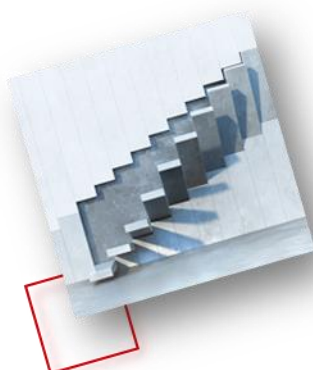
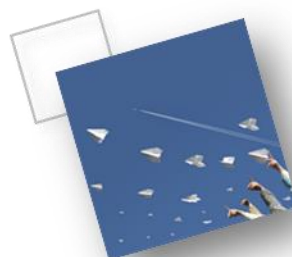
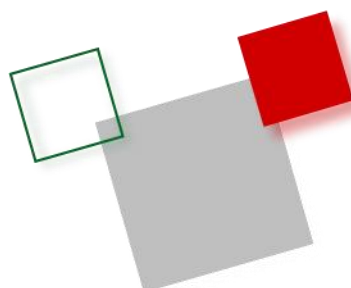


2018

Solvency and Financial Condition Report SFCR



HDI
ASSICURAZIONI

INDICE

SUMMARY	5
A. BUSINESS AND PERFORMANCE	11
A.1 Assets	11
A.1.1 Information on the company	12
A.1.2 Significant events	13
A.2 Underwriting results	13
A.2.1 Substantial geographic areas and business areas	17
A.3 Investment results	17
A.3.1 Overall results of investments and its components	17
A.3.2 Securitization investments	20
A.4 Other business results	20
A.4.1 Significant leasing contracts	23
A.5 Other information	23
B. SYSTEM OF GOVERNANCE	25
B.1 General information about the Governance System	26
B.1.1 Structure of the governance system	26
B.1.2 Roles and responsibilities of the key functions	30
B.1.3 Communication flows and connections between the Control functions	32
B.1.4 Changes to the Governance System	33
B.1.5 Remunerations Policy	33
B.1.6 Substantial operations with stakeholders	34
B.2 Fit and Proper requirements and the procedure for verifying the requirements	35
B.3 Risk Management System, including the internal assessment of risk and solvency	37
B.3.1 Risk Management System	37
B.3.2 Own Risk and Solvency Assessment (ORSA)	39
B.4 Internal control system	41
B.4.1 Compliance Function	42
B.5 Internal Audit Function	44
B.5.1 Independence and objectivity of the Internal Audit Function	44
B.6 Actuarial Function	45
B.7 Outsourcing	46
B.8 Adequacy of the governance system	48
C. RISK PROFILE	51
C.1 Underwriting risk	52
C.2 Market risk	56
C.3 Credit risk	57
C.4 Liquidity risk	59
C.5 Operational risk.	60
C.6 Other substantial risks	61
C.7 Other information	62
D. VALUATION FOR SOLVENCY PURPOSE	64
D.1 Valuation of assets	65
D.1.1 Goodwill and Intangible assets	68
D.1.2 Deferred tax assets	68
D.1.3 Property, plant and equipment for own use	69
D.1.4 Properties (not for own use)	69
D.1.5 Participations	69
D.1.6 Equities, bonds, collective investment funds and other investments	70
D.1.7 Assets held for index-linked and unit-linked contracts	71
D.1.8 Loans and mortgages	71
D.1.9 Reinsurance recoverables	72
D.1.10 Adjustment of best estimates transferred reserve	72
D.1.11 Other asset items	72
D.2 Valuation of the technical provisions	72
D.2.1 Non-life technical provisions	73
D.2.2 Life technical provisions	78
D.2.3 Long-term guarantee measures (Volatility Adjustment)	81
D.3 Valuation of other liabilities	82
D.3.1 Other technical provisions and potential liabilities	82
D.3.2 Provisions other than technical provisions	83
D.3.3 Pension benefit obligations	83
D.3.4 Deposits from reinsurers	83
D.3.5 Deferred tax liabilities	83
D.3.6 Derivatives and financial liabilities and payables to credit institutes	83
D.3.7 Other liability (payables deriving from insurance operations and other payables, other liabilities)	84
D.3.8 Subordinated liabilities	84
D.4 Alternative valuation methods	84
D.5 Other information	84
E. CAPITAL MANAGEMENT	86
E.1 Own funds	87
E.1.1 Capital Management Policy	88
E.1.2 Available own funds	88
E.1.3 Own funds used to cover the SCR and MCR	89
E.1.4 Reconciliation between shareholders' equity from the financial statements and excess of assets over liabilities	90
E.2 Solvency Capital Requirement and Minimum Capital Requirement	91
E.2.1 Solvency Capital Requirement	91
E.2.2 Minimum Capital Requirement	92
E.3 Use of the share risk sub-module based on the duration in the calculation of solvency capital requirement	92
E.4 Differences between the standard formula and the internal model	92
E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement	92
E.6 Other information	93
ANNEX 1 - QRT	95
ANNEX 2 – AUDITORS' REPORT	109

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A _____

[Summary]

→ B

→ B

Summary

This document is the Annual Solvency and Financial Condition Report (SFCR) of HDI Assicurazioni S.p.A. As such, it seeks to meet specific informative obligations, so as to guarantee transparency with regards to external subjects and the market, as regulated by Directive 2009/138/EC issued by the European Parliament (the "Solvency II Directive"), incorporated by the Private Insurance Code (or "CAP"), by the requirements of the Delegated Regulation (EU) 2015/35 (the "Delegated Acts"), which integrates the Directive and according to the provisions of IVASS Regulation no. 33.

This section summarises the essential information relating to the Company's solvency position and financial position, which is then offered in greater detail in the later sections, with reference to:

- A. Business and Performance
- B. System of Governance
- C. Risk Profile
- D. Valuation for Solvency Purpose
- E. Capital Management.

Unless otherwise specified, all information given in the document refers to the Company's FY 2018.

All figures are stated in thousands of euros.

A. Business and Performance

The Company closes FY 2018 with pre-tax profits of 34,458 thousand euros, up 1,272 thousand euros on 2017. The 2018 net profits, of 21,358 thousand euros, are also up 1,603 thousand euros on 2017.

Shareholders' equity comes to of 253,602 thousand euros, rising 14,357 thousand euros on 2017.

Direct insurance premiums amount to 1,458,895 thousand euros, up 3.5% on last year. Non-life premiums written, equal to 390,962 euros, increasing by 1% on 2017, whilst life premiums written, equal to 1,067,933 thousand euros, rise by 4.4% on 2017.

The technical performance of the non-life segments reveals positive results and an improvement on 2017, with a combined ratio, that decreases from 94.95% in 2016 to 91.50%.

Investments, excluding assets held for index-linked and unit-linked contracts, are 5,651,653 thousand euros and grow by 267,738 thousand euros on 2017.

The number of the insurance sales point remains basically constant.

B. System of Governance

The HDI Assicurazioni governance system is proportional to the Company's nature, complexity of business and risk profile; it is focussed on creating value for shareholders over the medium/long-term, aware of the social relevance of the business pursued by the Company and the consequent need to suitably consider all interests involved in going about it.

The Company adopts the traditional governance system, according to the definition given by Italian legislation, with the following main bodies: the Shareholders' Meeting, which, in matters for which it is competent, expresses the wishes of the Shareholders; the Board of Directors, entrusted with the Company's strategic management, and the Board of Auditors, which operates monitoring compliance with the law and the Articles of Association.

The Senior Management is also an integral part of the corporate governance model, responsible for the implementation, maintenance and monitoring of the guidelines and directives given by the Board of Directors.

Moreover, in accordance with the definitions given by legislation, the Company has also established four essential "key" functions: Group Internal Audit, Group Risk Management, Compliance and Actuarial Function and, according to the provisions

of ISVAP Regulation no. 41, has also established an independent Anti-Money Laundering, Anti-Terrorism and Anti-Fraud Function.

The roles and responsibilities of the key functions assigned to internal control are established by specific policies approved by the Company's Board of Directors.

C. Risk Profile

The Company has equipped itself with specific guidelines that describe the business strategy, the risk strategy, the underwriting policy, the investment policy and cessions under Reinsurance.

The establishment of a Risk Management System, structured according to the nature, scope and business carried out, which allows the Company to identify, assess (including prospectively) and control the risks connected with the business pursued, together with a system of limits and thresholds, are the essential elements that allow the Company to monitor its risk profile, in order to achieve the objectives set, avoiding risks that could threaten solvency.

With reference to the risks evaluated through the capital requirement, calculated according to the Standard Formula with the application of USP parameters to non-life technical risks, the amount of each risk module is given below

(amounts in EUR thousand)

	2018
Market risk	448,628
Counterparty default risk	80,956
Life underwriting risk	180,885
Health underwriting risk	18,189
Non-life underwriting risk	132,725
Diversification	-251,857
Basic Solvency Capital Requirement	609,526
Operational risk	52,281
Loss-absorbing capacity of technical provisions	-197,220
Loss-absorbing capacity of deferred taxes	-111,501
Solvency Capital Requirement	353,086

D. Valuation for Solvency Purpose

The Solvency II Directive 2009/138/EC lays down provisions on the valuation of assets and liabilities, technical provisions, own funds, the solvency capital requirement, the minimum capital requirements and provisions on investments. As regards assets and liabilities, Art. 75 of the Directive establishes that the approach to be taken for their valuation must be economic, defined as "market consistent". Therefore, in the HDI Assicurazioni Solvency II financial statements:

- assets are measured at fair value, i.e. at the value at which they could be exchanged by aware, consenting parties in a transaction carried out at arm's length;
- liabilities are measured at the value at which they could be transferred or settled, by aware, consenting parties in a transaction carried out at arm's length ("exit value" or "settlement value");
- the single items of assets and liabilities have been measured individually.

Assets and liabilities are measured on the basis of the business as a going concern, as indicated in Art. 7 of Del. Reg. 2015/35. Moreover, in compliance with Art. 9 of Del. Reg. 2015/35, the measurement of assets and liabilities (excluding technical provisions) is carried out, unless otherwise ordered, in compliance with the international accounting standards adopted by the European Commission in compliance with Regulation (EC) no. 1606/2002 (IAS/IFRS), where they envisage the measurement at

Summary

fair value; this is because this is considered a good approximation of the valuation standards envisaged by the Solvency II Directive.

If the measurement envisaged by the international accounting standards is not at fair value, valuation principles were applied in line with Article 75 of the Directive.

The total assets of the Solvency II financial statements amounted to 6,649,095 thousand euros and compared to 6,677,693 thousand euros in the statutory financial statements, shows a lesser value of 28,598 thousand euros.

The total liabilities of the Solvency II financial statements amounted to 6,192,632 thousand euros and compared to 6,424,091 thousand euros in the statutory financial statements, shows a lower value of 231,459 thousand euros. Overall, therefore, the excess of assets compared to the liabilities of the Solvency II financial statements amounts to 456,463 thousand euros and compared to 253,602 thousand euros in the statutory financial statements shows a higher value of 202,861 thousand euros.

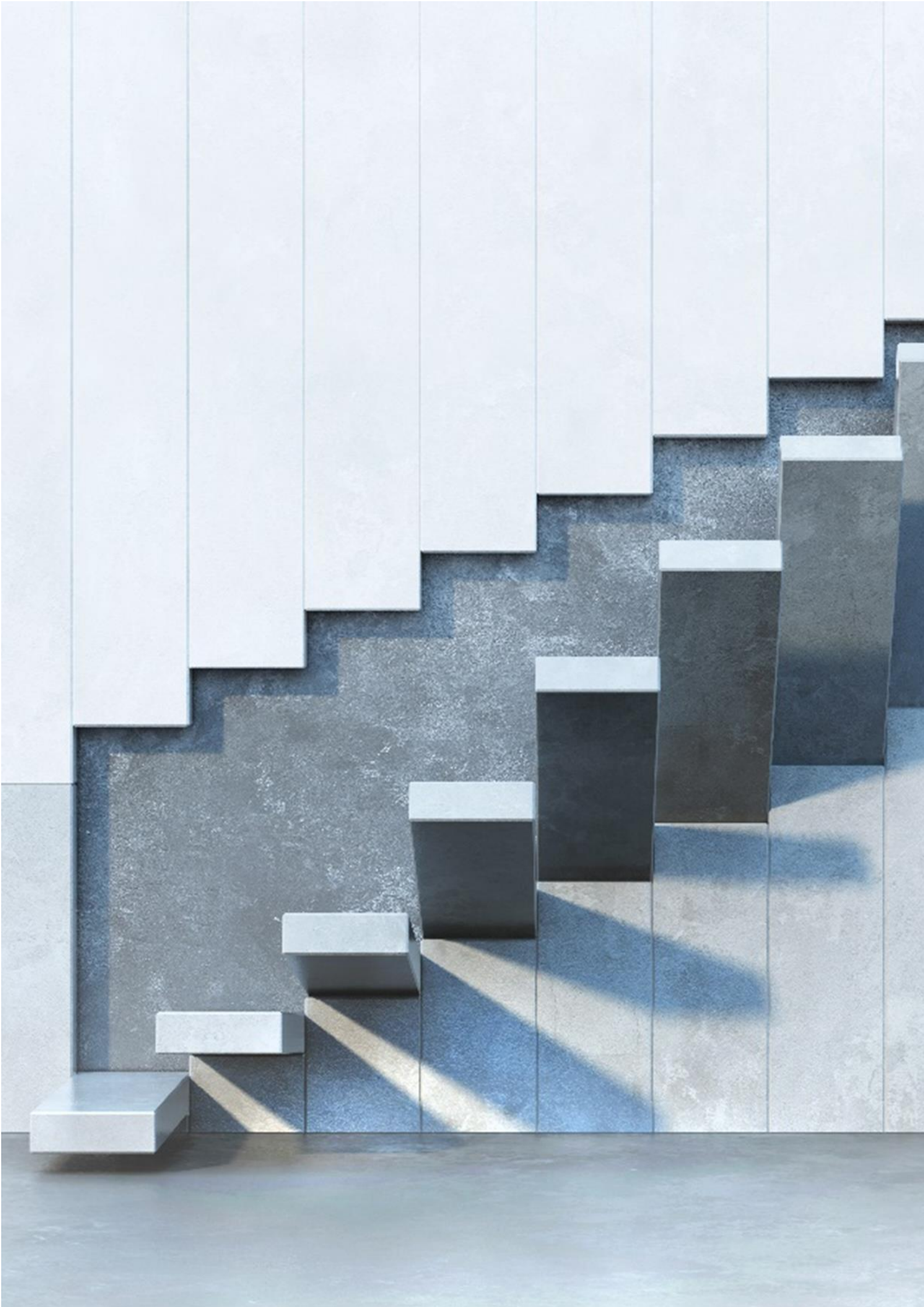
The technical provisions of the non-life business relating to the Solvency II valuation at 31 December 2018 amount to 807,582 thousand euros, while the technical provisions of the life business are still based on the Solvency II valuation, at 31 December 2018 amount to 5,133,446 thousand euros.

The specific section provides further details on the criteria and methods applied for the valuation of assets and liabilities.

E. Capital Management

As regards solvency, as at 31 December 2018, the Company has Eligible Own Funds to meet SCR for 533,416 thousand euros, of which 447,463 thousand euros classified as Tier 1 and 85,953 thousand euros classified as Tier 2. The Solvency Capital Requirement is 353,086 thousand euros and therefore the Company's Solvency Ratio, given by the ratio of Eligible Own Funds and the Solvency Capital Requirement, is 151.1%. About MCR, the Company has Eligible Own Funds to meet MCR for 479,240 thousand euros, of which 447,463 thousand euros classified as Tier 1 and 31,778 thousand euros classified as Tier 2. The Minimum Capital Requirement is 158,889 thousand euros; therefore the MCR Ratio is 301.6%.

(amounts in EUR thousand)	
	2018
Total eligible own funds to meet the SCR	533,416
Total eligible own funds to meet the MCR	479,240
SCR	353,086
MCR	158,889
SCR Ratio	151.1%
MCR Ratio	301.6%





A. Business and Performance

A. Business and Performance

A.1.1 Information on the company

HDI Assicurazioni S.p.A., with registered office in Rome, is an insurance company authorised to carry out the life and non-life insurance business by Ministerial Decree no. 19570/1993; it is entered under Section I of the Register of Insurance companies under no. 1,00022.

On 15 July 2008, IVASS (formerly ISVAP) entered the HDI Assicurazioni Group into the Register of insurance groups, assigning it number "015".

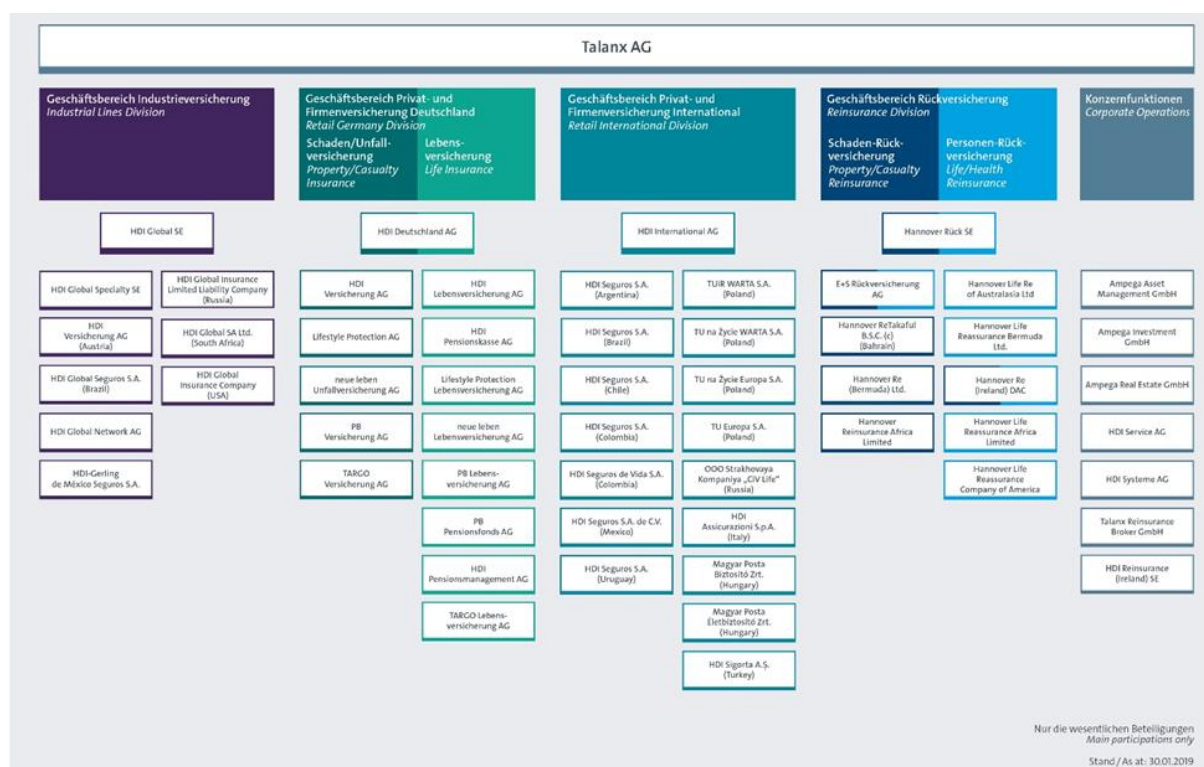
At 31 December 2018, the Group is formed of the following Companies:

- HDI Assicurazioni S.p.A., with registered office in Rome, at Via Abruzzi, 10 (parent company);
- HDI Immobiliare S.r.l., with registered office in Rome, at Via Abruzzi, 3, property management company held 100% by HDI Assicurazioni S.p.A.;
- InLinea S.p.A., with registered office in Rome, at Via Abruzzi, 3, an insurance intermediation company, held 100% by HDI Assicurazioni S.p.A.;
- InChiaro Life dac, an Irish insurance company with registered office in Dublin, involved in the insurance business in the Life business, held 100% by HDI Assicurazioni S.p.A.



The Company is part of a major German insurance business, operating in more than 150 countries across the world, given that the sole shareholder is HDI International AG (former Talanx International AG), whose share capital is entirely held by Talanx AG.

Talanx AG - the holding company of the HDI VAG Group, mutual insurance Company - through various companies, operates in direct life and non-life insurance, under the scope of non-life, life and health reinsurance and financial services.



HDI Assicurazioni S.p.A, as already mentioned, is a composite company operating on national territory through a network of general agencies and through agreements with banks and brokers.

The accounts of HDI Assicurazioni S.p.A. are audited by the independent auditing firm PricewaterhouseCoopers S.p.A.

A.1.2 Significant events

It should be noted that during the FY 2018 there were no business events that have had significant impact on the business.

A.2 Underwriting results

Underwriting results, net of reinsurance, divided by line of business, is given in the table below. The net underwriting result differs from the net technical balance present in the statutory financial statements prepared in accordance with the Italian accounting standards, due to the absence of financial income and expense and other technical income and expense. Expenses for claims include liquidation costs, which come to 30,223 thousand euros in the non-life segments and to 1,173 thousand euros in life segments. Non-life management expenses include acquisition costs for 43,113 thousand euros, administrative costs for

A. Business and Performance

14,098 thousand euros and general expenses for 45,885 thousand euros. Life management expenses include acquisition costs for 695 thousand euros, administrative costs for 5,105 thousand euros and general expenses for 12,376 thousand euros.

UNDERWRITING RESULTS (NET OF REINSURANCE)

(amounts in EUR thousand)

Lines of Business	Premiums written	Premiums earned (A)	Claims (B)	Variation of other technical provisions (C)	Management Expenses (D)	Underwriting Result E=A-B-C-D
Medical expense insurance	3,235	3,190	1,506	76	1,351	257
Income protection insurance	23,388	23,967	8,602	7	9,766	5,592
Motor vehicle liability insurance	232,052	232,757	156,905	-	55,855	19,997
Other motor insurance	37,608	34,405	18,877	45	11,736	3,747
Marine, aviation and transport insurance	1,830	1,349	1,733	4	425	-813
Fire and other damage to property insurance	32,719	32,817	20,297	-	13,658	-1,138
General liability insurance	22,744	22,927	11,911	-	9,550	1,466
Credit and suretyship insurance	12,778	10,025	6,408	-	2,773	844
Legal expenses insurance	530	440	-253	-	-688	1,381
Assistance	1,661	661	1,152	-	-1,467	976
Miscellaneous financial loss	191	1,020	2,528	-	137	-1,645
Total Non Life	368,736	363,558	229,666	132	103,096	30,664
Health insurance	2	2	-	-41	-	43
Insurance with profit participation	992,320	992,320	570,618	493,981	18,505	-90,784
Index-linked and unit-linked insurance	57,499	57,499	24,781	165	837	31,716
Other life insurance	10,123	10,123	-456	-7,481	-1,165	19,225
Total Life	1,059,944	1,059,944	594,943	486,624	18,177	-39,800
Total	1,428,680	1,423,502	824,609	486,756	121,273	-9,136

Written premiums

Written premiums of direct business come to 1,458,895 thousand euros, up +3.5% on the 1,409,794 thousand euros of last year. Non-life written premiums, of 390,962 thousand euros increase by 1% on the 386,989 thousand euros of the previous year. Life written premiums, of 1,067,933 thousand euros increase by 4.4% on the 1,022,805 thousand euros of 2017.

Also by analysing the premiums written with respect to the budget for 2018, a positive result is recorded (+3.1%), in particular the life and non-life segments respectively record +5.2% and -2.3%.

The percentage breakdown with respect to total premiums written, shows growth in the life segments from 72.5% in 2017 to 73.2% in 2018, whilst the non-life segments drop from 27.5% to 26.8%.

The Motor segment record 271,880 thousand euros and thus account for 69.5% of the total of non-life business (69.4% in 2017), which decrease by -1.2% (3,203 thousand euros) on last year, while other non-life segments that come in at 119,082 thousand euros, accounting for 30.5% of the total of non-life segments (30.6% in 2017), growing by 770 thousand euros (+0.7%) on last year.

WRITTEN PREMIUMS

(amounts in EUR thousand)

Direct Business	2018		2017		Variation	
	Amount	%	Amount	%	Amount	%
Motor vehicle liability insurance	233,012	15.97%	233,050	16.53%	-38	-0.02%
Other motor insurance	38,868	2.66%	35,627	2.53%	3,241	9.10%
Total Motor segments	271,880	18.64%	268,677	19.06%	3,203	1.19%
Medical expense insurance	3,380	0.23%	3,182	0.23%	198	6.22%
Income protection insurance	24,434	1.67%	24,362	1.73%	72	0.30%
Marine, aviation and transport insurance	1,924	0.13%	2,252	0.16%	-328	-14.56%
Fire and other damage to property insurance	35,031	2.40%	36,551	2.59%	-1,520	-4.16%
General liability insurance	24,244	1.66%	24,504	1.74%	-260	-1.06%
Credit and suretyship insurance	20,772	1.42%	18,987	1.35%	1,785	9.40%
Legal expenses insurance	2,546	0.17%	2,402	0.17%	144	6.00%
Assistance	6,550	0.45%	6,334	0.45%	216	3.41%
Miscellaneous financial loss	201	0.01%	-262	-0.02%	463	-176.72%
Total other non-life segments	119,082	8.16%	118,312	8.39%	770	0.65%
Total Non-Life	390,962	26.80%	386,989	27.45%	3,973	1.03%
Health insurance	7	0.00%	8	0.00%	-1	-12.50%
Insurance with profit participation	993,927	68.13%	935,337	66.35%	58,590	6.26%
Index-linked and unit-linked insurance	57,499	3.94%	79,377	5.63%	-21,878	-27.56%
Other life insurance	16,500	1.13%	8,083	0.57%	8,417	104.13%
Total Life	1,067,933	73.20%	1,022,805	72.55%	45,128	4.41%
Total direct business	1,458,895	100.00%	1,409,794	100.00%	49,101	3.48%
Total indirect business	58		50		8	16.00%
Total written premiums	1,458,953		1,409,844		49,109	3.48%

Income from the Insurance motor vehicle third party liability segment, of 233,012 thousand euros, remains almost stable, whilst that of Other motor insurance, of 38,868 thousand euros, records a rise of 3,241 thousand euros (+9.1%).

The vehicles insured in the portfolio in December 2018 were down by around 1.1% compared to 2017, while the average premium recorded an increase of + 0.5% in the period. Under the scope of other non-life segments, the most significant increases regarding the Credit and suretyship insurance (+1,785 thousand euros) and Miscellaneous financial loss (+463 thousand euros), partly offset by the decrease recorded by Fire and other damage to property insurance (-1,520 thousand euros).

Under the life business, the increase in written premiums, of 45,128 thousand euros, is mainly due to the income from premiums of the Insurance with profit participation, which came to 993,927 thousand euros and has grown by 58,590 thousand euros (+6.3%). Premiums collected in connection with the index linked and unit linked insurance decreases, going from 79,377 thousand euros in 2017 to 57,499 in 2018 (-27.6%). Finally, collections of the Other Life Insurance also increases, going from 8,083 thousand in 2017 to 16,500 thousand in 2018 (+104.1%).

New production amounted to 996,841 thousand euros, an increase of 0.9% compared to 2017. In particular the single and recurring premiums, at 995,022 thousand euros, rose by 1.0%, while annual premiums at 1,819 thousand euros fell by 30.0%.

Technical performance in claims and operating expenses

The technical performance of the non-life segments - direct business - reveals positive results and which are an improvement on the previous year, with reference to the combined ratio, which decreases from 94.95% in 2017 to 91.50% in 2018. An improvement is recorded with respect to the combined defined in the plan of 96.6%.

The total ratio of claims to premiums drops by 4.34 points, going from 67.13% to 62.79%, down on that planned (69.0%).

The cost ratio instead rises from 27.82% to 28.71% (the plan estimated 27.5%).

A. Business and Performance

These ratios are calculated considering the liquidation costs under the scope of expenses for claims, in line with the classification given in the statutory financial statements.

TECHNICAL PERFORMANCE

	2018	2017	Variation
Total C/P	62.79%	67.13%	-4.34
Cost ratio	28.71%	27.82%	0.89
Combined ratio	91.50%	94.95%	-3.45

The tables below show data relating to the total ratio of Claims (Claims for the period and previous years)/Premiums of competence and the ratio of Operating expenses/Premiums of competence for the accounting line of business and compared with the data of the previous year.

CLAIMS / EARNED PREMIUMS

(amounts in EUR thousand)

Description	2018			2017			Variation
	Claims pertaining to the period	Premiums pertaining to the period	Claims/ Premiums	Claims pertaining to the period	Premiums pertaining to the period	Claims/ Premiums	Claims/ Premiums
Medical expense insurance	1,552	3,325	46.68%	1,761	4,631	38.03%	8.65
Income protection insurance	8,865	24,945	35.54%	7,447	23,454	31.75%	3.79
Motor vehicle liability insurance	157,668	233,717	67.46%	176,847	231,254	76.47%	-9.01
Other motor insurance	18,815	35,665	52.75%	19,893	33,413	59.54%	-6.78
Marine, aviation and transport insurance	1,737	1,441	120.54%	1,218	2,223	54.79%	65.75
Fire and other damage to property insurance	22,310	35,129	63.51%	22,038	33,827	65.15%	-1.64
General liability insurance	14,636	24,413	59.95%	14,300	24,026	59.52%	0.43
Credit and suretyship insurance	10,874	16,993	63.99%	5,817	15,852	36.70%	27.30
Legal expenses insurance	146	2,403	6.08%	80	2,283	3.50%	2.57
Assistance	2,966	6,477	45.79%	2,391	6,185	38.66%	7.13
Miscellaneous financial loss	2,558	1,084	235.98%	1,907	749	254.61%	-18.63
Total	242,127	385,592	62.79%	253,699	377,897	67.13%	-4.34

OPERATING EXPENSES INCURRED / EARNED PREMIUMS

(amounts in EUR thousand)

Description	2018			2017			Variation
	Operating expenses incurred	Premiums pertaining to the period	Expenses/ Earned premiums	Operating expenses incurred	Premiums pertaining to the period	Expenses/ Earned premiums	Expenses/ Earned premiums
Medical expense insurance	1,360	3,325	40.90%	1,308	4,631	28.24%	12.66
Income protection insurance	9,834	24,945	39.42%	10,014	23,454	42.70%	-3.27
Motor vehicle liability insurance	55,945	233,717	23.94%	52,643	231,254	22.76%	1.17
Other motor insurance	11,801	35,665	33.09%	10,855	33,413	32.49%	0.60
Marine, aviation and transport insurance	492	1,441	34.14%	649	2,223	29.19%	4.95
Fire and other damage to property insurance	13,742	35,129	39.12%	13,146	33,827	38.86%	0.26
General liability insurance	9,576	24,413	39.23%	9,163	24,026	38.14%	1.09
Credit and suretyship insurance	5,948	16,993	35.00%	5,545	15,852	34.98%	0.02
Legal expenses insurance	552	2,403	22.97%	614	2,283	26.89%	-3.92
Assistance	1,296	6,477	20.01%	614	6,185	9.93%	10.08
Miscellaneous financial loss	155	1,084	14.30%	1,204	6,185	19.47%	-5.17
Total	110,701	385,592	28.71%	105,755	383,333	27.59%	1.12

Please note that the portfolio relating to the guarantee of "job loss" offered to cover salary-backed loans and payment delegations as from 2009, is still in a run-off.

With reference to the most relevant booked segments in terms of premiums written, Motor third party liability insurance has decreased by about 9 points in the total claims ratio (from 76.47% to 67.46%).

Direct management expenses overall amounted to 131,428 thousand euros (of which 110,701 for non-life and 20,727 for life) with an increase of 3.9% compared to 2017 in which they stood at 126,538 thousand euros (of which 105,118 non-life and 21,421 life). As a percentage of total premiums, as indicated in the table below, remains stable and stands at 9%; in non-life, the percentage rose by 1.1 points (from 27.2% to 28.3%) whilst in the life class they reduced by 0.2 points (from 2.1% to 1.9%).

EXPENSES INCURRED

(amounts in EUR thousand)

	2018			2017			Variation %		
	Non-Life	Life	Total	Non-Life	Life	Total	Non-Life	Life	Total
Administrative expenses	14,098	5,105	19,203	13,578	5,811	19,389	3.83%	-12.15%	-0.96%
Acquisition expenses	50,717	3,246	53,963	50,065	2,987	53,052	1.30%	8.67%	1.72%
Overhead expenses	45,886	12,376	58,262	41,475	12,623	54,098	10.64%	-1.96%	7.70%
Total operating expenses	110,701	20,727	131,428	105,118	21,421	126,539	5.31%	-3.24%	3.86%
Expenses to premiums ratio	28.30%	1.90%	9.00%	27.20%	2.10%	9.00%	1.10	-0.20	-
Investment management expenses	1,076	5,489	6,565	1,085	5,127	6,212	-0.83%	7.06%	5.68%
Claims management expenses	30,223	1,173	31,396	31,537	930	32,467	-4.17%	26.13%	-3.30%
Total expenses incurred	142,000	27,389	169,389	137,740	27,478	165,218	3.09%	-0.32%	2.52%

A.2.1 Substantial geographic areas and business areas

The Company only performed its business in Italy.

A.3 Investment results

A.3.1 Overall results of investments and its components

Investments, excluding Assets held for index-linked and unit-linked contracts, come to 5,651,653 thousand euros, up 267,738 thousand euros on the 5,383,915 thousand euros of 2017; the fair value measurement entailed a greater value in the Solvency II valuation with respect to the statutory financial statements of 57,861 thousand euros. Please note that in order to provide a representation of statutory data that is in line with the Solvency II booked values, accrued income on interest, which in the statutory financial statements, as prescribed by ISVAP Regulation No. 22 of 04 April 2008, are stated under item G. Accruals and deferrals, have been reclassified to investments.

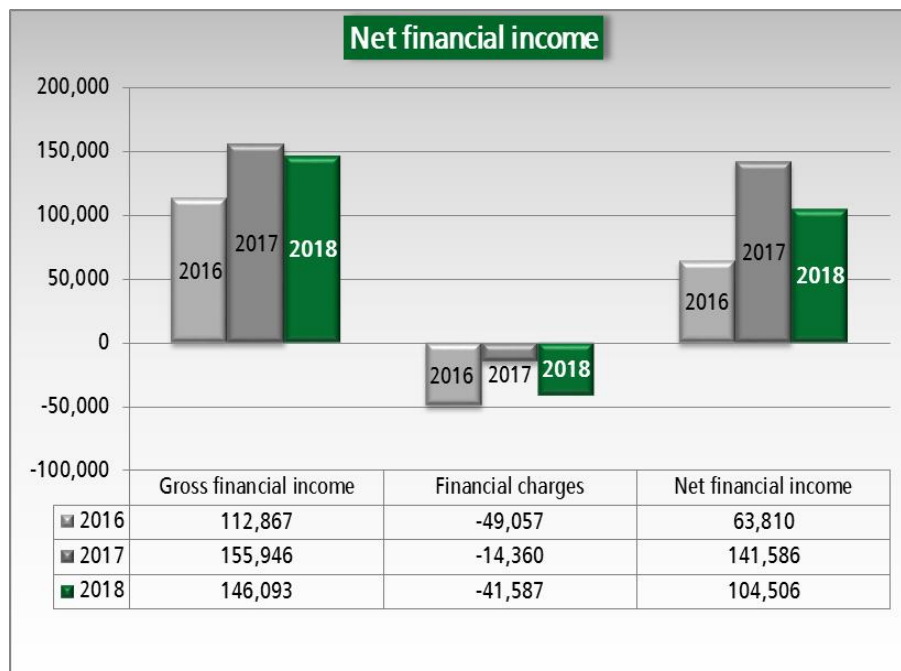
A. Business and Performance

INVESTMENTS

(amounts in EUR thousand)

	2018			2017		
	Solvency II value	Statutory accounts value	Variation	Solvency II value	Statutory accounts value	Variation
Property (other than for own use)	-	-	-	1,225	1,085	140
Holdings in related undertakings, including participations	94,203	81,343	12,860	95,290	82,707	12,583
Equities	22,980	22,791	189	10,061	9,488	573
Equities - listed	22,250	22,062	189	9,317	8,744	573
Equities - unlisted	730	730	-	744	744	-
Bonds	5,387,694	5,343,414	44,280	5,072,245	4,823,289	248,956
Government Bonds	2,490,220	2,456,963	33,257	2,625,666	2,478,824	146,842
Corporate Bonds	2,876,599	2,865,342	11,258	2,436,983	2,335,109	101,874
Structured notes	14,558	14,613	-55	9,596	9,356	240
Collateralised securities	6,316	6,496	-180	-	-	-
Collective Investments Undertakings	146,777	146,244	533	205,005	204,036	969
Derivatives	-	-	-	89	89	-
Deposits other than cash equivalents	-	-	-	-	-	-
Other investments	-	-	-	-	-	-
Investments (other than assets held for index-linked and unit-linked contracts)	5,651,653	5,593,792	57,861	5,383,915	5,120,694	263,221
Assets held for index-linked and unit-linked contracts	343,606	343,606	-	327,111	327,111	-

Net profit from investments at the end of the year amounted to 104,506 thousand euros, compared to 141,586 in 2017, a decrease of 37,080 thousand euros (-26.2%). Net profits from investments in life segments come to 96,636 thousand euros (114,550 in 2017, down 17,914 thousand euros), whilst non-life segments record a positive result of 7,870 thousand euros (27,036 thousand euros in 2017, down 19,166 thousand euros).



More specifically, in 2018 lesser net ordinary income was recorded on last year for 2,217 thousand euros, of which +1,111 thousand euros life and -3,328 non-life, lesser net realised income for -9,666 thousand euros, of which +1,595 thousand euros life and -11,261 thousand euros non-life and lesser income from net valuation for -25,197 thousand euros, of which -20,620 thousand euros life and -4,577 thousand euros non-life.

Extraordinary financial income net of charges shows a positive result of 1,351 thousand euros, of which 990 thousand life and 361 thousand non-life, 1,024 thousand euros up on the previous year, when a gain of 327 thousand euros was recorded, of which 170 thousand euros life and 157 thousand euros non-life.

INCOME AND CHARGE ON FINANCIAL INVESTMENTS

(amounts in EUR thousand)

	2018			2017			Variation		
	Life	Non-Life	Total	Life	Non-Life	Total	Life	Non-Life	Total
a) Income on equities	744	-	744	738	1,160	1,898	0.81%	-100.00%	-60.80%
b) Income on other investments:									
lands and buildings	93	-	93	152	-	152	-38.82%	0.00%	-38.82%
debt securities and other fixed income securities	99,421	13,282	112,703	98,213	15,434	113,647	1.23%	-13.94%	-0.83%
other income	588	342	930	270	368	638	117.78%	-7.07%	45.77%
	100,102	13,624	113,726	98,635	15,802	114,437	1.49%	-13.78%	-0.62%
c) Write-backs:									
equities	139	139	278	-	14	14	0.00%	892.86%	1885.71%
debt securities and other fixed income securities	370	-	370	1,910	-	1,910	-80.63%	0.00%	-80.63%
other financial investments	-	28	28	32	334	366	-100.00%	-91.62%	-92.35%
	509	167	676	1,942	348	2,290	-73.79%	-52.01%	-70.48%
d) Gains on the realisation of investments:									
equities	-	-	-	-	-	-	0.00%	0.00%	0.00%
debt securities and other fixed income securities	28,407	-	28,407	24,823	23	24,846	14.44%	-100.00%	14.33%
other financial investments	280	2,260	2,540	401	12,074	-	-30.17%	-81.28%	0.00%
	28,687	2,260	30,947	25,224	12,097	37,321	13.73%	-81.32%	-17.08%
Total Income (A)	130,042	16,051	146,093	126,539	29,407	155,946	2.77%	-45.42%	-6.32%
a) Management charges:									
equities	147	-	147	78	13	91	88.46%	-100.00%	61.54%
lands and buildings	272	2	274	273	2	275	-0.37%	0.00%	-0.36%
other financial investments	-	-	-	255	-	255	-100.00%	0.00%	0.00%
interest on deposits from reinsurers	751	-	751	857	2	859	-12.37%	-100.00%	-12.57%
general expenses and mortisation	4,319	1,073	5,392	3,664	1,068	4,732	17.88%	0.47%	13.95%
	5,489	1,075	6,564	5,127	1,085	6,212	7.06%	-0.92%	5.67%
b) Value adjustments:									
lands and buildings	845	9	854	840	9	849	0.60%	0.00%	0.59%
equities	2,360	74	2,434	288	147	435	719.44%	-49.66%	459.54%
debt securities and other fixed income securities	15,698	5,039	20,737	1,018	570	1,588	1442.04%	784.04%	1205.86%
other financial investments	2,788	-	2,788	358	-	358	678.77%	0.00%	678.77%
	21,691	5,122	26,813	2,504	726	3,230	766.25%	605.51%	730.12%
c) Losses on the realisation of investments:									
equities	375	-	375	271	-	271	38.38%	0.00%	38.38%
debt securities and other fixed income securities	4,370	1,984	6,354	3,961	560	4,521	10.33%	254.29%	40.54%
other financial investments	1,481	-	1,481	126	-	126	1075.40%	0.00%	1075.40%
	6,226	1,984	8,210	4,358	560	4,918	42.86%	254.29%	66.94%
Total charges (B)	33,406	8,181	41,587	11,989	2,371	14,360	178.64%	245.04%	189.60%
Net financial income (A-B)	96,636	7,870	104,506	114,550	27,036	141,586	-15.64%	70.89%	-26.19%
Extraordinary income (C)	1,086	697	1,783	170	157	327	538.82%	343.95%	445.26%
Extraordinary financial charges (D)	96	336	432	-	-	-	0.00%	0.00%	0.00%
Net extraordinary income (C-D)	990	361	1,351	170	157	327	482.35%	129.94%	313.15%
Total net income from investments	97,626	8,231	105,857	114,720	27,193	141,913	-14.90%	69.73%	-25.41%

Real estate management, limited to the building in Rome via Abruzzi 10, which is the Company's registered office and General Management office, and to the building in Rome via S. Angela Merici 90, reported a negative net result, arising due to amortisation/depreciation and general expenses, equal to -1,186 thousand euros, showing an worsening on 2017.

A. Business and Performance

INVESTMENT INCOME BY TYPE OF MANAGEMENT

(amounts in EUR thousand)

	2018			2017			Variation		
	Life	Non-Life	Total	Life	Non-Life	Total	Life	Non-Life	Total
Property	-1,162	-24	-1,186	-1,071	3	-1,068	-91	-27	-118
Equities	-1,866	65	-1,801	2,574	1,023	3,597	-4,440	-958	-5,398
Bonds	103,826	7,829	111,655	113,684	25,986	139,670	-9,858	-18,157	-28,015
Other investments	-4,162	-	-4,162	-637	24	-613	-3,525	-24	-3,549
Total	96,636	7,870	104,506	114,550	27,036	141,586	-17,914	-19,166	-37,080

The shareholding segment of securities management generated a negative result of -1,801 thousand euros (of which 168 thousand euros is the positive result from group societies), against a positive result of 3,597 thousand euros recorded in 2017 (of which +1,456 thousand euros from group societies).

The result of ordinary management of the bond segment generated a positive result of 111,655 thousand euros (of which 351 thousand euros arising from group companies), against a positive result of 139,670 thousand euros recorded in 2017 (of which 341 thousand euros from group companies). Finally, other investments generated a negative result of -4,162 thousand euros as compared with a negative -613 thousand euros recorded in 2017.

A.3.2 Securitization investments

There are no securitization investments in portfolio.

A.4 Other business results

Other revenues

OTHER REVENUES

(amounts in EUR thousand)

	2018	2017	Variation
Income from Veneto Banca	-	-	-
Withdrawal provision for risks on contractual agreements relative to Veneto Banca	-	9,043	-9,043
Interest income from cash and cash equivalent	78	101	-23
Income from services	297	338	-41
Income from other insurance related services	561	431	130
Income from releases of other provision	1,385	689	696
Other various income	392	302	90
Interest income from receivables	169	183	-14
Currency gains	1,447	288	1,159
Income from figurative rents	797	921	-124
Realized gains on land and buildings	-	-	-
Extraordinary income for taxes	1	70	-69
Non-technical contingent assets	287	788	-501
Total	5,414	13,154	-7,740

Other revenues as at 31 December 2018 come to 5,414 thousand euros and are down 7,740 thousand euros on last year.

Interest on liquid funds comes to 78 thousand euros, down on the previous year during which it came to 101 thousand euros, as a result of the generalised reduction of interest rates.

The use of funds included the agencies bad debt provisions for 581 thousand euros, made from the provision for doubtful debt due from other intermediaries in the amount of 440 thousand euros, the provision for doubtful debt due from co-insurance companies for 96 thousand euros, the provision for managers' medical expenses for 204 thousand euros and the provision for seniority premium expenses for 64 thousand euros.

Interest on loans, of 169 thousand euros, mainly refer to interest income accrued on the loan to agents for reversals.

Exchange gains, which are fully realised, come to 1,447 thousand euros.

Recoveries from other companies for foreign claim management competences come to 561 thousand euros. The figurative rent refers to the figurative revenue recorded by the life segments, deriving from the use of the property at via Abruzzi 10, used to manage life by employees of the Company working for non-life segments.

Recoveries from third parties for administrative costs and expenses come to 297 thousand euros, of which 295 thousand euros towards group societies; in particular, 280 thousand euros refer to the recovery of the cost of seconded staff and revenues for administrative services provided to subsidiaries, as reported in the table below and 15 thousand euros to the portfolio run-off management service stipulated with the associate HDI Global Specialty SE (former International Insurance Company of Hannover).

RECOVERY OF EXPENSES FROM SUBSIDIARIES

(amounts in EUR thousand)

	2018	2017	Variation
InChiaro Life	16	-	16
InLinea S.p.A.	29	64	-35
HDI Immobiliare S.r.l.	235	239	-4
Total	280	303	-23

Other expenses

Other expenses come to 15,985 thousand euros and are up 42,398 thousand euros on last year. The table below provides details of other expenses compared with last year.

A. Business and Performance

OTHER EXPENSES

(amounts in EUR thousand)

	2018	2017	Variation
Other taxes	272	447	-175
Specific allowance for receivables	4,758	26,175	-21,417
Specific allowance for contractual agreement	-	-	-
Amortisation of goodwill	3,118	3,118	-
Expenses from allocation of other reserves	1,071	18	1,053
Expenses for services	678	574	104
Expenses related to employees	-	58	-58
Interest expenses on Subordinated liabilities	4,154	4,162	-8
Interest expenses	56	104	-48
Credit losses	575	108	467
Currency losses	25	4,519	-4,494
IVASS Sanctions	38	136	-98
Expenses from figurative rents	797	921	-124
Specific allowance for seniority bonus and managers' health insurance	223	1,211	-988
Other expenses	29	48	-19
Losses alienation of movable property	-	101	-101
Devaluation intangible assets	-	439	-439
Contingent liabilities for taxes	-	148	-148
No technical Contingent liabilities	191	111	80
Total	15,985	42,398	-26,413

The allowances on bad debt provision is 4,758 thousand euros, of which 4,000 thousand euros for the receivables due from Veneto Banca, subjected to compulsory administrative liquidation on 25 June 2017 and 758 thousand euros for receivables due from intermediaries.

Administrative expenses on behalf of third parties amount to 678 thousand euros and refer to expenses incurred for staff providing services for subsidiaries and third party societies and associates, for which foreign claims are managed; these consists of payroll costs for 484 thousand euros, general expenses for 178 thousand euros, the proportional share of amortisation/depreciation for 3 thousand euros and other expenses incurred on behalf of UCI for 9 thousand euros and other expenses for 4 thousand euros.

The allowances on tax provision for the year amounted to 1,071 thousand euros, against the potential liabilities deriving from disputes with Agenzia delle Entrate on the 2001-2002 tax years and on the non-application of VAT on commissions of delegation, which was disclosed in the management report.

The figurative rent refers to the figurative cost recorded by the non-life business, deriving from the use of the property at via Abruzzi 10, used to manage life by employees of the Company working for non-life business.

The allowance made for medical managers' expenses and the allowance for seniority premiums are 223 thousand euros.

Interest expense comes to 4,154 thousand euros and respectively include 2,062 thousand euros and 2,092 thousand euros of interest expense accrued on subordinated loans stipulated by the Banca Sella Group and the shareholder HDI International AG (former Talanx International AG).

Finally, other expenses include 3,118 thousand euros of amortisation of goodwill deriving from the merger loss of CBA Vita.

A.4.1 Significant leasing contracts

There are no significant leasing contracts.

A.5 Other information

FY 2018 closes with a positive result of 21,358 thousand euros, of which 2,133 thousand euros for life and 19,225 thousand euros for non-life.

PERIOD RESULT		(amounts in EUR thousand)		
		Life	Non-Life	Total
Profit 2018		2,133	19,225	21,358

We propose allocating the net result for FY 2018 and making the changes to equity items as indicated below:

- Distribution of a dividend of 9,000 thousand euros, equal to 0.0093750 euros per share, of which 4,500 thousand euros as a partial distribution of the profit from non-life business, 2,133 thousand euros for the full distribution of the life business profit and 2,367 thousand euros for the distribution of the extraordinary reserve of life business.
- Allocation of residual profits of the non-life segments to extraordinary reserve for 14,725 thousand euros.
- Allocation of the non-distributable reserve for revaluation of life business participations to the extraordinary reserve of life business for 383 thousand euros and of the non-distributable reserve for revaluation of non-life business participations to the extraordinary reserve of non-life business for 1,173 thousand euros..

As a consequence of the above, the Company's equity will be made up as indicated in the table below, shown separately for the non-life and life segments and with an overall summary.

SHAREHOLDERS' EQUITY		(amounts in EUR thousand)					
	Life segments			Non-Life segments			
	2018	Variation	Final balance	2018	Variation	Final balance	
Share Capital	46,000	-	46,000	50,000	-	50,000	
Legal Reserve	9,583	-	9,583	9,617	-	9,617	
Non-distributable reserve	388	-383	5	1,177	-1,173	4	
Extraordinary reserve	67,120	-1,983	65,137	43,359	15,897	59,256	
Capital injection reserve	-	-	-	5,000	-	5,000	
Operating result	2,133	-2,133	-	19,225	-19,225	-	
Total	125,224	-4,499	120,725	128,378	-4,501	123,877	

(amounts in EUR thousand)			
	2018	Variation	Final balance
Share Capital	96,000	-	96,000
Legal Reserve	19,200	-	19,200
Non-distributable reserve	1,565	-1,556	9
Extraordinary reserve	110,479	13,914	124,393
Capital injection reserve	5,000	-	5,000
Operating result	21,358	-21,358	-
Totale	253,602	-9,000	244,602





[B. System of Governance]

B. System of Governance

B.1 General information about the Governance System

The HDI Assicurazioni S.p.A. Corporate Governance System is structured according to the indications given by the Supervisory Authority IVASS and the Solvency II Directive.

The Company adopts a traditional governance system according to the definition given by Italian legislation, and envisages:

- the Shareholders' Meeting, which, in the matters for which it is competent, expresses the desires of Shareholders in its resolutions;
- the Board of Directors, to which the strategic management of the Company is entrusted;
- the Board of Auditors, with supervisory functions of compliance with the law and the articles of association.

The Senior Management is also an integral part of the corporate governance model - responsible for the implementation, maintenance and monitoring of the guidance policies and directives given by the Board of Directors.

B.1.1 Structure of the governance system

Decision-making bodies: Shareholders' Meeting

The Shareholders' Meeting is the body that expresses the corporate will through its resolutions. Resolutions passed in compliance with the law and articles of association are binding on all shareholders, including those who were absent or in disagreement.

The ordinary and extraordinary shareholders' meetings are convened by the Board of Directors in the legal manner, to the company's office or elsewhere as specified by the Board of Directors, as long as in Italy.

In an ordinary session, in addition to establishing the fees due to the bodies it has appointed, the Shareholders' Meeting also approves remuneration policies in the favour of corporate bodies and staff, including remuneration plans based on financial instruments, where such are envisaged.

Administrative bodies: Board of Directors

In accordance with Art. 14 of the Articles of Association, the Company is administered by a Board of Directors numbering between 7 and 15 Directors, as determined by the Shareholders' Meeting; Directors remain in office for three years and can be re-elected. If the Shareholders' Meeting has not done so, the Board of Directors elects a Chairman and a Deputy Chairman from amongst its members; the Chairman shall represent the Company before third parties.

The Board of Directors in charge as at 31 December 2018, was appointed by the Shareholders' Meeting on 26 April 2018 for the three years 2018/2020 and it numbering 8 members.

The role of the Administrative Body is defined by the Company's Articles of Association, which under Art. 16, read "The Board of Directors is entrusted with the broadest powers, without any limitations, for the ordinary and extraordinary administration of the Company, with the right to carry out all the acts deemed necessary and useful to achieve the Company's objectives, with the exception of such acts that the law specifically reserves to the shareholders' meeting".

The Board of Directors is charged with ultimate responsibility for the Internal Control and Risk Management System, which it must ensure is constantly complete, functional and effective, including with regard to outsourced activities.

The Board of Directors ensures that the Risk Management System allows the identification, assessment and control of the most significant risks, including risks arising from non-compliance with the law.

Specifically, the Board has the following functions: to approve draft budget submitted to the Meeting; to approve semi-annual results and financial position; to define strategic guidelines, development and investment plans, and the annual budget; to examine and approve transactions of particular economic and equity importance, especially if carried out with related parties or bearing a potential conflict of interest, and promptly report on its activities and such transactions to the Statutory Auditors, including acting through the President or the Managing Director.

With a specific reference to company organisation, the Boards also:

- approves the company's organisational structure and allocation of tasks and responsibilities to business units, paying close attention to their adequacy over time, so that they can adapt quickly to changes in the strategic objectives, operations and the context in which the company operates. This structure is formalised in the Functions Chart/Organisational Chart in force at the time;
- ensures that appropriate decision-making processes are adopted and formalized, that an appropriate separation of functions is implemented and that tasks and responsibilities are appropriately allocated, shared and coordinated in line with company policies and reflected in the description of tasks and responsibilities. It also ensures that all relevant tasks are assigned and that unnecessary overlaps are avoided, promoting effective cooperation among all staff members;
- in line with article 258, paragraph 4, of the Delegated Acts, it approves, taking care of the adequacy over time, the system of delegations of powers and responsibilities, taking care to avoid the excessive concentration of powers in a single subject and placing to be verification tools on the exercise of delegated powers;
- in line with article 258, paragraph 2, of the Delegated Acts, it defines directives relating to the corporate governance which, in order to adapt to business development, is reviewed at least once a year. As part of these directives, it approves the policies relating to the internal control system, the risk management system and internal audit, in line with the provisions of article 30, paragraph 5, of the Code and that relating to the actuarial function;
- defines and approves the data governance policy that identifies roles and responsibilities of the functions involved in quality assessments in the use and processing of company information, ensuring that it is coordinated with the statutory information policy (reporting policy);
- is responsible for the choice of using the Undertaking Specific Parameters for the calculation of the Solvency Capital Requirement according to the Solvency II Directive and, in this sense, resolves the request for authorization to the Supervisory Authority for its use, as well as being responsible for the relative changes and / or extensions and to fulfill the obligations provided for by the current regulatory provisions;
- verifies that the Senior Management correctly implements the indications regarding the development and the functioning of the corporate governance system, in line with the directives given and that assesses its functionality and adequacy;
- has periodic checks on the effectiveness and adequacy of the corporate governance system and that the most significant critical issues are promptly reported, promptly issuing the directives for the adoption of corrective measures, which subsequently assess the effectiveness;
- identifies particular events or circumstances that require immediate intervention by the Senior Management;
- ensures, with appropriate measures, continuous professional updating of the resources and components of the body itself, also preparing appropriate training plans to ensure the necessary technical skills to carry out their role with respect for nature, the scope and complexity of the tasks assigned and preserve their knowledge over time;

B. System of Governance

- performs, at least once a year, an assessment of the size, composition and effective functioning of the administrative body as a whole, as well as of its committees, expressing guidelines on the professional figures whose presence in the administrative body is deemed appropriate and proposing any corrective actions;
- ensures that the corporate governance system is subject to internal review at least annually;
- verifies that corporate governance system is consistent with the strategic objectives, risk appetite and tolerance limits established and is able to capture evolution of business risks and the interaction between them;
- adopts the current and prospective risks policy;
- determines the system of risk objectives, defining the risk appetite of the company in line with its overall solvency needs, identifying the types of risk it believes it hires and setting the relative limits of risk tolerance consistently, which reviews at least once a year, in order to ensure its effectiveness over time;
- approves the risk management policy and, for the main sources of risk identified, the emergency plan (so-called contingency plan), in order to guarantee the company's regularity and continuity; approves, taking into account the strategic objectives and, in line with the risk management policy, the underwriting, reservation, reinsurance and other risk mitigation policies as well as operational risk management;
- approves the information policy to be provided to IVASS and information to the public (c.d. reporting policy);
- approves the capital management policy
- in compliance with the provisions of Article 274 of the Delegated Acts and Article 30, paragraph 5 of the Code approves company's outsourcing policy, defining the strategy and the applicable processes for the entire duration;;
- in compliance with the provisions of Article 258, paragraph 1, letter c) and d), 273 of Delegated Acts and 76 of the Code and related implementing provisions, approves company's policy for the identification and assessment of requirements of suitability for position, in terms of integrity and professionalism and independence of those who perform administrative, management and control functions, as well as also in case of outsourcing, of the owners and of those who perform fundamental functions and of the additional personnel capable of significantly affecting the risk profile identified by the company. Evaluate the existence of the requirements of these subjects at least annually. In particular, this policy ensures that the administrative body as a whole possesses adequate technical skills at least in the areas of insurance and financial markets, governance systems including personal incentive systems, financial and actuarial analysis, regulatory framework, business strategies and business models; approves the Undertaking Specific Parameters (USP) governance policy for the calculation of the Solvency Capital Requirement related to the Non-Life area.

The Board convenes at least eight/nine times a year, based on a calendar decided by the same Board, usually in September of the year before; additional extraordinary meetings are convened by the Chairperson where required.

Board Committee

The following support committee has been set up within the Board of Directors:

- *Internal Control and Risk Committee*: the Committee assists the Board in determining the guidelines for the system of internal control and risk management, in the periodic verification of its adequacy and its effective operation and in the identification and management of the main corporate risks. The Committee for Internal Control and Risks is convened and directed by the Coordinator and deliberates by an absolute majority of those present.

Management Committee

HDI Assicurazioni has put in place the following Committees that, depending on the circumstances, are composed of executives and company officials; in any case, these Committees have a purely advisory and recommendatory function:

- *Steering and Control Committee*: brings together the Company's Senior Management, as envisaged by the regulations of the Insurance market Authority.
- *Management Committee*: chaired by the Managing Director/General Manager, it consists permanently of all Company Managers.
- *Risk Committee*: constituted to implement an efficient and effective governance of corporate risks, with a view to the progressive strengthening of the structures in charge of the internal control and risk management system. The Risks Committee also performs the duties assigned to the Underwriting Committee, fulfilling the requirements as laid down by the current underwriting policy of the Company.
- *Finance-ALM Committee*: assists the Managing Director/General Manager in the operational and tactical management of assets, supporting him in the choices of investment and disinvestment in securities and in the management of liquidity deriving from operative and financial cash flow.
- *Suretyship Committee*: aims to implement the provisions of regulations, laws and corporate provisions regarding the management of relations with public entities/public administrations and/or private entities, with specific regard to the implementation of effective controls over the technical-underwriting business of the Credit and Guarantee Line of business.
- *Products Committee*: is the corporate body responsible for analyzing and updating the Company's product range, both for the life business and for the non-life business. In this regard, the Products Committee approves the design of new products / restyling and, in case of need arising from the monitoring activities of the products marketed, identifies suitable remedial actions.
- *"Data Protection" Committee*: as an advisory body of the DPO (Data Protection Officer) with respect to the issues inherent to the matter of data protection.

Auditing bodies: Board of Statutory Auditors

The Board of Auditors is the Company's body responsible for controlling compliance with the law and articles of association on compliance with standards of correct administration and, in particular, the suitability of the organisational, administrative and accounting structure adopted by the Company.

The Board of Auditors was appointed on 26 April 2018 and numbers three standing members and two alternates appointed by the Shareholders' Meeting; they shall remain in office for three financial years, after which they may stand for re-election.

In order to be appointed, the auditors must meet the requirements of professionalism and honour as laid down by special legislation in force.

The Board of Auditors is entrusted with the tasks and powers envisaged by the Italian Civil Code and special laws, including those necessary to comply with the provisions of Art. 190, paragraph 3 of Italian Legislative Decree no. 209/05.

The Senior Management

In compliance with the guidelines provided by the Board of Directors, the responsibility for implementing, maintaining and monitoring the internal control and risk management system lies with the Senior Management.

B. System of Governance

In detail, the Senior Management:

- defines in detail the organizational structure of the company, the tasks and responsibilities of the base operating units, as well as the decision-making processes in line with the directives given by the board of director; in this context, it implements the appropriate separation of tasks both between individuals and between functions, so as to ensure an adequate dialectic and avoid, as far as possible, the occurrence of conflicts of interest;
- with reference to the internal assessment of risk and solvency, contributes to ensuring the definition of operating limits and ensuring timely verification of the limits themselves, as well as the monitoring of exposure to risks and compliance with tolerance limits;
- implements the policies relating to the corporate governance system, respecting the roles and tasks assigned to it;
- takes care of maintaining the functionality and overall adequacy of the organizational structure and the corporate governance system;
- verifies that the Board of Directors is periodically informed about the effectiveness and adequacy of the corporate governance system and, in any case, promptly, whenever significant critical issues are found;
- implements the instructions of the Board of Directors regarding the measures to be taken to correct the anomalies found and make improvements;
- proposes to the Board of Directors initiatives aimed at the adaptation and strengthening of the corporate governance system.

Supervisory Body, instituted pursuant to Italian Legislative Decree No. 231/2001

The Supervisory Body is responsible for supervising the functioning of and compliance with the 231/2001 Organizational Model and the Ethic Code adopted by the Company, as well as for ensuring that it remains up-to-date. It verifies that the Company's conduct is consistent with the 231/2001 Organizational Model and the Ethic Code, both updated to 30 June 2018.

B.1.2 Roles and responsibilities of the key functions

Moreover, in accordance with the definitions given by legislation, the Company has established the following four essential "key" functions: Internal Audit, Risk Management, Compliance and Actuarial Function.

The Anti-Money Laundering, Anti-terrorism and Anti-Fraud function is also part of the fundamental functions of HDI Assicurazioni.

All the key functions depend directly on the Board of Directors.

Internal Audit: provides Group Companies with a suitable audit plan, deals with its implementation and checks the suitability and effectiveness of the internal Control Systems, the reliability and completeness of data and information and adherence to policies, plans, procedures, laws and regulations. It also draws up and proposes any necessary corrective and/or improvement measures, and checks that such measures are correctly implemented. It ensures adequate reporting to the Board of Directors, Board of Auditors and Senior Management, at least once every six months.

Risk Management: is divided into two organizational units: Qualitative and Reporting Risk Management and Quantitative Risk Management. The Risk Management Function contributes to the definition of the Risk Strategy and the Risk Budget as well as all risk policies. It is responsible for risk management in terms of identification, assessment, monitoring and treatment as well as the development of the tools and methods for quantifying the same for Group companies. It guarantees the quantification of the capital requirement and the related Solvency level in line with the Solvency II solvency regime, both according to the Standard formula with USP / Market Wide parameters and according to the Internal Model of the Talanx Group.

It contributes to the definition of the Finance Guidelines and verifies compliance with them through ad hoc reports and through participation in the specific Committees, and contributes to the definition of the investment strategy with a view to absorbing the capital of financial risks.

It contributes to the definition of the operational risk limits assigned to the operating structures and verifies their consistency with the risk appetite defined by the Board of Directors. Validate the information flows necessary to ensure the timely control of risk exposures and the immediate detection of anomalies found in operations.

It reports to the Board of Directors the risks identified as significant even in potential terms, and also reports on additional specific risk areas, on its own initiative or at the request of the same. It prepares the reports to the Board of Directors, to the Senior Management and to the managers of the operating structures regarding the evolution of the risks and the violation of the set operating limits.

It verifies the consistency of risk measurement models with the operations of the company and contributes to the performance of scenario analyzes or stress tests carried out also in the context of the internal assessment of risk or solvency or at the request of IVASS. It contributes to the definition of the incentive mechanisms for personnel.

In collaboration with the competent functions, it is responsible for coordinating the assessment of the Company's prospective capital adequacy by estimating the capital requirement based on the business strategy and the ORSA process, by preparing the related report to the Authorities Supervisory Body and towards the Talanx Group.

He is responsible for preparing the Solvency II Report and for the validation and preparation of the reports required under Pillar III with respect to the National Supervisory Authority, the Talanx Group and the Market.

It periodically reports to the Board of Directors and to the Board of Statutory Auditors the main issues pertaining to the activities carried out and in progress by preparing specific documentation for this purpose. He is the contact person for the Parent Company Talanx and HDI International AG (former Talanx International AG) for monitoring and managing the risks to which the Company is exposed in accordance with the Group Guidelines.

The Risk Management Function also includes the Data Quality Function, which guarantees the monitoring of the Data Quality process, ensuring the definition and implementation over time of the system defined by the Data Policy, through the development of the instruments and update of methods and operating procedures for data quality control.

Actuarial Function: as part of the Risk Management function, it coordinates the calculation and guarantees the validation in terms of the results, models and underlying data bases of the Best Estimate Solvency II reserves, It performs the evaluation of the quality of the data used for the calculation of technical provisions.

It expresses an opinion on the appropriateness of the models used in the calculation of the USP and on the verification of the underlying hypotheses and is responsible for the validation of the database used for the calculation according to the specific procedures defined in the related Policy. It expresses an opinion on the global underwriting policy including an assessment of the consistency of product price determination, an opinion on the main risk factors affecting business profitability, an opinion on the possible financial impact of any planned change in terms and conditions contractual conditions and an assessment of the

B. System of Governance

degree of variability of the estimate of the company's expected profitability and its consistency with its risk appetite. It expresses an opinion on the adequacy of the reinsurance agreements entered into with respect to the company's risk appetite, an assessment of the effect of reinsurance on the estimate of technical provisions, an opinion on the effectiveness of reinsurance agreements stipulated in the volatility mitigation action of own funds.

With a specific report, it expresses an assessment of the sufficiency of the technical provisions relating to the life business and the compulsory insurance of the Motor Liability of Motor Vehicles and Vessels based on the evaluation criteria applicable to the statutory financial statements.

Check the consistency of the provisions drawn up on the basis of the evaluation criteria applicable to the statutory financial statements with those obtained with the application of the Solvency II criteria, representing and motivating the differences and the consistency between the data bases and the data quality process adopted.

It contributes to the effective application of the risk management system. Report to the Board of Directors the results of the assessments made.

Compliance Function: ensures continuous identification of the rules applicable to the Group companies. It evaluates the adequacy and effectiveness of organisational measures taken to prevent the risk of non-compliance; it evaluates the effectiveness of organizational adjustments implemented by the Process Owner and/or working groups.

The division prepares adequate information flows for the corporate bodies of the Company and other departments involved.

Anti-Money Laundering, Anti-Terrorism and Anti-Fraud Function: constantly guarantees the identification of anti-money laundering and anti financing of terrorism provisions applicable to the Group and evaluates their impact on internal processes and procedures, proposing the organisational and procedural changes necessary. It prepares suitable internal and external information flows on the activities for which it is competent. It contributes to the creation of an adequate network workforce Training Plan aimed at disseminating anti-money laundering culture in collaboration with the other competent company functions. It verifies the reliability of the information system that feeds data into the Centralized Computer Archive and sends the aggregate data concerning entries in the Centralized Computer Archive to the Financial Information Unit on a monthly basis. It is responsible for managing and supervising the fulfilment of obligations, including training-related obligations, envisaged in anti-terrorism legislation.

B.1.3 Communication flows and connections between the Control functions

The continuous collaboration between the functions and the bodies in charge of the control in order to guarantee an effective and efficient system of interrelations and collaboration on risk management and internal controls, takes place through a continuous exchange of information that is explicit, between the other, in the Risk Report prepared for the Risk Committee.

The control functions annually present their activity plan to the Board of Directors, as well as informing it, every six months, on the activities carried out and on any criticalities found.

Listed below, although not exhaustively, are interactions between controlling divisions and corporate bodies:

- the Risk Management Division prepares for the Boards specific standardised reporting on business risks, results of completed stress tests, its underlying assumptions, and control of overrun limits set by the Boards as well as the qualitative and quantitative reporting required by Pillar III;

- the Compliance Division submits to corporate bodies a semi-annual Report and an Annual Report that illustrate the status of activities related to the supervision of non-compliance risks; the Compliance Division also provides the concerned corporate structures with appropriate information in the form of illustrative reports on results of the inspections carried out;
- the Actuarial Function also prepares for the Board an opinion on the overall underwriting policy, on the reinsurance policy for Non-Life and Life and on the reliability and adequacy of the calculation of technical provisions;
- The Data Quality Management Function prepares specific reports on the outcome of the Risk Assessment activities regarding the quality of the data, highlighting any critical issues or activities to be implemented in order to guarantee compliance with the standards defined in the Company's Data Policy;
- the Anti-Money Laundering, Anti-Terrorism and Anti-Fraud Division reports to the corporate bodies (Boards and Board of Statutory Auditors) and the Senior Management (Steering and Monitoring Committee), communicating the results of inspections/activities and the related reports;
- the Internal Audit Division ensures adequate reporting with at least a semi-annual periodicity, reporting to the Boards, Board of Statutory Auditors and the Senior Management; also, in case of particularly serious situations or significant findings, the division is obliged to report urgently to the Boards and the Statutory Auditors.

B.1.4 Changes to the Governance System

In 2018 the Board of Directors has set up a specific Internal Control and Risk Committee, anticipating the provisions of IVASS Regulation n. 38/2018.

The Committee is composed of three directors, of which one Coordinator and two independent, and it meets periodically to carry out the control activities outlined above.

B.1.5 Remunerations Policy

The primary objective of the remuneration policies is to guarantee remuneration that meets the criterion of fairness. "Fairness" means:

- External fairness, i.e. the remuneration of the individual compared with the remuneration that the insurance market offers, on average, for similar positions. In this case, the "insurance market" is the portion of the total market comprising business with a comparable volume of Italian direct insurance ("LDI") premiums to that of HDI Assicurazioni.
- Internal fairness, i.e. the remuneration of the individual compared with the remuneration that the company offers employees with similar or equivalent duties, in terms of competences, importance, responsibilities and complexity.
- Individual fairness, i.e. individual retribution compared to individual responsibilities.

The HDI Assicurazioni remuneration policy, defined annually by the Board of Directors, also ensures that the remuneration system is coherent with healthy, prudent risk management, avoiding incentives that may encourage the various company players to run risks that are not coherent with the long-term interests of the company. The alignment of the company's remuneration

B. System of Governance

policies with the long-term objectives also strengthens the protection of shareholders, insured parties and, more generally, all stakeholders.

This objective is concretely pursued through a remuneration policy based on the following principles:

- A suitable balance of the fixed and variable components, with the latter connected with predetermined, measurable key performance indicators. More specifically, disbursement of the variable portion of remuneration is connected with the achievement of specific objectives, which are:
 - shared corporate objectives that reflect the overall Company performance and are linked to performance indicators that consider the risks connected with the target results and correlated expenses in terms of capital employed;
 - objectives based on non-financial criteria that help create value for the company, as in compliance with internal and external regulations and the efficiency of customer service;
 - structural objectives.
- The fixing of limits to the disbursement of the variable component: the amount that can be disbursed by way of variable remuneration at period end is predetermined and cannot exceed the portion assigned.
- Sustainability: at least 50% of the variable remuneration of risk takers is linked to objectives measured over a three-year period. Three-year period objectives are measured at the end of the first, second and third year in order to verify the effective achievement and consolidation of the results. Moreover, the goal assignment letters delivered to risk takers shall include special clauses whereby the sums credited can be returned when they are disbursed on the basis of non-permanent or ineffective results due to fraudulent conduct on the part of the employee assigned the objectives.

There is no provision for remuneration plans based on financial instruments.

The members of the Board of Directors and Supervisory Body shall not receive any severance indemnity upon cession of office. Thus, they shall be due nothing in the event of early or due termination of office upon expiry.

There is no provision for supplementary pension forms for members of the Administrative Body, whilst all employees are given the opportunity of adhering to an insurance-type Individual Pension Plan or a Corporate Pension Fund.

These forms of supplementary welfare are achieved by means of voluntary contributions made by both the beneficiary and the employer and envisage the disbursement of supplementary pension plans at the time the employee retires.

In particular, the pension fund proposes multiple investment options (segments), each characterised by its own risk/return combination. One of the Lines proposed by the Fund can be adhered to, or they can be integrated, splitting the contribution flow and/or any individual position already accrued, between several segments. During the investment relationship, it is possible to change choices made previously.

To the managers and staff at the highest level of the key functions are not paid any amount as variable remuneration.

B.1.6 Substantial operations with stakeholders

In 2018, no substantial operations with stakeholders are recorded, apart from the distribution to the shareholder HDI International AG (former Talanx International AG) of dividends from the Life segments for 1,400 thousand euros and from the Non-Life segments for 5,600 thousand euros.

B.2 Fit and Proper requirements and the procedure for verifying the requirements

In line with the provisions of regulation, the Company has prepared a framework policy on the suitability to office according to requirements of professionalism, honour and independence that the subjects effectively directing the company or who hold other essential offices, must meet. This policy aims to define suitable organisational and procedural measures by which to circumscribe and minimise the reputational risk. Its addressees are:

- subjects assigned to administrative, management and control duties;
- subjects assigned key functions;
- subjects assigned other duties.

The requirements of fit laid down for subjects assigned to administrative, management and control duties are those as prescribed each time by current legislation, today identifiable as Art. 3 of Ministerial Decree no. 220/11. Failure to satisfy these requirements means that the person cannot be elected to the office.

The requirements of fit laid down for subjects assigned essential duties are described in the “profiles” prepared by the Human Resources Department specifically for each subject. More specifically, they must show to have professional qualifications, knowledge and experience fit for the position held, so as to allow for a healthy, prudent management and guarantee the carrying out of all the tasks connected with the role held. A set of “common” knowledge can be identified for all those holding essential functions:

- knowledge of the insurance market in terms of products, business characteristics and distribution networks;
- knowledge of the roles, responsibilities and decision-making powers comprising the company Governance System;
- knowledge of the business models in terms of organisation and commercial strategies;
- capacity to use the conclusions drawn by the actuarial and financial analyses;
- knowledge of primary and secondary legislation and of the related impact on company business;
- knowledge of the Company’s Internal Control System;
- knowledge of the English language.

The concept of proper instead regards the personal integrity that must characterise all addressees of the policy. These subjects must go about the activities assigned them conscientiously and with a suitable level of diligence. Integrity consists precisely in the reputation and trust enjoyed by a person in respect of being able to always consider the justified interests of the players involved in the business processes and their capacity to comply with internal and external regulations, as well as standards and practices of corporate conduct. It is therefore essential that persons assigned essential duties have shown no evidence of being unsuitable to managerial roles due to crimes they may have committed. Subjects assigned essential duties must also not carry out any activities that may result in conflicts of interest or apparent conflicts of interest.

The term “subjects responsible of others functions” is used to refer to company management who, on the basis of the provisions of the framework policy, must meet the same requirements of professionalism as listed for the subjects assigned essential functions. In this case, these competences must be present on a comprehensive level to guarantee that management is always able to support the responsibilities assigned it.

The assessment of the possession of the requirements of fitness for the role by the addressees is different according to the category of those assessed:

- *subjects assigned to administrative, management and control functions:*

B. System of Governance

members of the Board of Directors and of the Board of Auditors declare their status in writing, with reference to the requirements necessary; said documents are issued at the time of appointment, with the obligation of reporting any change in status in a timely manner. On the basis of this documentation, the Board of Directors assesses the existence of the requirements at least once a year, or each time it receives a notice of a change in status.

- *Subjects assigned key functions:*

Assessment of the possession of the requirements of fitness for role by subjects assigned essential functions is carried out by the Board of Directors at least once a year. The assessment of the possession of the knowledge required is carried out using the professional profiles defined by the HR Department, under the scope of which each item of knowledge required is assessed through a specific scale of depth of knowledge.

If new subjects are assigned to essential functions, a specific assessment will be carried out at the time of appointment.

Specific assessments will also be carried out if there are any significant changes: in the information regarding specialised qualifications and/or knowledge relating to the integrity and honesty of the subject; under the scope of the responsibilities connected with the position; in the requirements of professionalism necessary to suitably hold the office.

The assessment of the requirement of professionalism in subjects assigned essential functions takes place by means of an analysis of the presence of requirements of professionalism defined by the HR Department. These requirements regard professional qualifications, knowledge and experience fit for the position held, so as to allow for a healthy, prudent management and guarantee the carrying out of all the tasks connected with the function held. As instead regards the requirement of honour, this is verified through checking that none of the situations apply as envisaged by said Art. 5 of Ministerial Decree no. 220/11.

- *Subjects assigned other functions:*

assessment of the possession of essential requirements is carried out by the Board of Directors when assessing the subjects assigned essential functions. In this case, however, the assessment of these competences is carried out purely by noting the presence and not the depth.

As a whole, the Administrative Body must be in possession of the suitable technical skills to correctly fulfil its duties. For this purpose, the Body must, therefore, collectively (i.e. not necessarily with reference to each individual member) possess the competences required for the essential functions within the Company.

In compliance with the of ISVAP Provision no. 3020, which declares the need to assess the members and function of the Administrative Body, the Company has prepared a document for the self-assessment of members of the Board of Directors, used to collect the information necessary to analysing the individual profile and that of the Collegial Body as a whole.

The document, which is structured as a questionnaire, has two parts:

- *Self-assessment of the individual profile:* where the areas of knowledge and specialisation of the individual member of the Board of Directors, are assessed.
- *Self-assessment of the Board of Directors:* assessment by the individual member of the collegial body as a whole, regarding the function of the Board of Directors and the flow of information.

The results of the questionnaires are examined in the September board meeting. The self-assessment check is carried out once a year.

The requirement of proper guarantees the possession of the integrity and level of honour that must characterise all subjects:

- assigned to administrative, management and control functions;
- assigned essential functions;
- holders of other functions collaborating with control functions.

Subjects assigned to administrative, management and control functions must meet the requirements of honour as prescribed by current legislation, today identifiable as Art. 5 of Ministerial Decree 220/11 and ISVAP Circular no. 140 of 1990. The lack of such requirement involves ineligibility/removal from the function.

B.3 Risk Management System, including the internal assessment of risk and solvency

B.3.1 Risk Management System

The Risk Management System represents the set of strategies, processes, procedures, methodologies and tools that make it possible to identify, analyze, assess, monitor, manage and report risks on an ongoing basis.

For this purpose, the Company has defined a Risk Management System in compliance with current Italian legislation and coherent with the similar system defined in the Talanx Group.

The risk management process is governed by the HDI Assicurazioni "Risk Management Framework" policy approved by the Board of Directors and updated from time to time.

The roles and responsibilities of the players involved in the Risk Management System are instead formalised in a specific document "Risk Management System Model" approved by the Company's Board of Directors and updated from time to time.

The approach to risk taken by HDI Assicurazioni, in analogy with the Talanx Group, is holistic. This means that the term "risk" is used to refer to the entire range of positive and/or negative random events that may affect the Company's budget values or the expected results.

In these terms, the primary objective for the Risk Management System is to protect the economic capital of the Company and Group. This presupposes an aware management of risk according to criteria of materiality, considering the legal and regulatory reference framework and avoiding the assumption of risks that do not create value of the Company and the Talanx Group. The Risk Management System covers the minimum risks to be included in calculating the solvency capital requirement and the reputational and emerging risks that are completely or partially excluded from this calculation.

The strategic management of the Risk Management System is defined by the interaction of the *Business Strategy*, the *Risk Strategy* and the *Risk Bearing Capacity*. The strategy defines which risks are accepted under the scope of the business model reference framework and establishes the conditions for the organisational framework of risk management.

The knowledge acquired through the Risk Management System defined by the Company ensure that at all times, we have an overview of the current and prospective risk situation. This information is therefore an important element in the decision-making process on all management levels and allows for a complete analysis of the opportunity and related risks.

The Risk Management Function, just like all other functions involved in the Risk Management System, uses appropriate models and processes that are based on recognised, advanced methods both in terms of the identification, quantification and control of risks and to determine the risk capital required. In line with that progressively defined by the Talanx Group and with current regulations, the scope of action and minimum standards for the Risk Management System are continuously implemented

B. System of Governance

and improved. Moreover, the Internal Control System, regulated by specific Guidelines, aims to make risks and controls transparent in all business processes, managing them proactively.

The risk management processes are the basic component of the Company's Risk Management System and are functional to their identification, analysis, assessment, treatment such as risk reporting. The structure of activities regarding these processes has been defined by the Risk Management Function in agreement with the other company functions involved in the system, in line with the provisions of Solvency II regulations, the current IVASS Regulation no. 38, and in compliance with the guidelines issued by the Talanx Group. The process underlying the HDI Assicurazioni Risk Management System is structured into the following phases:

- **Identification of risks**, which consists of the collection of the information necessary to identify and classify the significant risks for HDI Assicurazioni through a detailed analysis of internal and external factors that may negatively impact the capacity to achieve the objectives set. The identification of risks may involve the use of historic data, theoretical analyses and expert opinions. The risk identification process is carried out at least on an annual basis and is coordinated by the Risk Management Function. The results obtained and methods used are described in a specific document submitted to the attention of the Risks Committee, Senior Management and the Company's Board of Directors.
- **Risk analysis**, which consists of the process aiming to understand their nature and determine risk level. This analysis constitutes a basis for risk assessment and decisions regarding how they should be treated. Risk analysis also includes an estimate of risk.
- **Risk evaluation**, which consists of the development of methodologies aimed at measuring the impact that risks may have in terms of capital absorption, and it therefore presupposes that the potential loss has been quantified according to a confidence interval defined on an ex-ante basis. Risk evaluation assists the decision-making process regarding the method by which they should be treated. HDI Assicurazioni has established a process of quantification of risks inherent in the corporate business which occurs at least annually. The method applied to date consists of the assessment of the capital requirement in terms of Solvency II, measured by means of the application of both the market-wide Standard Formula and the internal model of the Talanx Group, used for strategic purposes, as well as using Undertaking Specific Parameters to assess the Non-life underwriting risk. The assessment is conducted on the basis of a "Value at Risk" (VaR) with a confidence level of 0.5%. The studies carried out are aimed at monitoring the asset absorption of the risks borne by the Company. At every study done, assessments must be made with regard to:
 - capital requirements;
 - capital adequacy;
 - changes in capital requirements since the previous study; and
 - "what if" analysis of specific risk factors or peculiarities of the business;
 - stress test analysis and reverse stress tests.

Stress tests are conducted periodically, at least annually, directly by the Risk Management Function, with the support of the competent operating units depending on the risk factor considered. The Risks Committee analyses the results of stress tests carried out, assessing whether there is any need to take corrective actions to lessen exposure to risks considered to be inconsistent with the policy adopted by the Company. The results of the stress tests performed are also submitted for the attention of the Board of Directors, highlighting details of the underlying hypotheses applied in the analyses and any mitigation actions proposed with respect to adverse trends of particular risk factors.

- **Risk monitoring**: this is based on a system of line controls that permit continual checks of the risk operating levels by operating functions. Moreover, to ensure pursuit of the company's objectives, regular controls are carried out

depending on the significance of risk and the possible impact that they may have on the company's risk profile. Specifically, the periodic controls are carried out by the Risk Management Function with the support, as necessary, of the other company functions involved in the Risk Management System, such as for example, the Treasury and Investments, ALM and Non-Life actuarial functions. Compliance with the Company's risk profile is guaranteed through monitoring the risk budget assigned to the Company by the parent HDI International AG (former Talanx International AG). The Risk Management Function must also conduct an assessment of the effective Solvency Ratio periodically to check compliance with the risk propensity.

- **Risks handling and escalation processes:** the Company has equipped itself with specific organisational and procedural systems to manage the specific types of risks, such as the risks of assumptions, reservation and financial. The risk treatment process intervenes directly on the risks, also modifying them through suitable mitigation actions. The escalation process is implemented in the event of failure to comply with the limits set by the Board of Directors. The aim of this process is to ensure the timely, effective definition of action to be taken.
- **Risk reports:** the aim is to provide the Board of Directors, Senior Management, Risks Committee, Supervisory Authority and the Market Authority, as well as the other company functions involved, with systematic information, in a uniform, timely manner on the risks and their potential effects. It ensures an overview of the development of risks and the success of any mitigating measures taken, enabling the various addressees to have an overview of the risk position. The responsibility for risk reporting lies with the Risk Management Function.
- **Specific reporting:** in addition to regular reports, an immediate internal report is envisaged on the risks that may arise in the short-term, referred to precisely as "specific or immediate reports". In this, the Risk Management Function provides information on any completely new risks or on sudden severe changes that have occurred with respect to the existing risk assessment. If a risk suddenly arises that may threaten the existence of the company or its status as a going concern, the Chief Risk Officer of HDI Assicurazioni immediately informs the Board of Directors, Senior Management and the Risks Committee.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The current and prospective assessment of own risks by the company, on the basis of the ORSA (Own Risk and Solvency Assessment principle), is connected with the key elements of the governance system as regards the risk defined by the company, such as risk strategy, risk management processes and the models and methods used for quantitative and qualitative assessment.

The Company has a specific ORSA (Own Risk and Solvency Assessment) system in place that may be summarised according to the following phases:

- Database collection;
- Definitions of assumptions;
- Current and forward looking solvency analyses;
- Current and forward looking capital adequacy assessment;
- Sharing of results;
- Reporting.

B. System of Governance

The prospective evaluation of the capital requirement provides for the stand-alone quantification of each risk envisaged in the standard formula. These risks are evaluated individually for the whole of the time frame, and thereafter aggregated by means of the correlation matrix, defined as part of the standard formula, thereby obtaining the diversified SCR.

The individual risks to which the Company is exposed can be calculated coherently with the forecasting methods, such as “scaling” and analytical.

The scaling method establishes that the values of the items comprising the SCR can be defined at the following stage, using multiplying factors defined by specific drivers. The choice depends on the nature of the risk factors considered; it is hypothesised that the trend of a parameter (driver) tracks the trend of the SCR to which it has been assigned.

The analytical method establishes that the calculation is performed on the basis of the technical specifications of the standard formula, using the input data deriving from the business plan and the Solvency II Balance.

The results of the ORSA process offer support to the strategic decision-making process, allowing the company to remain within the risk tolerance level established by the Board of Directors, whilst considering the risk profile and capital and risk sensitivity in stress conditions.

At the end of the process, the ORSA report is presented to the Risks Committee, Senior Management and the Board of Directors for the related approval and/or to incorporate any supplements. Thereafter, the ORSA report is sent, as required by legislation in force each time, to the Supervisory Authority.

Frequency

The internal risk and solvency assessment is carried out at least once a year, but naturally any significant changes to the risk profile, deriving from internal decisions or external factors, entail the implementation of an extraordinary ORSA.

Amongst others, the Company has defined the following situations that may give rise to an extraordinary ORSA:

- as the consequence of a merger/acquisition process;
- for significant external events, such as a significant change in the financial markets, insurance disasters, significant changes in the regulation and legislation;
- each time an event sparks an extraordinary planning of the business in the medium-term, such as, merely by way of example:
 - set-up of new business lines/divisions aperture to new market segments;
 - significant changes in product and investment strategy;
 - changes to the risk tolerance limits approved or reinsurance agreements;
 - portfolio transfers;
 - significant changes in asset allocation;
 - changes that determine internal escalation mechanisms within the group;
 - significant changes caused by financial markets and natural disasters;
 - substantial legal changes.

B.3.2.1 Integration of the Risk Management System into the organisational structure and decision-making processes of the business

The current and prospective assessment of the risks and solvency is connected with and affected by key elements of the governance system as regards risks, defined by the Company as:

- the risk strategy, under the scope of which tolerance to risk and risk limits are also determined;
- the identification of risks, carried out through a risk self-assessment by the Risk Management Function, under the scope of which, amongst others, the following is considered:
 - core business;
 - the strategic plan in force with special attention paid to the internal and external scenario;
 - the results of the qualitative assessments performed for non-quantifiable risks
 - the results of controls and assessments performed by other level two and three functions;
 - equity forecasts and principles of capital allocation.
- the backtesting of the calibration of the Undertaking Specific Parameters (USP) that the Company was asked to evaluate and develop following the existence of significant differences between the risk profile of the company and the assumptions underlying the calculation of the solvency capital requirement with market parameters wide as well as backtesting of the other projection models used;
- the capital projections and the capital allocation principles.

The results of the ORSA process offer support to the strategic decision-making process, allowing the Company remain within the risk tolerance level established by the Board of Directors, whilst considering the risk profile and capital and risk sensitivity in stress conditions.

The ORSA covers three main aspects as part of the HDI Assicurazioni governance system:

- assessment of global solvency needs;
- assessment of the Company's capacity to continuously meet the Solvency II equity requirements and requirements concerning the calculation of technical reserves;
- assessment of deviations with respect to the hypotheses underlying the calculation of solvency capital requirements.

B.4 Internal control system

HDI Assicurazioni's internal control system, defined by the Board of Directors, consists of a set of rules, procedures and organizational units aimed at ensuring that the Company functions properly and performs well, as well as and which aim to guarantee:

- the efficiency and efficacy of company processes;
- adequate risk control;
- the reliability and integrity of accounting and management information;
- asset protection;

B. System of Governance

- the compliance of the company's activity with applicable legislation, directives and company procedures.

The system represents an aggregation of all monitoring measures integrated into the processes or independent of the processes (internal controls and organisational measures), which guarantee the correct function of the organisational system. It applies to all company levels and focuses on process risks and controls implemented to monitor them.

The system is an integral part of company management and serves to achieve the company objectives in an efficient manner, in compliance with regulations and risk prevention.

It is structured into three levels according to the purposes pursued by the control:

- *level one controls*, which represent the first "line of defence"; these are carried out by individual users when going about the operative processes they are assigned, and by the managers of the operative structures. The managers of the operative structures are responsible for identifying, assessing, processing and monitoring the risks intrinsic to the business processes;
- *level two controls*, which represent the second "line of defence", comprising the functions that guarantee an adequate application of the system on a higher level and assist the operational functions; they include the Risk Management, in which the Data Quality Function is also placed, Compliance, Anti-Money Laundering, Anti-Terrorism and Anti-Fraud and Actuarial Functions. Furthermore, the controls carried out by the Data Protection Office are to be considered as second level.
- *level three controls*, which constitute the third line of defence and, as independent and objective, head the Group's Internal Audit Function. Internal Audit observes the effectiveness and efficiency of the Internal Control System as a whole, using the related audit activities. Level three controls also include those performed by the Supervisory Body established in accordance with Italian Legislative Decree no. 231/2001.

B.4.1 Compliance Function

The Group Compliance Function's mission is to prevent the risk of the company incurring legal or administrative sanctions, financial losses or reputational damage due to breaches of laws, regulations or provisions of the Regulatory Authority or self-regulation rules.

Therefore, the HDI Compliance Policy is marked by an eminently preventive and proactive approach, aimed at preventing, through continuous, systematic monitoring and prudent assessments performed *ex ante*, the onset of discrepancies, thereby safeguarding the company's stability, equity and reputation.

The Policy is implemented through the promotion of a disseminated pervasive system for the management of the compliance risk, based on the involvement and accountability of every subject working for the company and entrusted to the ultimate supervision of the Board of Directors, insofar as the organisation offering strategic, organisational guidance.

All operators are called to ensure an efficient monitoring of the compliance risk at all levels of work, remaining constantly up-to-date as regards legislative requirements relating to the specific role, duty or task of competence and complying in its day-to-day operations with said requirements.

The compliance risk management system implemented in HDI in any case envisages a level one control, entrusted to the Unit Managers and Institutional Regulatory Owners. The corporate roles in charge of independently governing the evolution and application of a specific legal area are identified as "Owners" and must guarantee compliance in day-to-day operations.

Instead, the Group Compliance Function, as the specialised structure in charge of supervising and coordinating compliance as a whole, is responsible for providing level one controls, where required, supporting by offering consultancy and assessing the adequacy of the compliance management process overseen by the Unit Manager or Owner, reporting any presence of discrepancies with respect to regulatory provisions and accompanying said report with recommendations on the adoption of suitable organisational and procedural improvements able to guarantee a timely limitation of the risk of non-compliance noted.

In detail, the Compliance Function goes about its prudent control of Company's compliance by means of the following different types of activities:

- Fundamental activities:

- continuous, evolutionary identification of the scope of regulations relevant to the company;
- analysis of the sources of regulation included in said scope with reporting of requirements set out therein as regards needs and specific conduct expected, complete with evidence of the policies, procedures and company processes impacted;
- assessment as regards the compliance of the current organisational structure and policies, procedures and processes in force by means of checks performed with a view to noting any misalignment or situations where binding regulatory requirements are not entirely implemented and to provide evidence of the level of risk connected with each *vulnus* noted;
- simultaneous proposal of corrective interventions able to ensure an effective overseeing of the compliance risk noted;
- monitoring over time of the areas that are most sensitive in terms of exposure to compliance risk;
- follow-up checks with a view to checking the suitability, timeliness and effectiveness of any corrective action taken by the operative functions, in the implementation of recommendations made during compliance assessment;
- annual preparation of a document formalising the planning of activities to be carried out during the reference year and relative presentation to the corporate bodies, after communication to Senior Management;
- preparation and transmission of suitable flows of information to the corporate bodies and other company structures involved.

- Complementary activities:

- consultancy support and assistance to corporate bodies, Senior Management and operative functions regarding organisational and managerial choices made in connection with alignment with regulatory requirements;
- collaboration with Senior Management in designing training to be delivered on compliance risk, the culture of control and regulatory refreshers.

B. System of Governance

B.5 Internal Audit Function

The HDI Assicurazioni Internal Audit Function constantly monitors the system of internal controls, in order to assess their effectiveness and efficiency and the need for any updates. This activity includes supporting and advising other company functions.

The HDI Assicurazioni S.p.A. Organisational Chart assigns the Function the following objectives:

" It defines a suitable audit programme, and ensures its implementation, to verify the adequacy and efficacy of the internal control system, the reliability and integrity of data and information, and compliance of practices with policies, plans, procedures, laws and regulations. It also draws up and proposes any necessary corrective and/or improvement measures, and checks that such measures are correctly implemented. It ensures adequate reporting to the Board of Directors, Board of Auditors and Senior Management, at least once every six months

Internal Audit checks:

- management processes;
- organisational procedures;
- the regularity and efficiency of information flows between company sectors;
- the appropriateness of information systems and their reliability, in order to ensure that the quality of information on which the company's senior management bases its decisions is not invalidated;
- the compliance of administrative and accounting processes with principles of honesty and proper accounting;
- the efficiency of controls relating to outsourced activities.

As at 31 December 2018, the Internal Audit Function consists of its Manager, Andrea De Gaetano, appointed by the Board of Directors on 30 September 2008 and two resources.

The dedicated structure is adequate in terms of human and technological resources, the nature, scope and complexity of business activities and development objectives it intends to pursue.

The structure staff have specialised competences, including through an organic professional refresher and training plan.

In line with the dedicated structure, there is a rotation of audit assignment duties so as to allow for a more complete knowledge of the processes audited and how they can be checked, thereby also guaranteeing a greater interchange of the activities to be carried out, always in respect of the Function's independence.

B.5.1 Independence and objectivity of the Internal Audit Function

The work of the Internal Audit is independent; the function is functionally subordinate to the Board of Directors. Consequently, the Board of Directors has the task of:

- appointing and revoking the Internal Audit Manager;
- approving the Audit Mandate;
- approving the Audit Plan;
- approving the Internal Audit resources plan and budget;
- receiving the results of the Audits performed and related communications and any other problems as may have emerged during the year;
- approving the remuneration of the Internal Audit Manager;
- carrying out any suitable investigations with the Management and Internal Audit Manager.

Moreover, in order to reinforce the independence of the Internal Audit structure, its remuneration policy must not expose Internal Audit to any conflict of interests and must be compliant with the recommendations made by the Supervisory Authority and national and international institutions.

B.6 Actuarial Function

As a level two control function, the Actuarial Function has its own organisational structure and goes about its activities entirely independently of the level one operative structures as it is free from operative tasks, including as regards the calculation of technical reserves. Just like the other level two functions, the Actuarial Function guarantees a constant flow of information to the Board of Directors.

Below is a summary of the tasks assigned to the Actuarial Function by the Board of Directors, as also described in the specific policy it approved on 27 September 2018, in compliance with regulatory and business requirements:

- the technical report to the financial statements on the Life provisions, the technical report to the financial statements on the Motor TPL classes and the prospective yield report;
- the obligation to report significant events to the Board of Directors and to the control body which, where the requirements are met, communicates them to IVASS (ISVAP Regulations No. 22/2008 and 7/2007, as amended and supplemented by IVASS provision No. 53 of 6/12/2016);
- the obligation to report significant events to the Board of Directors and to the control body which, where the requirements are met, communicates them to IVASS (ISVAP Regulations No. 22/2008 and 7/2007, as amended and supplemented by IVASS provision No. 53 of 6/12/2016);
- supervision of the calculation of the Solvency II Technical Provisions in the cases in which the company, not having sufficient data of adequate quality to apply a reliable actuarial method, utilises for the calculation of the best estimate adequate approximations (Article 36-sexies par 1 d) and 1 f) of the CAP);
- the issue of an opinion on the global underwriting policy of the company (Article 30-sexies par 1 g) of the CAP) which provides an independent assessment, analysing the risk factors which may influence the results of the company in view of the strategic objectives, based on continuity, financial solidity and sustainable and profitable growth, with a focus consequently on the creation and improvement of value over time;
- the issue of an opinion on the adequacy of the reinsurance agreements of the company (Article 30-sexies par 1 h) of the CAP), in order to verify the adequacy in terms of the risk profile and the risk containment and portfolio balancing strategy;
- the opinion on the correctness of the calculation of the USP parameters (consistency with the data used in the calculation of Technical Provisions, verification of the incremental database, appropriateness of the models used in the calculation and verification of the assumptions underlying the calibration);
- the opinion in the application of the standardized method 2 for the calibration of the reserve risk for the calculation of the USP, if differences of opinion were generated between the Non-Life Actuary and the Risk Management Function in order to identify the actions to be implemented and eliminate the elements of divergence.

B. System of Governance

The Actuarial Function in addition:

- contributes to effectively applying the risk management system, in particular with regards to the modeling of risks considered in the calculation of the solvency capital requirements and the internal risk assessment and for solvency purposes (ORSA) (Article 30-sexies par 1 i) of the CAP);
- monitors all risk areas which may impact the correct and efficient management of risks to the extent of its mandate, even where not part of ordinary planning;
- carries out follow-up checks on the Technical Provisions calculation process, on the underwriting policy and on the adequacy of the reinsurance agreements.

The activities carried out by the Actuarial Function and the relative controls and results are documented in the Actuarial Function report sent to the Board of Directors and to the Board of Statutory Auditors; this is in addition sent in copy to the Risks Committee and the Guidance and Control Committee.

Please note that, by way of further assurance of the Function's independence, the reports for which the Actuarial Function is responsible are sent the Board of Directors directly.

The absence of conflicts of interest in the calculation and verification is assured by:

- the complete independence and autonomy of the level two controls of the technical reserves, underwriting and reinsurance policy;
- the clear organisational segregation with respect to business activities;
- the existence of a control structure to ensure the completeness and accuracy of information, the transparency of the hypotheses, the accuracy of the results and the technical suitability of the models;
- the adoption of processes enabling an open comparison and revision of results.

B.7 Outsourcing

The Board of Directors has defined a specific policy setting out the reference framework for the outsourcing of functions and activities, identifying roles and responsibilities from an organisational and procedural viewpoint, in accordance with current legislation and in line with the specific guideline issued by the parent company HDI International AG (former Talanx International AG).

In the document they have been defined:

- criteria for identifying the activities to be outsourced;
- criteria for the classification of activities as "essential or important";
- decision process to outsource;
- criteria for selecting suppliers;
- minimum content of the outsourcing contracts;
- management and monitoring procedure for outsourcing;
- emergency and reintegration plans;
- mandatory communications to IVASS.

In compliance with sector supervisory regulations, the term “essential and important activities” refers to activities whose failure or incorrect execution:

- would affect the conformity of the company with supervisory regulations and the quality of the Company’s governance system;
 - would affect the Company’s capacity to continue to comply with the conditions required for the provision of the insurance business;
 - would affect the financial results;
 - would damage the company’s stability;
 - would affect the quality and continuity of services offered to insured and damaged parties;
- would result in an increase of operational risk.

The classification of a task/activity as “essential and important” is the result of a discussion between the Risk Owner, the Legal Business Support Function and Risk Management, which, to this end, must also take due consideration of the concept of “tangibility”.

The Risk Owner documents its assessment of the overall situation of the risk connected with the outsourcing, identifying the potential associated risks, including operational risks.

Based on this assessment, the Risk Management Function assesses the effect generated by the outsourcing on the Company’s risk profile and provides the Risks Committee with a specific disclosure on this.

If duties/activities are outsourced that are considered as essential/important or associated with tangible risks, the Risk Management Function sends an assessment of the effects of the outsourcing on the Company’s risk profile to the Steering and Control Committee.

The final decision regarding outsourcing, on the basis of the above-specified risk analyses, lies with:

- the Steering and Control Committee if outsourcing essential, important activities;
- the Board of Directors, by specific resolution, if outsourcing Compliance, Risk Management and Internal Audit Functions.

B. System of Governance

Below is information relative to suppliers of services to which essential or important duties or operative activities of HDI Assicurazioni have been outsourced:

OUTSOURCED ACTIVITIES

Supplier name	Essential outsourcing or important outsourcing	Supplier's registered office
OneWelf S.r.l. (former NEXI S.P.A.)	Administrative Service for the management of pension funds and use of Fondip - website for adhesions to the Pension Fund	Via Emilia 272 – San Lazzaro di Savena (Bo)
Almaviva SpA	Facility management services contract	Via di Casal Boccone 188/190 - 00137 Roma
Westpole S.p.A. (former Hitachi Systems CBT S.p.A.)	Supply of IT services	Via Francesco Patrizio da Cherso, 30 – 00143 Roma
Bucap SpA	Deposit, storage, optical acquisition and hard copy materials management or warehouse management service	Via Innocenzo XI, 8 – 00165 Roma
Westpole S.p.A. (former Hitachi Systems CBT S.p.A.)	Dematerialisation service and storage of document flows between agencies and the management	Via Francesco Patrizio da Cherso, 30 – 00143 Roma
CODIN S.p.A.	Applications operational management contract	Via del Pescaccio 30 – 00166 Roma

B.8 Adequacy of the governance system

The Company's Board of Directors has examined the adequacy of the organizational, administrative and accounting structure and in particular of the Internal Control and Risk Management System of HDI Assicurazioni based on the periodic reports of the Internal Control and Risks Committee and of the control functions.

On the basis of the results of the activities indicated above, there are no particular deficiencies in the internal control system and risk management system during FY 2018.





[C. Risk Profile]

C. Risk Profile

This section provides qualitative and quantitative information relating to the risk profile of the Company, separately for all the following risk categories:

- underwriting risk;
- market risk;
- credit risk;
- liquidity risk;
- operational risk;
- other substantial risks.

For the assessment of quantifiable risks, the Standard Formula metrics supported by specific analyzes are used to justify their adequacy in fully representing the Company's risk profile.

Specifically, the Company for the quantification of risk has:

- applied the volatility adjustment to the relevant risk-free interest rate term structure in order to calculate the best estimate of the technical provisions, in accordance with Article 77(d) of Directive 2009/138 / EC;
- used, in accordance with art. 45-sexies of the CAP, the Undertaking Specific Parameters (USP) to replace a subset of the parameters used in the standard formula calculation by parameters specific to that undertaking related to premium risk and to reserve risk for the following segments:
 - Motor vehicle liability insurance (local Lob 10 or MVL segment);
 - Other motor insurance (local Lobs 3 and 4 or OMI segment);
 - Fire and other damage to property insurance (local LoBs 8 and 9 or FODP segment);
 - General Liability Insurance (local LoB 13 or GLI segment).

For operational risks, in addition to the quantification by Standard Formula, the Company has also carried out an assessment of the exposure achieved through an annual self-diagnosis process.

In addition to the quantifiable risks mentioned above, a series of substantial additional risks have also been identified, not measurable through the Standard Formula, the consequences of which can undermine the solvency of the Company and constitute a serious obstacle to the achievement of strategic objectives. For these risks the Company has carried out qualitative analyzes. Therefore, rather than quantifying the possible loss, the assessment on these risks is essentially aimed at verifying the effectiveness of the existing controls and the proper functioning of the management and monitoring processes.

More specifically, the SCR for risk module is shown below, after deduction of Loss-absorbing capacity of technical provisions (nSCR).

The Company does not transfer risks to SPVs.

C.1 Underwriting risk

The Underwriting Policy defines the rules and standards with which the Company must comply under the scope of the underwriting of risks in the various insurance branches; it also includes the assumption limits established by the Board of Directors.

Under the scope of the risk control process, once a month, the Risk Management Function controls compliance with said limits and supports the Board of Directors in its definition/revision of such. The results of these checks are reported to the Risk Committee, to the Senior Management, to the Board of Directors and to the Auditing Body.

Life insurance technical risks

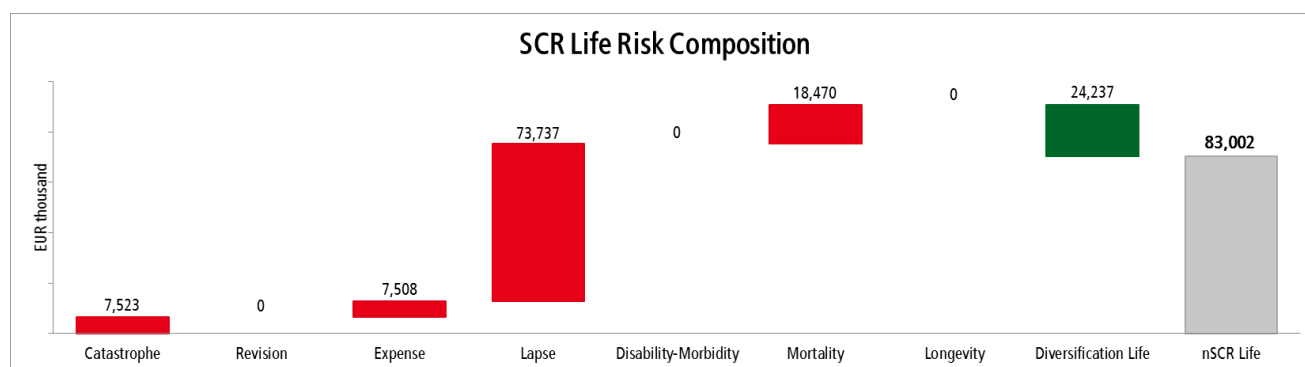
The underwriting risk for life insurance, reflects the risk deriving from the life insurance obligation, considering the insured risks covered and the procedures used in going about the business.

The Life technical risks in Solvency II terms, to which the Company is exposed, are:

- **Mortality risk:** the risk of loss or an unfavourable variation in the value of the insurance liabilities deriving from variations in the level, trend or volatility of mortality rights, where an increase in the mortality rate gives rise to an increase in the value of the insurance liabilities.
- **Life insurance expense risk:** the risk of loss or unfavourable changes in the value of the insurance liabilities, deriving from changes in level, trends or volatility of expenses incurred in connection with insurance or reinsurance contracts.
- **Lapse risk:** the risk of loss or unfavourable variation in the value of the insurance liabilities deriving from variations in the level or volatility of the rates of early termination, withdrawals, renewals and surrenders of policies.
- **Catastrophe risk for life insurance:** the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of the assumptions in the determination of premiums and establishment of reserves related to extreme or sporadic events.

Assessments are performed net of cessions under reinsurance.

The results obtained as at 31 December 2018 are shown in the graph below:



Exposure to the life underwriting risk as at 31 December 2018 is not particularly critical in terms of the basic capital requirements.

The main risk is the lapse risk, the SCR of which is 89% of the Life Insurance Technical Risk.

The Risk Management function also continuously monitors the concluded liquidation trend for lapse, claim and the expiry of the Company, comparing these results with those forecast in the budget and the expected liquidation.

Non-life insurance technical risks

The underwriting risk for non-life insurance, reflects the risk deriving from the non-life and health insurance obligation, considering the dangers covered and the procedures used in going about the business.

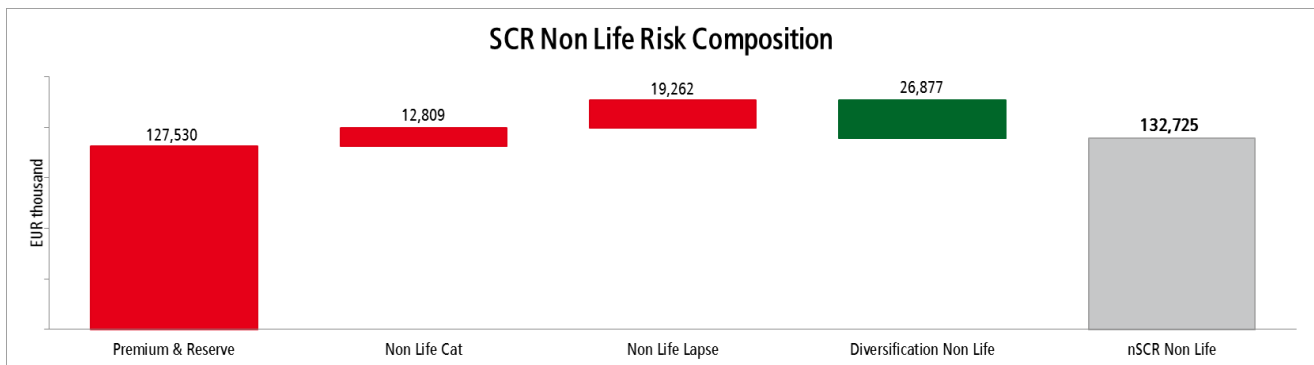
C. Risk Profile

The non-life and health technical risks in Solvency II terms, to which the Company is exposed, are:

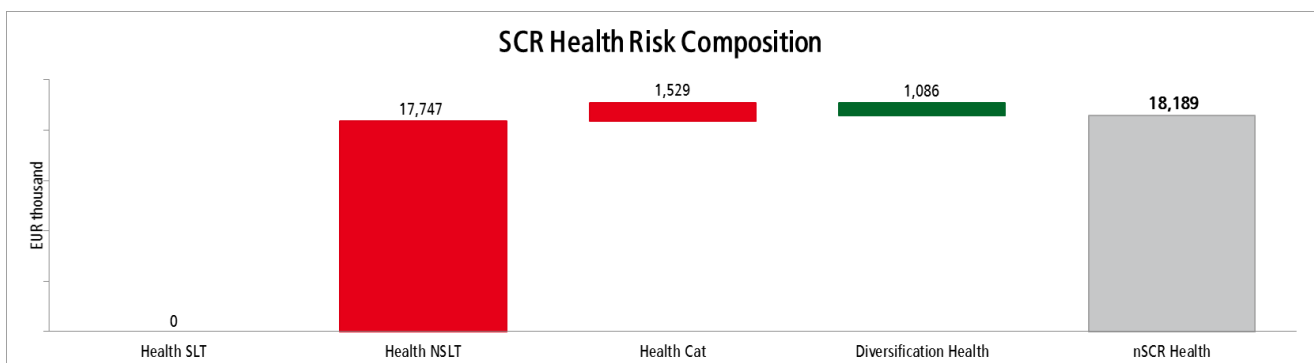
- **Tariff and reservation risk:** the risk of loss or unfavourable change in the value of the insurance liabilities, deriving from oscillations relating to the time of occurrence, the frequency and severity of the insured events and the time at which they take place and the amount of claim liquidations;
- **Lapse risk:** the risk of loss or unfavourable change in the value of the insurance liabilities, deriving from the use of options that may be exercised by the insured party, which have a significant impact on the contracted commitments;
- **Catastrophe risk:** the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of the assumptions in the determination of premiums and establishment of reserves related to extreme or exceptional events, as well as major epidemics or an unusual accumulation of risks seen in these extreme circumstances.

Assessments are performed net of cessions under reinsurance.

Below are the results as at 31 December 2018 for the non-life underwriting risks:

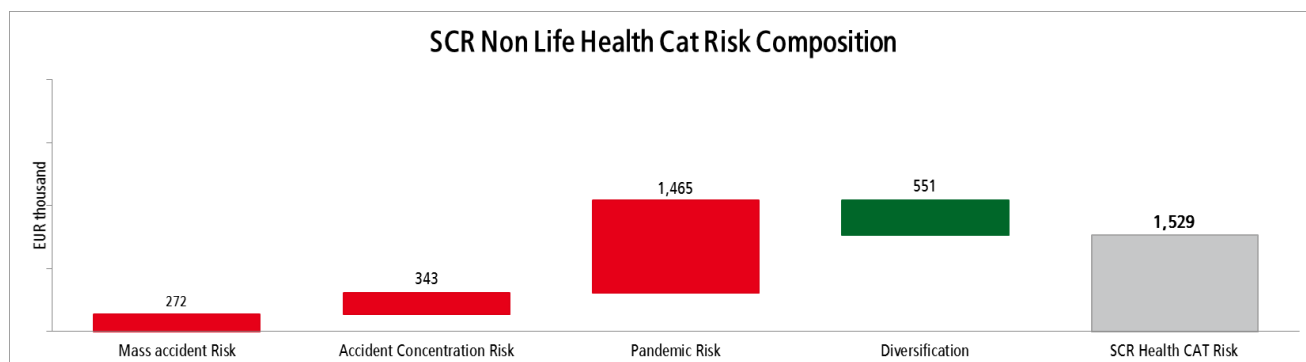
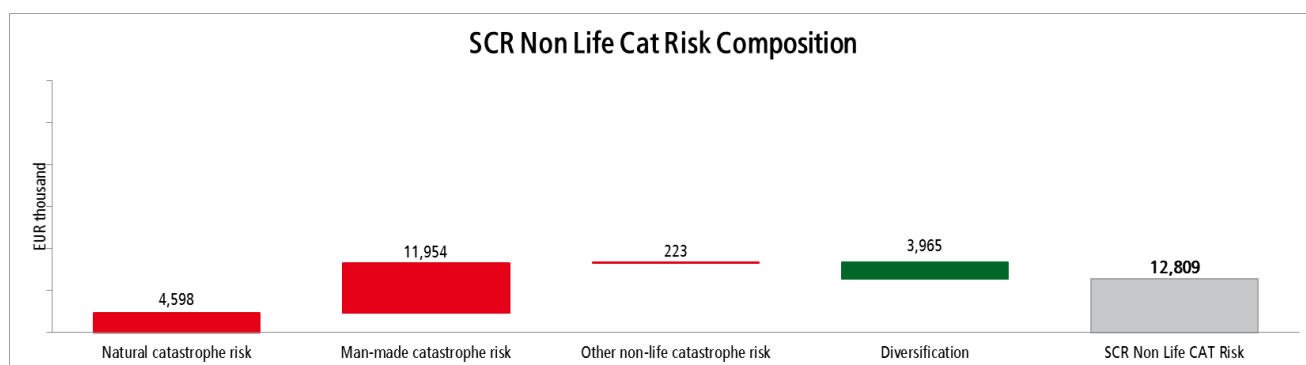


The results for health underwriting risks are instead given in the graph below:



Exposure to the non-life and health underwriting risk as at 31 December 2018 is not particularly critical in terms of the basic capital requirements.

The results for catastrophe risks are instead given in the graphs below:



Exposure to the catastrophe non-life and health risk as at 31 December 2018 is not particularly critical in terms of the basic capital requirements.

The main underwriting risk to which the Company is exposed is the premium risk and reserve risk.

Risk concentration

There are no particular concentrations in terms of life and non-life underwriting risk.

Risk mitigation techniques

As regards the techniques used to attenuate the life insurance underwriting risk, Senior Management is authorised to stipulate traditional reinsurance treaties, both compulsory and/or optional, with the aim of increasing the Company's underwriting capacity, whilst in any case keeping the amount of exposure towards individual risks insured within predefined limits and, thereby, achieve a suitable standardisation of the portfolio of risks to which the Company is exposed.

At present, there are no non-traditional reinsurance treaties and/or financial reinsurance treaties in place; should they be stipulated in the future, this will require prior approval by the Board of Directors.

For Life segments, a review of the risk portfolio, considering the characteristics of our product offerings shows that the reinsurance forms best suited to the portfolio characteristics are:

- EXCESS (risk premium)
- QUOTA (commercial premium)
- QUOTA SHARING (risk premium).

Other types of reinsurance cover are also anticipated, including both optional and catastrophe risks.

With the exception of the Deposits, Legal Protection, Assistance segments and some specific forms of insurance connected with the Injury and Health segments, the cover that best suits the Company's need

C. Risk Profile

for balance tends to be non-proportional. Despite this, when non-life cover is connected to life cover or mortgages or other loans, proportional cover is also sought.

Stress test and sensitivity analysis

The Company has carried out sensitivity analysis on significant risks, deriving from the process of identifying risks on the consolidated data. Specifically, in the time frame 2018-2022, these sensitivities have been performed for the early prepayment risk in a scenario that jointly provided for an increase in the interest rate structure of around 50 bp (market risk), an increase of 50% (lapse technical risk) of lapse frequencies and a simultaneous increase in the S/P index of about 15% on 6 Line of Business (non-life technical risk). This analysis led to a significant decrease in the Solvency Ratio of the Company, which however tends to remain above the legal minimum requirement, excluding the last year of the projection..

For the Non life and Health underwriting risk the scenario was tested with and without the application of specific parameters (USP) to the MVL, OMI, FODP and GLI line of business.

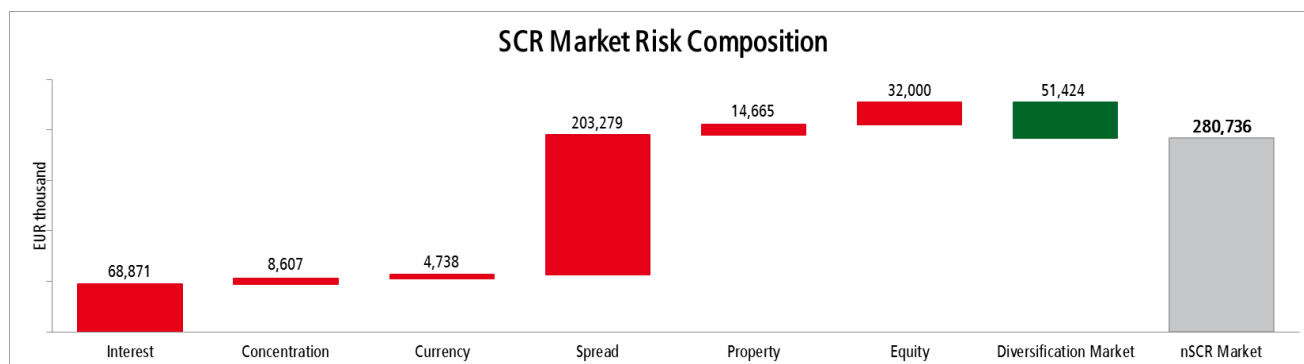
In this context, without the application of the USPs there was an deterioration in the Solvency Ratio around 18 points (from 151.1% to 132.7%). The relative change in basic own funds is about -3.33%.

C.2 Market risk

The market risks in Solvency II terms, to which the Company is exposed, are:

- Interest risk: the risk deriving from the sensitivity of the value of the assets, liabilities and financial instruments to changes in the interest rate maturity structure.
- Spread risk: the risk deriving from the sensitivity of the value of assets, liabilities and financial instruments to variations in the level of volatility of credit spreads in relation to the structure based on maturities of risk-free interest rates.
- Concentration risk: additional risks for the insurance or reinsurance undertaking deriving from failure to diversify the portfolio of assets or major exposure to the risk of default of a single security issuer or a group of related issuers.
- Currency risk: the risk deriving from the sensitivity of the value of the assets, liabilities and financial instruments to changes in the volatility level of currency exchange rates.
- Property risk: the risk deriving from the sensitivity of the value of assets, liabilities and financial instruments to variations in the level or volatility of property market prices.
- Equity risk: the risk deriving from the sensitivity of the value of assets, liabilities and financial instruments to variations in the level or volatility of capital instruments market prices.

The results obtained using the Standard Formula as at 31 December 2018 are shown in the graph below:



The main risk is the spread risk, the SCR of which is 72% of the market risk.

Under the scope of the risk control process, the Risk Management Function carries out monthly monitoring and control of all market risks to which it is exposed, both in Solvency II terms and for operative purposes, and verifies that the limits established are respected.

Risk concentration

There are no particular concentrations in terms of the market risk.

Risk mitigation techniques

According to the nature, scope and complexity of the risks relating to the business carried out, the Company defines investment policies consistent with the prudent person principle (envisaged by Article 132 of Directive 2009/138/EC) and that are coherent with the risk portfolio of liabilities held, in order to ensure the continued availability of sufficient suitable assets to cover the liabilities, as well as the security, profitability and liquidity of investments, making sure that they are suitably diversified and dispersed. In the event of any conflict of interests in the investment business, the company undertakes to ensure that the investment is made in the best interests of the insured persons and beneficiaries.

The HDI Assicurazioni Board of Directors defines the rules and standards to which the whole of the Company must adhere as regards the operative management of financial risks, including following the results of the strategic asset allocation, including the limits and thresholds relative to the CVaR, ALM Var and Liquidity.

To this end, CVaR trend analyzes are performed weekly to carry out the necessary checks. Likewise for the ALM Var the analyzes are carried out monthly.

Such analyzes are immediately reported to the Finance Committee and monthly to the Risk Committee. The Board of Directors is also informed at each board meeting.

In this context, furthermore, calculation models like the Strategic Asset Allocation and Asset Liability Management allow assets and liabilities to be managed in an integrated fashion, with the aim of consequently mitigating the risk.

The Company can also use additional risk mitigation strategies, for example through the use of derivatives in compliance with defined procedures and guidelines.

Stress test and sensitivity analyses

For the market risk, the Company carried out a sensitivity analysis on the significant risks deriving from the risk identification process. Specifically, the analyzes concerned the main market risks.

The following stresses were tested on the market risk:

- Interest Down: -50 bp risk free with a simultaneous 50% increase in the frequency of additional premiums which led to a decrease in the Solvency Ratio of the Company, which however tends to remain within the limits of Risk Appetite.
- Spread Risk: +200 bp only for corporate securities which led to a decrease in the Solvency Ratio of the Company, which however tends to remain within the limits of Risk Appetite.

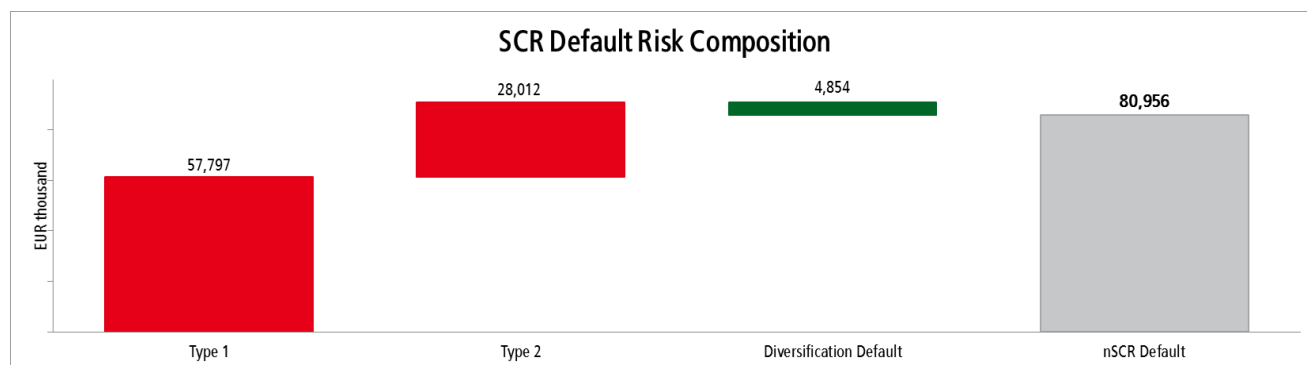
C.3 Credit risk

The credit risk is connected with counterparty breach of contract, such as, for example, by reinsurers, banks or intermediaries.

C. Risk Profile

The counterparty default risk module reflects possible losses due to unforeseen breach or a worsening to the credit rating of the counterparties and debtors of insurance and reinsurance undertakings during the next twelve months. The counterparty default risk module covers contracts stipulated to attenuate the risk, such as reinsurance agreements, securitisation transactions and derivatives, as well as credits due from intermediaries and any other exposure not hedged in the spread risk sub-module. The module takes due account of collateral or other guarantees held by the insurance or reinsurance undertaking, or on its behalf, and the associated risks.

Below is the value of the Solvency Capital Requirement relative to the Credit Risk as at the competence of 31 December 2018.



Risk concentration

There are no particular concentrations in terms of the market risk.

Risk mitigation techniques

An initial measure taken to mitigate this risk is the partner selection process, mainly based on assessing credit rating and diversification.

More specifically, in order to select reinsurance partners, specific limits and conditions are resolved and set out in the Outward Reinsurance Guidelines approved by the Board of Directors, in line with the provisions of 2005 ISVAP Circular no. 574/D.

The verification of the consistency of the risk mitigation achieved through the reinsurance strategies defined and criteria used to select reinsurers is an integral part of the Company's "risk management system", for which the ultimate party responsible is the Board of Directors in terms of completeness, function and effectiveness.

The Risk Management team annually monitors the limits approved.

The Actuarial Function expresses an opinion at least once a year, in the form of a written report, by virtue of the obligations envisaged, formulating an opinion on the adequacy of the reinsurance agreements.

Stress test and sensitivity analyses

Given the nature of the business and the non-significant weight of the credit risk, the Company does not carry out specific stress tests and sensitivity analyses.

C.4 Liquidity risk

The term “liquidity risk” is used to mean the risk the Company may incur when it needs to meet cash commitments (envisaged or unexpected) and available funds do not suffice.

The onset of these conditions may generate costs both due to the forced realisation of capital losses, given the need to dispose of investments, and the access to the credit market at unfavourable conditions.

Timeliness and adequacy in dealing with economic commitments must be assured both in conditions of ordinary administration and in stress tests.

The identification, management and monitoring of the liquidity risk play a key role in the Company’s business processes because they also involve other company processes directly, such as, for example, investment management, treasury management and planning and control activities.

Please note that in 2018, no particular critical issues were revealed.

In compliance with the Solvency II approach proposed by the “standard formula”, the liquidity risk is partially modelled on the Counterparty Default Risk module, as explained in the paragraph above, in respect of illiquidity linked to banking counterparty insolvency.

Expected profits included in future premiums (EPIFP)

The amount of expected profits included in future premiums is shown below.

EPIFP	(amounts in EUR thousand)
Total Non Life	2,485
Total Life	64,979

Risk concentration

There are no significant concentrations in terms of the liquidity risk.

Risk mitigation techniques

The fundamental principles on which the liquidity risk management model is hinged, defined under the scope of the “Investments framework resolution - Investment Policy”, can be summarised as follows:

1. short-term liquidity management in order to maintain a balance between inflows and outflows in the short-term and a suitable level of assets in bank deposits and highly-liquid securities;
2. medium-term liquidity management, keeping a situation of balance between assets and liabilities, optimising cash-flow matching in both best estimate and stress conditions.

Once a month, in compliance with 2016 IVASS Regulation no. 24, the Company also checks respect of the limits set out in the Investment Guidelines for the liquid funds held, applied to all assets without distinguishing between portfolios. The results are then submitted to the examination of the Risk Committee, the Senior Management and the Board of Directors.

C. Risk Profile

Stress test and sensitivity analyses

Given the nature of the business and the non-significant weight of the liquidity risk, the Company does not carry out specific stress tests and sensitivity analyses.

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal risks but not risks deriving from strategic decisions and reputational risks.

In terms of Solvency II, the Company monitors this risk on a quarterly basis, using the method defined by the Standard formula, which is a function of premiums and reserves. The exposure does not suggest any particular critical issues in terms of the eligible basic capital requirement.

No significant concentrations are seen on this risk.

As at 31 December 2018, the SCR relative to operational risk is 52,281 thousand euros.

In addition to the quantification of this risk by the Standard Formula, the Company has adopted a methodology of qualitative analysis (Risk & Control Assessment), with the objective to evaluate and monitor potential risks and controls in relation to both internal processes and to external events.

In particular, the operational risk analysis activity can be summarized in the following phases:

- analysis of internal processes and analysis of exogenous scenarios that may represent a risk for the Company;
- identification of possible operational risk events;
- assessment of the frequency with which events can be verified;
- estimate of the potential economic impact;
- identification of control measures that mitigate the identified risk;
- estimate of the effectiveness of the control.

With this process, for each identified event, the assessment of net risk to which the Company is exposed, the identification of the areas most exposed to operational risk and the determination of a plan of corrective actions to be implemented or improved are obtained.

In the assessment relating to the FY 2018, the preponderant risk for the Company is related to Information Security.

The risk of Business Continuity is also relevant; to this end, the Company has adopted a Business Continuity Policy which defines the guidelines with the aim of minimizing any impacts related to events that may compromise the Company's operational continuity.

Risk concentration

There are no significant concentrations in terms of the operational risk.

Risk mitigation techniques

The process of identifying operational risks involves the identification of mitigation techniques for the risks identified.

The greatest risks are furthermore monitored every six months, simultaneously analyzing the effectiveness of the mitigation measures. In order to control the risks that may constitute a danger to the business continuity, materiality and risk reporting

thresholds have been defined that allow identifying any critical issues and consequently finding further mitigation measures and giving due disclosure to the Risk Committee, to the Senior Management and to the Board of Directors.

Stress test and sensitivity analyses

Given the nature of the business, the Company does not carry out specific stress tests and sensitivity analyses.

C.6 Other substantial risks

Substantial risks not specified in the paragraphs above include strategic risk, reputational risk, emerging risks and non-compliance risk.

Strategic risk

It defined under the scope of European regulations as the current or potential risk of an impact on revenues or capital deriving from incorrect business decisions, improper implementation of said decisions or poor reactivity to changes in the reference sector.

Strategic risk management involves the following phases:

- identification of possible sources of risk, both internal and external, within the scope of the process of identifying risks that could give rise to the appearance of a strategic risk for the Company with the involvement of the Risk Owners and the examination of any supporting documentation;
- definition of Key Risk Indicators that may indicate the appearance of the risk;
- analysis of potential effects deriving from the sources of risk identified;
- qualitative assessment of the identified strategic risk (in terms of high, medium and low), also making use of expert judgment;
- development of mitigation activities that may give rise to a reduction in the probability of occurrence or that may minimize the financial loss;
- reporting by the Risk Management Function to the Risk Committee, Senior Management and Board of Directors within the scope of the risk reporting.

Reputational risk

It defined as risks that are connected with possible damages to the reputation of a business, as the consequence of a negative public perception (e.g. amongst customers, business partners, shareholders, authorities, etc.) deriving, amongst others from the increase in conflicts with insured parties, also due to the poor quality of services offered, the placement of inadequate policies or conduct by the sales network.

Reputational risk management involves the following phases:

- identification of the factors and variables that could give rise to a reputational risk, by involving the risk owners in the process of identifying the risks;
- definition of a list of key risk indicators that may indicate the onset of a risk;

C. Risk Profile

- qualitative assessment of the identified reputational risk (in terms of high, medium and low), also making use of expert judgment;
- development of mitigation activities that may give rise to a reduction in the probability of occurrence or that may minimize the financial loss;
- reporting by the Risk Management Function to the Risk Committee, Senior Management and Board of Directors within the scope of the risk reporting.

Emerging risks

It represent the new future risks for which there is no certainty as to the scope and effects and which therefore may be difficult to assess, such as, for example, risks connected with nanotechnology, genetically modified organisms or climate change.

The assessment of the "Emerging Risks" takes place through the use of a uniform assessment system applied to predefined criteria (such as, for example, public perception, number of potentially interested treaties, etc.). To these criteria, based on their potential future risk, it is given an evaluation.

Non-compliance risk

It represents the risk of incurring judicial or administrative sanctions, of incurring losses as a result of non-compliance with laws, regulations or provisions of the Supervisory Authority or self-regulatory provisions.

To protect this potential risk, since 2008 the Company has structured a specific function (Compliance Function).

The evaluation of this type of risk is mainly linked to the suitability of their monitoring and their detection is part of the standard risk identification process.

For some of this type of risks, they must be assessed in qualitative terms, through the opinion of experts.

According to our assessments, these "Other substantial risks" do not increase the solvency requirements prospectively.

C.7 Other information

No other significant information is worthy of note in respect of the Company's risk profile.



The background of the slide is a complex digital visualization. The top half features a dark blue field filled with a dense grid of small, glowing orange and yellow dots, resembling a star map or a data point cloud. Below this, a series of white and blue lines, representing data trends or stock price movements, crisscross the frame. Numerous numerical values are scattered throughout, including 5516.70, 8863.32, 2030.88, 4082.73, 8321.35, 1303.32, 796.67, 3167.89, 9423.77, 9803.16, 9078.26, 2460.51, 7355.46, 7102.32, 1285.58, 92.22, 3036.11, 464.7, 9064.92, 796.67, 9562.27, 8086.00, and 377.93. A prominent green rectangular box with a white border and large white brackets on its left and right sides is positioned in the upper-middle section, containing the text 'D. Valuation for Solvency Purpose' in white.

[D. Valuation for Solvency Purpose]

D.1 Valuation of assets

Assets and liabilities are measured on the basis of the business as a going concern, as indicated in Art. 7 of Del. Reg. 2015/35. Moreover, in compliance with Art. 9 of Del. Reg. 2015/35, the measurement of assets and liabilities (excluding technical provisions) is carried out, unless otherwise ordered, in compliance with the international accounting standards adopted by the European Commission in compliance with Regulation (EC) no. 1606/2002 (IAS/IFRS), where they envisage the measurement at fair value; this is because this is considered a good approximation of the valuation standards envisaged by the Solvency II Directive.

If the measurement envisaged by the international accounting standards is not at fair value, valuation principles were applied in line with Article 75 of the Directive. As defined by Art. 10 of Del. Reg. 2015/35, the assets and liabilities were measured as follows:

- according to the "mark to market" approach, i.e. on the basis of the quoted market prices in active markets;
- where the use of quoted market prices in active markets for the same assets or liabilities is not possible, quoted market prices in active markets for similar assets and liabilities shall be used with adjustments to reflect differences; the definition of "active market" to be considered is that used by the IAS/IFRS and approved by the European Commission in compliance with Regulation (EC) no. 1606/2002 (IAS/IFRS);
- if the criteria identifying an active market, defined at point 2, are not met, the Company uses alternative valuation methods, as long as they are consistent with the principles sanctioned by Article 75 of the Directive; the alternative valuation methods maximise use of market data and limit possible use of specific inputs from the Company.

The starting point from which to then determine the Market Consistent Balance Sheet is the financial statements drawn up in accordance with local accounting standards and value adjustments to determine the IAS/IFRS value.

The tables below show, for each category of assets and liabilities, the value determined in accordance with the Solvency II standards, the value determined according to national accounting standards and the difference in value.

D. Valuation for Solvency Purpose

SOLVENCY II BALANCE SHEET

(amounts in EUR thousand)

Assets	Solvency II value	Statutory accounts value	Variation
Goodwill		21,828	-21,828
Deferred acquisition costs		0	0
Intangible assets	0	14,133	-14,133
Deferred tax assets	0	39,409	-39,409
Pension benefit surplus	0	0	0
Property, plant & equipment held for own use	39,651	31,766	7,885
Investments (other than assets held for index-linked and unit-linked contracts)	5,651,653	5,593,792	57,861
Property (other than for own use)	0	0	0
Holdings in related undertakings, including participations	94,203	81,343	12,860
Equities	22,980	22,791	189
Equities - listed	22,250	22,062	189
Equities - unlisted	730	730	0
Bonds	5,387,694	5,343,414	44,280
Government Bonds	2,490,220	2,456,963	33,257
Corporate Bonds	2,876,599	2,865,342	11,258
Structured notes	14,558	14,613	-55
Collateralised securities	6,316	6,496	-180
Collective Investments Undertakings	146,777	146,244	533
Derivatives	0	0	0
Deposits other than cash equivalents	0	0	0
Other investments	0	0	0
Assets held for index-linked and unit-linked contracts	343,606	343,606	0
Loans and mortgages	1,314	1,314	0
Loans and mortgages to individuals	0	0	0
Other loans and mortgages	0	0	0
Loans on policies	1,314	1,314	0
Reinsurance recoverables from:	47,702	66,676	-18,974
Non-life and health similar to non-life	29,225	40,182	-10,957
Non-life excluding health	28,750	38,304	-9,554
Health similar to non-life	475	1,878	-1,403
Life and health similar to life, excluding health and index-linked and unit-linked	17,610	26,494	-8,884
Health similar to life	172	172	0
Life excluding health and index-linked and unit-linked	17,438	26,322	-8,884
Life index-linked and unit-linked	867	0	867
Deposits to cedants	0	0	0
Insurance and intermediaries receivables	65,627	65,627	0
Reinsurance receivables	4,362	4,362	0
Receivables (trade, not insurance)	98,194	98,194	0
Own shares (held directly)	0	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	0
Cash and cash equivalents	393,236	393,236	0
Any other assets, not elsewhere shown	3,749	3,749	0
Total assets	6,649,095	6,677,693	-28,598

Total assets on the Solvency II financial statements amount to 6,649,095 thousand euros as compared with the 6,677,693 thousand euros on the statutory financial statements, thereby revealing a lesser value of 28,598 thousand euros.

SOLVENCY II BALANCE SHEET

(amounts in EUR thousand)

Passività	Bilancio Solvency II	Bilancio civilistico	Variation
Technical Provisions - non life	807,582	870,798	-63,216
Technical Provisions - non life (excluding health)	778,010	832,950	-54,940
Technical Provisions calculated as a whole	0		
Best estimate	750,895		
Risk margin	27,115		
Technical Provisions - health (similar to non-life)	29,573	37,848	-8,276
Technical Provisions calculated as a whole	0		
Best estimate	29,046		
Risk margin	526		
Technical Provisions - life (excluding index-linked and unit-linked)	4,807,118	5,004,367	-197,248
Technical provisions - health (similar to life)	176	176	0
Technical Provisions calculated as a whole	0		
Best estimate	173		
Risk margin	3		
Technical Provisions - life (excluding health and index-linked and unit-linked)	4,806,943	5,004,191	-197,248
Technical Provisions calculated as a whole	0		
Best estimate	4,728,232		
Risk margin	78,710		
Technical Provisions - index-linked and unit-linked	326,327	343,606	-17,279
Technical Provisions calculated as a whole	0		
Best estimate	313,353		
Risk margin	12,974		
Other technical provisions	0	0	0
Contingent liabilities	0	0	0
Provisions other than technical provisions	5,324	5,324	0
Pension benefit obligations	6,952	6,765	187
Deposits from reinsurers	24,128	24,128	0
Deferred tax liabilities	45,524	0	45,524
Derivatives	0	0	0
Debts owed to credit institutions	0	0	0
Financial liabilities other than debts owed to credit institutions	0	0	0
Debts owed to non-credit institutions	0	0	0
Insurance & intermediaries payables	61,371	61,371	0
Reinsurance payables	715	715	0
Payables (trade, not insurance)	20,326	20,326	0
Subordinated liabilities	85,953	85,380	573
Subordinated liabilities not in BOF	0	0	0
Subordinated liabilities in BOF	85,953	85,380	573
Any other liabilities, not elsewhere shown	1,311	1,311	0
Total liabilities	6,192,632	6,424,091	-231,459
Excess of assets over liabilities	456,463	253,602	202,861

Total liabilities on the Solvency II financial statements amount to 6,192,632 thousand euros as compared with the 6,424,091 thousand euros on the statutory financial statements, thereby revealing a lesser value of 231,459 thousand euros. In all, therefore, the surplus assets with respect to liabilities on the Solvency II financial statements amount to 456,463 thousand

D. Valuation for Solvency Purpose

euros as compared with the 253,602 thousand euros on the statutory financial statements, thereby revealing a greater value of 202,861 thousand euros.

D.1.1 Goodwill and Intangible assets

In line with the regulatory provisions, the Company values both goodwill and intangible assets at zero, as it is not possible to identify them and separate them out from the business context, nor indeed assign them a specific market value. On the statutory financial statements, the respective values are 21,828 and 14,133 thousand euros, thereby showing a valuation difference with respect to the Solvency II financial statements, of an equal amount.

D.1.2 Deferred tax assets

Deferred tax assets (or DTA) other than those deriving from tax losses or unused tax credits and deferred tax liabilities (or DTL) are calculated on the basis of the difference between the values of the assets and liabilities measured in compliance with the Solvency II standards and corresponding tax values.

DTA can only be measured if it is likely that there will be future taxable income against which the deferred tax assets can be used, considering the legal or regulatory obligations on the terms for carrying forward tax losses or unused tax credits.

Prepaid and deferred tax is measured separately for IRES and IRAP purposes, according to the tax rates expected to be applied in the year in which the temporary differences will be cancelled out. In accordance with IAS 12, criteria has been met to offset the deferred tax assets deriving from the application of the Solvency II standards against the statutory prepaid tax, which totals 39,409 thousand euros, of which 38,152 for IRES and 1,257 for IRAP.

The table below shows the deferred tax assets and liabilities calculated on the Solvency II adjustments; the balance is shown in the case in point as deferred tax and amounts to a total of 84,933 thousand euros, of which 66,139 thousand euros for IRES recorded as reducing the corresponding DTA and 18,794 for IRAP, recorded net of the corresponding DTA in the DTL. We therefore have deferred tax liabilities on the Solvency II financial statements amount to 45,524 thousand euros.

The rate applied to the value adjustments is 30.82%; in application of tax regulations, this rate was applied to 5% of the value adjustments relating to positive investments, whilst no deferred tax was calculated on negative adjustments, as the regulations state that such losses are not tax relevant.

SOLVENCY II ADJUSTMENTS		(amounts in EUR thousand)	
	Gross amount	Deferred taxes	Net amount
Intangible assets	-35,961	11,083	-24,878
Property	7,885	-2,430	5,455
Investments	45,001	-13,871	31,130
Technical provisions attributable to non-life reinsurers	-10,957	3,377	-7,580
Technical provisions attributable to life reinsurers	-8,017	2,471	-5,546
Non-life technical provisions	63,216	-19,483	43,733
Life technical provisions	214,527	-66,117	148,410
Subordinated liabilities	-573	177	-396
IAS 19	-187	58	-129
Adjustment participations	12,860	-198	12,662
Total	287,794	-84,933	202,861

D.1.3 Property, plant and equipment for own use

This item includes assets, plants, machinery and equipment, as well as the property used to go about the company's business. In the statutory financial statements, tangible fixed assets are entered at cost and systematically depreciated on a straight-line basis, according to their residual possible use, starting from when they are ready for use. In accordance with Solvency II standards, properties and other tangible fixed assets must instead be measured at fair value. More specifically, for property, the adjustment to fair value was calculated with reference to the appraisal prepared to determine the current value as at 31 December 2018, requested from a qualified professional in compliance with the criteria pursuant to Art. 20 of ISVAP Regulation no. 22 of 04 April 2008. The fair value of property is determined using two different appraisal procedures, according to the type of property to be valued: the market comparison approach (MCA) and discounted cash flow analysis (DCFA). For each property, the specific characteristics were considered, namely the type of property and architectonic features, intended purpose, size, position, type of use, possibility of leasing or sale, the type of occupation and all other factors significant in terms of the market segmentation and choice of the valuation method.

The difference between the Solvency II value of the properties (39,651 thousand euros) and the statutory value (31,766 thousand euros) is 7,885 thousand euros.

For other tangible fixed assets, the value stated on the statutory financial statements, of 806 thousand euros, was considered as representative of fair value.

D.1.4 Properties (not for own use)

The Company has not recorded properties not for own use on its Solvency II financial statements.

D.1.5 Participations

In accordance with Art. 13 of Del. Reg. 2015/35, participations are measured according to the following hierarchy of methods:

- using quoted market prices in active markets;
- using the adjusted equity method;
- using quoted market prices in active markets for similar assets and liabilities with adjustments to reflect the differences, as long as neither valuation in accordance with point (a) nor point (b) is possible and the undertaking is not a subsidiary undertaking, as defined in Article 212(2) of Directive 2009/138/EC.

By way of derogation from this hierarchy of methods, equity investment shall be valued at zero if they are excluded from the scope of the group supervision insofar as they are situated in a third country in which there are legal hindrances to the transfer of the necessary information or if they are deducted from the own funds eligible for the group solvency (if the supervisory authority does not have the necessary information available to calculate group solvency).

The adjusted equity method consists of the valuation of the investment based on the share of the excess of assets over liabilities of the related undertaking held by the participating undertaking, measured in accordance with Solvency II standards.

Alternatively, the IFRS equity method can be used if the valuation of the individual assets and liabilities in accordance with Solvency II standards is not practicable, but in any case the participating undertaking shall deduct from the value of the related undertaking the value of goodwill and other intangible assets that would be valued at zero in accordance with Article 12 of Del. Reg. 2015/35.

D. Valuation for Solvency Purpose

The equity investments held by HDI Assicurazioni all related to unlisted companies; they were valued according to the adjusted equity method and, therefore, on the basis of the share held in the equity of the investee, determined in accordance with Solvency II standards, as envisaged by Article 75 of the Directive.

HOLDINGS IN RELATED UNDERTAKINGS		(amounts in EUR thousand)	
	Solvency II value	Statutory accounts value	Variation
HDI Immobiliare S.r.l.	72,925	61,767	11,158
InLinea S.p.A.	1,771	1,771	-
InChiaro Life Dac	19,507	17,805	1,702
Total	94,203	81,343	12,860

D.1.6 Equities, bonds, collective investment funds and other investments

A comparison of the Solvency II financial statements values and those given on the statutory financial statements reveals a greater value of 188 thousand euros with reference to equities, 44,279 thousand euros for bonds and 533 thousand euros for collective investment funds.

On the statutory financial statements, equities, bonds and collective investment funds are entered according to whether they are long-term or otherwise. The listed or unlisted fixed securities, set against long-term commitments and which will tend to remain amongst the Company's assets until repaid, are valued at purchase or conferral cost, adjusted for issue and trading differences accrued and impairment deriving from permanent losses of value. Listed and unlisted securities in the non-permanent segment are valued at the lesser of the carrying book value, adjusted for issue differences accrued and market differences, determined according to the average prices on the stock market in December, which is considered as representative of the assumed realisation value. Securities for which the reasons for the initial application of impairment have ceased to apply, have been written back within the limits of the cost.

The valuation of the investments in the solvency financial statements is carried out at fair value and, if no market prices should be available on an active market (mark to market), according to the valuation hierarchy established by Solvency II standards and described in paragraph D,1 - Valuation of assets.

The tables below provide details of the investments classified according to the fair value hierarchy, as envisaged by IFRS 7 - Financial instruments; this requires a fair value hierarchy to be established for segments of financial assets and liabilities measured at fair value, with the definition of three levels:

- level 1: prices quoted on active markets;
- level 2: input data other than the quoted prices pursuant to level 1, which can be observed for assets or liabilities, both directly (as in the case of prices) and indirectly (i.e. insofar as derived from the prices); this category includes fair value measured using valuation techniques that refer to parameters observable on the market, other than the list prices of the financial instrument on an active market;
- level 3: input data relating to the assets or liabilities that are not based on observable market data (non-observable data); this category includes the fair value measured on the basis of valuation techniques that refer to parameters that cannot be observed on the market or that, although starting out from level 2 market data (i.e. other than prices recorded on an active market), do, however, require significant discretionary adjustments based on data not observable on the market.

INVESTMENTS- FAIR VALUE LEVELS

(amounts in EUR thousand)

	Level 1	Level 2	Level 3	Total
Equities - listed	22,250	-	-	22,250
Equities - unlisted	-	-	730	730
Government Bonds	175,678	2,314,542	-	2,490,220
Corporate Bonds	2,610,226	255,611	10,763	2,876,600
Structured notes	-	14,558	-	14,558
Collateralised securities	-	-	6,316	6,316
Collective Investments Undertakings	96,537	-	50,240	146,777
Derivatives	-	-	-	-
Deposits other than cash equivalents	-	-	-	-
Other investments	-	-	-	-
Other loans and mortgages	-	-	-	-
Total	2,904,691	2,584,711	68,049	5,557,451

D.1.7 Assets held for index-linked and unit-linked contracts

The valuation is carried out at fair value and, if no market prices should be available on an active market (mark to market), according to the valuation hierarchy established by Solvency II standards and described in paragraph D,1 - Valuation of assets. The item amounts to 343,606 thousand euros and includes investments that are indicated as class D on the statutory financial statements and, therefore, investments to the benefit of life class insured parties, who bear the risk, and deriving from the management of pension funds. In the case in point, the valuation criterion of the statutory financial statements is the same as for Solvency II and there are therefore no differences in value.

The table below provides details of the investments classified according to the fair value hierarchy:

INVESTMENTS- FAIR VALUE LEVELS

(amounts in EUR thousand)

	Level 1	Level 2	Level 3	Total
Assets held for index-linked and unit-linked contracts	242,424	66,470	34,712	343,606
Total	242,424	66,470	34,712	343,606

D.1.8 Loans and mortgages

The amount totals 1,314 thousand euros and consists of policy loans, totalling 1,180 thousand euros, in addition to interest receivable, for 134 thousand euros. In the financial statements, this item is recorded at nominal value. In the solvency balance, the amount recorded is the same, taking into account the non-significant changes in fair value against generally tight deadlines over time.

D. Valuation for Solvency Purpose

D.1.9 Reinsurance recoverables

The reinsurance recoverables was valued using the criteria described below and resulted in a lesser value with respect to the figure on the statutory financial statements of 10,957 thousand euros with reference to the non-life provisions and 8,884 thousand euros with reference to the life provisions.

D.1.10 Adjustment of best estimates transferred reserve

The adjustment for losses due to counterparty default connected with the best estimates transferred is calculated in compliance with Article 61 of Del. Reg. (EU) 2015/35.

Considering the probability of default of said counterparty during the following 12 months, the amounts that can be recovered from the reinsurance contracts with said counterparty, i.e. the best estimates discounted at the base rate and the duration of said amounts.

In the Company's valuations, the adjustment is calculated per individual business line and not per individual counterparty.

To this end, the quantities involved in the calculation referring to a specific counterparty (the probability of default) are aggregated so as to consider all reinsurers with which contracts are stipulated for the following 12 months and the related ratings, which, in turn, coincides with a pre-established probability of default. Starting from this probability of default, the odds ratio is calculated for the rating.

The adjustment for counterparty default to be applied to the best estimate of the claims provision transferred for all non-life segments is 107 thousand euros, whilst the adjustment for counterparty default to be made to the best estimate of the premium provision transferred for all non-life segments is 24 thousand euros.

The adjustment for the counterparty default to consider the best estimate ceded for the total life business amounts to 19 thousand euros and does not apply to health guarantees. Therefore the best estimate, excluding the health business, is equal to 17,438 thousand euros.

D.1.11 Other asset items

The other asset items mainly refer to insurance and reinsurance receivables, other receivables (mainly comprising tax receivables for deposits on tax) and liquid funds.

These items are booked on the statutory financial statements according to their presumed realisation value or face value. On the Solvency II financial statements, the same amount is booked, considering the non-significant changes to fair value in view of expiries that tend to be close together.

D.2 Valuation of the technical provisions

According to Directive, the Technical Provisions are defined as the sum of the Best Estimate and the Risk Margin.

The best estimate is therefore the current value expected from future cash flows, discounted using the risk-free rates curve as at the valuation date supplied by EIOPA. The Risk Margin is calculated by determining the cost of establishing an amount of

admissible own funds, equal to the solvency capital requirement necessary to meet the insurance and reinsurance obligations for their entire life span.

D.2.1 Non-life technical provisions

The valuations of the best estimate of the claims provision and premium provision are prepared separately, as established by Article 36 of Del. Reg. 2015/35.

D.2.1.1 Calculation method and main hypotheses

For the best estimate of the claims provision, the chain ladder method applies, after verifying the hypotheses underlying said method (test for calendar year effect, test for linear correlation).

In measuring the claims provision, consideration is given to all cash out relative to claims made (including IBNR) and the related costs. More specifically, liquidation costs that cannot be traced to an individual claim, classed as ULAE (Unallocated Loss Adjustment Expenses) are valued separately, as required by Art. 68 of IVASS Regulation no. 18. Moreover, as defined by Art. 31 of Del. Reg. 2015/35, investment management expenses come under the expenses to be considered when calculating the best estimate. Cash in relative to the claims provision is instead represented by the estimate of the amounts recovered, for which the best estimate is valued separately. Therefore, the claim provision is obtained as the algebraic sum of the best estimate of the claims provision net of ULAE, the best estimate of the ULAE, the best estimate of collections and the best estimate of investment management expenses.

With reference to the premium provision, cash flow forecasts consider the claims that will be made after the valuation date and relative to contracts in place as at the valuation date.

For its estimate, the simplification applies for the premium provision, as set out in annex 6 to IVASS Regulation no. 18.

Cash in regarding the premium provision consists of future premiums relating to annual, multi-year and posthumous policies present in the portfolio as at the valuation date and recoveries considered in the ratios involved in the simplified calculation.

The calculation of the premium provision also includes the estimate of the Investment Management Expenses.

In compliance with Articles 77 and 81 of the Directive, the best estimate is calculated gross of the amounts that can be recovered from the reinsurance contracts, which are calculated separately. These amounts are adjusted to consider potential reinsurer default.

A separate valuation relative to the risks assumed by indirect insurance (accepted proportional reinsurance business) is carried out for both the premium provision and the claim provision.

In the valuations relative to 31 December 2018, there was no unbundling of the contracts in the portfolio.

The volatility adjustment measures were applied while the matching adjustment measures, pursuant to Article 30-bis, paragraph 6, letters a), b) and c) of the Private Insurance Code (Italian Legislative Decree no. 74 of 12 May 2015 – CAP and subsequent modifications), were not applied.

D. Valuation for Solvency Purpose

D.2.1.2 Input data

In order to estimate the claim provision, so as to perform an appropriate actuarial analysis, historic data was considered, aggregated into triangular matrices (run-off triangles), in which the rows represent the years when the loss event occurred (year of occurrence) and the columns represent the years when the claim was paid or reserved (year of development).

As regards the premium provision, the input data used was obtained partly from the Company's plan and suitably aggregated into homogeneous risk classes, according to the classification in lines of business (LoB) pursuant to annex 1 to Del. Reg. 2015/35.

The statutory lines of business "Accidents" and "Healthcare" have been reclassified by Solvency II line of business in view of the risks insured.

In the case of the MTPL (Motor Third Party Liability) LoB, when identifying homogeneous groups of risks, CARD and non-CARD claims were considered separately, as indicated by the Supervisory Authority in IVASS Regulation No. 18 of 15 March 2016.

D.2.1.3 Settlement costs

Settlement costs are divided up into two macro categories: expenses relating to individual claims "allocated Loss Adjustment Expenses" (ALAE) and expenses not relating to individual claims "unallocated loss adjustment expenses" (ULAE).

D.2.1.4 Claims provision

As described in the paragraphs above, the amount of the claims provision consists of the algebraic sum of the individual components of cash in and cash out.

The valuations are performed by the Company by means of the software ResQ.

D.2.1.4.1 Best Estimate claims provision (BEL) – direct business

For the valuation of the claims provision, HDI Assicurazioni uses the chain ladder method on the triangles of paid amounts, gross of ALAE expenses only.

The result obtained from the forecast is the ultimate cost of claims, from which the undiscounted best estimate of liabilities (UBEL) can be obtained.

Gross of cessions under reinsurance, the BEL, for each LoB, is obtained by discounting the expected future payments of gross UBEL with the interest rate curve.

Discounting hypothesises that payments will be made midway through the year.

Valuations are prepared separately for each LoB.

The UBEL value of the claims provision (net of ULAE expenses) for all non-life segments comes to 634,350 thousand euros, whilst the corresponding discounted value is 617,328 thousand euros.

D.2.1.4.2 Best Estimate ULAE

As for the estimate of the claims provision gross of ALAE expenses only, also for the best estimate of ULAE expenses, the chain ladder method is used, following the same valuation steps.

The UBEL of the ULAE value for all non-life segments comes to 10,158 thousand euros, whilst the corresponding discounted value is 9,959 thousand euros.

D.2.1.4.3 Best estimate of collections

The valuation of the best estimate of collections involves a preliminary analysis of the triangles of the amounts recovered, so as to assess the numerical balance of the information necessary in order to apply the actuarial method rather than the simpler, statistical method.

The BEL of collections, for each LoB, is calculated by discounting the expected future payments of UBEL with the interest rate curves.

The UBEL value of collections for all non-life segments comes to 10,974 thousand euros, whilst the corresponding discounted value is 10,559 thousand euros.

D.2.1.4.4 Best Estimate – Business accepted

The BEL of the claims provision of risks accepted under reinsurance, for each LoB, is calculated by discounting the expected future payments of UBEL, measured in the local GAAP financial statements, with the interest rate curves.

As, as at that date, the General Liability Insurance LoB alone was involved by said business, the undiscounted best estimate is 297 thousand euros and the discounted best estimate is 291 thousand euros.

D.2.1.4.5 Claims provision - Business transferred

The BEL of cessions under reinsurance of the claims provision, for each LoB, is calculated by discounting the expected future payments of the UBEL transferred, with the interest rate curves. The operating procedure used to determine and discount cash flows transferred is similar to that of direct business.

The level of granularity used to calculate the technical provisions corresponds to the lines of business.

The UBEL of the claims provision transferred for all non-life segments comes to 25,348 thousand euros whilst the corresponding discounted value is 25,026 thousand euros.

An adjustment is made to these best estimates to consider any reinsurer default, the amount of which is given in section D.1.10.

D.2.1.5 Premium provision - Direct business

The UBEL of the premium provision is valued in accordance with the provisions of Annex 6 of IVASS Regulation no. 18 of 15 March 2016 and the related annex "Application clarifications on IVASS Regulation no. 18 of 15 March 2016 concerning the application rules for the determination of technical provisions under the Solvency II system".

The Premium Provision is set aside to cope with future costs and claims relating to existing contracts. The UBEL relative to the Premium Provision is calculated by individual LoB, by means of the sum of two components.

- claims component that can be estimated by applying the estimated prospective loss ratio to the UPR (Unearned Premium Reserve) and the FP (Future Premium);

D. Valuation for Solvency Purpose

- expense component obtained by applying the estimate of the indicators of the prospective plan relative to costs (acquisition cost ratio and expense ratio) to the UPR and FP.

Starting from the UBEL thus obtained, the BEL of the premium provision for each LoB is calculated by discounting the expected future payments of the UBEL (cash flow) with the reference interest rate curve.

The UBEL value of the premium provision for all non-life segments comes to 165,797 thousand euros, whilst the corresponding discounted value is 160,975 thousand euros.

D.2.1.5.1 Present Value Future Premium

In order to determine future premiums, only the policies held in the portfolio are considered, which, as at the valuation date, have generated premium provisions by which to cope with the future cost of claims relative to risks that have not been extinguished as at the valuation date.

The value of future premiums for all non-life segments comes to 42,621 thousand euros, whilst the corresponding discounted value is 42,602 thousand euros.

D.2.1.5.2 Premium provision - Risks assumed

The BEL of the premium provision of risks accepted, for each LoB, is calculated by discounting the expected future payments of UBEL, measured in the local GAAP financial statements, with the interest rate curves.

As at that date, only the General liability insurance LoB was involved by this business. The undiscounted best estimate is 17 thousand euros and the discounted best estimate comes in at 16 thousand euros.

D.2.1.5.3 Premium provision - Risks transferred

The Company values the UBEL of the Premium provision transferred by applying the same calculation method as used for direct business.

The UBEL of the premium provision transferred for all non-life segments comes to 4,442 thousand euros whilst the corresponding discounted value is 4,330 thousand euros.

An adjustment is made to these best estimates to consider any reinsurer default, as described in section D.1.10.

D.2.1.6 Investment management expenses

The total UBEL value of investment management expenses comes to 2,000 thousand euros, whilst the corresponding discounted value is 1,930 thousand euros.

D.2.1.7 Discounting

The best estimate is the current value expected of future cash flows discounted using the relevant structure by maturity of risk-free interest rates without volatility adjustment, supplied by EIOPA. Volatility adjustment was used to determine the Technical Provisions, therefore it was considered in all the values shown in the tables.

D.2.1.8 Risk margin

For the valuation YE 2018, method 2 was applied, described in annex 4 to 2016 IVASS Regulation no. 18.

The risk margin of all non-life segments is 27,641 thousand euros.

D.2.1.9 Comparison with the statutory financial statements

The table below gives the values of the non-life technical provisions, calculated according to Solvency II standards, compared with the values of the statutory technical provisions.

NON-LIFE TECHNICAL PROVISIONS		(amounts in EUR thousand)	
	Solvency II value	Statutory accounts value	Variation
Technical Provisions - non life	807,582	870,798	-63,216
Technical Provisions - non life (excluding health)	778,010	832,950	-54,940
Technical Provisions calculated as a whole	-		
Best estimate	750,895		
Risk margin	27,115		
Technical Provisions - health (similar to non-life)	29,573	37,848	-8,275
Technical Provisions calculated as a whole	-		
Best estimate	29,046		
Risk margin	526		

The difference between the solvency and statutory reserves is mainly due to:

- a different aggregation of risks by lines of business;
- a different aggregation of the input data provided separately in the Local gaap and Solvency II principles;
- the actuarial reserve model used for calculating the Best estimates of the direct business claims provisions;
- the inability to include in local GAAP accounts the present value of the foreseeable amount needed for the settlement of future claims and to apply other forms of deduction or discount (Art. 26 of ISVAP Regulation No. 16/2008);
- the different criterion for calculating best estimates of premium provisions that, differently to local valuations, considers claims and expenses deriving from contracts that existed at the time of valuation, obtained starting from the plan indicators and future premiums on contracts in place;
- the other technical provisions required by local GAAP, such as the reserve for unexpired risks, the equalisation reserve and the ageing reserve;
- the best estimates of the amounts recovered as envisaged in the Solvency II rules;
- the amount of the risk margin required by the Solvency II rules;
- the adjustment for counterparty default made to the provisions transferred on the Solvency II financial statements.

D.2.1.9.1 Level of uncertainty associated with the value of the technical provisions

The level of uncertainty associated with the value of the technical provisions depends on endogenous factors of the triangles used for the estimates and external factors such as the incorporation of new regulations, atmospheric events, social phenomena, inflation, return rates, etc.

D. Valuation for Solvency Purpose

As regards the claims provision, the issue of new laws and regulations can influence the amounts of compensation. Mere deferral of the timing of claims payments, due, for example, to legal disputes, can create inflation effects that result in larger payments being made than had been estimated.

In the case of the MTPL class, an economic crisis could lower the frequency of claims or, vice versa, an economic recovery could cause them to rise. Worsening of weather conditions, with exceptional events, can result in an increase to the frequency of claims in the MTPL, MOD and Fire segments, and for the latter two, the onset of catastrophe claims (not necessarily linked to the weather conditions).

As regards the Medical class, an increase in the outlay for medical expenses would, presumably, result in an increase in the number of claims reported.

As regards the premium provisions, the uncertainty of the estimate is linked to the ratios estimated on the Company's prospective plan, involved in the calculation and term of policies in the portfolio: for example, for the GTPL and Fire segments, future premiums are considered for a fairly long term, during which the insured party may decide to rescind from the contract early. However, as mentioned in the previous paragraphs, in order to attenuate this particular type of risk, the relevant hypotheses are applied to the contractors' conduct.

D.2.2 Life technical provisions

The valuation of the best estimate is calculated as established by Article 35 of Del. Reg. 2015/35.

D.2.2.1 Calculation method and main hypotheses

The fair value of the best estimates coincides with the average of future cash flows weighted with probability, considering the time value of cash (current forecast value of future cash flows) on the basis of the relevant structure according to expiry of the risk-free interest rates.

The hypothesised forecasts used are the best estimate assumptions, as regards the technical risk component, the economic scenarios and the management actions for the modelling of market hypotheses.

D.2.2.2 Best estimate hypotheses

The calculation of the best estimate hypotheses is performed using actuarial and statistical techniques that are suitable for the lapse and mortality risks, starting out from a study of the historic series of these two phenomena. As regards the calculation of the hypothesised best estimates of expenses, the model used is analytical and based on the Company's financial statements data.

D.2.2.2.1 Market hypotheses

The forecasting model used to calculate the Best Estimate Liabilities, is dynamic and stochastic. The asset-liability approach is explicit, on a monthly basis, by means of the rebate of the return of separate managements, calculated according to the accounting standards of the funds and linked to the cash flow forecast of the liabilities.

D.2.2.3 Best estimate

The Best Estimate is calculated based on updated, credible information on realistic hypotheses and is developed using actuarial and statistical methods.

The best estimate is the market value of the future commitments with regards to insured parties. The forecast of cash flows used in calculating the Best Estimate, considers all incoming and outgoing cash necessary to settle the insurance and reinsurance obligations for the entire contractual term.

- **Cash in flow:**
 - **Future premiums:** additional single premiums, recurring single premiums, constant and re-evaluable annual premiums;
- **Cash out flow:**
 - **Benefits:** payment made upon expiry of the contract; amount paid in the event of the death of the insured party; amount paid in the event of policy redemption.
 - **Acquisition commissions:** commission on initial premiums, as envisaged by the mandate;
 - **Renewal commissions:** commission relative to recurring single premiums and annual premiums; management fee for single premiums.
 - **Initial and recurring expenses:** expenses incurred by the Company attributed to each policy.

The best estimate is therefore obtained from the current value of the above flows plus the current value of the portfolio still in place at the end of the forecast period.

D.2.2.3.1 Reinsurance

The amounts that can be recovered from the reinsurance contracts come to approximately 0.363% of the total gross best estimates. Reinsurance recoverables are calculated as the difference between the Gross and Net BELs and corrected with a factor that considers the reinsurer's probability of default.

D.2.2.4 Risk margin

In calculating the risk margin, it is assumed that the Insurance Company transfers the whole of its portfolio to a reference undertaking (RU). This fictitious company does not have any insurance contracts nor own funds, and should therefore be considered as "empty".

The Risk Margin can be interpreted and calculated as the cost of establishing an amount of admissible own funds, equal to the solvency capital requirement necessary to meet the insurance and reinsurance obligations for their entire life span.

The approach used to calculate the risk margin is cost of capital (CoC).

The risk margin of all life segments is 85,013 thousand euros.

D. Valuation for Solvency Purpose

D.2.2.5 Details by individual line of business

D.2.2.5.1 Insurance with profit participation

The Insurance with profit participation LoB includes products belonging to segregated management. In these contracts, the investment risk is borne by the Company, which in turn rebates part of the return to the insured parties. In calculating the Solvency II technical provisions, consideration is given of the impact of the general market conditions and management decisions.

The value of the best estimates calculated using volatility adjustment is 4,646,470 thousand euros (without using volatility adjustment it is 4,710,806 thousand euros).

D.2.2.5.2 Index-linked and unit-linked insurance

The Index-linked and unit-linked insurance LoB includes the Company's Open Pension Fund and the unit-linked and index-linked products.. The investment risk in this type of products is borne by the insured parties. The product offers the possibility of investing the contributions paid by the subscriber and, if envisaged, by the employer, in four different investment lines, on the basis of the insured party's risk profile. The equivalent value of the amounts paid is linked to the performance of units or NAVs of the segment in which the choice has been made to invest. One of the four Company investment lines envisages a guaranteed return of at least the amount paid in.

The value of the best estimates calculated using volatility adjustment is 313,353 thousand euros (without using volatility adjustment it is 313,899 thousand euros).

D.2.2.5.3 Other life insurance

The Other life insurance LoB includes temporary case of death policies and CPI products. Part of the business relating to these products is reinsured through excess treaties or excess units.

The value of the best estimates calculated using volatility adjustment is 81,761 thousand euros (without using volatility adjustment it is 82,738 thousand euros).

D.2.2.5.4 Health insurance

The Health insurance LoB includes long term care contracts. Approximately 98% of the reserves for this product are subject to reinsurance treaties. The best estimate value calculated is 175 thousand euros.

D.2.2.6 Comparison with the statutory financial statements

The table below gives the values of the life technical provisions, calculated according to Solvency II standards, compared with the values of the statutory technical provisions.

LIFE TECHNICAL PROVISIONS

(amounts in EUR thousand)

	Solvency II value	Statutory accounts value	Variation
Technical Provisions - life (excluding index-linked and unit-linked)	4,807,118	5,004,367	-197,248
Technical provisions - health (similar to life)	176	176	-
Technical Provisions calculated as a whole	-		
Best estimate	173		
Risk margin	3		
Technical Provisions - life (excluding health and index-linked and unit-linked)	4,806,943	5,004,191	-197,248
Technical Provisions calculated as a whole	-		
Best estimate	4,728,232		
Risk margin	78,710		
Technical Provisions - index-linked and unit-linked	326,327	343,606	-17,279
Technical Provisions calculated as a whole	-		
Best estimate	313,353		
Risk margin	12,974		

No particular differences are noted for the Health insurance LoB. Instead, with reference to the Insurance with profit participation LoB and Other life insurance LoB, the change to Solvency II involves a decrease of approximately 4% of the technical provisions with respect to those on the financial statements. This difference is given by the future cash flow discounting process and the performance revaluation mechanism, connected with foreseeable returns, calculated from the forecasting model. Finally, in the Index-linked and unit-linked insurance LoB, the move to Solvency II brings about a reduction of approximately 5.3% due to the commission withheld by the Company with respect to the statutory technical provisions, given that the fund units are already at market value.

D.2.2.6.1 Level of uncertainty associated with the value of the technical provisions

The valuation of the best estimates may be affected by changes in elements both external to the company (rate volatility, macroeconomic factors) and internal (such as, for example, redemptions, mortality, claims rates) as well as the time frame chosen for the forecast. The Company carries out independent sensitivity analyses aimed at verifying the level of uncertainty surrounding the technical provisions, when certain significant risk factors change.

D.2.3 Long-term guarantee measures (Volatility Adjustment)

Of all long-term guarantee measures available, the Company only uses volatility adjustment (VA), which adjusts the discount rate reference curve used to calculate the best estimate of insurance liabilities (BEL) for volatility, so as to attenuate the impact deriving from short-term volatility on the financial markets. Volatility adjustment applies to all insurance liabilities in the Company's Life segment portfolio. As at 31 December 2018, the Company's VA is 24bp, as is that of the market. In compliance with Art. 30-bis, paragraph 5 of the Private Insurance Code, the Company has prepared a liquidity plan, with forecast incoming and outgoing cash flows relative to the assets and liabilities subject to volatility adjustment; this can provide:

D. Valuation for Solvency Purpose

- evidence that the Company has sufficient liquid funds to cope with its obligations in stress periods, without having to recourse to the sale of non-liquid assets;
- evidence that the Company suitably manages and monitors the liquidity risk in respect of the business to which the VA is applied.

The table below shows the data related to the impact of the long-term guarantee measures on the Company's main economic variables. Data is composite, i.e. refer to the Company's total business (life + non-life). The zeroing of the VA increases the technical provisions by 1.22% and own funds of the Company drop by 9.41%. The solvency capital requirement drops by 4.23%, whilst the solvency ratio goes from 151.1% to 131.3%. The Company therefore maintains good coverage of the SCR, even when the VA is zeroed.

IMPACT OF VOLATILITY ADJUSTMENT

(amounts in EUR thousand)

	Amount with Long Term Guarantee measures and transitionals	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero
Technical provisions	5,941,028	6,013,771	72,743
Basic own funds	533,416	483,224	-50,192
Excess of assets over liabilities	456,463	406,271	-50,192
Restricted own funds due to ring-fencing and matching portfolio	-	-	-
Eligible own funds to meet Solvency Capital Requirement	533,416	483,224	-50,192
Tier I	447,463	397,271	-50,192
Tier II	85,953	85,953	-
Tier III	-	-	-
Solvency Capital Requirement	353,086	368,035	14,949
Eligible own funds to meet Minimum Capital Requirement	479,240	430,394	-48,846
Minimum Capital Requirement	158,889	165,616	6,727

D.3 Valuation of other liabilities

Valuation of the specific liabilities and potential liabilities takes place in accordance with the international accounting standards adopted by the European Commission in accordance with Regulation (EC) no. 1606/2002 (IAS/IFRS) and no adjustment is made to consider variations in the credit rating of the insurance or reinsurance undertaking after initial recognition. Potential liabilities, which are normally not booked in accordance with international accounting standards, in compliance with the Solvency II standards are instead valued if they are relevant, i.e. if information relating to current or potential values or the nature of said liabilities could affect the decisions or opinion of the envisaged user of said information, including the supervisory authorities. The value of the potential liabilities is equal to the current value expected of future cash flows required to settle potential liabilities for the entire duration of said potential liabilities, calculated using the structure by expiry of the basic risk-free interest rates.

D.3.1 Other technical provisions and potential liabilities

The Company has not recorded any other technical provisions and potential liabilities on its Solvency II financial statements.

D.3.2 Provisions other than technical provisions

The item contains provisions for risks and charges that represent liabilities of a determined nature, certain or probable, with date of occurrence or undetermined amounts.

In detail, this item, equal to 5,324 thousand euros, comprises provisions made for tax and other non-technical provisions, such as, for example, those made to the benefit of employees.

The evaluation is carried out in accordance with Article 75 of Directive 2009/138 / EC, and their value coincides with that of the statutory financial statements.

D.3.3 Pension benefit obligations

The item includes provisions made for severance indemnity (TFR), expenses for seniority premiums and to the provision for expenses for managers' medical policies, liabilities connected with the employee defined benefits plans that include disbursements subsequent to the termination of the contract of employment and that, in compliance with IAS 19, are subjected to actuarial assessment by using the Project Unit Credit Method. According to this method, the liability is determined considering a series of variables, namely mortality, forecast future changes to salary, the inflation rate envisaged, the expected return on investments, etc. The liability booked represents the current value of the foreseeable obligation, net of any assets to service the plans, and adjusted for any losses or non-amortised actuarial gains. The valuation underlying IAS 19 determined a value of the liabilities that was 226 thousand euros higher than that noted on the statutory financial statements.

D.3.4 Deposits from reinsurers

This item includes deposits received from reinsurers, which amount to 24,128 thousand euros and refer to the associate Hannover Rückversicherungs. There are no value differences between the Solvency II financial statements and the statutory financial statements.

D.3.5 Deferred tax liabilities

As specified above in paragraph D,1,2 - Deferred tax assets, to which we would refer you, prepaid and deferred tax is measured separately for IRES and IRAP purposes, according to the tax rates expected to be applied in the year in which the temporary differences will be cancelled out. Deferred tax liabilities on the Solvency II financial statements amount to 45,524 thousand euros.

D.3.6 Derivatives and financial liabilities and payables to credit institutes

The Company has not recorded any financial liabilities and payables to credit institutes recorded on its Solvency II financial statements.

D. Valuation for Solvency Purpose

D.3.7 Other liability (payables deriving from insurance operations and other payables, other liabilities)

Payables total 83,723 thousand euros and consist of payables due to insured parties, intermediaries and other payables deriving from direct insurance operations for 61,371 thousand euros (of which 21,682 thousand euros are represented by reserves for amounts payable on life segments, which in accordance with Solvency standards are reclassified as payables), payables deriving from reinsurance operations for 715 thousand euros and other non-insurance payables for 20,326 thousand euros. Other liabilities comes to 1,311 thousand euros and includes all liabilities not included in other items on the financial statements, such as, for example, accrued liabilities and deferred income.

These items are booked to the statutory financial statements at face value, which is considered representative of the fair value on the Solvency II financial statements.

D.3.8 Subordinated liabilities

Subordinated liabilities total 85,953 thousand euros and consist of three subordinated loans, of which one subscribed by the parent company HDI International AG (former Talanx International AG) for 43,693 thousand euros and two by Banca Sella for a total value of 42,160 thousand euros.

The subordinated liabilities, valued in compliance with Article 75 of Directive 2009/138/EC have the characteristics necessary to be classified as elements of level 2 own underlying funds in accordance with Solvency II regulations.

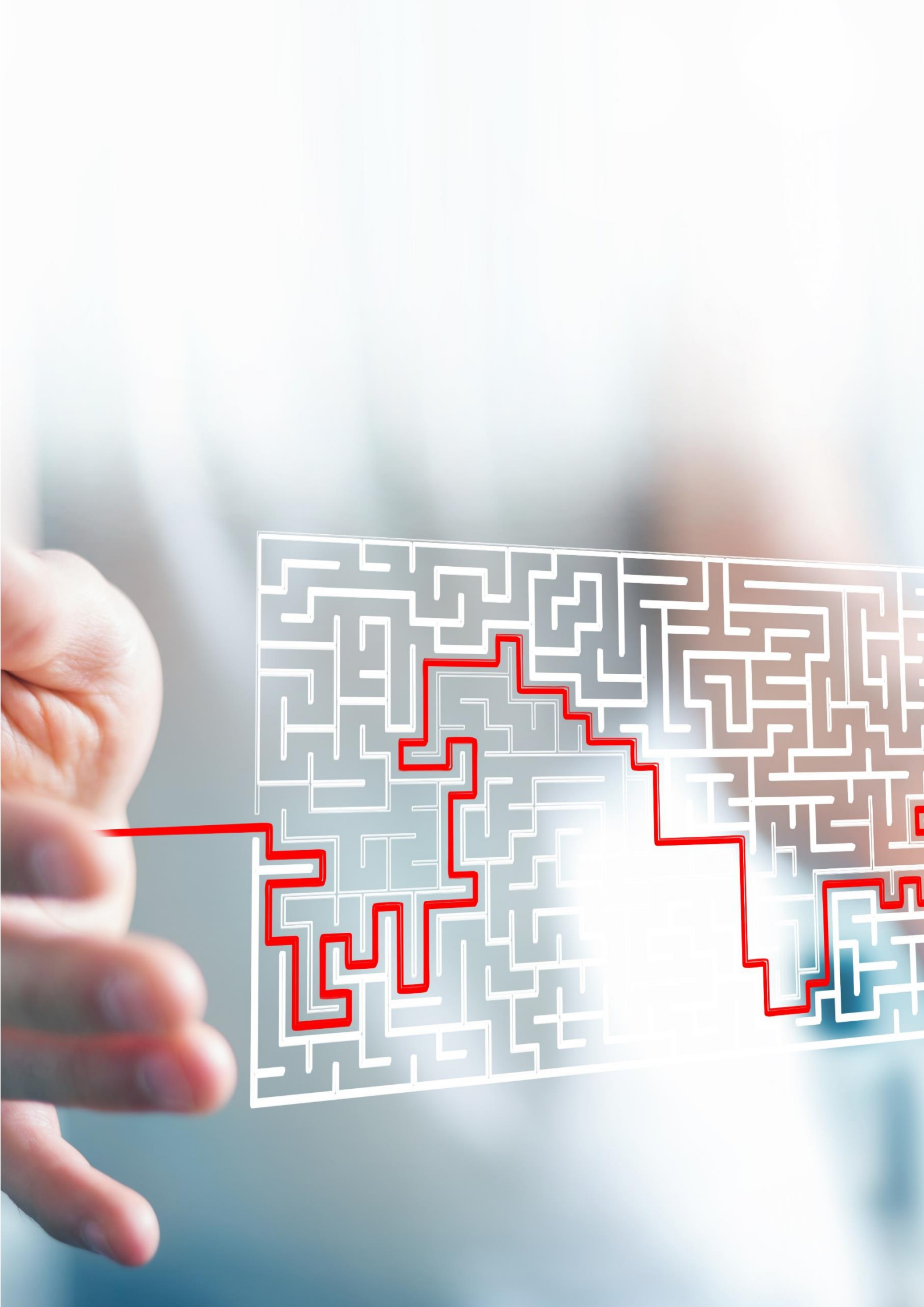
D.4 Alternative valuation methods

If the criteria adopted for the use of quoted market prices on active markets are not met, the Company has used valuation techniques that are appropriate to the circumstances and for which sufficient data is available for measuring the fair value, always maximising the use of observable inputs and minimising those that cannot be observed.

There are no alternative valuation methods for assets and liabilities with respect to what is indicated in the previous paragraphs.

D.5 Other information

There is not other substantive information on the valuation of the assets and liabilities for solvency purposes that has not already been included in the previous paragraphs.



[E. Capital Management]



E.1 Own funds

The own funds of an Insurance company represent the financial resources available to absorb any losses connected with the risks generated by the company business with a view to its operation as a going concern.

Own Funds are divided into basic funds and ancillary own funds and are classified into 3 Tiers according to the capacity to absorb losses over time.

Basic own funds can be classified at all levels, whilst accessory own funds can only be classified as tier 2 and tier 3.

Basic own funds consist of:

- the surplus assets with respect to liabilities (both valued at fair value in accordance with Art. 75 of the Directive);
- subordinated liabilities.

Accessory own funds consist of elements other than basic own funds, which can be recalled to absorb losses and whose use to cover the Solvency Capital Requirement (SCR) is subject to specific authorisation by the Supervisory Authority.

The following may be included in this category:

- share capital or initial funds not paid-in and not called-up;
- credit letters and guarantees;
- any other legally binding commitment received from the company.

These elements cannot be included in tier 1 and are not eligible to cover the Minimum Capital Requirement (MCR).

It is specified that tier 1 elements include the reconciliation reserve that is equal to the amount representing the total surplus of assets with respect to liabilities, reduced by the value:

- of the Company's own shares;
- of the dividends expected;
- of tier 2 and tier 3 own funds;
- of other tier 1 elements, naturally from the reconciliation reserve;
- of the excess of own funds on the notional SCR of ring fenced funds.

Own funds can be distinguished between admissible own funds, and therefore those that can be used to establish the margin, from those that are not eligible due to legal or regulatory restrictions.

Eligible own funds of all levels go towards covering the Solvency capital requirement (SCR), but the regulation establishes quantitative restrictions (Art. 82 of the Delegated Regulation 2015/35). In particular:

- the proportion of tier 1 elements must be 1/3 greater than the total amount of eligible own funds;
- the proportion of tier 3 elements must be 1/3 less than the total amount of eligible own funds. To cover the minimum solvency requirement (MCR), only eligible basic own funds can be used, of tier one or two.

Below are the quantitative limits described by the Solvency II Directive:

- the proportion of tier 1 must be at least 50% of the SCR;
- the amount of the elements belonging to Tier 3 must be less than 15% of the SCR;
- the sum of tier 2 and tier 3 elements cannot exceed 50% of the SCR.

Within the above limits, tier 1 subordinated liabilities (defined as "tier 1 restricted") cannot exceed the limit of 20% of the total of tier 1 elements.

E. Capital Management

The elements that should be included in higher tier levels, but in excess of the above limits, can be classified at the lower levels.

As regards conformity with the minimum capital requirements, the eligible amounts of tier 2 elements are subject to the following quantitative limits:

- the eligible amount of tier 1 elements is at least 80% of the minimum capital requirement;
- the eligible amount of tier 2 elements is no more than 20% of the minimum capital requirement.

E.1.1 Capital Management Policy

The Company's capital management policy defines, also in terms of the roles and responsibilities of the parties involved, the procedures governing the classification, issuance, monitoring, distribution and redemption of elements of own funds in accordance with the Medium-Term Capital Management Plan, that is part of the larger five-year process of Strategic Planning, approved by the Board of Directors, monitoring its proper implementation and ensuring that it is adequate and updated over time.

As part of the five-year strategic planning process, the capital management policy, together with the risk management process, is aimed at ensuring the availability of adequate own funds, by type and amount, to cover the risks assumed and therefore to maintain the current and prospective economic-financial equilibrium of the Company.

E.1.2 Available own funds

The table below shows the situation of the Company's own funds, broken down by Tier, as at 31 December 2018 and a comparison with the same data of the previous year.

OWN FUNDS

(amounts in EUR thousand)

Basic own funds	2018	2017	Variation	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital	96,000	96,000	-	96,000	-	-	-
Reconciliation reserve	351,463	357,388	- 5,925	351,463	-	-	-
Subordinated liabilities	85,953	85,328	625	-	-	85,953	-
Total	533,416	538,716	- 5,300	447,463	-	85,953	-

Own Funds at 31 December 2018 amounted to 533,416 thousand euros.

More specifically, the basic own funds of HDI Assicurazioni include:

- subordinated loans (including in tier 2 own funds), whose details are shown below; the cost of subordinated loans was considered net of the tax effects (potential recovery of interest expense) in order to determine the period profit/loss; these loans were exchanged at arm's length, upon authorisation by IVASS;
- reconciliation reserve.

Compared to the previous year, the amount of own funds decreased. The change is due to:

- a slight increase in the market value of subordinated liabilities;
- the decrease in the reconciliation reserve.

As regards the reconciliation reserve, the table below shows the components used to determine it, as well as a comparison with the previous year.

RECONCILIATION RESERVE		(amounts in EUR thousand)	
	2018	2017	Variation
Excess of assets over liabilities	456,463	460,388	-3,925
Own shares (held directly and indirectly)	-	-	-
Foreseeable dividends, distributions and charges	9,000	7,000	2,000
Other basic own fund items	96,000	96,000	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-	-	-
Reconciliation reserve	351,463	357,388	-5,925

Compared to the previous year, the reduction in the reconciliation reserve is due to:

- excess of assets over liabilities: there was a decrease of 3,925 thousand euros;
- dividends: in 2018 there was an increase of 2,000 thousand euros.

Subordinated Liabilities

The following table shows the details of the subordinated liabilities included in the Company Own funds at 31 December 2018.

SUBORDINATED LIABILITIES					(amounts in EUR thousand)
	Nominal	Issue date	Maturity	Interest rate	Value at 31/12/2018
HINT (former TINT)	42,700	21/06/2016	21/06/2046	4.90%	43,692
BANCA SELLA	13,500	10/12/2010	10/12/2020	4.15%	14,426
BANCA SELLA	27,240	30/06/2016	30/06/2026	5.50%	27,835
Total	83,440				85,953

E.1.3 Own funds used to cover the SCR and MCR

The Company has determined own funds used to cover the SCR and MCR.

The table below shows the situation as at 31 December 2018 of the own funds of HDI Assicurazioni, broken down by tier level, showing the changes that occurred between FY 2018 and the previous period.

AVAILABLE AND ELIGIBLE OWN FUNDS							(amounts in EUR thousand)
	2018	2017	Variation	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the SCR	533,416	538,716	-5,300	447,463	-	85,953	-
Total available own funds to meet the MCR	533,416	538,716	-5,300	447,463	-	85,953	-
Total eligible own funds to meet the SCR	533,416	538,716	-5,300	447,463	-	85,953	-
Total eligible own funds to meet the MCR	479,240	481,175	-1,935	447,463	-	31,778	-
SCR	353,086	308,748	44,338				
MCR	158,889	138,937	19,952				
Ratio of Eligible own funds to SCR	151.1%	174.5%					
Ratio of Eligible own funds to MCR	301.6%	346.3%					

E. Capital Management

The available Own Funds of the Company comply with the conditions of eligibility for coverage of the SCR and MCR defined by the legislation.

The amount of eligible Own Funds to meet the SCR is equal to 533,416 thousand euros, while the amount thereof to meet the MCR is equal to 479,240 thousand euros.

In 2018, the ratio of eligible own funds to SCR is 151.1%, down about 23 percentage points compared to the previous year.

E.1.4 Reconciliation between shareholders' equity from the financial statements and excess of assets over liabilities

The Market Consistent Balance Sheet at 31 December 2018 shows an excess of assets over liabilities equal to 456,463 thousand euros (460,389 thousand euros at 31 December 2017), higher by 202,861 thousand euros (221,144 thousand euros at 31 December 2017) with respect to the shareholders' equity resulting from the financial statements of the Company on the same date. This difference is due to the different evaluation of the equity components, as can be seen from the following reconciliation table:

SHAREHOLDERS' EQUITY RECONCILIATION - FROM LOCAL FINANCIAL STATEMENTS TO MCBS		(amounts in EUR thousand)	
	2018	2017	Variation
A) Shareholders' equity from the financial statements	253,602	239,245	14,357
<i>Adjustments by type of asset or liability:</i>			
Goodwill and Intangible assets	-24,878	-26,732	1,854
Property	5,455	5,047	408
Investments	31,132	173,692	-142,560
Adjustment participations	12,661	12,389	272
Technical provisions attributable to non-life reinsurers	-7,580	-6,327	-1,253
Technical provisions attributable to life reinsurers	-5,546	-5,376	-170
Non-life technical provisions	43,733	39,824	3,909
Life technical provisions	148,410	28,505	119,905
Subordinated liabilities	-396	35	-431
Employee benefits	-130	-157	27
Reversal of provisions	-	244	-244
B) Total Solvency II Adjustments	202,861	221,144	-18,283
C) Excess Assets over Liabilities Solvency II (A+B)	456,463	460,389	-3,926
D) Deliberate or foreseeable dividends	-9,000	-7,000	-2,000
E) Eligible Own Funds Solvency II (C+D)	447,463	453,389	-5,926

For more details about the valuation criteria adopted for the MCBS, as well as the quantitative information about the comparison with the financial statements, please refer to the "D. Valuation for Solvency Purpose".

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement

Under the scope of the integrated risk management, the solvency capital requirement (SCR) was calculated on data as at 31 December 2018. The calculation was performed using the standard formula with undertaking specific parameters.

As already reported in chapter C. Risk Profile, the evaluations made with the use of Undertaking Specific Parameters (USP), with reference to the Non Life risk module, concern the following segments:

- Motor vehicle liability insurance (local Lob 10 or MVL segment);
- Other motor insurance (local Lobs 3 and 4 or OMI segment);
- Fire and other damage to property insurance (local LoBs 8 and 9 or FODP segment);
- General Liability Insurance (local LoB 13 or GLI segment).

As envisaged by Art. 45-duodecies of the Private Insurance Code, a simplified calculation has been used for the catastrophe risk sub-module, for life insurance and obtained as a product between the exposure to risk and a risk factor.

In calculating the Solvency Capital Requirement, the company has not used risk mitigation techniques entailing a significant increase in the basic risk or the creation of other risks in the calculation of the SCR and applied the adjustment for volatility pursuant to Article 36-septies, assessing conformity with capital requirements, both considering and not considering the above adjustments. The impact on the use of the adjustment for volatility on the data YE 2018 is 24 bps.

It also considered that for some life insurance contracts, part of the investment risk is borne by the insured parties, with consequent effects on the calculation of the comprehensive capital requirement.

The following table shows the details of the Company capital requirement related to each risk module, showing the effects of diversification and the adjustments considered, as well as a comparison with the previous year.

SOLVENCY CAPITAL REQUIREMENT

(amounts in EUR thousand)

	2018	2017	Variation %
Market risk	448,628	432,914	3.63%
Counterparty default risk	80,956	61,816	30.96%
Life underwriting risk	180,885	190,648	-5.12%
Health underwriting risk	18,189	18,190	-0.01%
Non-life underwriting risk	132,725	137,998	-3.82%
Diversification	-251,857	-248,160	1.49%
BSCR	609,526	593,407	2.72%
Operational risk	52,281	52,481	-0.38%
Loss-absorbing capacity of technical provisions	-197,220	-239,640	-17.70%
Loss-absorbing capacity of deferred taxes	-111,501	-97,499	14.36%
SCR	353,086	308,748	14.36%

The SCR value for FY 2018 amounts to 353,086 thousand euros, with an increase of about 14 percentage points compared to the previous year.

As can be seen from the table, Market Risk recorded an increase of about 4 percentage points compared to the previous year. The trend in market risk reflects the variation in the individual risk sub-modules.

E. Capital Management

The greatest change, in percentage terms, was recorded in Credit Risk; the change is due both to an increase in the risk related to Type 1 and Type 2 exposures. Compared to last year, the increase is due to an increase in liquidity for the Type 1 exposures, while, and to an increase in credits for Type 2 exposures.

With regard to technical risks, the SCR value has recorded an average reduction of about 4 percentage points.

E.2.2 Minimum Capital Requirement

The following table shows Minimum Capital Requirement (MCR) related to FY 2018, as well as a comparison with the previous year.

MINIMUM CAPITAL REQUIREMENT		(amounts in EUR thousand)	
	2018	2017	Variation %
MCR	158,889	138,937	14.36%

The MCR value at 31 December 2018 is equal to 158,889 thousand euros.

The Company holds basic own funds eligible to meet MCR of 479,240 thousand euros; therefore, the Company's MCR ratio is 301.6%, down by around 45 percentage points compared to the previous year. The reduction in the MCR Ratio is due both to an increase in the MCR and to a reduction in the eligible Own Funds to meet the same.

As can be seen from the QRT S.28.02.01 shown in Annex 1 of this document, the Minimum Capital Requirement is calculated based on the MCR combined, represented by the MCR cap value, the value of which is higher than the Absolute floor of the MCR.

E.3 Use of the share risk sub-module based on the duration in the calculation of solvency capital requirement

HDI Assicurazioni does not use the term-based share risk sub-module to calculate the solvency capital requirement.

E.4 Differences between the standard formula and the internal model

The Company does not use approved internal models to calculate the solvency capital requirement.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

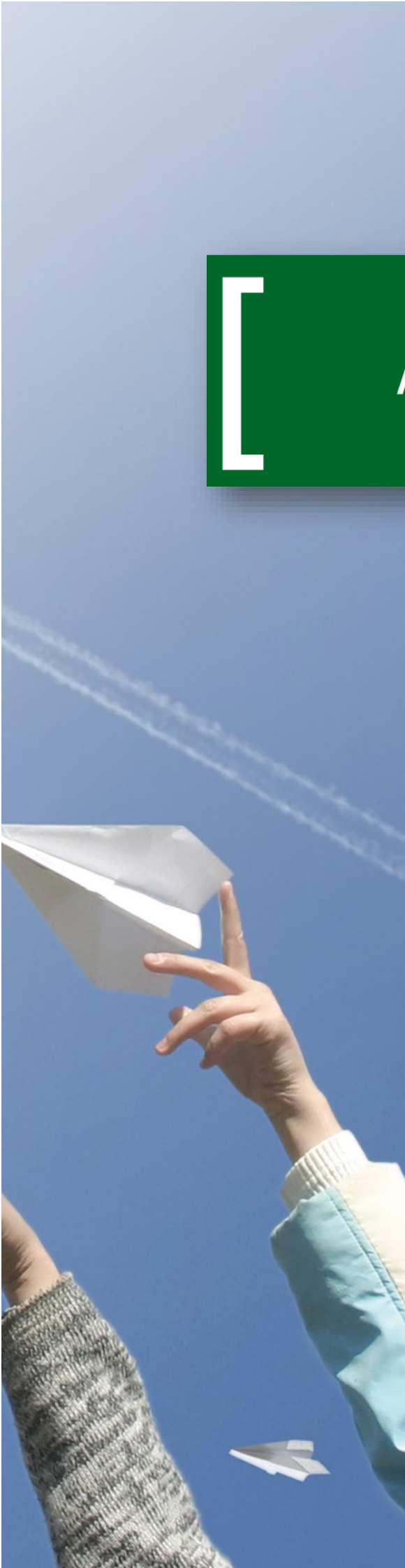
In FY 2018, there are no non-compliances worthy of note committed by the Company in relation to the minimum capital requirement and the solvency capital requirement.

E.6 Other information

With reference to FY 2018, there is no further relevant information on the Company's capital management, worthy of note.



[Annex 1 – QRT]



Annex 1 - QRT

This Annex reports, in line with the requirements of the European Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015, the templates of Solvency and Financial Condition Report of HDI Assicurazioni S.p.A.

The figures are indicated in thousand euros.

The reporting currency is the Euro.

The templates below are:

1. S.02.01.02 - Balance Sheet;
2. S.05.01.02 - Premiums, claims and expenses by line of business;
3. S.12.01.02 - Life and Health SLT Technical Provisions;
4. S.17.01.02 - Non-Life Technical Provisions;
5. S.19.01.21 - Non-life insurance claims;
6. S.22.01.21 - Impact of long term guarantees measures and transitionals;
7. S.23.01.01 - Own funds;
8. S.25.01.21 - Solvency Capital Requirement - Only Standard Formula;
9. S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity.

S.02.01 - Balance Sheet

		Solvency II value
Assets		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	39,651
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	5,651,653
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	94,203
<i>Equities</i>	<i>R0100</i>	<i>22,980</i>
Equities - listed	R0110	22,250
Equities - unlisted	R0120	730
<i>Bonds</i>	<i>R0130</i>	<i>5,387,694</i>
Government Bonds	R0140	2,490,220
Corporate Bonds	R0150	2,876,599
Structured notes	R0160	14,558
Collateralised securities	R0170	6,316
Collective Investments Undertakings	R0180	146,777
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	343,606
Loans and mortgages	R0230	1,314
Loans on policies	R0240	1,314
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	47,702
Non-life and health similar to non-life	R0280	29,225
Non-life excluding health	R0290	28,750
Health similar to non-life	R0300	475
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	17,610
Health similar to life	R0320	172
Life excluding health and index-linked and unit-linked	R0330	17,438
Life index-linked and unit-linked	R0340	867
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	65,627
Reinsurance receivables	R0370	4,362
Receivables (trade, not insurance)	R0380	98,194
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	393,236
Any other assets, not elsewhere shown	R0420	3,749
Total assets	R0500	6,649,095

S.02.01 - Balance Sheet

		Solvency II value
Liabilities		C0010
Technical provisions - non-life	R0510	807,582
Technical provisions - non-life (excluding health)	R0520	778,010
TP calculated as a whole	R0530	0
Best estimate	R0540	750,895
Risk margin	R0550	27,115
Technical provisions - health (similar to non-life)	R0560	29,573
TP calculated as a whole	R0570	0
Best estimate	R0580	29,046
Risk margin	R0590	526
TP - life (excluding index-linked and unit-linked)	R0600	4,807,118
Technical provisions - health (similar to life)	R0610	176
TP calculated as a whole	R0620	0
Best estimate	R0630	173
Risk margin	R0640	3
TP - life (excluding health and index-linked and unit-linked)	R0650	4,806,943
TP calculated as a whole	R0660	0
Best estimate	R0670	4,728,232
Risk margin	R0680	78,710
TP - index-linked and unit-linked	R0690	326,327
TP calculated as a whole	R0700	0
Best estimate	R0710	313,353
Risk margin	R0720	12,974
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	5,324
Pension benefit obligations	R0760	6,952
Deposits from reinsurers	R0770	24,128
Deferred tax liabilities	R0780	45,524
Derivatives	R0790	0
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	61,371
Reinsurance payables	R0830	715
Payables (trade, not insurance)	R0840	20,326
Subordinated liabilities	R0850	85,953
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	85,953
Any other liabilities, not elsewhere shown	R0880	1,311
Total liabilities	R0900	6,192,632
Excess of assets over liabilities	R1000	456,463

S.05.01 - 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				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	
Premiums written																		
Gross - Direct Business	R0110	3,380	24,434	0	233,012	38,868	1,924	35,031	24,244	20,772	2,546	6,550	201					390,962
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0	58	0	0	0	0					58
Gross - Non-proportional reinsurance accepted	R0130													0	0	0	0	0
Reinsurers' share	R0140	145	1,046	0	961	1,260	94	2,312	1,559	7,993	2,016	4,889	9	0	0	0	0	22,283
Net	R0200	3,235	23,388		232,052	37,608	1,830	32,719	22,744	12,778	530	1,661	191					368,737
Premiums earned																		
Gross - Direct Business	R0210	3,325	24,946	0	233,717	35,665	1,441	35,129	24,413	16,993	2,403	6,477	1,084					385,592
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	59	0	0	0	0					59
Gross - Non-proportional reinsurance accepted	R0230													0	0	0	0	0
Reinsurers' share	R0240	135	979	0	961	1,260	93	2,312	1,545	6,968	1,963	5,816	64	0	0	0	0	22,096
Net	R0300	3,190	23,967		232,757	34,405	1,349	32,817	22,927	10,025	440	661	1,020					363,556
Claims incurred																		
Gross - Direct Business	R0310	1,452	8,295	0	138,730	16,976	1,465	18,859	13,061	10,047	119	1,671	1,228					211,903
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0	13	0	0	0	0					13
Gross - Non-proportional reinsurance accepted	R0330													0	0	0	0	0
Reinsurers' share	R0340	46	263	0	763	-62	4	2,014	2,738	4,466	399	1,813	30	0	0	0	0	12,474
Net	R0400	1,406	8,032		137,966	17,038	1,461	16,846	10,336	5,581	-280	-143	1,199					199,442
Changes in other technical provisions																		
Gross - Direct Business	R0410	76	66	0	0	45	4	0	0	0	0	0	0					190
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0430													0	0	0	0	0
Reinsurers' share	R0440	0	59	0	0	0	0	0	0	0	0	0	0	0	0	0	0	59
Net	R0500	76	7			45	4	0										131
Expenses incurred	R0550	1,456	10,376	0	75,520	13,622	707	17,184	11,227	3,651	-659	-170	1,482	0	0	0	0	134,395
Other expenses	R1200																	0
Total expenses	R1300																	134,395

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written										
Gross	R1410	7	993,927	57,499	16,500	0	0	0	0	1,067,933
Reinsurers' share	R1420	4	1,607	0	6,376	0	0	0	0	7,988
Net	R1500	2	992,320	57,499	10,123					1,059,945
Premiums earned										
Gross	R1510	7	993,927	57,499	16,500	0	0	0	0	1,067,933
Reinsurers' share	R1520	4	1,607	0	6,376	0	0	0	0	7,988
Net	R1600	2	992,320	57,499	10,123					1,059,945
Claims incurred										
Gross	R1610	0	575,619	24,737	2,224	0	0	0	0	602,580
Reinsurers' share	R1620	0	6,125	0	2,685	0	0	0	0	8,810
Net	R1700		569,493	24,737	-460					593,770
Changes in other technical provisions										
Gross	R1710	-37	489,187	165	-7,576	0	0	0	0	481,739
Reinsurers' share	R1720	4	-4,794	0	-95	0	0	0	0	-4,885
Net	R1800	-41	493,981	165	-7,481					486,623
Expenses incurred	R1900	0	25,027	882	-1,071	0	0	0	0	24,839
Other expenses	R2500									0
Total expenses	R2600									24,839

S.12.01 - 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	Accepted reinsurance	Total (Life other than health insurance, including Unit-	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)							
			C0020	C0030	Contracts without options and guarantees C0040	Contracts with options or guarantees C0050	C0060	Contracts without options and guarantees C0070				Contracts with options or guarantees C0080	C0090	C0100				C0150	C0160	Contracts without options and guarantees C0170	Contracts with options or guarantees C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010	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	R0020	0	0			0			0		0	0			0	0	0							
Technical provisions calculated as a sum of BE and RM																								
Best Estimate																								
Gross Best Estimate	R0030	4,646,471		313,353	0		81,761	0	0		5,041,585		173	0	0	0	173							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	22,865		867	0		-5,427	0	0		18,305		172	0	0	0	172							
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	4,623,606		312,486			87,188				5,023,280		1				1							
Risk Margin	R0100	74,043	12,974			4,668			0		91,685	3		0	0		3							
Amount of the transitional on Technical Provisions																								
Technical Provisions calculated as a whole	R0110	0	0			0			0	0	0	0			0	0	0							
Best estimate	R0120	0		0	0		0	0	0	0	0		0	0	0	0	0							
Risk margin	R0130	0	0			0			0	0	0	0			0	0	0							
Technical provisions - total	R0200	4,720,513	326,327			86,429					5,133,270	176					176							

S.17.01 - Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:					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	Non-proportional property reinsurance		
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170		
Technical provisions calculated as a whole	R0010																	0	
Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050																	0	
Technical Provisions calculated as a sum of BE and RM																			
Best estimate																			
Premium provisions																			
Gross - Total	R0060	480	16,656		65,357	17,491	386	32,449	9,491	14,484	530	803	3,270					161,396	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	13	113	0	0	0	0	0	60	3,510	228	382	0	0	0	0	0	4,306	
Net Best Estimate of Premium Provisions	R0150	467	16,543		65,357	17,491	386	32,449	9,431	10,974	302	421	3,270					157,090	
Claims provisions																			
Gross - Total	R0160	1,240	10,670		462,171	10,679	5,977	26,305	70,679	21,652	2,728	895	5,550					618,545	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	105	244	0	1,728	80	61	3,439	8,427	8,965	1,425	443	0	0	0	0	0	24,919	
Net Best Estimate of Claims Provisions	R0250	1,135	10,427		460,443	10,599	5,915	22,865	62,252	12,686	1,303	451	5,550					593,626	
Total Best estimate - gross	R0260	1,720	27,326		527,528	28,169	6,363	58,754	80,170	36,135	3,258	1,697	8,821					779,941	
Total Best estimate - net	R0270	1,602	26,970		525,800	28,089	6,301	55,315	71,682	23,660	1,605	872	8,821					750,716	
Risk margin	R0280	51	475	0	21,466	486	272	1,061	2,882	619	56	20	252	0	0	0	0	27,641	
Amount of the transitional on Technical Provisions																			
TP as a whole	R0290	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Best estimate	R0300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Risk margin	R0310	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Technical provisions - total																			
Technical provisions - total	R0320	1,772	27,801		548,994	28,656	6,635	59,815	83,052	36,754	3,314	1,717	9,072					807,582	
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	118	357		1,728	80	61	3,439	8,487	12,475	1,653	825						29,225	
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	1,653	27,444		547,266	28,575	6,574	56,376	74,564	24,279	1,661	892	9,072					778,357	

S.19.01 - Non-life insurance claims

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											4,592
2009	R0160	69,283	53,866	15,474	6,507	4,127	3,297	3,031	2,649	1,511	1,570	
2010	R0170	70,823	61,013	16,621	5,893	5,361	2,841	4,723	2,552	2,418		
2011	R0180	67,886	56,194	19,242	5,933	6,412	5,253	4,842	4,640			
2012	R0190	65,175	51,646	15,804	8,415	4,850	3,882	3,423				
2013	R0200	65,195	52,289	17,336	6,786	4,435	4,621					
2014	R0210	62,674	55,564	20,354	7,911	4,162						
2015	R0220	72,676	57,818	18,983	7,922							
2016	R0230	76,843	73,432	24,174								
2017	R0240	84,599	70,906									
2018	R0250	86,745										

	In Current year	Sum of years (cumulative)
	C0170	C0180
R0100	4,592	4,592
R0160	1,570	161,314
R0170	2,418	172,245
R0180	4,640	170,404
R0190	3,423	153,195
R0200	4,621	150,663
R0210	4,162	150,664
R0220	7,922	157,400
R0230	24,174	174,449
R0240	70,906	155,505
R0250	86,745	86,745
Total	215,172	2,188,792

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											45,962
2009	R0160	0	0	0	0	0	0	0	17,009	14,563	13,709	
2010	R0170	0	0	0	0	0	0	25,806	20,915	18,350		
2011	R0180	0	0	0	0	0	34,231	23,672	17,627			
2012	R0190	0	0	0	0	45,791	38,234	30,223				
2013	R0200	0	0	0	69,154	57,715	45,577					
2014	R0210	0	0	83,878	71,486	58,150						
2015	R0220	0	110,043	84,291	63,486							
2016	R0230	172,787	109,269	79,897								
2017	R0240	163,986	90,541									
2018	R0250	171,887										

	Year end (discounted)
	C0360
R0100	43,960
R0160	13,213
R0170	17,759
R0180	17,105
R0190	29,215
R0200	44,083
R0210	56,240
R0220	61,605
R0230	77,645
R0240	88,396
R0250	169,323
Total	618,545

S.22.01 - 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
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	5,941,028			72,743	
Basic own funds	R0020	533,416	0		-50,192	
Eligible own funds to meet Solvency Capital Requirement	R0050	533,416	0		-50,192	
Solvency Capital Requirement	R0090	353,086	0		14,949	
Eligible own funds to meet Minimum Capital Requirement	R0100	479,240	0		-48,846	
Minimum Capital Requirement	R0110	158,889	0		6,727	

S.23.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	96,000	96,000		0	
Share premium account related to ordinary share capital	R0030		0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040		0		0	
Subordinated mutual member accounts	R0050			0	0	0
Surplus funds	R0070		0			
Preference shares	R0090			0	0	0
Share premium account related to preference shares	R0110			0	0	0
Reconciliation reserve	R0130	351,463	351,463			
Subordinated liabilities	R0140	85,953		0	85,953	0
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180		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	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	533,416	447,463		85,953	

Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the SCR	R0500	533,416	447,463		85,953	
Total available own funds to meet the MCR	R0510	533,416	447,463		85,953	
Total eligible own funds to meet the SCR	R0540	533,416	447,463		85,953	
Total eligible own funds to meet the MCR	R0550	479,240	447,463		31,778	
SCR	R0580	353,086				
MCR	R0600	158,889				
Ratio of Eligible own funds to SCR	R0620	151.07%				
Ratio of Eligible own funds to MCR	R0640	301.62%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	456,463	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720	9,000	
Other basic own fund items	R0730	96,000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	R0760	351,463	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life Business	R0770	64,979	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	2,485	
Total Expected profits included in future premiums (EPIFP)	R0790	67,464	

S.25.01 - Solvency Capital Requirement - Only Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	448,628		
Counterparty default risk	R0020	80,956		
Life underwriting risk	R0030	180,885		
Health underwriting risk	R0040	18,189		
Non-life underwriting risk	R0050	132,725		
Diversification	R0060	-251,857		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	609,526		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	52,281
Loss-absorbing capacity of technical provisions	R0140	-197,220
Loss-absorbing capacity of deferred taxes	R0150	-111,501
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	353,086
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	353,086
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

S.28.02 - Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	103,918	

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	1,602	3,235	0	0
Income protection insurance and proportional reinsurance	R0030	26,970	23,388	0	0
Workers' compensation insurance and proportional reinsurance	R0040			0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	525,800	232,052	0	0
Other motor insurance and proportional reinsurance	R0060	28,089	37,608	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	6,301	1,830	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	55,315	32,719	0	0
General liability insurance and proportional reinsurance	R0090	71,682	22,744	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	23,660	12,778	0	0
Legal expenses insurance and proportional reinsurance	R0110	1,605	530	0	0
Assistance and proportional reinsurance	R0120	872	1,661	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	8,821	191	0	0
Non-proportional health reinsurance	R0140			0	0
Non-proportional casualty reinsurance	R0150			0	0
Non-proportional marine, aviation and transport reinsurance	R0160			0	0
Non-proportional property reinsurance	R0170			0	0

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	0		4,190,967	
Obligations with profit participation - future discretionary benefits	R0220	0		432,639	
Index-linked and unit-linked insurance obligations	R0230	0		312,485	
Other life (re)insurance and health (re)insurance obligations	R0240	0		87,189	
Total capital at risk for all life (re)insurance obligations	R0250		0		5,015,514

		Non-life activities	Life activities
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		140,098

Overall MCR calculation

		C0130
Linear MCR	R0300	244,016
SCR	R0310	353,086
MCR cap	R0320	158,889
MCR floor	R0330	88,272
Combined MCR	R0340	158,889
Absolute floor of the MCR	R0350	7,400
Minimum Capital Requirement		C0130
		158,889

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	103,918	140,098
Notional SCR excluding add-on (annual or latest calculation)	R0510	150,368	202,718
Notional MCR cap	R0520	67,665	91,223
Notional MCR floor	R0530	37,592	50,680
Notional Combined MCR	R0540	67,665	91,223
Absolute floor of the notional MCR	R0550	3,700	3,700
Notional MCR	R0560	67,665	91,223





[Annex 2 – Auditors' Report]





HDI Assicurazioni SpA

Relazione della società di revisione indipendente

ai sensi dell'articolo 47-septies, comma 7 del DLgs 7 settembre 2005, n° 209 e dell'articolo 4, comma 1, lettere A e B, del Regolamento IVASS n° 42 del 2 agosto 2018

***Modelli “S.02.01.02 Stato patrimoniale” e
“S.23.01.01 Fondi propri” e relativa informativa
contenuti nella Relazione sulla Solvibilità e sulla
Condizione Finanziaria al 31 dicembre 2018***

Relazione della società di revisione indipendente

ai sensi dell'articolo 47-septies, comma 7 del DLgs 7 settembre 2005, n° 209 e dell' articolo 4, comma 1, lettere A e B, del Regolamento IVASS n° 42 del 2 agosto 2018

Al Consiglio di Amministrazione di
HDI Assicurazioni SpA

Modelli “S.02.01.02 Stato patrimoniale” e “S.23.01.01 Fondi propri” e relativa informativa contenuti nella Relazione sulla Solvibilità e sulla Condizione Finanziaria al 31 dicembre 2018

Giudizio

Abbiamo svolto la revisione contabile dei seguenti elementi dell'allegata Relazione sulla Solvibilità e sulla Condizione Finanziaria (la “SFCR”) di HDI Assicurazioni SpA (la “Società”) per l'esercizio chiuso al 31 dicembre 2018, predisposta ai sensi dell'articolo 47-septies del DLgs 7 settembre 2005, n° 209:

- modelli “S.02.01.02 Stato Patrimoniale” e “S.23.01.01 Fondi propri” (i “modelli di MVBS e OF”);
- sezioni “D. Valutazione a fini di solvibilità” e “E.1. Fondi propri” (l’“informativa”).

Le nostre attività non hanno riguardato:

- le componenti delle riserve tecniche relative al margine di rischio (voci Ro550, Ro590, Ro640, Ro680 e Ro720) del modello “S.02.01.02 Stato Patrimoniale”;
 - il Requisito patrimoniale di solvibilità (voce Ro580) e il Requisito patrimoniale minimo (voce Ro600) del modello “S.23.01.01 Fondi propri”,
- che pertanto sono esclusi dal nostro giudizio.

I modelli di MVBS e OF e l'informativa, con le esclusioni sopra riportate, costituiscono nel loro insieme “i modelli di MVBS e OF e la relativa informativa”.

A nostro giudizio, i modelli di MVBS e OF e la relativa informativa inclusi nella SFCR di HDI Assicurazioni SpA per l'esercizio chiuso al 31 dicembre 2018, sono stati redatti, in tutti gli aspetti significativi, in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISAs). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile dei modelli di MVBS e OF e della relativa informativa* della presente relazione.

Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza del Code of Ethics for Professional Accountants (IESBA Code) emesso dall'International Ethics Standards Board for Accountants applicabili alla revisione contabile dei modelli e della relativa informativa.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Richiamo di informativa - Criteri di redazione, finalità e limitazione all'utilizzo

Richiamiamo l'attenzione alla sezione "D. Valutazione a fini di solvibilità" della SFCR che descrive i criteri di redazione. I modelli di MVBS e OF e la relativa informativa sono stati redatti, per le finalità di vigilanza sulla solvibilità, in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore, che costituisce un quadro normativo con scopi specifici. Di conseguenza possono non essere adatti per altri scopi. Il nostro giudizio non è espresso con rilievi con riferimento a tale aspetto.

Altri aspetti

La Società ha redatto il bilancio d'esercizio al 31 dicembre 2018 in conformità alle norme italiane che ne disciplinano i criteri di redazione, che è stato da noi assoggettato a revisione contabile a seguito della quale abbiamo emesso la nostra relazione di revisione datata 12 aprile 2019.

La Società ha redatto i modelli "S.25.01.21 Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard" e "S.28.02.01 Requisito patrimoniale minimo (MCR) - Sia attività di assicurazione vita che attività di assicurazione non vita" e la relativa informativa presentata nella sezione "E.2. Requisito patrimoniale di solvibilità e requisito patrimoniale minimo" dell'allegata SFCR in conformità alle disposizioni dell'Unione Europea direttamente applicabili, alla normativa nazionale di settore e ai parametri specifici dell'impresa, che sono stati da noi assoggettati a revisione contabile limitata, secondo quanto previsto dall'articolo 4 comma 1 lett. c) del Regolamento IVASS n° 42 del 2 agosto 2018, a seguito della quale abbiamo emesso in data odierna una relazione di revisione limitata allegata alla SFCR.

Altre informazioni contenute nella SFCR

Gli Amministratori sono responsabili per la redazione delle altre informazioni contenute nella SFCR in conformità alle norme che ne disciplinano i criteri di redazione.

Le altre informazioni della SFCR sono costituite da:

- i modelli “S.05.01.02 Premi, sinistri e spese per area di attività”, “S.12.01.02 Riserve tecniche per l’assicurazione vita e l’assicurazione malattia SLT”, “S.17.01.02 Riserve tecniche per l’assicurazione non vita”, “S.19.01.21 Sinistri nell’assicurazione non vita”, “S.22.01.21 Impatto delle misure di garanzia a lungo termine e delle misure transitorie”, “S.25.01.21 Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard” e “S.28.02.01 Requisito patrimoniale minimo (MCR) - Sia attività di assicurazione vita che attività di assicurazione non vita”;
- le sezioni “A. Attività e risultati”, “B. Sistema di governance”, “C. Profilo di rischio”, “E.2. Requisito patrimoniale di solvibilità e requisito patrimoniale minimo”, “E.3. Utilizzo del sottomodulo del rischio azionario basato sulla durata nel calcolo del requisito patrimoniale di solvibilità”, “E.4. Differenze tra la formula standard e il modello interno utilizzato”, “E.5. Inosservanza del Requisito patrimoniale minimo e inosservanza del requisito patrimoniale di solvibilità” e “E.6. Altre informazioni”.

Il nostro giudizio sui modelli di MVBS e OF e sulla relativa informativa non si estende a tali altre informazioni.

Con riferimento alla revisione contabile dei modelli di MVBS e OF e della relativa informativa, la nostra responsabilità è svolgere una lettura critica delle altre informazioni e, nel fare ciò, considerare se le medesime siano significativamente incoerenti con i modelli di MVBS e OF e la relativa informativa o con le nostre conoscenze acquisite durante la revisione o comunque possano essere significativamente errate. Laddove identifichiamo possibili incoerenze o errori significativi, siamo tenuti a determinare se vi sia un errore significativo nei modelli di MVBS e OF e nella relativa informativa o nelle altre informazioni. Se, in base al lavoro svolto, concludiamo che esista un errore significativo, siamo tenuti a segnalare tale circostanza. A questo riguardo, non abbiamo nulla da riportare.

Responsabilità degli Amministratori e del Collegio Sindacale per i modelli di MVBS e OF e la relativa informativa

Gli Amministratori sono responsabili per la redazione dei modelli di MVBS e OF e della relativa informativa in conformità alle norme che ne disciplinano i criteri di redazione e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione dei modelli di MVBS e OF e la relativa informativa che non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione dei modelli di MVBS e OF e della relativa informativa, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione dei modelli di MVBS e OF e della relativa informativa a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile dei modelli di MVBS e OF e della relativa informativa

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che i modelli di MVBS e OF e la relativa informativa, nel loro complesso, non contengano errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISAs) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base dei modelli di MVBS e OF e della relativa informativa.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISAs), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

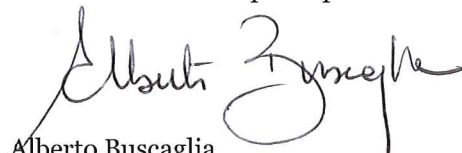
- abbiamo identificato e valutato i rischi di errori significativi nei modelli di MVBS e OF e nella relativa informativa, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile dei modelli di MVBS e OF e della relativa informativa allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei criteri di redazione utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori e della relativa informativa;

- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento.

Abbiamo comunicato ai responsabili delle attività di governance, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Milano, 18 aprile 2019

PricewaterhouseCoopers SpA



Alberto Buscaglia
(Revisore legale)



HDI Assicurazioni SpA

Relazione di revisione contabile limitata della società di revisione indipendente

*ai sensi dell'articolo 47-septies, comma 7 del DLgs 7 settembre 2005,
n° 209 e dell'articolo 4, comma 1, lettera C, del Regolamento IVASS n°
42 del 2 agosto 2018*

***Modelli "S.25.01.21 Requisito patrimoniale di solvibilità per le
imprese che utilizzano la formula standard" e "S.28.02.01
Requisito patrimoniale minimo - Sia attività di assicurazione
vita che attività di assicurazione non vita" e relativa
informativa contenuti nella Relazione sulla Solvibilità e sulla
Condizione Finanziaria al 31 dicembre 2018***

Relazione di revisione contabile limitata della società di revisione indipendente

ai sensi dell'articolo 47-septies, comma 7 del DLgs 7 settembre 2005, n° 209 e dell'articolo 4, comma 1, lettera C, del Regolamento IVASS n° 42 del 2 agosto 2018

Al Consiglio di Amministrazione di
HDI Assicurazioni SpA

Modelli “S.25.01.21 Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard” e “S.28.02.01 Requisito patrimoniale minimo - Sia attività di assicurazione vita che attività di assicurazione non vita” e relativa informativa contenuti nella Relazione sulla Solvibilità e sulla Condizione Finanziaria al 31 dicembre 2018

Introduzione

Abbiamo svolto la revisione contabile limitata dei modelli “S.25.01.21 Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard” e “S.28.02.01 Requisito patrimoniale minimo - Sia attività di assicurazione vita che attività di assicurazione non vita” (i “modelli di SCR e MCR”) e dell’informativa presentata nella sezione “E.2. Requisito patrimoniale di solvibilità e requisito patrimoniale minimo” (l’“informativa” o la “relativa informativa”) dell’allegata Relazione sulla Solvibilità e sulla Condizione Finanziaria (“SFCR”) di HDI Assicurazioni SpA (nel seguito anche la “Società”) per l’esercizio chiuso al 31 dicembre 2018, predisposta ai sensi dell’articolo 47-septies del DLgs 7 settembre 2005, n° 209.

I modelli di SCR e MCR e la relativa informativa sono stati redatti dagli Amministratori sulla base delle disposizioni dell’Unione Europea direttamente applicabili, e della normativa nazionale di settore e dei parametri specifici dell’impresa così come descritto nell’informativa della SFCR e come approvato da parte di IVASS.

Responsabilità degli Amministratori

Gli Amministratori sono responsabili per la redazione dei modelli di SCR e MCR e della relativa informativa in conformità alle disposizioni dell’Unione Europea direttamente applicabili, alla normativa nazionale di settore e ai parametri specifici dell’impresa così come descritto nell’informativa della SFCR e come approvato da parte di IVASS e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione dei modelli di SCR e MCR e della relativa informativa che non contengano errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali.

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Responsabilità del revisore

È nostra la responsabilità di esprimere una conclusione sui modelli di SCR e MCR e sulla relativa informativa. Abbiamo svolto la revisione contabile limitata in conformità al principio internazionale sugli incarichi di revisione contabile limitata (*ISRE*) 2400 (*Revised*), *Incarichi per la revisione contabile limitata dell'informativa finanziaria storica*. Il principio *ISRE* 2400 (*Revised*) ci richiede di giungere a una conclusione sul fatto se siano pervenuti alla nostra attenzione elementi che ci facciano ritenere che i modelli di SCR e MCR e la relativa informativa non siano redatti, in tutti gli aspetti significativi, in conformità alle disposizioni dell'Unione Europea direttamente applicabili, alla normativa nazionale di settore e ai parametri specifici dell'impresa così come descritto nell'informativa della SFCR e come approvato da parte di IVASS. Tale principio ci richiede altresì di conformarci ai principi etici applicabili.

La revisione contabile limitata dei modelli di SCR e MCR e della relativa informativa conforme al principio *ISRE* 2400 (*Revised*) è un incarico di assurance limitata. Il revisore svolge procedure che consistono principalmente nell'effettuare indagini presso la direzione e altri soggetti nell'ambito dell'impresa, come appropriato, e procedure di analisi comparativa, e valuta le evidenze acquisite. Le procedure svolte in una revisione contabile limitata sono sostanzialmente minori rispetto a quelle svolte in una revisione contabile completa conforme ai principi di revisione internazionali (ISAs).

Pertanto non esprimiamo un giudizio di revisione sui modelli di SCR e MCR e sulla relativa informativa.

Conclusione

Sulla base della revisione contabile limitata, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che i modelli di SCR e MCR e la relativa informativa inclusi nell'allegata SFCR di HDI Assicurazioni SpA per l'esercizio chiuso al 31 dicembre 2018, non siano stati redatti, in tutti gli aspetti significativi, in conformità alle disposizioni dell'Unione Europea direttamente applicabili, alla normativa nazionale di settore e ai parametri specifici dell'impresa così come descritto nell'informativa della SFCR e come approvato da parte di IVASS.

Criteri di redazione, finalità e limitazione all'utilizzo

Senza esprimere la nostra conclusione con modifica, richiamiamo l'attenzione alla sezione "E.2. Requisito patrimoniale di solvibilità e requisito patrimoniale minimo" della SFCR che descrive i criteri di redazione dei modelli di SCR e MCR. I modelli di SCR e MCR e la relativa informativa sono stati redatti, per le finalità di vigilanza sulla solvibilità, in conformità alle disposizioni dell'Unione Europea direttamente applicabili, alla normativa nazionale di settore e ai parametri specifici dell'impresa, che costituiscono un quadro normativo con scopi specifici. Di conseguenza possono non essere adatti per altri scopi. In particolare, in conformità a quanto previsto dall'articolo 45-sexies, comma 7, del DLgs 7 settembre 2005, n° 209, l'utilizzo dei parametri specifici dell'impresa, sinteticamente descritti



nell'informativa della SFCR è stato approvato dall'IVASS nell'esercizio delle proprie funzioni di vigilanza.

Come previsto dall'articolo n° 13 del Regolamento IVASS n° 42 del 2 agosto 2018, le nostre conclusioni non si estendono alle determinazioni assunte dall'IVASS nell'esercizio delle sue funzioni di vigilanza e quindi, in particolare, all'idoneità dei parametri specifici dell'impresa rispetto allo scopo definito dalle disposizioni dell'Unione Europea direttamente applicabili e dalla normativa nazionale.

Milano, 18 aprile 2019

PricewaterhouseCoopers SpA

A handwritten signature in black ink, appearing to read "Alberto Buscaglia". The signature is fluid and cursive, with the first name "Alberto" and the last name "Buscaglia" clearly distinguishable.

Alberto Buscaglia
(Revisore legale)



HDI Assicurazioni SpA

(Parent Company of "HDI Assicurazioni"
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Of Group Insurance Company with n. 015)

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