evaluations. Finally, CDA declined, because the reinsurance deposit held by the Company is newly taken into account and helps to decrease net exposure to counterparties.

P&C TP COMPARISON WITH RESERVES

Similar actuarial methods are used for both setting IFRS IBNR and UBEL, but the parameters used for IFRS calculation include reasonable prudence. Therefore, IFRS outstanding provisions are held at a higher level than UBEL in order to be able not only to cover the mean expected value of unsettled claims but also to be able to absorb possible negative deviations in claims run-off. Such deviations can be caused by higher counts of late reported claims, by a higher than average severity or by the unfavorable development of already reported claims in a given calendar year. The random behavior of the claims development requires keeping an uncertainty margin in IFRS provisions. Consequently, this margin represents the difference between UBEL and IFRS. The size of this margin is monitored and manages to be in the reasonable range considering the risk appetite of the Company.

IFRS UP provisions are booked on the pro rata temporis accounting principle reflecting the unearned part of a written premium proportional to the undue part of the period for which the premium has been written. This is done individually for each insurance policy. Contrary to this, Solvency II principles require the evaluation of a premium provision as a difference between future outflows (claims and expenses) and future inflows (premium). This means that the IFRS approach is not strictly dependent on the profitability of the business (only in case of the premium's of insufficiency) whilst the evaluation according to Solvency II principles is strictly driven by loss and expense assumptions. In addition only the written part of the premium can serve as the basis for the recognition of unearned premiums in IFRS, but Solvency II principles require the inclusion of future premiums coming from contracted business, which have not yet been written. This includes future instalments of policies in force and premiums from already contracted policies with future inception.

SOURCES OF UNCERTAINTY AND SENSITIVITY ANALYSES

Two kinds of sources of uncertainty are embedded in the technical provisions. The first emanates from the substance of the insurance business and is represented by the randomness of the process of claims occurrence and reporting. This is monitored by actuaries by through the construction of stochastic scenarios resulting in the distribution of possible claim run-off results. The highest uncertainty is experienced in the lines of business with long settlement processes such as TPL and MTPL.

The second type of uncertainty is represented by external factors such as claims inflation, interest rates and changes in legislation. These factors are not driven by the Company, but their impact can be reduced by ongoing monitoring of the market and legal environment and early identification or even anticipation of possible changes. Sensitivity analyses on external factors are performed by the Company. An increase of inflation factor by one percentage point would result in an increase of UBEL by 4.6%. A decrease in the risk free rate by 0.5 percentage point would result in an increase of BEL by 2%.

The biggest uncertainty is still expected in regards to the ultimate effects of the New Civil Code (NCC). This change in legislation affects compensations in liability insurance, especially in case of bodily injuries. The NCC came into force on 1 January 2014, but settlement processes and court practice have yet to stabilise. Insufficient experience with such a big change represents a significant source of uncertainty in the UBEL evaluation.

The Company reduces the risk of volatility by diversification and reinsurance. Providing a wide portfolio of various insurance products mitigates the relative impact of unfavorable developments from run-offs in individual lines of business. A properly chosen reinsurance structure, including a quota share and XL treaties, helps to limit the absolute impact of potentially negative run-offs.

LONG-TERM GUARANTEES MEASURES (VOLATILITY ADJUSTMENT AND TRANSITIONAL MEASURES)

Neither transitional measures nor matching adjustments were applied during the calculation of the best estimates of technical provisions. A volatility adjustment was applied by the Company. Swap risk free rates were used in line with EIOPA guidance. The spot curve is presented in the following table.

Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA
1	0.058%	0.010%	0.068%	11	0.848%	0.010%	0.858%
2	0.135%	0.010%	0.145%	12	0.912%	0.010%	0.922%
3	0.195%	0.010%	0.205%	13	0.948%	0.010%	0.958%
4	0.307%	0.010%	0.317%	14	0.973%	0.010%	0.983%
5	0.405%	0.010%	0.415%	15	1.005%	0.010%	1.015%
6	0.488%	0.010%	0.498%	16	1.053%	0.010%	1.063%
7	0.578%	0.010%	0.588%	17	1.114%	0.010%	1.124%
8	0.642%	0.010%	0.652%	18	1.183%	0.010%	1.193%
9	0.714%	0.010%	0.724%	19	1.257%	0.009%	1.266%
10	0.774%	0.010%	0.784%	20	1.333%	0.009%	1.342%

Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA	Run-Off Period	Interest Rate without VA	Volatility Adjustment	Interest Rate with VA
21	1.410%	0.009%	1.419%	31	2.093%	0.007%	2.099%
22	1.487%	0.009%	1.496%	32	2.148%	0.006%	2.155%
23	1.563%	0.008%	1.571%	33	2.202%	0.006%	2.208%
24	1.637%	0.008%	1.645%	34	2.253%	0.006%	2.259%
25	1.709%	0.008%	1.717%	35	2.302%	0.006%	2.308%
26	1.779%	0.008%	1.787%	36	2.349%	0.006%	2.355%
27	1.847%	0.007%	1.854%	37	2.394%	0.006%	2.399%
28	1.912%	0.007%	1.919%	38	2.437%	0.005%	2.443%
29	1.975%	0.007%	1.982%	39	2.479%	0.005%	2.484%
30	2.035%	0.007%	2.042%	40	2.518%	0.005%	2.523%

The usage of a volatility adjustment decreased the net BEL by 0.04%, which represents CZK 0.9 million. The total revaluation achieved by discounting of TP is CZK 116 million.

D.3. OTHER LIABILITIES

D.3.1. VALUATION OF LIABILITIES FOR SOLVENCY II BALANCE SHEET

EXCLUSION OF IFRS VALUATION METHODS

In this chapter, an overall description of the SII valuation methods for Liabilities other than technical provision is given, complementary to the general valuation for solvency purposes (as disclosed in other sections D.

L2-DR, in accepting valuation methods defined in IFRS, anticipates that there are cases where IFRS valuation methods are not consistent with Solvency II requirements.

L2-DR states the exclusion of specific valuation methods such as cost or amortised cost and models where value is determined as the lower of the carrying amount and fair value less costs to sell.

SII SPECIFICITIES

L2-DR specifies the treatment of the below listed liabilities for which a valuation different from IAS/IFRS measurement is required:

- technical liabilities
- contingent liabilities
- financial liabilities
- deferred taxes.

Except for technical liabilities and deferred taxes (that have already been disclosed in previous section D.2. Technical provisions and D.1. Assets), all remaining points are analysed in the next dedicated sections.

CONTINGENT LIABILITIES

Valuation

The recognition criteria for contingent liabilities on the Solvency II balance sheet are determined by the definition in IAS 37 for contingent liabilities.

While under IAS 37 an entity should not recognise a contingent liability but only disclose it under Solvency II if these contingent liabilities are material and the possibility of an outflow of resources embodying economic benefits is not remote, they have to be recognized on the Solvency II balance sheet.

Contingent liabilities are material if information about the current or potential size or nature of that liability could influence the decision-making or judgment of the intended user of that information. An exception to the requirement to recognize material contingent liabilities in the Solvency II balance sheet exists when a contingent liability arises for accounting purposes if no reliable estimate for the valuation of a liability is possible. Since the value of the contingent liability cannot be reliably measured in such instances, only its disclosure is required.

According to Solvency II principles, a contingent liability should be valued at the expected present value of future cash-flows required to settle the contingent liability over the lifetime of that contingent liability, using the relevant risk-free interest rate term structure. Moreover, when valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made.

So, the estimate of future cash flows is based on the expected present value approach (i.e. a probability-weighted average of the present values of the outflows for the possible outcomes).

The amount and range of possible cash flows considered in the calculation of the probability weighted cash flows shall reflect all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow.

Finally, an entity shall consider the risk that the actual outflows of resources might ultimately differ from those expected. A risk adjustment measures the amount, if any, that the entity would rationally pay in excess of the expected present value of the outflows for bearing this risk.

Summary of different situations and consequent treatment under IAS 37 vs Solvency II:

Probability of the obligation	Probability of the outflow of economic resources	IAS 37	Solvency II
Possible obligation	No probable outflow (taken as less than 50%)	Not recognized. Disclosed as a contingent liability if the possibility of the out flow is not remote	Recognized in the balance sheet, only if material and possibility of outflow is not remote. [In any case, should be valued]
			If not material, not recognized but Pillar III quantitative disclosure
Present obligation	No probable outflow (taken as less than 50%)	Not recognized. Disclosed as a contingent liability if the possibility of the out flow is not remote	Recognized in the Balance sheet only if material and possibility of out flow is not remote; also Pillar III quantitative disclosure
			If not material, not recognized and not disclosed
Present obligation	Probable outflow	Recognized if reliable estimate or disclosed as a contingent liability if no reliable estimate (rare)	If reliable estimate is possible: recognized in the Balance sheet.
			If no reliable estimate is possible not material or not possible a reliable estimate not recognized. Disclosed qualitative information on the Solvency Financial Condition Report (SFCR)

There are no contingent liabilities which are only disclosed under IFRS but which should be due to their materiality and the possibility of an outflow of resources embodying economic benefits recognized on the Solvency II balance sheet.

COMMITMENTS DISCLOSED UNDER IFRS

Czech Nuclear Pool

The Company is a member of the Czech Nuclear Pool and, pursuant to the agreement of insurers participating in nuclear plant risk insurance on joint and several liability, has undertaken to meet a liability arising from the agreement on cooperation for nuclear plant

operation and damage liability insurance to take on an uncovered part of the liability of a member or several members who fail to fulfil their obligations on a joint basis in the ratio of its own net retention used for the given agreement. The total potential liability of the Company including joint and several liabilities is contractually limited to twice its own net retention for each active reinsurance contract and four times its own retention for each insurance contract.

The subscribed net retention for each type of risk is as follows:

	2016
Liability	51,800
Fire, lightning, explosion, aircraft (FLEXA) and breakdown of operations	102,000
Transportation risks	19,200
Technical insurance and breakdown of operations	44,400
Total subscribed net retention	**217,400**

Czech Bureau of Insurers

On 31 December 1999, statutory MTPL insurance was replaced by contractual MTPL insurance in the Czech Republic. All rights and obligations arising from statutory MTPL insurance prior to 31 December 1999, including the deficit of received premiums to cover the liabilities and costs, were transferred to the Czech Insurers' Bureau (CIB or "the Bureau").

The Company obtained a license to write contractual MTPL insurance in the Czech Republic and, as a result, the Company became a member of the Bureau.

Members of CIB share the risks of CIB in proportion to their market shares in compulsory contractual MTPL insurance. In accord with this, a single member of CIB is exposed to risks arising from:

1) incurred claims to be covered by CIB, consisting claims from:
    a. old statutory MTPL insurance sold until 31 December 1999
    b. new compulsory contractual MTPL insurance sold since 1 January 2000 (caused by uninsured or unknown drivers);
2) claims to be covered by CIB from the new compulsory contractual MTPL insurance caused by uninsured or unknown drivers;
3) potential bankruptcy of another CIB member, i.e. counterparty default risk;
4) other financial and credit risks of CIB.

Items under points 1b. and 2 are covered from CIB's Guarantee Fund 1, item no. 3 is covered from of CIB's Guarantee Fund 2.

Risks associated with incurred claims

The overall liability of CIB for incurred claims is covered by members of CIB, in proportion to their market shares. Part of this overall liability is not covered by investments of CIB but by a receivable to members, which is allocated to individual members in proportion to their market shares.

To match this receivable, members of CIB recognise in their balance sheets a liability to CIB. This liability is calculated by CIB, its amount is periodically updated in light of the new claim information and changing market shares.

Risks of CIB'S guarantee fund

Members of CIB contribute to CIB's Guarantee Fund. This stands for claims against CIB from the new compulsory contractual MTPL insurance to cover:

- claims caused by uninsured or unknown drivers (GF1); and
- liabilities of a potentially bankrupt member (GF2)

Members of CIB charge their contributions to the Guarantee Fund as expenses when they become due.

On CIB side, the Guarantee Fund is built up from members' contributions and run off profit from incurred claims and is used for covering claim payments and run off loss on unsettled claims. It also stands for covering the claims against a bankrupt member.

Receivables from developers

On 21 December 2006, the Company entered into an agreement under which it undertook to acquire a special purpose entity (SPE) for EUR 22.2 million from an unrelated party. In 2007, the Company made an advance payment of EUR 5 million which has been recognized in other receivables. The SPE was owned by a property developer that built the administrative building for the Company. The Company undertook to purchase the SPE after the building's completion and the issuance of an occupancy permit. The receivable was secured by a pledge over the SPE´s land. The building was not completed by the planned deadline. Although the property developer paid a portion of interest (EUR 0.5 million) in October 2010 and consequently provided another security to the receivable, the Company monitored the developer´s deteriorating financial position and decided to establish a 100% allowance against the receivable. In May 2011, the Municipal Court in Prague declared the property developer's bankruptcy and commenced insolvency proceedings. In August 2013, separate insolvency proceedings (reorganization) were commenced with the SPE. During 2014, the registered receivable was partly paid, both within the partial schedule at the level of the development company, and through the of SPE assets in accordance with the fulfillment of the approved reorganization plan. Insolvency proceedings with the SPE were finally terminated in 2015 as the reorganization plan was fulfilled. The company continued to claim the rest of the unpaid receivable in the ongoing proceedings. The claims were settled in the second and third partial schedule and will ultimately be settled under a final schedule when the insolvency proceedings of the property developer are terminated

FINANCIAL LIABILITIES

Valuation

To ensure compliance with Solvency II principles, the liabilities, including financial liabilities, should be valued at fair value without any adjustment for any changes in the credit standing of the insurance/reinsurance undertaking.

The valuation methodology of the fair value of an asset or liability shall be based on the following approaches:

- The market to market approach (default approach) is based on readily available prices in orderly transactions that are sourced independently (quoted market prices in active markets).
- The market to model approach: is any valuation technique that has to be benchmarked, extrapolated or otherwise calculated as far as possible from a market input (maximise market inputs, minimise unobservable inputs).

As far as liabilities are concerned, Solvency II introduces an additional requirement to adopt the fair value valuation without any adjustment for change in the insurance/reinsurance undertaking's own credit standing.

According to IFRS 9 (which the Company has not yet adopted), the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability[4] should be determined either:

(a) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk;
(b) using an alternative method that the entity believes more faithfully represents the amount of change in the liability's fair value that is attributable to changes in its credit risk.

As with all estimates of fair value, an entity's measurement method for determining the portion of change in the liability's fair value that is attributable to changes in its credit risk must make maximum use of market inputs.

Consistency with IFRS

According to IAS 39.47, all liabilities are required to be measured at amortised cost using the effective interest method except for the following:

(a) financial liabilities at fair value through profit or loss;

(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

(c) financial guarantee contracts;

(d) commitments to provide a loan at a below-market interest rate.

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[4] In accordance with IFRS 9 paragraph B5.7.16 and following.

The financial liabilities valued at amortised cost according to IAS 39 shall be valued at fair value for the Solvency II balance sheet

For financial liabilities valuation purposes, the fair value definition of IAS 39 is consistent with the Solvency II principle taking into account the following:

- ✓ The fair value measurement approach in IAS 39 at recognition is a good representation of the economic value at recognition in the Solvency II balance sheet.
- ✓ The fair value measurement approach in IAS 39 for subsequent measurements is a good representation of the economic value for Solvency II purposes if, and only if, changes in the entity's own credit standing have not been taken into account. While changes in the entity's own credit standing influence the value under IAS 39, they shall be eliminated in the Solvency II valuation.

D.3.2. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

Liabilities	Solvency II Value	Statutory Accounts value	Note	Amounts per Financial Statements	Mapping
Technical provisions	13,274,793	19,346,828	Different valuation methodology	15,886,008	Reinsurance recoverable are included in technical provision in liabilities in Financial Statements. Provision for Czech Bureau of Insurers is reported as a technical provision in Financial Statements.
Provisions other than technical provisions	177,118	177,118		1,300	Provision for Czech Bureau of Insurers is reported as a technical provision in Financial Statements.
Deposits from reinsurers	617,570	617,570		617,570	
Deferred tax liabilities	696,608	20,527	Impact of different valuation methodology , the most significant item is deferred tax liability from insurance provisions	0	Deferred tax liability is reported netto in SII
Derivatives	122,055	122,055		0	Derivative assets and liabilities are presented netted in Financial Statements
Financial liabilities other than debts owed to credit institutions	1,555,289	1,555,289		1,555,289	
Insurance & intermediaries payables	1,056,900	1,056,900		1,087,172	Balances together represents payables in statutory financial statements;
Reinsurance payables	1,457,736	1,457,736		1,456,300	
Payables (trade, not insurance)	331,382	331,382		211,341	Specific trade receivables presented netted with payables in Financial Statements
Any other liabilities, not elsewhere shown	767,257	767,257		768,693	
Total liabilities	**20,056,708**	**25,452,662**		**21,583,673**	
Excess of assets over liabilities	**6,081,042**	**x**		**3,119,947**	

D.4. ALTERNATIVE METHODS FOR VALUATION

In respect of the official SII data valuation, no significant alternative methods were used.

D.5. ANY OTHER INFORMATION

All significant information on valuation is mentioned in the sections above.

E. Capital Management

E.1. OWN FUNDS

E.1.1. SOLVENCY RATIO

The insurance undertaking has a solid Solvency II ratio (own funds / Solvency Capital Requirement) reaching a level high above its risk appetite framework. This sound solvency ratio is based on a high-quality capital and capital requirement, calculated in accordance with the standard formula, which reflects the risk profile of the Company.

The year-on-year decline in the solvency ratio is the result of an increase of both, the Solvency Capital Requirement and eligible own funds, which are reduced by foreseeable dividends.

The SCR increased mainly because of increased MTPL business, the identification of additional risks arising from life insurance riders and the application of a conservative approach to the credit quality of particular counterparties.

The available capital increased due to good financial results and, the recognition of a positive cash flow from life insurance riders. However, this increase is offset by the pay out of the foreseeable dividend which going to be paid by the undertaking 2015 and 2016.

Solvency position

	Solvency position	
	2016	Day-one
Total Own Funds	5,390,634	5,608,651
Total Solvency Capital Requirement	2,556,050	2,323,037
Solvency ratio	**211%**	**241%**

More details on own funds and solvency capital requirement are provided in the following chapters.

E.1.2. POLICIES AND PROCESSES RELATED TO OWN FUNDS MANAGEMENT, INFORMATION ON THE TIME HORIZON USED FOR BUSINESS PLANNING AND ON ANY MATERIAL CHANGES OVER THE REPORTING PERIOD

The Group and local Capital Management Policy defines the principles for capital management activities to which the Assicurazioni Generali S.p.A. and the Group's legal entities must adhere.

Capital management activities refer to own funds management and control and in particular to procedures that serve to:

- classify and periodically review own funds in order to guarantee that own funds items meet the requirements of the applicable capital regime both at issuance and subsequently;
- regulate the issuance of own funds according to the medium-term capital management plan and the strategic plan to guarantee that own funds are not encumbered, that all actions required or permitted related to the governance of the own funds are timely completed, that ancillary own funds are timely called, that terms and conditions are clear and unambiguous, including instances in which distributions on an own funds item are expected to be deferred or cancelled;
- ensure that any policy or statement in respect of ordinary share dividends is taken into account when analysing the capital position;
- establish driving principles and common standards to carry out these activities efficiently, in compliance with the relevant regulatory requirements and legislative frameworks at the Group and local level, and in line with the stated risk appetite and strategy of the Generali Group.

The Group Capital Management Policy has been approved by the Board of Directors of Assicurazioni Generali S.p.A. as well as on the local level has been approved by the Board of Directors of Generali Pojišťovna.

The capital management plan (CPM) represents a part of an overall three-year strategic plan. This ensures the consistency of the CMP with three-year strategic plan assumptions, which include inter alia:

- financial scenarios;
- strategic asset allocation;
- business mixes and includes a detailed description of the development of Own Funds and Regulatory Solvency Ratio from the latest available actual figures to the last plan year figures.

The capital management plan includes a detailed description of the development of own funds and regulatory solvency ratio from the latest available actual figures to the last plan year figures.

The CFO of the undertaking is responsible to produce the local CMP and submit them to the Board of Directors. Furthermore the undertaking shall include the capital management plan in the information package to be delivered to the Group in the planning process. The main elements of the capital management plan are discussed and challenged in specific meetings (deep dives on capital) and within the quarterly business review process.

If extraordinary operations (i.e. M&A, own funds issuance) are foreseen in the plan period, their impact is explicitly included in the own funds and regulatory solvency ratio development and further details are included in the relevant documentation. Own funds issuances are explicitly included in the CMP with a detailed description of the rationale.

The description of the development of own funds explicitly includes the issuance, redemption or repayment (earlier or at maturity) of own funds items and their impact on the limits on tiers. Any variation in the valuation of own funds items is also indicated, with additional qualitative details in terms of limits on tiers when needed.

The CMP is defined taking into account limits and tolerances set in the risk appetite framework.

In the CMP any transitional measure has to be reported in terms of effect on the current solvency position and at the end of the transitional period (both at the Group and the local level), its duration and general features including its absorption capacity in times of stress.

If the three-year strategic plan needs to be resubmitted to the head office due to a significant variation of own funds or SCR, the CMP also has to be updated accordingly and sent to the Group.

E.1.3. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

Revaluations in the table below shows the conversion from the Statutory Equity over the revaluation of balance sheet items for Solvency II purposes to Eligible Own Funds that cover Solvency capital requirement.

Reconciliation between Statutory Equity and Eligible Own Funds

	Reconciliation between Statutory Equity and Eligible Own Funds
	2016
Statutory Equity	3,119,947
Adjustment for accounting standards	(32,400)
IFRS Equity	3,087,547
Adjustment on Intangible	(396,953)
Adjustment on Investment	124,674
Adjustment on Net Technical Provision	3,949,688
Adjustment on Financial and Subordinated debt	0
Adjustment on Other Items	(1,100)
Adjustment on Deferred Taxes	(682,815)
Excess of Assets over Liabilities	**6,081,042**
Foreseeable dividends and distributions	(690,408)
Eligible Own Funds to meet Solvency Capital Requirement	**5,390,634**

ELIGIBLE OWN FUNDS TO MEET SCR

In general, eligible own funds are kept on a level that enables insurance undertakings to absorb significant losses and that gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. The eligible amount of own funds to cover the Solvency Capital Requirement consist only of on the balance-sheet items and is calculated as the sum of the eligible amount of Tier 1, the eligible amount of Tier 2 and the eligible amount of Tier 3.

For the year-end 2016, eligible own funds consist only of high quality capital classified as Tier 1, as can be seen in the classification of available and eligible own funds to meet the SCR into tiers.

Available own funds by tiers

	Total eligible own funds to meet the SCR			
	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
2016	5,390,634	0	0	0
Day-one	5,608,651	0	0	0
Change	(218,016)	0	0	0

Eligible own funds to meet Solvency Capital Requirement are equal to the total amount of available own funds that are eligible to cover the Solvency Capital Requirement.

Eligible own funds by tiers

	Total available own funds to meet the SCR			
	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
2016	5,390,634	0	0	0
Day-one	5,608,651	0	0	0
Change	(218,016)	0	0	0

BASIC OWN FUNDS

The Solvency II principles require the undertaking to be as consistent as possible with the principles prescribed in international accounting standards adopted by the commission in accordance with Regulation (EC) No 1606/2002. In accordance with this regulation the undertaking has determined its basic own funds based on international accounting standards principles, that are already used for intra-group reporting purposes. However the undertaking for its the regulatory accounting principles apply Czech accounting standards, therefore the undertaking monitor any significant divergences on recognition and measurement of assets and liabilities between local GAAP and IAS on a regular basis. More details about valuation methods according to Solvency II is described in Section D.

During the year no significant changes to the structure of the own funds are expected.

The tables below presents split of current year basic own funds by the tiers and a comparison of the basic own funds of the current and previous year.

Own funds by Tiers

	Own funds by Tiers				
	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	500,000	500,000	x	0	x
Share premium account related to ordinary share capital	382,500	382,500	x	0	x
Surplus funds	0	0	x	x	x
Preference shares	0	x	0	0	0
Share premium account related to preference shares	0	x	0	0	0
Reconciliation reserve (see below table)	4,508,134	4,508,134	x	x	x
Subordinated liabilities	0	x	0	0	0
Amount equal to the value of net deferred tax assets	0	x	x	x	0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
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	0	x	x	x	x
Deductions for participations in financial and credit institutions	0	0	0	0	x
Total basic own funds after deductions	**5,390,634**	**5,390,634**	**0**	**0**	**0**

No basic own-fund items are subject to the transitional arrangements referred to in Articles 308 b) paragraph 9 and 10 (Directive 2014/51/EU “Omnibus II”).

SUBORDINATED LIABILITIES

Basic own funds do not consist of any subordinated liabilities.

RECONCILIATION RESERVE AND EPIFP

Reconciliation reserve is equal to the total Excess of assets over liabilities reduced by the amount of own shares, foreseeable dividends and distributions and other items. In the following table, the reconciliation reserve is determined starting from the market value of excess of assets over liabilities.

At time of the regulatory reporting of the previous year (Day-one 2016) the foreseeable dividend was not considered and the intention to pay dividends was decided later on. In case that the foreseeable dividend would be considered at the day-one reporting period, the amount of reconciliation reserve decrease to CZK 4,292 million and thus the amount of own funds decrease to CZK 5,174 million which result in overall solvency ratio equal to 223%.

	Reconciliation reserve		
	2016	Day-one	Change
Assets – liabilities (from Annex D)	6,081,042	5,608,651	472,392
Own shares	0	0	0
Foreseeable dividends and distributions	690,408	0	690,408
Other basic own fund items	882,500	882,500	0
Restricted own fund items due to ring fencing	0	0	0
Reconciliation reserve	**4,508,134**	**4,726,151**	**-218,016**

The excess of assets over liabilities includes the amount that corresponds to the expected profit included in future premiums set out in the table below.

Expected profit in future premiums

	Expected Profit in Future Premiums		
	2016	Day-one	Change
Expected profit included in future premiums (EPIFP) - life business	3,700,159	N/A	3,700,159
Expected profit included in future premiums (EPIFP) - non- life business	36,965	N/A	36,965
Total expected profit included in future premiums (EPIFP)	**3,737,123**	**N/A**	**3,737,123**

RESTRICTIONS TO OWN FUNDS

The undertaking has no restriction to own funds, except to share capital.

ANCILLARY OWN-FUND

Own funds do not comprise any ancillary own funds referred to in Article 89 of Directive 2009L0138.

RECONCILIATION BETWEEN STATUTORY SHAREHOLDER FUNDS AND OWN FUNDS FOR SOLVENCY PURPOSES

The specifics of the revaluation between international accounting standards and the market value approach are described in section D above.

E.1.4. ELIGIBLE OF OWN FUNDS TO MEET THE MINIMUM CAPITAL REQUIREMENT

The fact that the undertaking uses only high-quality capital classified as Tier 1, the value of the eligible amount of own funds to cover the minimum capital requirement is equal to the value of the eligible amount of own funds to cover the Solvency Capital Requirement, Hence, there are no deductions for Tier 3 that the undertaking shall deduct from the eligible capital, in accordance with quantitative limits laid down in the directive.

Eligible Own funds by tiers

	Total eligible own funds to meet the MCR			
	Tier 1 – unrestricted	Tier 1 - restricted	Tier 2	Tier 3
2016	5,390,634	0	0	0
Day-one	5,608,651	0	0	0
Change	(218,016)	0	0	0

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The Solvency Capital Requirement is calculated in accordance with the procedure defined by EIOPA, as laid down in Directive 2009/138/EC and Delegated Regulation (EU) 2015/35 and the accompanying guidelines.

Based on the underlying assumptions of the standard formula, the insurance undertaking calculates the Solvency Capital Requirement to reflect a level of eligible own funds that enables the insurance undertaking to absorb significant losses and that gives reasonable assurance to policy holders and beneficiaries that payments will be made as they fall due.

The SCR is calculated on an on-going basis and so far annually; nevertheless, the undertaking continuously monitors any changes in its risk profile and will recalculate the SCR whenever the risk profile alters significantly.

The Current-Year Solvency Capital Requirement is strongly affected by changes in the life underwriting risk module, the counterparty default risk module and the market risk module. All of these changes are the consequence of appropriately reflected relevant characteristics of the insurance undertaking's risk profile and applying an adequately conservative approach.

Solvency Capital Requirement

	Solvency Capital Requirement
	Composite view
2016	2,556,050
Day-one	2,323,037
Change	233,013

The minimum capital requirement ensures a minimum level below which the amount of financial resources should not fall. The undertaking calculates its MCR in accordance with a regulatory formula that is subject to a defined floor and cap based on the risk-based Solvency Capital Requirement.

Minimum capital requirement

	Minimum capital requirement
	Composite view
2016	676,423
Day-one	635,028
Change	41,395

E.2.2. SCR BREAKDOWN

The Solvency Capital Requirement enables the insurance undertaking to assess its economic capital if for the structure of the standard formula a modular approach is adopted, which means that the individual exposure to each risk category is assessed as a first step and then aggregated as a second step. The aggregation of the risk (sub)modules is done according to the standard formula correlation coefficients, where the SCR per risk module can be seen in the after diversification column. Diversification effects means the reduction in the risk exposure of the insurance undertaking related to the diversification of its business, resulting from the fact that the adverse outcome from one risk can be offset by a more favourable outcome from another risk, if those risks are not fully correlated.

Total SCR split by risk before and after diversification

	Before diversification		After diversification	
	Total	Impact (%)	Total	Impact (%)
SCR before diversification	**4,419,943**	**100%**	**xxx**	**xxx**
Market Risk	1,465,760	33%	1,110,456	38%
Counterparty default risk	678,709	15%	427,785	15%
Life underwriting risk	1,345,766	30%	876,223	30%
Health underwriting risk	50,178	1%	15,913	1%
Non-life underwriting risk	879,530	20%	479,221	16%
Intangible asset risk	0	0%	0	0%
Diversification benefit	(1,510,344)	x	x	x
BSCR after Diversification	**2,909,599**	x	**2,909,599**	**100%**
Operational risk	245,294		245,294	
Notional SCR arising from RFF	0		0	
Total SCR before taxes	**3,154,893**		**3,154,893**	
Tax absorption	(598,843)		(598,843)	
Total SCR	**2,556,050**		**2,556,050**	

E.2.3. POTENTIAL SIMPLIFIED CALCULATIONS OF THE SCR

Within the Current Year and Previous Year was not used any of the simplified calculation for a specific sub-module or risk module, which might lead to disproportionate standardised calculation.

E.2.4. UNDERTAKING SPECIFIC PARAMETERS

Within the Current Year and Previous Year was not used any of the undertaking- specific parameters.

E.2.5. MATCHING ADJUTMENT

Within the Current Year and Previous Year the matching adjustment was not used.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The insurance undertaking does not apply any provisions related to duration-based equity risk.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Solvency Capital Requirement for regulatory purposes is calculated based on the standard formula modular approach only, without taking into account any of undertaking-specific parameters.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company has a sound solvency position and no issues arose related to the compliance with either the minimum capital requirements or with the Solvency Capital Requirement.

E.6. OTHER INFORMATION

SENSITIVITIES

The undertaking identified and performed several sensitivities to the most significant adverse scenarios that could have a significant effect on the amount of available capital. In this case, the SCR remained constant, which is reflected in the resultant solvency ratio by an even higher level of prudence.

As anticipated in section C.7, the sensitivity analyses of simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads and interest rate volatility) measuring the variability of the own funds and solvency ratio to variations in specific risk factors are reported here. The set chosen aims to provide an assessment of the undertaking's resilience to the most significant risks.

	Impact of sensitivity	Eligible own funds	Solvency ratio
Base scenario	x	5,390,634	211%
Equity markets (-20%)	(255,388)	5,135,246	201%
Risk free rates: interest rates change (-20bps)	44,621	5,435,255	213%
Risk free rates: interest rates change (+50bps)	(94,181)	5,296,453	207%
Corporate bond spreads (+100bps)	(134,823)	5,255,811	206%
Czech government bond spreads (+100bps)	(281,539)	5,109,095	200%

Annex

Solvency and Financial condition report - Public QRTs - as of 31.12.2016

Basic Information

Undertaking name	Generali Pojišťovna a.s.
Undertaking identification code	31570010000000041611
Type of code of undertaking	1 - LEI
Type of undertaking	1 - Undertakings pursuing both life and non-life insurance activity
Currency used for reporting	CZK
Figures reported in	thousands
Accounting standards	2 - Regular reporting
Method of Calculation of the SCR	1 - Standard formula

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Generali Pojišťovna a.s.

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Balance Sheet

	Solvency II value
Assets	
Intangible assets	0
Deferred tax assets	0
Pension benefit surplus	0
Property, plant & equipment held for own use	60 035
Investments (other than assets held for index-linked and unit-linked contracts)	**16 889 628**
Property (other than for own use)	525 043
Holdings in related undertakings, including participations	485 233
Equities	*322 990*
Equities - listed	317 965
Equities - unlisted	5 025
Bonds	*14 343 695*
Government Bonds	6 725 838
Corporate Bonds	6 189 621
Structured notes	1 428 236
Collateralised securities	0
Collective Investments Undertakings	864 219
Derivatives	8 420
Deposits other than cash equivalents	340 027
Other investments	0
Assets held for index-linked and unit-linked contracts	6 008 857
Loans and mortgages	**3 244**
Loans on policies	3 244
Loans and mortgages to individuals	0
Other loans and mortgages	0
Reinsurance recoverables from:	**1 514 292**
Non-life and health similar to non-life	1 374 889
Non-life excluding health	1 363 205
Health similar to non-life	11 684
Life and health similar to life, excluding health and index-linked and unit-linked	158 694
Health similar to life	0
Life excluding health and index-linked and unit-linked	158 694
Life index-linked and unit-linked	-19 292
Deposits to cedants	0
Insurance and intermediaries receivables	308 093
Reinsurance receivables	703 096
Receivables (trade, not insurance)	450 077
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	189 259
Any other assets, not elsewhere shown	11 171
Total assets	**26 137 750**

Liabilities	
Technical provisions - non-life	**4 012 707**
Technical provisions - non-life (excluding health)	**3 971 166**
TP calculated as a whole	0
Best estimate	3 718 143
Risk margin	253 023
Technical provisions - health (similar to non-life)	**41 541**
TP calculated as a whole	0
Best estimate	40 063
Risk margin	1 478
Technical provisions - life (excluding index-linked and unit-linked)	**4 800 412**
Technical provisions - health (similar to life)	**0**
TP calculated as a whole	0
Best estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**4 800 412**
TP calculated as a whole	0
Best estimate	4 555 014
Risk margin	245 398
Technical provisions – index-linked and unit-linked	**4 461 674**
TP calculated as a whole	0
Best estimate	4 119 094
Risk margin	342 580
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	177 118
Pension benefit obligations	0
Deposits from reinsurers	617 570
Deferred tax liabilities	696 608
Derivatives	122 055
Debts owed to credit institutions	0
Financial liabilities other than debts owed to credit institutions	1 555 289
Insurance & intermediaries payables	1 056 900
Reinsurance payables	1 457 736
Payables (trade, not insurance)	331 382
Subordinated liabilities	0
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	767 258
Total liabilities	**20 056 708**

Excess of assets over liabilities	**6 081 042**

Generali Pojišťovna a.s.

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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	
Premiums written																	
Gross - Direct Business	102 440	104 157	0	1 721 479	1 309 402	54 735	1 345 207	724 543	26 084	0	0	10 688					5 398 735
Gross - Proportional reinsurance accepted	0	0	0	0	525	773	138 772	31 075	4 105	0	0	0					175 249
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	41 490	41 416	0	677 622	536 460	42 179	928 642	463 001	21 953	0	0	0	0	0	0	0	2 752 763
Net	**60 950**	**62 741**	**0**	**1 043 858**	**773 466**	**13 330**	**555 337**	**292 617**	**8 235**	**0**	**0**	**10 688**	**0**	**0**	**0**	**0**	**2 821 221**
Premiums earned																	
Gross - Direct Business	102 730	105 499	0	1 672 182	1 255 275	53 329	1 360 392	723 399	23 490	0	0	10 688					5 306 983
Gross - Proportional reinsurance accepted	0	0	0	0	421	763	137 478	31 753	7 222	0	0	0					177 637
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	41 606	41 674	0	668 595	516 440	41 142	980 132	463 928	22 297	0	0	0	0	0	0	0	2 735 812
Net	**61 124**	**63 825**	**0**	**1 013 586**	**739 256**	**12 950**	**547 738**	**291 224**	**8 416**	**0**	**0**	**10 688**	**0**	**0**	**0**	**0**	**2 748 808**
Claims incurred																	
Gross - Direct Business	42 550	23 603	0	1 018 202	868 323	18 822	537 749	399 105	21 929	0	0	271					2 930 554
Gross - Proportional reinsurance accepted	0	0	0	-405	-85	140	181 404	53 249	0	0	0	0					234 301
Gross - Non-proportional reinsurance accepted													0	0	0	0	0
Reinsurers' share	17 407	8 676	0	414 455	345 494	11 207	446 978	310 225	-1 153	0	0	0	0	0	0	0	1 553 288
Net	**25 142**	**14 927**	**0**	**603 342**	**522 743**	**7 754**	**272 175**	**142 128**	**23 083**	**0**	**0**	**271**	**0**	**0**	**0**	**0**	**1 611 567**
Changes in other technical provisions																	
Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non- proportional reinsurance accepted													0	0	0	0	0
Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	41 539	15 351	0	491 124	315 735	2 840	235 660	119 286	-2 229	0	0	1 250	0	0	0	0	1 220 557
Other expenses																	56 732
Total expenses																	1 277 290

	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	
Premiums written									
Gross	0	318 615	1 529 107	1 281 697	0	0	0	0	3 129 419
Reinsurers' share	0	0	0	85 598	0	0	0	0	85 598
Net	**0**	**318 615**	**1 529 107**	**1 196 099**	**0**	**0**	**0**	**0**	**3 043 821**
Premiums earned									
Gross	0	318 615	1 529 107	1 281 697	0	0	0	0	3 129 419
Reinsurers' share	0	0	0	85 598	0	0	0	0	85 598
Net	**0**	**318 615**	**1 529 107**	**1 196 099**	**0**	**0**	**0**	**0**	**3 043 821**
Claims incurred									
Gross	0	537 799	492 840	514 242	0	-34 341	0	0	1 510 541
Reinsurers' share	0	0	0	22 645	0	-13 736	0	0	8 909
Net	**0**	**537 799**	**492 840**	**491 597**	**0**	**-20 604**	**0**	**0**	**1 501 632**
Changes in other technical provisions									
Gross	0	131 063	-550 296	-4 143	0	0	0	0	-423 375
Reinsurers' share	0	0	0	-95	0	-0	0	0	-95
Net	**0**	**131 063**	**-550 296**	**-4 048**	**0**	**0**	**0**	**0**	**-423 281**
Expenses incurred	0	84 404	393 984	455 171	0	0	0	0	933 559
Other expenses									4 362
Total expenses									937 921

Generali Pojišťovna a.s.

S.05.02.01

Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		SK	BA	PL	AT	BG	
Premiums written							
Gross - Direct Business	5 398 735	0	0	0	0	0	5 398 735
Gross - Proportional reinsurance accepted	66 161	3 666	1 377	311	0	0	71 515
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	2 567 124	0	0	0	0	0	2 567 124
Net	**2 897 771**	**3 666**	**1 377**	**311**	**0**	**0**	2 903 125
Premiums earned							
Gross - Direct Business	5 306 983	0	0	0	0	0	5 306 983
Gross - Proportional reinsurance accepted	68 678	1 765	1 377	244	0	0	72 063
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	2 547 007	0	0	0	0	0	2 547 007
Net	**2 828 653**	**1 765**	**1 377**	**244**	**0**	**0**	2 832 039
Claims incurred							
Gross - Direct Business	3 011 945	0	0	0	0	0	3 011 945
Gross - Proportional reinsurance accepted	87 819	0	0	0	0	0	87 819
Gross - Non-proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers' share	1 470 197	0	0	0	0	0	1 470 197
Net	**1 629 566**	**0**	**0**	**0**	**0**	**0**	1 629 566
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	0
Reinsurers'share	0	0	0	0	0	0	0
Net	**0**	**0**	**0**	**0**	**0**	**0**	0
Expenses incurred	743 836	0	103	0	0	0	743 939
Other expenses							56 732
Total expenses							800 671

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
Premiums written							
Gross	3 129 419	0	0	0	0	0	3 129 419
Reinsurers' share	85 598	0	0	0	0	0	85 598
Net	**3 043 821**	**0**	**0**	**0**	**0**	**0**	3 043 821
Premiums earned							0
Gross	3 129 419	0	0	0	0	0	3 129 419
Reinsurers' share	85 598	0	0	0	0	0	85 598
Net	**3 043 821**	**0**	**0**	**0**	**0**	**0**	3 043 821
Claims incurred							0
Gross	1 491 453	0	0	0	0	0	1 491 453
Reinsurers' share	0	0	0	0	0	0	0
Net	**1 491 453**	**0**	**0**	**0**	**0**	**0**	1 491 453
Changes in other technical provisions							0
Gross	-438 115	0	0	0	0	0	-438 115
Reinsurers' share	-95	0	0	0	0	0	-95
Net	**-438 021**	**0**	**0**	**0**	**0**	**0**	-438 021
Expenses incurred	928 803	0	0	0	0	0	928 803
Other expenses							4 362
Total expenses							933 165

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Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions calculated as a sum of BE and RM													
Best Estimate													
Gross Best Estimate	4 250 095	4 119 094	0	-112 714	0	417 633	0	**8 674 108**	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-3 049	-19 292	0	9 885	0	151 858	0	**139 403**	0	0	0	0	**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	4 253 144	4 138 386	0	-122 600	0	265 775	0	**8 534 706**	0	0	0	0	**0**
Risk Margin	127 638	342 580		114 091		3 670	0	**587 978**	0		0	0	**0**
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Best estimate	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Risk margin	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions - total	**4 377 733**	**4 461 674**		**1 376**		**421 303**	**0**	9 262 086	**0**		**0**	**0**	**0**

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Non - life Technical Provisions

	Direct business and accepted proportional reinsurance									Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance:ll				Total Non-Life obligations
	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	
Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross	504	-6 161	0	382 065	280 251	753	42 131	18 732	2 703	0	0	0	0	0	0	0	**720 976**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-85	-2 045	0	92 841	97 203	-1 042	-103 707	-9 159	1 078	0	0	0	0	0	0	0	**75 084**
Net Best Estimate of Premium Provisions	588	-4 116	0	289 223	183 048	1 795	145 838	27 891	1 624	0	0	0	0	0	0	0	**645 892**
Claims provisions																	
Gross	18 659	27 062	0	1 233 225	191 968	27 278	513 500	992 929	31 916	0	0	694	0	0	0	0	**3 037 229**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	6 886	6 928	0	463 370	70 593	14 983	225 788	504 236	7 022	0	0	0	0	0	0	0	**1 299 805**
Net Best Estimate of Claims Provisions	11 773	20 134	0	769 855	121 376	12 295	287 712	488 693	24 894	0	0	694	0	0	0	0	**1 737 424**
Total Best estimate - gross	19 162	20 901	0	1 615 289	472 219	28 030	555 631	1 011 661	34 618	0	0	694	0	0	0	0	**3 758 206**
Total Best estimate - net	12 361	16 018	0	1 059 078	304 424	14 090	433 550	516 584	26 518	0	0	694	0	0	0	0	**2 383 317**
Risk margin	336	1 142	0	78 225	6 985	524	21 964	143 990	1 282	0	0	52	0	0	0	0	**254 501**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions - total																	
Technical provisions - total	19 498	22 043	0	1 693 515	479 204	28 555	577 595	1 155 651	35 901	0	0	746	0	0	0	0	**4 012 707**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	6 801	4 883	0	556 211	167 795	13 941	122 081	495 077	8 100	0	0	0	0	0	0	0	**1 374 889**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**12 697**	**17 160**	**0**	**1 137 304**	**311 408**	**14 614**	**455 514**	**660 574**	**27 801**	**0**	**0**	**746**	**0**	**0**	**0**	**0**	**2 637 818**

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Non-life Insurance Claims Information

Accident Year/Underwriting year	1 - Accident year

Gross Claims Paid (non-cumulative)

	Development year										In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											3 966	3 966	
N-9	1 658 676	883 274	86 453	13 204	27 815	10 706	5 661	14 570	19 651	2 600		2 600	2 722 611
N-8	1 551 205	699 040	109 825	42 046	22 052	14 103	2 710	10 060	2 387			2 387	2 453 428
N-7	1 768 725	608 970	123 750	31 252	21 205	9 090	3 879	8 805				8 805	2 575 676
N-6	1 712 409	796 568	103 042	45 534	20 537	8 650	16 252					16 252	2 702 992
N-5	1 606 349	542 079	108 201	16 940	20 228	38 623						38 623	2 332 420
N-4	1 463 028	590 916	79 390	27 237	13 176							13 176	2 173 747
N-3	1 984 986	784 286	128 077	51 852								51 852	2 949 201
N-2	1 371 248	607 159	165 041									165 041	2 143 448
N-1	1 389 182	718 408										718 408	2 107 591
N	1 643 859											1 643 859	1 643 859
Total												**2 664 971**	**23 804 975**

Gross undiscounted Best Estimate Claims Provisions

	Development year										Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											142 391	133 083
N-9	0	0	0	0	0	0	0	0	0	57 068		53 338
N-8	0	0	0	0	0	0	0	0	54 006			50 444
N-7	0	0	0	0	0	0	0	61 654				57 877
N-6	0	0	0	0	0	0	95 220					88 967
N-5	0	0	0	0	0	129 000						120 941
N-4	0	0	0	0	84 482							79 115
N-3	0	0	0	128 850								121 686
N-2	0	0	224 554									210 729
N-1	0	345 210										325 192
N	1 237 812											1 180 799
Total												**2 422 171**

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Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	13 274 793	0	0	-585	585
Basic own funds	5 390 634	0	0	2 496	-2 496
Eligible own funds to meet Solvency Capital Requirement	5 390 634	0	0	0	0
Solvency Capital Requirement	2 556 050	0	0	479	-479
Eligible own funds to meet Minimum Capital Requirement	5 390 634	0	0	0	0
Minimum Capital Requirement	676 423	-0	0	-425	425

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Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	500 000	500 000		0	
Share premium account related to ordinary share capital	382 500	382 500		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	4 508 134	4 508 134			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**5 390 634**	**5 390 634**	**0**	**0**	**0**
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	**0**			**0**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**5 390 634**	**5 390 634**	**0**	**0**	**0**
Total available own funds to meet the MCR	**5 390 634**	**5 390 634**	**0**	**0**	
Total eligible own funds to meet the SCR	**5 390 634**	**5 390 634**	**0**	**0**	**0**
Total eligible own funds to meet the MCR	**5 390 634**	**5 390 634**	**0**	**0**	
SCR	**2 556 050**				
MCR	**676 423**				
Ratio of Eligible own funds to SCR	**210,9%**				
Ratio of Eligible own funds to MCR	**796,9%**				

Reconciliation reserve	
Excess of assets over liabilities	6 081 042
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	690 408
Other basic own fund items	882 500
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**4 508 134**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	3 700 159
Expected profits included in future premiums (EPIFP) - Non- life business	36 965
Total Expected profits included in future premiums (EPIFP)	**3 737 123**

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Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
Market risk	1 465 760		
Counterparty default risk	678 709		
Life underwriting risk	1 345 766		
Health underwriting risk	50 178		
Non-life underwriting risk	879 530		
Diversification	-1 510 344		
Intangible asset risk	0		
Basic Solvency Capital Requirement	**2 909 599**		

Calculation of Solvency Capital Requirement	
Operational risk	245 294
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	-598 843
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	2 556 050
Capital add-on already set	0
Solvency capital requirement	**2 556 050**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirement for remaining part	2 556 050
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

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Minimum capital Requirement - Both life and non-life insurance activity

	Non-life activities	Life activities
	$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
Linear formula component for non-life insurance and reinsurance obligations	464 183	0

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	12 361	60 950		
Income protection insurance and proportional reinsurance	16 018	62 741		
Workers' compensation insurance and proportional reinsurance	0	0		
Motor vehicle liability insurance and proportional reinsurance	1 059 078	1 043 858		
Other motor insurance and proportional reinsurance	304 424	773 466		
Marine, aviation and transport insurance and proportional reinsurance	14 090	13 330		
Fire and other damage to property insurance and proportional reinsurance	433 550	555 337		
General liability insurance and proportional reinsurance	516 584	292 617		
Credit and suretyship insurance and proportional reinsurance	26 518	8 235		
Legal expenses insurance and proportional reinsurance	0	0		
Assistance and proportional reinsurance	0	0		
Miscellaneous financial loss insurance and proportional reinsurance	694	10 688		
Non-proportional health reinsurance	0	0		
Non-proportional casualty reinsurance	0	0		
Non-proportional marine, aviation and transport reinsurance	0	0		
Non-proportional property reinsurance	0	0		

	Non-life activities	Life activities
	$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
Linear formula component for life insurance and reinsurance obligations	5 581	206 659

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits	0		4 253 144	
Obligations with profit participation - future discretionary benefits	0		0	
Index-linked and unit-linked insurance obligations	0		4 138 386	
Other life (re)insurance and health (re)insurance obligations	265 775		-122 600	
Total capital at risk for all life (re)insurance obligations		0		29 034 707

Overall MCR calculation	
Linear MCR	676 423
SCR	2 556 050
MCR cap	1 150 222
MCR floor	639 012
Combined MCR	676 423
Absolute floor of the MCR	199 985
Minimum Capital Requirement	**676 423**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	469 764	206 659
Notional SCR excluding add-on (annual or latest calculation)	1 775 131	780 919
Notional MCR cap	798 809	351 413
Notional MCR floor	443 783	195 230
Notional Combined MCR	469 764	206 659
Absolute floor of the notional MCR	99 993	99 993
Notional MCR	469 764	206 659