Solvency and Financial Condition Report

2020

Index

Introduction

Generali Česká pojišťovna a.s. (the Company), falling under the scope of Solvency II Directive reporting, is required to prepare its own Solvency and Financial Condition Report (SFCR). This is in accordance with Directive 2009/138/EC (the Solvency II Directive) as well as with Delegated Regulation 2015/35/EC (the Delegated Regulation) and the related Guidelines.

Policyholders and beneficiaries are the main SFCR addressees. The SFCR ensures increased market transparency through support for the application of best practices, and also supports greater market confidence that leads to an improved understanding of the insurance business.

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

When disclosing the information referred to in this report, figures reflecting monetary amounts will be disclosed in thousands of Czech crowns (CZK), which is the Company's functional currency, unless otherwise stated. Negligible differences can arise due to rounding.

This document was approved by the Company's Board of Directors on 1 April 2021.

Glossary

AFS	Available For Sale
AHD	Accident, Health and Disability
ALAE	Allocated Loss Adjustment Expenses
ALM	Asset Liability Management
AMSB	Administrative, Management and Supervisory Body
BEL	Discounted Best Estimate of Liabilities
Board	Board of Directors
BOF	Basic Own Funds
BSCR	Basic Solvency Capital Ratio
CAT	CATastrophic risk
CAT XL	CATastrophe eXcess of Loss reinsurance contract
CB	Contract Boundaries
CDA	Counterparty Default Adjustment
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIB	Czech Insurers' Bureau
CMP	Capital Management Plan
CoC	Cost of Capital
COR	Combined Ratio
CRO	Chief Risk Officer
CV	Curriculum Vitae
CZK	Czech crowns
CNP	Czech Nuclear Insurance Pool
D&O	Directors and Officers Liability
DFM	Development Factor Models
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EC	European Community
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected Profit Included in Future Premiums
EU countries	Countries of the European Union
EUR	Euro
FV	Fair Value
FVTPL	Fair Value Through Profit or Loss
FX derivates	Foreign eXchange derivates
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GCC	Global Corporate and Commercial
GCRO	Group Chief Risk Officer
Generali	Assicurazioni Generali S.p.A. - the ultimate parent company of the Company
GIGP	Group Investment Governance Policy
GIRG	Group Investment Risk Guidelines
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
ICS	Internal Control System
ID number	IDentification number
IFRS	International Financial Reporting Standards
IT	Information Technology
L	Life insurance
LAE	Lost Adjustment Expenses
LAF	Life Actuarial Function
LDC	Loss Data Collection
LoB	Line of Business
LTI	Long Term Incentive programs
MCR	Minimum Capital Requirement
MCZK	Millions of Czech crowns
MTPL	Motor Third Party Liability
MVBS	Market Value Balance Sheet
MVM	Market Value Margin
NAT CAT	Natural Catastrophic excess of loss reinsurance contract
NCC	New Civil Code
NG	Percentage of IFRS Net Outstanding Claims Reserve on IFRS Gross Outstanding Claims Reserve for each accident year
NL	Non-life Insurance
No	Number
OCR	Outstanding Claims Reserve
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty, Non-life insurance
P&L	Profit and Loss
PDF	Probability Distribution Forecast
PIM	Partial Internal Model
QRT	Quantitative Reporting Template
RA	Risk Adjustment
RAF	risk appetite framework
RBNS	Reported But Not Settled
ResQ	Group Reserving Tool
RFF	Ring Fenced Funds
RM	Risk Margin
RSR	Regular Supervisory Report
RUB	Russian rouble
SAA	Strategic Asset Allocation
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II: the set of legislative and regulatory provisions introduced following the issue of Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009

SLT	Similar to Life Techniques
SME business	Small and Medium-Sized Enterprise business
SPV	Special Purpose Vehicle
STI	Short Term variable Incentives
TCZK	Thousands of Czech crowns
the Bureau	Czech Insurers' Bureau
the Company	Česká pojišťovna, a.s.
TP	Technical Provisions
TPL	Third Party Liability
TRCR	Technical Reserves Coverage Requirement
UBEL	Undiscounted Best Estimate of Liabilities
UL (products)	Unit-linked products
ULAE	Unallocated Loss Adjustment Expenses
UW	Underwriting
VaR calculation	Value at Risk calculation
XL	Excess of Loss reinsurance
YE	Year End

Summary

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

BUSINESS AND PERFORMANCE (SECTION A)

Generali Česká pojišťovna is a composite insurance company providing individual life and non-life insurance as well as insurance for small, medium and large clients covering risks in industry, business and agriculture. On 21 December 2019, as part of the Generali Group insurance activities concentration process, Generali Česká pojišťovna took over local insurance portfolios from the former Generali Pojišťovna a.s. and from Česká pojišťovna ZDRAVÍ a.s. On 21 December 2020, the process was finalised and foreign insurance portfolios and the reinsurance contract portfolio were also transferred.

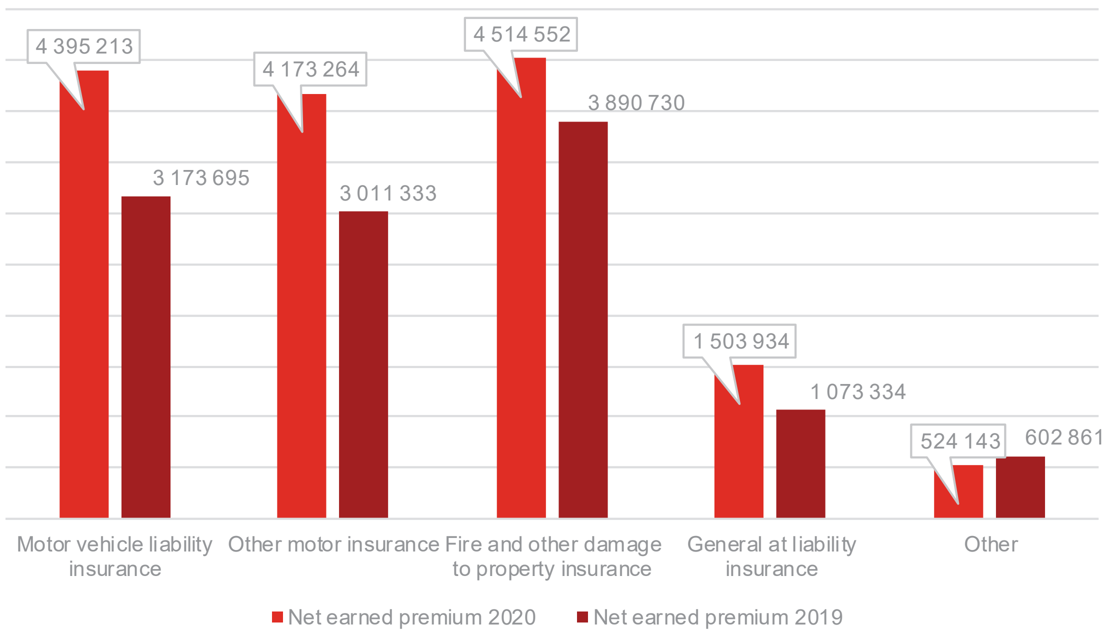
In mid-December 2020, A.M. Best, an international rating agency specializing in the insurance sector, confirmed an 'A' (Excellent) financial strength rating for Generali Česká pojišťovna with a stable outlook and an "a+" credit rating with a stable outlook. The rating reflects the strong balance sheet and stability of the Company. A.M. Best further positively evaluated the operating performance, very favourable business profile, appropriate risk management and solid capitalization of Generali Česká pojišťovna.

The Company's rating has a long tradition. The Company received its first rating in 1998 from DCR (Duff and Phelps, today Fitch). In the years that followed, the Company was evaluated by Moody's and Standard and Poor's. In the past three years, the Company has been rated by A. M. Best, which specializes in the insurance sector.

After the takeover of these insurance portfolios, Generali Česká pojišťovna managed over eight-and-a-half million insurance policies as of 31 December 2020.

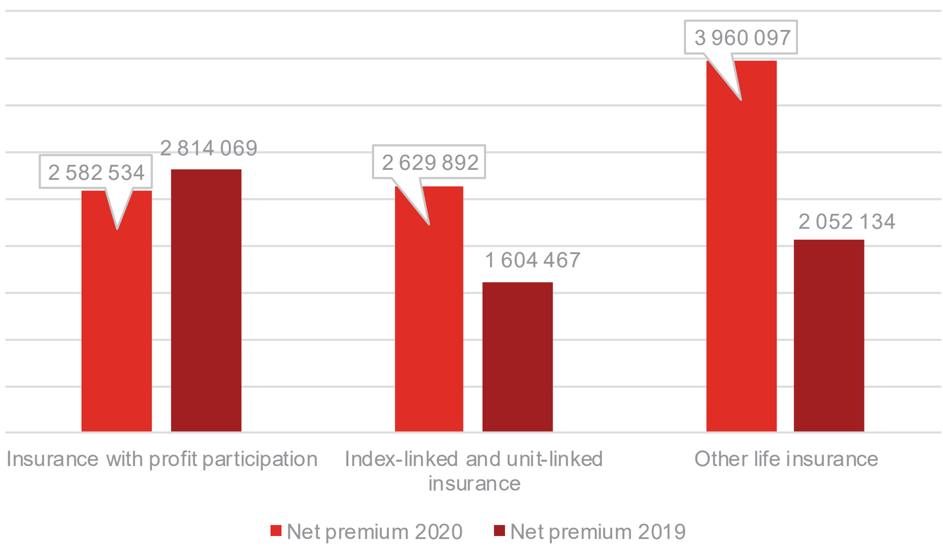
The Company's performance in 2020 gave it a market share of 26.7%.

Non-life insurance



The non-life insurance results echo the contribution of the portfolios acquired in 2019. Generali Česká pojišťovna was confirmed as the leading non-life insurance service provider in 2020 with a 22.8% market share. The transfer of portfolios has further improved this position. Excluding this effect, the non-life premium most increased in MTPL, while on the other hand the premium related to travel agencies insurance, presented within Other insurance, has decreased. The premium has remained stable in other insurance business areas.

Life insurance



In life insurance, regular gross written premium was also impacted by the contribution of the portfolios acquired in 2019. Without this impact, the premium decreased due to continuing portfolio diminution. Average lapses were very low in 2020, even lower than expected, demonstrating the high quality of the new business.

SYSTEM OF GOVERNANCE (SECTION B)

The Company's system of governance has been set up to ensure operational effectiveness and efficiency, financial reporting reliability, compliance with laws and regulations, the development of and compliance with the Company's strategies, and the detection and prevention of conflicts of interest and internal fraud. The adequacy of the system of governance is subject to independent review on a yearly basis by the internal audit function. There have been no material changes to the system of governance since the last report.

RISK PROFILE (SECTION C)

Generali Česká pojišťovna is a member of the Generali Group and applies an internal approach to determine the available financial resources and the capital requirements for the risks to which it is exposed (internal model), while maintaining consistency with the basic Solvency II framework. Since 2016, the Company has applied its own partial internal model for regulatory Solvency Capital Requirement calculations.

While determining the capital requirement in 2019, the insurance portfolios acquired could not be grouped together with the relevant risk groups of existing insurance portfolios, and therefore the valuation of insurance liabilities has been performed separately. The insurance portfolios owned before the acquisition have been valued using the partial internal model methodology, and the Standard Formula Approach had to be used for the acquired insurance portfolios.

On 16 December 2020, the Company obtained approval from the CNB to use the internal model for the entire portfolio and, moreover, approval for the inclusion of operational risks into the internal model.

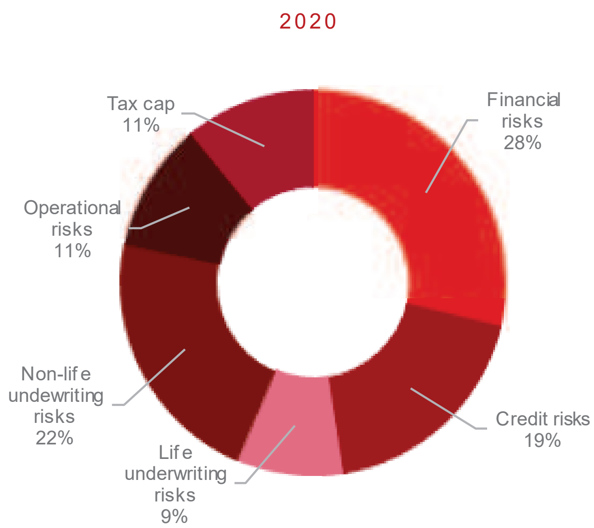
The Risk Management System is based on three main pillars:

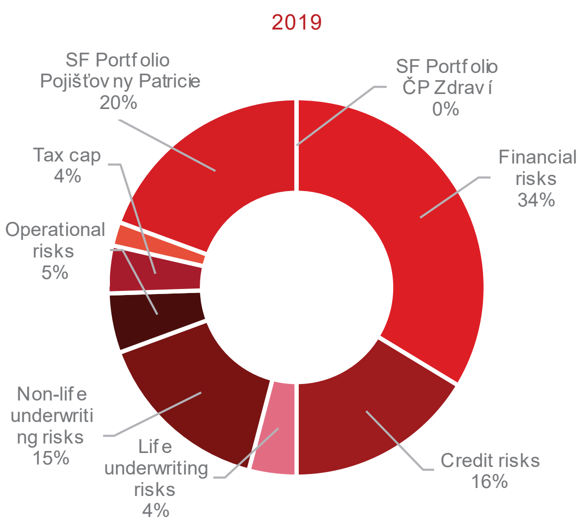
i. the risk assessment process: aimed at identifying and evaluating the risks and the solvency position of the Company;
ii. the risk governance process: aimed at defining and controlling managerial decisions in relation to the relevant risks;
iii. the risk management culture: aimed at embedding risk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

The Company has implemented a risk management system that aims to identify, evaluate, monitor and manage the most important risks to which the Company is exposed.

The interpretation of year-on-year changes in the structure of capital requirements was influenced by the transferred portfolios, which were previously presented separately. The breakdown of the Solvency Capital Requirement shows that the Company's risk profile is relatively stable in structure, with significantly higher risks related to the asset portfolio than to liabilities arising from insurance contracts.

Solvency Capital Requirement (SCR) by type of risk before diversification





VALUATION FOR SOLVENCY PURPOSES (SECTION D)

Section D provides a complete overview of the valuation of Solvency II assets and liabilities. The general valuation principle is an economic, market-consistent approach using assumptions that market participants would use in valuing the same asset or liability (Article 75 of the Solvency II Directive). In particular, assets and liabilities other than technical provisions are recognized in compliance with IFRS standards and interpretations approved by the European Union before the balance-sheet date, provided they include valuation methods that are consistent with the market approach.

Technical provisions under Solvency II are calculated as the sum of best estimate liabilities plus risk margin.

The significant methods and assumptions used are detailed in Chapter D.2.

CAPITAL MANAGEMENT (SECTION E)

The Company regularly assesses its statutory solvency position, which is derived from the ratio of its available capital and the capital requirement. Generali Česká pojišťovna has a very strong capital position. At the end of 2020, the ratio of total eligible own funds to SCR reached 234%, i.e. eligible own funds amounted to more than double the required level prescribed by Solvency II. The strong capital position should enable the Company to face any adverse external events or events with an impact higher than required by Solvency II (for instance catastrophic floods) and be able to fully meet its liabilities towards clients and, at the same time, continue to fulfil all the capital requirements prescribed by the regulation.

Generali Česká pojišťovna is a composite insurer providing a comprehensive range of services. The wide structure of products and large portfolio allow significant risk diversification, and thus Generali Česká pojišťovna achieves long term stable financial results and a strong capital position. Customers benefit from this diversification by having a strong and reliable partner able to help under all circumstances, even under unfavourable economic conditions.

Regulatory capital requirements in respect of the Solvency position, base scenario

(CZK million)	SCR	Eligible own funds	Solvency ratio
2020	11,127	26,039	234%
2019	12,884	26,044	202%

The solvency ratio grew by 32 percentage points compared to last year. This positive development was driven by a drop in the Solvency Capital Requirement (SCR), which reflects inclusion of the portfolios taken over from former Generali Pojišťovna a.s. (currently Pojišťovna Patricie, a.s.) and CP ZDRAVÍ a.s. in the Internal Model scope (their capital requirement was previously quantified using the standard formula). Dividend payout from Pojišťovna Patricie to Generali Česká pojišťovna a.s constituted a further significant positive effect. The available own funds remained at a very comfortable level, ensuring the Company's ability to meet its obligations even in critical scenarios of incurred losses.

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

A. Business and performance

A.1. BUSINESS

A.1.1. BASIC COMPANY INFORMATION

Company name	Generali Česká pojišťovna a.s.
Legal form	Joint-stock company
Registered office	Spálená 75/16, Nové Město, 110 00, Prague 1
ID number	452 72 956
Tax ID number	CZ 4527 2956
Date of establishment	1 May 1992
Legal regulation	The Company was founded pursuant to Section 11(3) of Act No 92/1991, on the conditions for the transfer of state property to other entities, as amended, by the National Property Fund of the Czech Republic under a founder's deed dated 28 April 1992, and was incorporated by registration in the Commercial Register on 1 May 1992.
Incorporation in the Commercial Register	Prague Municipal Court Section B, file number 1464
Date of incorporation in the Commercial Register	1 May 1992
Share capital	CZK 4,000,000,000 Paid up: 100%

INFORMATION ABOUT HOLDERS OF QUALIFYING HOLDINGS IN THE UNDERTAKING

The Company's sole shareholder is CZI Holdings N.V., with its registered office at De Entree 91, Amsterdam 1101 BH, the Netherlands, registered on 5 April 2006, identification number 34245976.

CZI Holdings N.V. is an integral part of Generali CEE Holding B.V., a company fully owned by Assicurazioni Generali S.p.A. (Generali), which is the ultimate parent company of the Company. The financial statements of Generali Group are publicly available at www.generali.com

The company is part of Generali Group, registered in the Italian Register of Insurance Groups maintained by the Institute for the Supervision of Insurance (IVASS), under number 026 ('Generali Group').

CZI Holdings N.V.

Legal form:	joint-stock company
Registered office:	De Entree 91, Amsterdam 1101 BH, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34245976
Share capital:	EUR 100,000,000
Stake in the voting rights:	100%
Date of establishment:	5 April 2006
Principal business:	financial holding

Generali CEE Holding B.V.

Legal form:	limited liability company
Registered office:	De Entree 91, Amsterdam 1101 BH, Netherlands
File number in the Register of the Amsterdam Chamber of Commerce and Industry:	34275688
Share capital:	EUR 100,000
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of establishment:	8 June 2007
Principal business:	holding activities

Assicurazioni Generali S.p.A

Legal form:	joint-stock company
Registered office:	Piazza Duca degli Abruzzi 2, TS 34132 Trieste, Italy
Trieste Company Registry:	00079760328
Share capital:	EUR 1,576,052,047
Stake in the voting rights:	100% (indirect)
Share of share capital:	100% (indirect)
Date of establishment:	26 December 1831
Principal business:	providing insurance and finance products

Supervisory Authority for the Entity

Name:	CZECH NATIONAL BANK
Registered office:	Na Příkopě 864/28, 115 03 Prague 1 - Nové Město
ID Number :	48136450
Telephone:	+420 224 411 111
Fax:	+420 224 412 404

Supervisory Authority for the Group

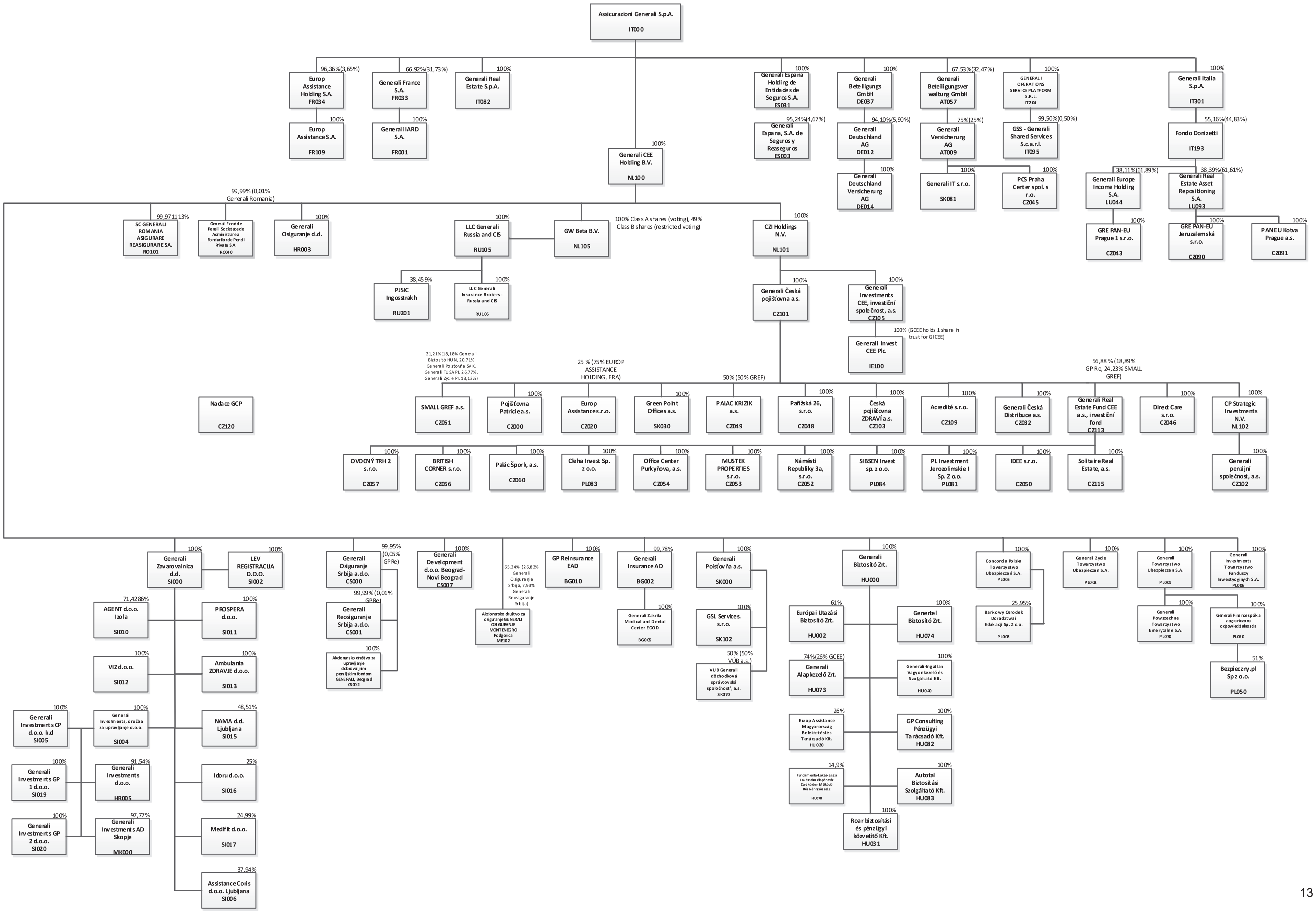
Name:	IVASS - Istituto per la Vigilanza sulle Assicurazioni
Registered office:	Via del Quirinale 21, 00187 Rome, Italy
ID Number:	97730600588
Telephone:	+39.06.42133.1
Fax:	+39.06.42133.206
Email:	ivass@pec.ivass.it

Information about the External Auditor

Since 2012, the financial statements have been audited by Ernst & Young Audit, s.r.o. The financial statements of Generali Če ská pojišťovna was approved by the auditors on 30 March 2021.

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

Group structure chart as of 31 December 2020



A.1.2. SUBSIDIARIES AND ASSOCIATES

The following table provides details about the Company's subsidiaries and associates as of 31 December 2020:

Name	Note	Country	Ownership interest (%)	Share of voting rights (%)
Direct Care s.r.o.	3	Czech Republic	100.00	100.00
Česká pojišťovna ZDRAVÍ a.s.		Czech Republic	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond		Czech Republic	56.88	56.88
Nadace GCP		Czech Republic	100.00	100.00
Acredité s.r.o.		Czech Republic	100.00	100.00
CP Strategic Investments N.V.		Netherlands	100.00	100.00
Pařížská 26, s.r.o.		Czech Republic	100.00	100.00
PALAC KRIZIK a.s.		Czech Republic	50.00	50.00
Europ Assistance s.r.o.		Czech Republic	25.00	25.00
Generali Česká Distribuce a.s.	1	Czech Republic	100.00	100.00
Pojišťovna Patricie a.s.	2	Czech Republic	100.00	100.00
SMALL GREF a.s.		Czech Republic	21.21	21.21

The following table provides details about the Company's subsidiaries and associates as of 31 December 2019:

Name	Country	Ownership interest (%)	Share of voting rights (%)
Direct Care s.r.o.	Czech Republic	100.00	100.00
Česká pojišťovna ZDRAVÍ a.s.	Czech Republic	100.00	100.00
Generali Real Estate Fund CEE a.s., investiční fond	Czech Republic	56.88	56.88
Nadace GCP	Czech Republic	100.00	100.00
Acredité s.r.o.	Czech Republic	100.00	100.00
CP Strategic Investments N.V.	Netherlands	100.00	100.00
Pařížská 26, s.r.o.	Czech Republic	100.00	100.00
PALAC KRIZIK a.s.	Czech Republic	50.00	50.00
Europ Assistance s.r.o.	Czech Republic	25.00	25.00
ČP Distribuce a.s.	Czech Republic	100.00	100.00
Generali Distribuce a.s.	Czech Republic	100.00	100.00
Pojišťovna Patricie a.s.	Czech Republic	100.00	100.00
SMALL GREF a.s.	Czech Republic	21.21	21.21

The following changes in the subsidiaries and associates have taken place.

1. Generali Česká Distribuce a.s.

In accordance with the Generali Group strategy, which aims at concentrating the activities of the two distribution companies, ČP Distribuce a.s. and Generali Distribuce a.s. merged as of 1 January 2020. Following the merger, Generali Distribuce ceased to exist and ČP Distribuce, the successor, was renamed to Generali Česká distribuce a.s.

2. Impairment of Pojišťovna Patricie a.s.

The Board of Directors of the Company approved the additional impairment of the subsidiary Pojištovna Patricie a.s. in the amount of CZK 4.857 billion. The impairment corresponds to the dividend payment from the subsidiary Pojišťovna Patricie a.s.

3. Impairment of Direct Care s.r.o.

The Board of Directors of the Company approved the impairment of Direct Care s.r.o. The impairment corresponds to the reduction of equity of the subsidiary.

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

Gross earned premiums revenue	2020	2019
Motor vehicle liability insurance	7,223,226	5,233,601
Other motor insurance	7,041,904	5,112,392
Fire and other damage to property insurance	8,987,431	7,375,022
General liability insurance	3,138,195	2,288,545
Other lines of business	1,303,571	1,322,982
Total non-life	27,694,327	21,332,542
Insurance with profit participation	2,582,535	2,814,069
Index-linked and unit-linked insurance	2,629,892	1,604,467
Other Life insurance	5,440,158	3,328,311
Total life	10,652,585	7,746,847

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

In 2020 and 2019, the Company mainly operated in the Czech Republic and in other EU countries. Over 99% of the income from insurance contracts came from clients in the Czech Republic.

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

Process of concentration of insurance activities of the Group on the Czech market

Following the 2019 business combinations in which Generali Česká pojišťovna purchased the major part of the insurance portfolios of Česká pojišťovna ZDRAVÍ a.s. ("ČPZ") and Pojišťovna Patricie a.s. ("PP"), on 9 July 2020 the companies signed insurance contract portfolio transfer agreements based on which, and in accordance with the conditions set by the agreements, including approval by the Czech National Bank, the regulator, on 21 December 2020 ČPZ and PP sold and the Company acquired the remaining part of their insurance contract portfolio and reinsurance contract portfolio.

The business combination consists of insurance contracts concluded by ČPZ or PP as insurance companies, including contracts whose term has already expired, and assets and liabilities related to the insurance portfolio and reinsurance contracts concluded by PP as a reinsurance company, including contracts whose term has already expired and assets and liabilities related to the reinsurance portfolio.

External rating of the Company

In mid-December 2020, A.M.Best, an international rating agency specializing in the insurance sector, confirmed an 'A' financial strength rating for Generali Česká pojišťovna and an 'A+' Long-Term Issuer Credit Rating, both with stable outlooks. As in the preceding year, the decision by the rating agency is confirmation of the strength and stability of the Company.

Otherwise, the Company continued with its ordinary business during the year, and there were no other significant business or other events to be disclosed.

A.2. UNDERWRITING PERFORMANCE

A.2.1. NON-LIFE

UNDERWRITING PERFORMANCE DURING THE REPORTING PERIOD

2020	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Other	Total
Premium written						
Gross - Direct business	7,333,129	7,136,914	8,542,022	2,981,575	1,066,406	**27,060,047**
Gross - Proportional reinsurance accepted	0	280	401,418	161,611	35,785	**599,095**
Gross - Non-proportional reinsurance accepted	0	0	0	0	160,710	**160,710**
Reinsurers' share	2,871,803	2,906,787	4,427,955	1,634,479	770,564	**12,611,589**
Net	**4,461,326**	**4,230,407**	**4,515,485**	**1,508,707**	**492,339**	**15,208,263**
Premiums earned						
Gross - Direct business	7,223,226	7,041,624	8,539,509	2,971,874	1,104,785	**26,881,017**
Gross - Proportional reinsurance accepted	0	280	447,923	166,321	38,076	**652,600**
Gross - Non-proportional reinsurance accepted	0	0	0	0	160,710	**160,710**
Reinsurers' share	2,828,013	2,868,640	4,472,879	1,634,261	779,429	**12,583,222**
Net	**4,395,213**	**4,173,264**	**4,514,552**	**1,503,934**	**524,143**	**15,111,105**
Claims incurred						
Gross - Direct business	2,834,667	3,693,104	4,052,352	1,046,463	279,880	**11,906,465**
Gross - Proportional reinsurance accepted	1,097	(2,093)	273,032	92,180	14,607	**378,824**
Gross - Non-proportional reinsurance accepted	0	0	0	0	122,335	**122,335**
Reinsurers' share	1,115,701	1,418,940	1,942,202	692,184	279,081	**5,448,108**
Net	**1,720,063**	**2,272,071**	**2,383,183**	**446,458**	**137,741**	**6,959,516**
Administrative expenses	289,754	210,042	252,519	112,365	39,697	**904,378**
Investment management expenses	37,291	0	0	0	0	**37,291**
Claims management expenses	315,058	315,265	164,467	120,093	37,048	**951,932**
Acquisition expenses	557,208	332,297	936,873	265,584	113,939	**2,205,901**
Overhead expenses	177,533	162,888	194,493	68,003	30,626	**633,543**
Other expenses						**222,586**
Total expenses						**4,955,630**

2019	Motor vehicle liability insurance	Other motor insurance	Fire and other damage to property insurance	General liability insurance	Other	Total
Premiums written						
Gross - Direct business	5,264,304	5,190,172	6,915,826	2,172,093	1,023,603	**20,565,998**
Gross - Proportional reinsurance accepted	0	0	455,578	147,741	37,729	**641,048**
Gross - Non-proportional reinsurance accepted	0	0	0	0	144,995	**144,995**
Reinsurers' share	2,072,187	2,132,171	3,500,029	1,196,572	715,445	**9,616,403**
Net	**3,192,117**	**3,058,001**	**3,871,375**	**1,123,262**	**490,882**	**11,735,637**
Premiums earned						
Gross - Direct business	5,233,601	5,112,392	6,917,796	2,140,322	1,139,718	**20,543,828**
Gross - Proportional reinsurance accepted	0	0	457,227	148,223	38,269	**643,719**
Gross - Non-proportional reinsurance accepted	0	0	0	0	144,995	**144,995**
Reinsurers' share	2,059,906	2,101,059	3,484,292	1,215,211	720,121	**9,580,588**
Net	**3,173,695**	**3,011,333**	**3,890,730**	**1,073,334**	**602,861**	**11,751,954**
Claims incurred						
Gross - Direct business	2,892,919	3,652,101	3,133,067	889,830	474,932	**11,042,849**
Gross - Proportional reinsurance accepted	0	-4,266	189,626	129,058	9,905	**324,322**
Gross - Non-proportional reinsurance accepted	0	0	0	0	30,049	**30,049**
Reinsurers' share	1,030,449	1,336,701	1,435,301	554,833	340,800	**4,698,085**
Net	**1,862,470**	**2,311,134**	**1,887,392**	**464,054**	**174,086**	**6,699,136**
Administrative expenses	206,783	159,976	180,373	89,393	42,016	**678,542**
Investment management expenses	37,343	0	0	0	0	**37,343**
Claims management expenses	244,318	241,137	153,747	100,232	33,973	**773,408**
Acquisition expenses	535,912	379,375	979,814	207,799	164,242	**2,267,141**
Overhead expenses	146,692	128,597	186,927	69,750	31,746	**563,713**
Other expenses						**159,873**
Total expenses						**4,480,020**

Analysis of underwriting results

The year-on-year comparison is significantly affected by the insurance portfolio transfer at the end of 2019. The analysis of the results below shows a comparison of the Company's underwriting results in 2020 with a summary of the results of Generali Česká pojišťovna, Pojišťovna Patricie and Česká pojišťovna Zdraví in 2019.

Motor vehicle liability insurance (MTPL - Motor Third Party Liability insurance)

Premiums written grew by 2.2%. The increase was primarily thanks to retail, fleets and leasing. Retail still creates approximately 2/3 of premium earned on the MTPL insurance portfolio. The average premium is growing, as in preceding years.

The milder winter and lower road traffic volume as a side effect of the lockdowns associated with the COVID-19 pandemic meant we have noted a significant reduction in claims frequency. On the other hand, the average claim is increasing significantly due to the absence of minor “parking claims” and claim inflation (inflation of health claims, prices of spare parts and car painting). Nevertheless, the overall 2020 result was positive thanks to the decrease in the frequency of claims, better risk selection, and work with renewals.

Other motor insurance

Premiums written grew (by 3.8%). The significantly higher penetration of this insurance in leasing and fleet insurance meant that retail insurance created only approximately half the premium earned. The average premium measured over the main portfolio risks is growing, as in preceding years.

Similarly as with the MTPL, the milder winter and lower road traffic volume as a side effect of the lockdowns associated with the COVID-19 pandemic meant we have noted a significant reduction in claims frequency. The average claim remains stable compared to the prior year. The overall 2020 result was very positive thanks to the decrease in the frequency of claims, better risk selection, and work with renewals.

Fire and other damage to property insurance

Premiums written grew moderately in property insurance, mainly thanks to the area of technical risks, which has reported positive results, especially in relation to the "Construction" business initiative.

In SME property insurance, the main determinants for the increase in premiums written are new clients and increased insurance coverage for existing clients (newly acquired asset, new extended coverage insurance, increased company turnover). For the SME segment, the development of the new "Profiplan" product was the main topic of 2020. A significant relative decrease was recorded in the sale of travel insurance.

The claims ratio in the GCC segment is at a comparable level as in the preceding year. In the future, the Company will focus on improving it (e.g. adjustment of participation, etc.). 2020 was primarily affected by medium-sized insurance events and fires, while on the other hand there were no significant catastrophic events.

The 2020 technical result was affected by smaller calamities totalling CZK 365 million (mainly civil property and SMEs), a significant decrease compared to the CZK 550 million in 2019.

In 2020, the entire insurance area was affected by the COVID-19 pandemic. The greatest impact was reflected in the insurance of business interruptions for clients who had agreed to the so-called "úřední zásah" (official intervention). However, the total amount of COVID claims was not significant, totalling around CZK 200 million.

General liability insurance

Liability insurance premiums written were stable, posting a very slight increase. We focus on work with high-risk clients in employee insurance.

2020 ended with a good claims ratio, and there were improvements in both general liability and professional liability.

Others

In 2020, financial risks insurance was the most problematic area – specifically bankruptcy insurance for travel agencies. These related to the effects of the COVID-19 epidemic. The total claims paid in this area in 2020 were in the millions of Czech crowns, however a provision of tens of millions of crowns has been created for this area.

Expenses

There was no significant change in expenses. They remained relatively stable in 2020 and were affected by increasing personnel expenses on the one hand and savings thanks to the impact of COVID-19 on the other.

A.2.2. LIFE

UNDERWRITING PERFORMANCE DURING THE REPORTING PERIOD

2020	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	Total
Premium written						
Gross	2,582,534	2,629,892	5,440,158	0	0	**10,652,585**
Reinsurers' share	0	0	1,480,061	0	0	**1,480,061**
Net	**2,582,534**	**2,629,892**	**3,960,097**	**0**	**0**	**9,172,524**
Premium earned						
Gross	2,582,534	2,629,892	5,440,158	0	0	**10,652,585**
Reinsurers' share	0	0	1,480,061	0	0	**1,480,061**
Net	**2,582,534**	**2,629,892**	**3,960,097**	**0**	**0**	**9,172,524**
Claims incurred						
Gross	4,028,723	1,873,911	1,736,158	60,282	0	**7,699,073**
Reinsurers' share	0	0	423,655	22,317	0	**445,972**
Net	**4,028,723**	**1,873,911**	**1,312,502**	**37,965**	**0**	**7,253,101**
Changes in other technical provisions						
Gross	1,866,918	-531,248	19,428	0	0	**1,355,098**
Reinsurers' share	0	0	2,625	0	0	**2,625**
Net	**1,866,918**	**-531,248**	**22,053**	**0**	**0**	**1,357,723**
Administrative expenses	150,210	38,544	277,068	0	0	**465,823**
Investment management expenses	62,925	0	231	0	0	**63,155**
Claims management expenses	34,228	8,421	61,460	0	0	**104,109**
Acquisition expenses	291,350	113,968	615,206	0	0	**1,020,525**
Overhead expenses	107,492	39,473	140,242	0	0	**287,207**
Other expenses						**91,630**
Total expenses						**2,032,449**

2019	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	Total
Premium written						
Gross	2,814,069	1,604,467	3,317,561	0	10,750	**7,746,847**
Reinsurers' share	0	0	1,265,427	0	10,774	**1,276,202**
Net	**2,814,069**	**1,604,467**	**2,052,134**	**0**	**-24**	**6,470,646**
Premium earned						
Gross	2,814,069	1,604,467	3,317,561	0	10,750	**7,746,847**
Reinsurers' share	0	0	1,265,427	0	10,774	**1,276,202**
Net	**2,814,069**	**1,604,467**	**2,052,134**	**0**	**-24**	**6,470,646**
Claims incurred						
Gross	4,390,077	1,110,123	1,114,718	-91,814	11,778	**6,534,883**
Reinsurers' share	0	0	388,785	-22,783	11,778	**377,780**
Net	**4,390,077**	**1,110,123**	**725,933**	**-69,030**	**0**	**6,157,103**
Changes in other technical provisions						
Gross	2,511,174	-1,528,257	-14,208	0	24	**968,733**
Reinsurers' share	0	0	-16,829	0	0	**-16,829**
Net	**2,511,174**	**-1,528,257**	**2,621**	**0**	**24**	**985,562**
Administrative expenses	146,972	14,578	158,554	0	0	**320,104**
Investment management expenses	58,826	0	0	0	0	**58,826**
Claims management expenses	31,494	0	24,817	0	0	**56,312**
Acquisition expenses	249,440	51,879	172,751	0	-585	**473,485**
Overhead expenses	141,291	7,977	115,104	0	0	**264,372**
Other expenses						**92,631**
Total expenses						**1,265,729**

Analysis of underwriting results

The year-on-year comparison is significantly affected by the insurance portfolio transfer at the end of 2019. The analysis of the results below shows a comparison of the Company's underwriting results in 2020 with a summary of the results of Generali Česká pojišťovna, Pojišťovna Patricie and Česká pojišťovna Zdraví in 2019.

Premiums written

With a year-on-year decrease of 2%, total premiums written (regular paid) reached CZK 10.36 billion. In 2020, new business (+CZK 790 million) could not compensate for the decrease in the portfolio (maturities -CZK 550 million and lapses -CZK 660 million). Premiums written (single premium) products reached CZK 290 million, a decrease compared to the preceding period.

Claims incurred

Claims paid decreased to CZK 7.7 billion (by 11%) due to lower maturities (CZK 650 million) and less redemption requests (CZK 200 million). The decrease in the number of accident claims also contributed to the result.

Changes in other technical provisions

The final development of 2020 in life insurance reserves was influenced by the ongoing changes in the GCP portfolio, where insurance with profit participation is declining due to maturities (CZK 1.87 billion) while, conversely, the index-linked and unit-linked insurance segment increased (CZK 530 million). In addition, the year-on-year development of index-linked and unit-linked insurance was affected by the significantly worse valuation of the underlying assets (investment funds) in 2020.

Expenses

Total expenses decreased by CZK 330 million thanks to lower commission costs corresponding with the lower new business (mainly due to government restrictions because of the COVID-19 epidemic), while non-commission costs remained stable.

A.3. INVESTMENT PERFORMANCE

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

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

There are no investments in securitization.

The Company's investment portfolio performance in FY 2020 was as follows:

Subsidiaries and associates

	2020	2019
Dividends and other income	5,762,460	880,074
Realised gains from disposal	-	319,362
Total	**5,762,460**	**1,199,436**

Financial instruments at fair value through profit or loss

		2020	2019
Financial assets			
Interests and other income		176,304	29,859
(a) bonds		543	13
(b) derivatives		116,941	27,412
(c) unit-linked investments		58,820	2,434
Realised	– gains	206,062	148,718
(a) derivatives		5,100	37,669
(b) unit-linked investments		200,962	111,049
	– losses	(344,877)	(52,165)
(a) bonds		-	-
(b) derivatives		-	(17,097)
(c) unit-linked investments		(344,877)	(35,068)
Unrealised	– gains	809,587	1,025,577
(a) bonds		289	31
(b) derivatives		157,068	55,462
(c) unit-linked investments		652,230	970,084
	– losses	(526,530)	(119,228)
(a) bonds		(5)	(5)
(b) derivatives		(108,009)	(110,595)
(c) unit-linked investments		(418,516)	(8,628)
Financial liabilities			
Interest expenses		(232,050)	(143,319)
Realised	– gains	16,623	22,072
	– losses	(104,602)	(151,302)
Unrealised	– gains	66,201	153,497
	– losses	(334,983)	(194,908)
Other income		68,046	118,689
Total		**(200,219)**	**837,490**

The year-on-year decrease in the FVTPL segment was mainly caused by the worse realised and unrealised result of the assets related to unit-linked investments due to substantial financial market volatility.

Other financial instruments

Incomes

	2020	2019
Interest income	**1,226,196**	**1,572,201**
Interest income from loans and receivables	154,990	408,903
Interest income from available-for-sale financial assets	1,064,932	1,147,998
(a) bonds	1,064,932	1,147,998
Interest income from cash and cash equivalents	6,274	15,281
Other interest income	-	19
Other income	**89,331**	**134,974**
Income from land and buildings (investment properties)	-	-
Income from equities available-for-sale	36,001	73,577
Other income from investment fund units	53,330	61,397
Interests and other investment income	**1,315,527**	**1,707,175**
Realised gains	**567,839**	**290,604**
Realised gains on land and buildings (investment properties)	2,428	30
Realised gains on loans and receivables	260	2,225
Realised gains on available-for-sale financial assets	565,151	288,349
(a) bonds	407,620	106,371
(b) equities	70,569	83,518
(c) investment fund units	86,961	98,460
Unrealised gains	**493,081**	**255,992**
Unrealised gains on hedged instruments	493,081	255,992
Reversal of impairment	**-**	**13,631**
Reversal of impairment of loans and receivables	-	384
Reversal of impairment on other receivables from reinsurers	-	12,590
Reversal of impairment of other receivables	-	657
Other income from financial instruments and other investments	**1,060,920**	**560,227**
Total	**2,376,447**	**2,267,402**

Interest income from bonds contributes significantly to the Company's total investment income. The year-on-year decrease was caused by the decrease in short term interest rates driven by the easing of central banks' monetary policy.

The year-on-year increase in total income was caused by higher realised gains related to available-for-sale financial assets and higher unrealised gains on hedged instruments.

Expenses

	2020	2019
Interest expenses	**108,286**	180,961
Interest expenses on loans, bonds and other payables	39,409	106,998
Interest expenses on deposits received from reinsurers	33,167	32,774
Interest expenses on lease liabilities (IFRS 16)	35,697	41,187
Other interest expenses	13	2
Other expenses	**199,282**	193,019
Depreciation of right-of-use assets (investment properties) (IFRS 16)	98,726	96,594
Expenses from land and buildings (investment properties)	-	257
Other expenses on investments	100,556	96,168
Realised losses	**267,950**	144,948
Realised losses on land and buildings (investment properties)	20	0
Realised losses on available-for-sale financial assets	267,930	144,948
(a) bonds	77,632	129,340
(b) equities	113,547	15,395
(c) investment fund units	76,752	213
Unrealised losses	**4,398**	50,633
Unrealised losses on hedged instruments	4,398	50,633
Impairment losses	**235,119**	54,550
Impairment of loans and receivables	55,008	0
Impairment of available-for-sale financial assets	162,986	54,550
Impairment of other receivables from reinsurers	12,473	0
Impairment of other receivables	4,652	0
Total	**815,035**	**624,111**

The higher investment expenses in a year-to-year comparison were caused by realised losses on available-for-sale financial assets, mainly equities. The year-on-year increase was also driven by higher impairment losses related to available-for-sale financial assets due to the substantial volatility on financial markets arising from the COVID-19 pandemic.

Gains and losses recognized directly in equity

	2020	2019
Balance as of 1 January	3,526,274	1,721,230
Gross revaluation as of the beginning of the year	4,347,874	2,095,970
Tax on revaluation as of the beginning of the year	(821,600)	(374,740)
Exchange rate differences in equity	-	1,389
Revaluation gain/loss in equity – gross	169,041	2,339,366
Revaluation gain/loss on realisation in income statement – gross	(297,222)	(143,401)
Impairment losses – gross	162,986	54,550
Tax on revaluation	(6,613)	(446,860)
Gross revaluation as of the end of the year	4,382,679	4,347,874
Tax on revaluation as of the end of the year	(828,213)	(821,600)
Balance as of 31 December	**3,554,466**	**3,526,274**

The revaluation of gain in equity - gross was most significantly affected by the decrease in short term interest rates related to the easing of monetary policy by central banks.

Realisations caused the move from revaluation gain/loss in equity – gross to the profit and loss statement, lowering the gross revaluation. The result was a slight increase in profit recognized in equity.

Other

	2020	2019
Foreign exchange gains	3,874,034	1,101,254
Foreign exchange losses	(3,878,234)	(1,112,871)
Total	**(4,200)**	**(11,617)**

Net foreign exchange gains/losses remained low thanks to FX hedging on investments denominated in foreign currencies.

A.4. PERFORMANCE OF OTHER ACTIVITIES

Other material income and expenses are analysed in the following tables.

Other income

	2020	2019
Reversal of other provisions	39,121	364,479
Income from services and assistance activities and recovery of charges	724,326	1,227,447
Income from sale of assets	1,337	18,166
Other technical income	131,855	135,945

Other expenses

	2020	2019
Amortisation of intangible assets	509,872	316,310
Depreciation of tangible assets	22,413	234,213
Restructuring charges and allocation to other provisions	49,572	52,459
Expense from service and assistance activities and charges incurred on behalf of third parties	1,071,210	1,246,595
Other technical expenses	314,216	252,505
Staff costs	2,878,000	2,649,253

A.5. ANY OTHER INFORMATION

In accordance with the EIOPA-BoS-20/236 recommendation of 20 March 2020 regarding COVID-19, the Company, in the context of the economic and financial uncertainty and high volatility connected with the COVID-19 pandemic, has activated mechanisms to continuously monitor its solvency position in order to analyse the development of the situation and implement any measures if necessary in time.

In the wider context of economic and financial uncertainty and volatility due to the ongoing pandemic, especially on financial markets, where medium-term impacts cannot be reliably estimated, even at the macroeconomic level, the Company continues to strictly adhere to its strategy.

The Company immediately implemented a series of measures to ensure business continuity and protect the health of employees, sales networks and customers.

The Company is a significant player on the market and is continuously increasing its use of digital technologies in relation to its customers. It is considered one of the most reliable insurance companies thanks to its excellent solvency position and efficient financial management.

As of the date of this report, the updated solvency position of the Company, although affected by the volatility mentioned above, remains very solid.

B. System of governance

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

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

B.1.1. INFORMATION ON GENERAL GOVERNANCE

Board of Directors
(as of 31 December 2020)

Chairman:	Roman Juráš, Chief Executive Officer
Vice-Chairman:	Petr Bohumský, Chief Financial Officer
Member:	Karel Bláha, Chief Corporate Business Officer
Member:	Jiří Doubravský, Chief Operations Officer
Member:	Pavol Pitoňák, Chief Sales Officer
Member:	David Vosika, Chief Insurance Officer

Supervisory Board
(as of 31 December 2020)

Chairman:	Miroslav Singer
Member:	Luciano Cirinà
Member:	Marek Jankovič
Member:	Marek Kubiska
Member:	Miloslava Mášová
Member:	Antonella Maier

Audit Committee
(as of 31 December 2020)

Chairman:	Martin Mančík
Member:	Beáta Petrušová
Member:	Roman Smetana

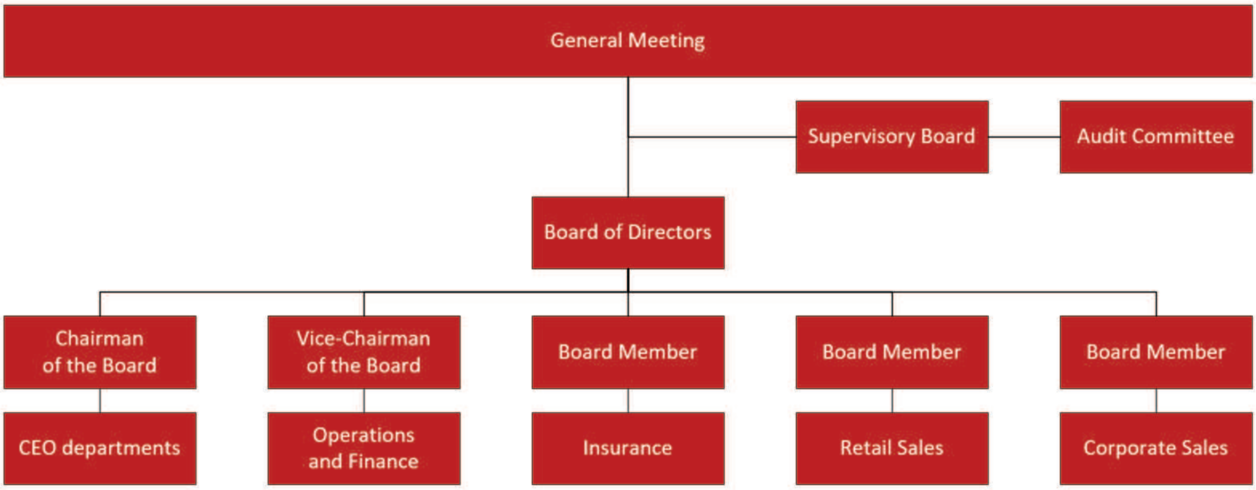
Generali Česká pojišťovna a.s. is governed by the Board of Directors (the “Board”). The Board is responsible for the performance and strategy of the Company. Governance requirements are largely set through regulatory and legal requirements. Members of the Board are responsible within the following fields of competencies:

Field of competencies:

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

Detailed information on the segregation of responsibilities in the specific fields is provided in the dedicated paragraphs of this report.

BASIC ORGANISATION CHART OF GENERALI ČESKÁ POJIŠŤOVNA



Other main committees supporting the Board of Directors are the Risk Committee, Internal Model Committee, Financials Committee, Project Committee, and Non-Life Committee.

B.1.2. CHANGES IN THE SYSTEM OF GOVERNANCE

Board of Directors
(as of 31 December 2020)
David Vosika became a member of the Board of Directors on 1 January 2020.

Karel Bláha became a member of the Board of Directors on 1 June 2020.

Supervisory Board
(as of 31 December 2020)
Marek Jankovič became a member of the Supervisory Board on 1 January 2020.

Luciano Cirinà became a member of the Supervisory Board on 3 July 2020.

The membership of Gregor Pilgram ended on 31 August 2020.

Antonella Maier became a member of the Supervisory Board on 1 September 2020.

Audit Committee
(as of 31 December 2020)
There were no changes in the Audit Committee in 2020.

The Board of Directors (the "Board") or the members of the Board approve, within their field of competencies, any organizational changes in the Company on a monthly basis. Rules pertaining to organizational changes are set by the Company's organizational code..

There were no other significant changes in the management and control system during the last reporting period.

B.1.3. REMUNERATION POLICY

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

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

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

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

Compensation structure

Fixed remuneration

Fixed remuneration is the compensation paid to an employee for performing a specific job.

The foundation of the Company's remuneration policy is the division of all specific tasks into a structure of related jobs according to their contribution, difficulty and responsibility, and their allocation into an internal band structure. All jobs are regularly benchmarked against market data. Each salary band has a minimum level that is defined by the Collective Agreement. The position within a salary band range takes into account the long-term performance, experience and potential of our employees.

Variable remuneration

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

Short-term variable incentives (STI)

Short-term variable incentives consist of the yearly bonuses paid to management at all levels and to senior professionals. The total budget for the payment of bonuses for this group is related to the Company results and amended based on the fulfilment of Company criteria. Short-term variable incentives depend on the organizational level and the impact of the individual's role on the business.

For the remaining employees, incentives are paid in an accounting period (month or quarter) or upon an event (achieving an objective, completing a project etc.)

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

Long-term incentive programs (LTI)

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

Members of the Board of Directors (the people who effectively run the Company) are governed by agreements on the performance of their function. On the basis of their agreement they receive fixed and variable remuneration, meaning a combination of STI and LTI, which is annually set in the individual agreement. The variable part is based on KPIs set in the balanced scorecard. The balanced scorecard consists of a balanced proportion of quantitative (e.g. gross written premium) and qualitative criteria. Risk metrics (RORC) are an integral part of the KPIs. The minimum solvency ratio target is the entry condition for the payout of all variable parts of remuneration. A significant part of variable remuneration is deferred. The payout of the deferred part of remuneration is based on the permanency of the achieved results and actual solvency ratio.

Members of the Supervisory Board and Audit Committee can only receive fixed remuneration based on their agreement on the performance of their function.

Key persons with a significant impact on the risk profile and decisions of the Company receive fixed and variable remuneration. The variable part consists of the STI only. The STI is linked to both qualitative and quantitative KPIs. The KPIs structure consists of a combination of company and individual criteria evaluated after the end of the current year and then again after 3 years. The variable remuneration is deferred for a period of 3 years. Risk metrics (RORC) are an integral part of the KPIs. The minimum solvency ratio target is the entry condition for the payout of all variable parts of remuneration.

Supplementary pensions

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

There have been no material changes to this area since the last reporting period.

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

In 2019 the Company granted a loan to CZI Holdings N.V. with maturity in November 2020. The total loan amount with interest (CZK 1.134 billion) was repaid to the Company on 9 November 2020.

B.1.5. INFORMATION ON RISK MANAGEMENT, INTERNAL AUDIT, COMPLIANCE AND ACTUARIAL FUNCTIONS

The Company has established key control functions as independent departments without any responsibility for operational areas. The functions are organized as follows:

- Risk management, compliance and internal audit functions: these report hierarchically to the Chief Executive Officer and functionally to the Board.
- In 2020 the actuarial function reported hierarchically to the Chief Executive Officer and functionally to the Board. The hierarchy was changed from the Chief Financial Officer to the Chief Executive Officer in November 2019.

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

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

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

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

B.2. FIT AND PROPER REQUIREMENTS

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

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

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

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

Other highly responsible persons:

Other highly responsible persons (also called relevant persons) who are assessed in relation to the jobs they perform according to internal standards. The Company primarily takes into account their job experience declared in their professional CV, their education and current performance (if this person is already working for the Company).

No formalised minimum qualification requirements have been defined for the persons being assessed. Long-term experience has shown that formalised criteria are not useful, and so competence – the professional prerequisites of the person being assessed – is always assessed as a whole and in relation to the particular responsibilities for assigned areas. The assessment is periodically repeated so that variability of requirements (according to operational needs) for competent/assessed persons can be taken into account.

Personal credibility:

Both the above-mentioned groups of persons are also assessed from the perspective of their personal credibility. The assessment of whether any person is credible (trustworthy) or not includes an assessment of their honesty based on relevant evidence regarding their character and personal behaviour.

The prerequisites for credibility pursuant to internal guidelines include:

- the full legal capacity of the persons being assessed, in accordance with legislation;
- the credibility of the persons being assessed; a person will not be considered a credible (trustworthy) person if such person has been convicted of a crime committed intentionally, if this crime was committed in connection with business activity or with the employer's subject of business, unless this person is considered a non-convicted person (the person shall demonstrate all these circumstances through an extract from the criminal records); furthermore, a person will not be considered a credible (trustworthy) person if such person has been convicted of any crime against property, of an economic offense (crime) or of any other crime committed intentionally, unless such conviction has been expunged from the criminal records or unless such person is considered, for any other reason, a non-convicted person; an offense under this provision also means any crime according to legislation governing banking, financial or insurance activities, or related to securities markets or payment instruments, including legal regulations governing money laundering, market manipulation or usury, as well as insider trading, or crimes of dishonesty such as fraud or financial offenses, as well as any other serious criminal offense under legislation relating to companies, bankruptcy, and insolvency or consumer protection;
- whether the person being assessed has committed any serious administrative or disciplinary infringement (delict) in the sphere of finance, company governance, banking, bankruptcy, and insolvency or consumer protection;
- whether a legal decision concerning insolvency has been taken in respect of the property of the assessed person;
- whether the person being assessed was, in the preceding five years, a member of a statutory body or any other body of a legal entity declared bankrupt, or an insolvency petition for such legal entity was rejected since the assets of that legal entity failed to cover the costs of the insolvency proceedings, or bankruptcy was cancelled because the assets of such legal entity were completely inadequate;
- whether the person being assessed held any comparable office (function) in a legal entity declared bankrupt in the preceding 3 years;
- whether there has been a judicial decision that would exclude the member of the statutory body of a business corporation from holding an office (performing a function);
- whether there is justified suspicion of an existing conflict of interest related to the office held by the person being assessed;
- whether all the information related to the assessed person was provided through a personal questionnaire requested by the employer, and whether any false information (provided by the assessed person) was revealed as part of the pre-employment screening pursuant to the internal guidelines of the employer.

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

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

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

Assessment of the relevant persons is first performed before they are appointed to their positions and thereafter periodically. The Company standard includes seven assessment categories and four assessment systems:

- Members of the Board of Directors: The Board of Directors as a group assesses the professional fitness/qualification and personal credibility of its members.
- Members of the Supervisory Board: The Supervisory Board as a group assesses the professional fitness/qualification and the personal credibility of its members.
- The professional fitness/qualification and the personal credibility of the members of the Audit Committee are assessed by the Board of Directors.
- Key employees that manage control functions are assessed by the Board of Directors and the respective Group control functions in regard to their professional fitness/qualification and personal credibility.
- The professional fitness/qualification and personal credibility of employees with a significant impact on the risk profile of the Company as defined by Company standards is assessed by the Board of Directors.
- Other highly responsible persons defined through internal standards (within the scope of the assessed group) are assessed by the Board of Directors as regards their professional fitness/qualification and personal credibility.

There have been no material changes to this area since the last reporting period.

B.3. RISK MANAGEMENT SYSTEM

The purpose of the risk management system is to ensure that all risks to which the Company is exposed are properly and effectively managed through a defined risk strategy following a set of processes and procedures, and based on clear governance provisions.The principles defining the risk management system are provided in the risk management policy[1], which is the cornerstone of all risk-related policies and guidelines. The risk management policy covers all risks the Company is exposed to, both on a current and on a forward-looking basis.

The risk management process is defined within the following phases:

1. Risk identification

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

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

Risk map

Risks covered by the partial internal model				
Financial risk	**Credit risk**	**Insurance risk non-life**	**Insurance risk life & health**	**Operational risk**
Interest rate yields	Spread widening	Pricing	CAT mortality	Internal fraud
Interest rate volatility	Credit default	Reserving	Non-CAT mortality	External fraud
Equity price	Counterparty default	CAT	Longevity	Employment practices
Equity volatility		Non-life lapse	Morbidity/Disability	Clients & products
Property			Life lapse	Damage to physical assets
Currency			Expense	Business disruption & system failure
Concentration			CAT health	Execution & process management
			Health claim	

The Company has also developed an effective risk management system for risks not included in the SCR calculation, such as liquidity risk and other risk (so-called 'non-quantifiable risks', i.e. reputational risk, contagion risk and emerging risk).

Please see Sections C.4 liquidity risk and C.6 other risk.

2. Risk Measurement

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

The SCR is calculated by using the Generali Group internal model approved by the College of Supervisors covering financial, credit, life and non-life underwriting risk and operational risk, which was added to the internal model at the end of 2020 after the approval of the internal model extension by the Czech National Bank. The Generali internal model provides an accurate representation of the main risks

[1] The risk management policy covers all Solvency II risk categories and, to adequately deal with each specific risk category and underlying business process, is complemented by the following risk policies:

- Investment governance policy;
- P&C and reserving policy;
- Life and reserving policy;
- Operational risk management policy;
- Liquidity risk management policy;
- Other risk-related policies, such as the capital management policy.

to which the Company is exposed, measuring not only the impact of each risk taken individually but also their combined impact on the own funds of the Company.

More details on the partial internal model governance framework are provided in Section B.3.2., while the main differences between the internal model assumptions and the standard formula are described in Section E.4.

Risks not included in the SCR calculation, such as liquidity risk and other risk, are evaluated based on quantitative and qualitative risk assessment techniques and models.

3. Risk management and control

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

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

4. Risk reporting

Risk monitoring and reporting is a key risk management process that helps keep business functions, top management, the Board and also the Supervisory Authority aware and informed of the risk profile development, risk trends and breaches of risk tolerance s.

The own risk and solvency assessment (ORSA) is the main risk reporting process and is coordinated by the risk management function. Its purpose is to provide an assessment of risks and overall solvency needs on a current and forward-looking basis. The ORSA process ensures ongoing assessment of the solvency position in line with the strategic plan and capital management plan, followed by regular communication of the ORSA results to the Supervisory Authority after approval by the Board. More details are provided in Section B.3.3.

Risk management function

The risk management function ensures that the risk management process as described in Section B.3. complies with Solvency II and the principles set in the risk policies, and supports the Board and top management in ensuring the effectiveness of the risk management system.

The risk management function coordinates the ORSA process and reports the most significant risks it identifies to the Board. The risk management function is responsible for:

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

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

The risk management function also chairs the Risk Committee, where the representatives of risk management, key risk owners and control functions discuss current risk topics and the results of risk assessments, and advise the Board on risk-related matters.

The risk management function has financial and human resources, as well as access to external advisory services and specialized skills.

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

All personnel carrying out risk management functions meet the above requirements and characteristics to a degree commensurate to the complexity of the activities to be carried out. These requirements must be maintained at an appropriate and adequate level at all times.

Compliance with the above requirements is assessed at least on a yearly basis and also during the year in the event of change s in the staffing of the risk management function.

There have been the following material changes since the last reporting period:

- Extension of the internal model to operational risk;

The application of the internal model approach to the portfolios transferred to the Company from Generali pojišťovna and ČP Zdraví in December 2020.

B.3.1. INTERNAL MODEL FRAMEWORK: GOVERNANCE, DATA AND VALIDATION

INTERNAL MODEL GOVERNANCE

Processes and procedures

The governance of the internal model is aimed at guaranteeing full compliance of the internal model with a set of principles, while respecting Articles 120 to 126 of the Solvency II Directive.

The Company, following the Group internal model governance policy, sets the model governance to ensure that models are transparent, robust and consistent both internally and across Group companies, and that the models are of sufficient quality and reliability to meet the needs of the people that use them.

The governance requirements apply to all phases of the model lifecycle, i.e. both regular use and model change processes.

The main processes contained within each of the above phases include model definition and implementation, model run including assumption setting and calibration, model validation and model review.

Organizational structure

The Board of Directors is responsible for implementing systems that ensure the Group internal model operates properly and continuously at Company level. With the support of the Local Risk Committee, the Board of Directors reviews the relevant supporting information submitted by the Company's CRO.

The Company CRO must ensure that all models function properly at Company level and, if necessary, escalates model-related issues to the Board of Directors, supported by the Risk Committee. The Company CRO decides, on the basis of all the Internal Model Committee proposals, on the appropriate model component methodologies, and signs off on the results of calculations of Company capital requirements.

The Company Internal Model Committee is in charge of providing proposals on matters related to the internal model before submission to the Company CRO.

Company model owners are assigned to each component of the model and are responsible for ensuring that the Group internal model and its outputs meet local needs and conform to the Group internal model governance policy as well as to the group methodology framework.

MATERIAL CHANGES TO INTERNAL MODEL GOVERNANCE

There were no material changes in internal model governance during the reporting calendar year – the governance framework was only extended to operational risk.

INTERNAL MODEL DATA

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

INTERNAL MODEL VALIDATION

The SCR calculation is subject to annual independent validation, as required by Article 124 of the Solvency II Directive and based on the principles defined in the group validation policy and the group validation guidelines.

Validation is aimed at gaining independent assurance of the completeness, robustness and reliability of the processes and results which comprise the internal model, as well as their compliance with the Solvency II regulatory requirements. In particular, the validation output aims to support the top management and Board of Directors in understanding the internal model appropriateness and areas where the internal model has weaknesses and limitations, especially with regard to its use in day-to-day decision-making processes.

The scope of validation covers both the quantitative and qualitative aspects of the model, including the data, methodology, assumptions and expert judgments, governance and processes, calibration of risks, model outputs and results. The scope of validation considers the materiality of the risk components and is subject to regular challenges from the Internal Model Committee.

Within the validation process, both quantitative tests (including analyses of profit & loss attribution, sensitivity analyses, stress and reverse stress tests, SCR point estimates) and qualitative analyses (including reviews of documentation, walkthrough analyses and interviews) are performed.

To ensure an adequate level of independence, the resources performing validation activities are not involved in the development and calculation of the internal model.

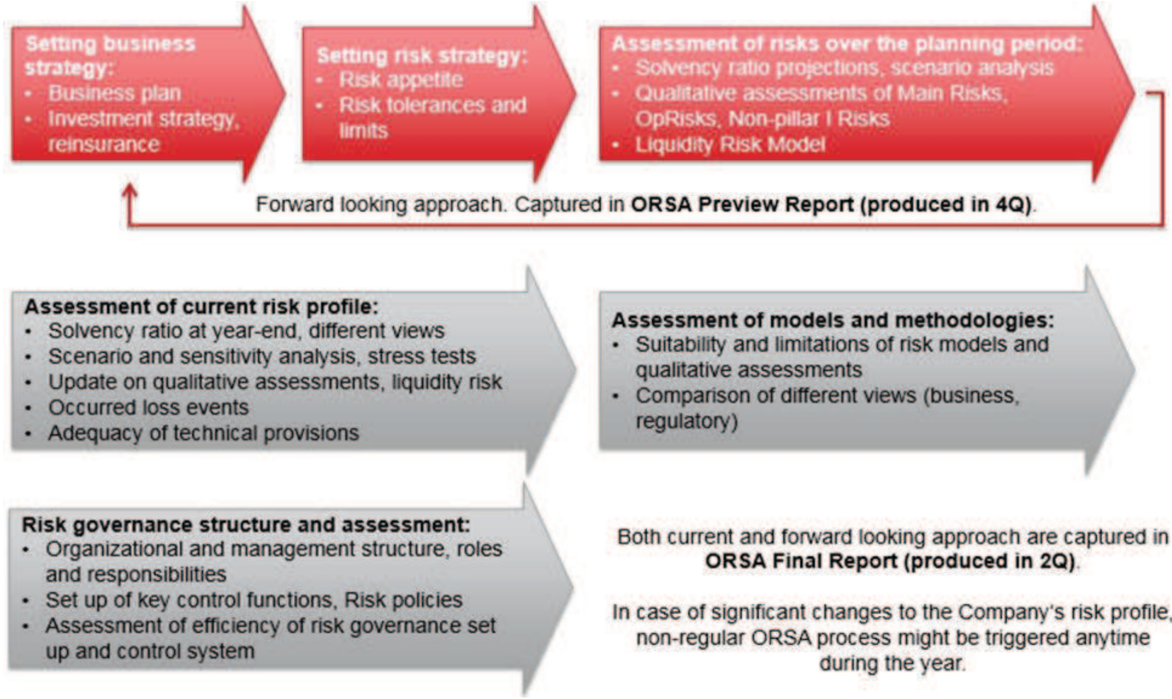
Although the validation process is understood as a regular exercise, there are specific elements that can trigger additional validation (e.g. requests for major model changes or requests from top management or regulatory bodies).

B.3.2. ORSA PROCESS

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

The ORSA process documents and properly assesses the main risks to which the Company is or may be exposed in light of its strategic plan. It includes an assessment of the risks within the scope of the SCR calculation, but also of other risks not included in the SCR calculation. In terms of risk assessment techniques, both quantitative and qualitative assessments are performed, including stress tests and sensitivity analysis. Adverse scenarios are defined together with key risk owners and the Board in order to assess the resilience of the Company solvency position to changed market conditions or specific internal or external risk factors over the business planning period.

The ORSA report is produced on an annual basis and split into 2 phases: In 4Q, the ORSA Preview Report is produced focusing mainly on forward-looking assessments in line with the business strategy and business planning. In 2Q of the following year, the ORSA Final Report is produced, compiling the ORSA Preview Report with assessments of the current risk profile as of year-end and additional views on the risk profile and System of Governance.



In addition to the annual ORSA process, some specific steps or the whole ORSA process can also be triggered irregularly during the year if the risk profile changes significantly. Triggers for a non-regular ORSA process might be changed assumptions underlying SCR calculations, breaches of defined solvency limits, significant changes to the structure, amount or quality of own funds, or significant changes in the business model or legal environment.

All results are properly documented in the ORSA report and discussed during meetings of the Company Risk Committee. After discussion and approval by the Board, the report is submitted to the supervisory authority. Generally, the information included in the ORSA report is sufficiently detailed to ensure that the relevant results can be used in the decision-making and business-planning processes.

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

There have been no material changes to this area since the last reporting period.

B.3.3. RISK EMBEDDING IN THE CAPITAL MANAGEMENT PROCESS

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

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

The ORSA report also relies on the capital management plan for verification of the adequacy and quality of the eligible own funds to cover the overall solvency needs based on the plan's assumptions.

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

There have been no material changes to this area since the last reporting period.

B.4. INTERNAL CONTROL SYSTEM

The Company has fully adopted the Group Directives on the internal control and risk management system. these directives included the key elements of the internal control system and risk management framework, in particular their activities, roles and responsibilities. accordingly, the company has set up an organizational and operational structure aimed at supporting its strategic objectives, operations and internal control and risk management systems.

the internal control environment includes personnel development in terms of integrity, ethical values and competence, the management philosophy and operating style, the way roles and responsibilities are assigned, how the organization is set up, and governance.

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

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

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

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

There have been no material changes to this area since the last reporting period.

B.4.1. COMPLIANCE FUNCTION

INFORMATION ON THE COMPLIANCE FUNCTION: ORGANIZATIONAL STRUCTURE AND THE DECISION MAKING PROCESSES OF THE UNDERTAKING. STATUS AND RESOURCES OF THE COMPLIANCE FUNCTION WITHIN THE UNDERTAKING

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

The Company has fully adopted the Group Compliance Policy approved by the Board of Directors of Assicurazioni Generali S.p.A, and which is periodically reviewed. The Compliance department follows the policy, while its roles and responsibilities are specified by the Internal Compliance Statute of Compliance.

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

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

The compliance department submits the Annual Plan of Activities together with the Annual Budget of the Compliance Function to the Board of Directors for approval. The Annual Plan is drafted taking into account the results of the risk assessment activities. At least twice a year, the compliance department reports to the Board of Directors on the state of realization of the Annual Plan of Activities. The compliance department also provides regular updates to the Board of Directors and top management. It informs the Board of Directors of any material changes in the compliance risk profile of the Company without undue delay.

There have been no material changes to this area since the last reporting period.

INFORMATION ON AUTHORITIES, RESOURCES, PROFESSIONAL QUALIFICATIONS, KNOWLEDGE, EXPERIENCE AND OPERATIONAL INDEPENDENCE OF THE COMPLIANCE FUNCTION

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

The Company fully adopted the Group compliance policy, approved by the Board of Directors of Assicurazioni Generali S.p.A, and which is periodically reviewed. The Compliance department follows the policy, while its roles and responsibilities are specified by the Internal Compliance Statute of Compliance.

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

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

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

There have been no material changes to this area since the last reporting period.

B.5. INTERNAL AUDIT FUNCTION

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

Reference documentation: 2020 Audit Group Policy (version 9)
At Generali Česká pojišťovna the internal audit activities are performed by the internal audit function in line with the organizational rules defined in the audit group policy approved by the Board of Directors of Assicurazioni Generali S.p.A. (the ultimate Generali Group parent company) and in the audit policy approved by the Board of Directors of Generali Česká pojišťovna.

the internal audit function is an independent and objective function established by the Board of Directors to examine and evaluate the adequacy, effectiveness and efficiency of the internal control system and of all the other elements of the system of governance, through assurance and advisory activities for the benefit of the Supervisory Board and Board of Directors, the top management and other stakeholders.

It supports the Supervisory Board and Board of Directors in identifying the strategies and guidelines on internal control and risk management, ensuring that they are appropriate and valid over time, and provides the Supervisory Board and Board of Directors with analyses, appraisals, recommendations and information concerning the activities reviewed.

In line with the audit group policy and based on a solid line reporting model, the head of the internal audit function reports to the Supervisory Board, Board of Directors and Audit Committee and, ultimately, to the Head of Group Audit, through the Head of Business Unit Audit.

This ensures the autonomy to act and independence from operational management as well as more effective communication flows. It covers the methodologies to be used, the organizational structure to be adopted (recruiting, appointment, dismissal, remuneration, sizing and budget in agreement with the Audit Committee), target setting and the year-end appraisal, the reporting methods, as well as the proposed audit activities to be included in the internal audit plan to be submitted to the Audit Committee for approval.

The internal audit function is provided with appropriate human, technical and financial resources, and its staff possesses and obtains the knowledge, skills and competencies needed to perform its role and mission, including the technical capabilities to perform audit activities with the support of data analytics and the knowledge to perform audit activities on digital processes, including robotics and artificial intelligence.

The internal audit function has full, free, unrestricted and timely access to any of the organization's records, physical assets, and personnel pertinent to carry out any engagement, with strict accountability for confidentiality and safeguarding records and information. The head of the internal audit function has free and unrestricted access to the Supervisory Board and Board of Directors.

The internal audit function acts in compliance with the guidelines issued by the Institute of Internal Auditors (i.e. the International Professional Practices Framework – IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The head of the internal audit function does not assume any responsibility for any other operational function and should have an open, constructive and cooperative relationship with regulators to support the sharing of information relevant to their respective responsibilities.

All internal audit function personnel comply with specific fit and proper requirements as requested by the fit & proper policy, and avoids, to the maximum extent possible, activities that could create conflicts of interest or be perceived as such. The internal auditors of the internal audit function behave in an impeccable manner at all times, and information coming to their knowledge when carrying out their tasks is always kept strictly confidential.

The activity of the internal audit function remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content, to ensure the necessary independent and objective mental attitude.

Internal Auditors do not have direct operational responsibility or authority over any of the activities audited. Accordingly, they are not involved in the operational organization of the undertaking or in developing, introducing or implementing organizational or Internal Control measures. However, the need for impartiality does not exclude the possibility to request an opinion from the internal audit function on specific matters related to the Internal Control principles to be complied with.

The internal audit function is not a part of, or responsible for, the Risk Management, Compliance, Actuarial or Anti-Money Laundering Functions. It cooperates with other key functions – including the Anti-Money Laundering Function – and external auditors to continuously foster the efficiency and effectiveness of the Internal Control System.

At least annually, the Head of Internal Audit Function proposes an internal audit plan for Generali Česká pojišťovna to the Audit Committee for approval.

The internal audit plan is developed based on a prioritization of the audit universe using a risk-based methodology, and takes into account all the activities, the system of governance, the expected development of activities and innovations, the organization's strategies, the key business objectives, and inputs from the top management, the Supervisory Board and the Board of Directors. Furthermore, the internal audit plan takes into account any deficiencies found during the audits already performed, and any new risk detected.

The internal audit plan submitted by the Head of Internal Audit Function for approval by the Audit Committee includes at least the audit engagements, the criteria for their selection, their timing, the budget and human resources requirements, and any other relevant information. The Head of Internal Audit Function communicates to the Audit Committee and Board of Directors the impact of any resource limitations and significant changes that occurred during the year. The Audit Committee discusses and approves the internal audit plan along with the budget and human resources required to deliver it.

The internal audit plan is reviewed and adjusted on a regular basis during the year by the Head of Internal Audit Function in response to changes in the organization's business, risks, operations, programs, systems, controls and audit findings. Any significant deviation from the approved internal audit plan is communicated through the periodic reporting process to the Audit Committee and submitted to it for approval. If necessary, the internal audit function may carry out audits that are not included in the approved internal audit plan. Such additions and their results are reported to the Audit Committee and/or Board of Directors at the earliest possible opportunity.

All audit activities are carried out following a consistent Group methodology (detailed in the Group Audit Manual), including the use of the Group audit IT tool.. The scope of auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal control processes in relation to the organization's defined goals and objectives.

Following the conclusion of each engagement, a written audit report is prepared and issued to the auditee and the auditee's hierarchy. This report indicates the significance of the issues found and covers any issues regarding the effectiveness, efficiency and suitability of the internal control system, as well as major shortcomings regarding compliance with internal policies, procedures, processes and the Company's objectives. It includes a proposal for remedial actions taken or to be taken concerning the issues identified, and the proposed deadlines for their implementation.

While the responsibility for addressing issues raised remains with business management, the internal audit function is responsible for implementing appropriate follow-up activities on issues raised, including checking the effectiveness of the corresponding remedial actions.

Based on its activity and in accordance with Group methodology, the internal audit function is responsible for reporting significant risk exposures and identified control issues to the Supervisory Board, the Board of Directors and the Audit Committee, including fraud risks, governance issues and other matters needed or requested by the Supervisory Board, the Board of Directors and the Audit Committee.

The Head of Internal Audit Function provides, on at least a semi-annual basis, the Supervisory Board and the Board of Directors with a report at local level on the activities performed, their results, the issues identified, the action plans for their resolution, their status and the timing for their implementation. It also includes the results of the follow-up activities, indication of the persons and/or functions responsible for the implementation of the action plans, and the timing and effectiveness of the actions implemented to remove the issues initially found. The Board of Directors determines what actions are to be taken with respect to each issue, and ensures that those actions are carried out. However, in the event of any particularly serious situations arising during the normal reporting cycle, the Head of Internal Audit Function will immediately inform the Supervisory Board, the Board of Directors and the Audit Committee, the local top management, the Head of Business Unit Audit and the Head of Group Audit.

The internal audit function maintains a quality assurance and improvement program, which includes both internal and external assessments aimed at covering all audit activity aspects, and a continuous improvement program. These programs include an evaluation of the audit activity's conformance with professional standards, the Audit Group Policy, the audit methodology detailed in the Group Audit Manual, and the Code of Ethics of the Institute of Internal Auditors. The programs also assess the efficiency and effectiveness of the audit activity and identify opportunities for improvement.

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

For more information, please refer to Section B.5.1

B.6. ACTUARIAL FUNCTION

The actuarial function (AF) at Generali Česká pojišťovna is based on the Group Actuarial Function Policy and has been amended to meet the supervisory requirements and specifics of the Czech insurance market.

In line with the updated Group Actuarial Function Policy:

- The calculation and control activities are organizationally separated to ensure full independency. At least once a year the Head of Actuarial Function submits an opinion on technical provisions, the underwriting policy and the reinsurance arrangements to the Board/AMSB. To support their role, the Head of Actuarial Function is granted, to the extent legally permitted, unrestricted access to the information necessary to carry out their responsibilities and also has access to the heads of the responsible functions and committees.
- In the event of any fundamental issues in areas of their interest (technical provisions, the underwriting policy and reinsurance arrangements), the Head of Actuarial Function reports the finding directly to the Board/AMSB, to which they have independent and direct access.
- The Head of Actuarial Function is appointed by the local Board/AMSB.
- The Head of Actuarial Function reports directly to the CEO.

In accordance with the historical set-up and experience, Generali Česká pojišťovna has separated the two actuarial functions for life and non-life:

- Head of Actuarial Function Life,
- Head of Actuarial Function Non-life.

There are regular meetings to ensure full consistency and alignment as well as the sharing of information between both life and non-life actuarial functions and between the actuarial function and actuarial calculation departments. The amendments indicated above have been confirmed by the Head of Group Actuarial Function.

In terms of resources, the actuarial function currently consists of two people using additional resources provided by strong actuarial teams in the CFO area. The Life and Non-life Heads of Actuarial Function possess an actuarial background with a degree in actuarial sciences, long-term actuarial experience including appointed actuary positions, and are holders of actuarial certification from the Czech Association of Actuaries.

The objectiveness of the actuarial function is supported by the Fit & Proper requirements (Group Fit & Proper Policy) and the professional responsibility of the Heads of Actuarial Function (full members of the IAA professional organization).

The actuarial function closely cooperates especially with the life and non-life actuarial department, which reports to the CFO, and is responsible for the calculation of technical provisions, the capital requirements for life and non-life underwriting risks, including the impact of market risks on insurance liabilities, the value of new business in life insurance, the effectivity of the reinsurance program, and reporting in given areas.

The actuarial function also cooperates with other technical departments of the Company, especially risk management, product management, controlling, reinsurance, and ALM departments.

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

- controlling and assessing adequacy, and validating technical provisions,
- assessing the local technical provisions (TP) data quality process,
- expressing an opinion on the overall underwriting policy,
- expressing an opinion on the adequacy of the reinsurance arrangements,
- contributing to the effective implementation of the risk management system,

as well as tasks not explicitly required by the Solvency II principles:

- a control role in IFRS technical provisions,

- a control role in product development and product profitability,
- a control role in life and non-life underwriting risks modelled by the Internal Model.

.There have been no material changes to this area since the last reporting period

B.7. OUTSOURCING

B.7.1. INFORMATION ON THE OUTSOURCING POLICY

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

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

The Company has also adopted **local outsourcing rules** that specify all the rules and obligations for the proper set-up and management of outsourcing relationships both within and outside the Group, the criteria for the classification of outsourcing significance, roles and responsibilities, contract content, internal processes, evidence, and the monitoring of outsourcing. The Company considers the following functions significant: risk management, compliance function, internal audit and the actuarial function. The Company considers the following activities important: administration of insurance, claims settlement, investments, calculation of provisions, underwriting, product development, actuarial.

The outsourcing of functions or activities considered as critical or significant by the Company will not be undertaken in such a way as to lead to any of the following: materially impairing the quality of the Company's system of governance, unduly increasing operational risk, impairing the ability of the supervisory authorities to monitor the compliance of the undertaking with its obligations, or undermining continuous and satisfactory service to policyholders. The outsourcing agreements for critical and important activities must be submitted to the Board of Directors for approval.

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

The Company has providers of outsourced functions or activities in the Czech Republic, Italy and the Netherlands.

There have been no material changes to this area since the last reporting period.

B.8. ANY OTHER INFORMATION

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

For more information, please refer to Section B.5.1

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

There is no other relevant information.

C. Risk profile

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

C.1. UNDERWRITING RISK

C.1.1. LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

Life and health underwriting risks include biometric and operating risks embedded in the life and health insurance policies. Biometric risks derive from uncertainty in assumptions regarding mortality, longevity, health, morbidity and disability rates taken into account in the insurance liability valuations. Operating risks derive from the uncertainty regarding expenses and the adverse exercise of contractual options by policyholders. Along with premiums payment, the option to surrender a policy is the most significant contractual option held by policyholders. The life and health underwriting risks identified in the Company's risk map are:

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

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

Products	Mortality risk	Longevity risk	Morbidity/disability risk	Lapse risk	Expense risk	Health
Accident and disability	✓		✓	✓	✓	
Pure risk	✓		✓	✓	✓	
Annuity in payment		✓			✓	
Annuity in accumulation	✓	✓	✓	✓	✓	
Capitalization				✓	✓	
Endowment and others	✓		✓	✓	✓	
Non-life annuities in payment		✓			✓	

The life underwriting risks are measured using a quantitative model aimed at determining the SCR, based on the Generali Group partial internal model methodology for the former Generali Česká pojišťovna portfolio.

The risk measurement under Generali Group partial internal model methodology derives from a process divided into two main steps:

- Risk calibration, aiming to derive life underwriting risk factor distributions and consequently the stress to be applied to the best estimate biometric/operating assumptions with a certain probability of occurrence equal to 0.5%;
- Loss modelling, aiming to measure the loss for the Company resulting from the stress to biometric/operating assumptions.

For mortality and longevity risks, the uncertainty in insured population mortality and its impact on the Company are measured by applying stresses to the policyholders' death rates.

For the morbidity and disability risks, the uncertainty in sickness or morbidity in the insured population and its impact on the Company is measured by applying stresses to the policyholders' morbidity, disability and recovery rates.

In the case of lapse risk, risk calibration and loss modelling aims to measure the uncertainty in policyholder behaviour with respect to legal or contractual options that give them the right to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover, or permit the insurance policy to lapse. Similarly to biometric risks, the measurement is performed through the application of permanent and catastrophic stresses to the behaviour of these policyholders.

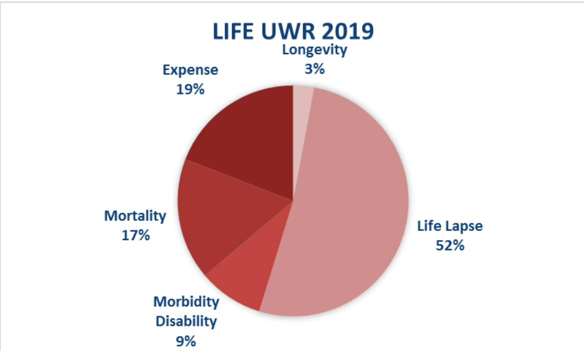
Expense risk is measured through the application of stresses to the expense inflation that the Company expects to incur in the future.

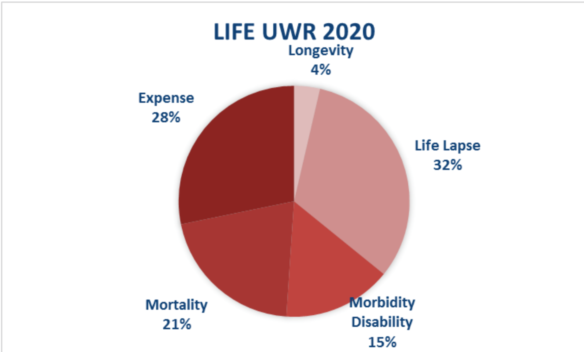
The Company performs specific tests and follows Generali Group methodology aimed at ensuring the reliability of the results obtained and their actual use in business decision-making processes, as prescribed by the Solvency II Directive.

The following table shows the development of life risks (on a standalone basis, without any diversification effects) of the former Generali Česká pojišťovna portfolio under the internal model (for YE20) in comparison with YE19 official life risks (part of the portfolio under the internal model and part under the Standard Formula)

Life underwriting risks	Total YE20	Total YE19	delta %
Life UW Risk	**3,120,165**	**3,911,766**	**-20%**
Longevity	112,790	114,607	-2%
Life Lapse	1,005,482	2,027,534	-50%
Morbidity/Disability	475,253	353,866	34%
Mortality	646,773	667,458	-3%
Expense + Cross terms	879,867	748,301	18%

The following charts show the share of individual risks in total life UW risk:





The life UWR was 20% lower in a year-on-year comparison mainly due to application of the internal model for the whole portfolio of the Company.

Lapse risk dropped by 50% due to significantly lower calibration under the internal model. The overall lapse calibration was also lower this year. Morbidity risk increased as a result of continuing protection-oriented new business. Mortality and longevity risk is at the same level as the preceding year. The growth in expense risk is caused by higher unit costs and higher inflation spread.

The ongoing shift towards risk-oriented products means we can expect relatively stable life UWR in the future. This means generally lower exposures to risks because of the decreasing portfolio, compensated by morbidity risk where exposure will grow due to new protection-oriented business.

RISK MANAGEMENT AND MITIGATION

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

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

Product pricing

Effective product pricing means setting product features and assumptions regarding expenses, biometrics and policyholder behaviour to allow the Company to withstand any adverse developments in these assumptions' trends.

For saving business this is mainly achieved through profit testing, while for the protection of insurance portfolios involving a biometric component, this is achieved by setting reasonably prudent assumptions.

For insurance portfolios with a biometric risk component, the mortality tables used in pricing include reasonable prudential margins. For these portfolios, comprehensive reviews of mortality experience are also performed at Head Office level every year, involving a comparison with the expected portfolio mortality determined according to the most up-to-date mortality tables available in each market. This analysis allows the continuous checking of the adequacy of the mortality assumptions used in product pricing, and the addressing of the risk of misestimating for future underwriting years.

Similarly as for mortality risk, an annual assessment of the adequacy of the mortality tables used in pricing is performed for longevity risk. This assessment considers both biometric risks and financial risks related to the minimum interest rate guarantee, and any potential mismatch between liabilities and the corresponding assets. Also in this case, the analysis allows continuous checks of the adequacy of the longevity assumptions taken into account in product pricing, and the addressing of the risk of misestimating for future underwriting years.

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

Underwriting process

The Company follows the underwriting guidelines of Generali Group that determine operating limits and the standard exemption request process to maintain risk exposure between pre-set limits and ensure a coherent use of capital.

Particular emphasis is put on the underwriting of new contracts, considering both medical and financial risks. The Company follows the clear underwriting standards issued through manuals, forms, and medical and financial underwriting requirements.

Maximum insurability levels are set by the Company for insurance riders most exposed to moral hazard. To further mitigate these risks, policy exclusions and financial underwriting rules are also defined.

The Company regularly monitors risk exposures and adherence to operating limits, reports any abnormal situations, and follows an escalation process proportionate to the nature of the violation to ensure that remedial actions are swiftly undertaken.

Role of risk management in pricing and product approval processes

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

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

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

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

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

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

The reinsurance program is subject to the opinion of the life actuarial function (LAF) regarding adequacy in accordance with the Group actuarial function policy and related guidelines. The actuarial function should consider whether the reinsurance arrangements are sufficient and adequate, and ascertain that own retention limits have been adequately set. Companies to whom contracts are ceded usually belong to Generali Group; hence there is minimum risk of potential unavailability of reinsurance cover.

C.1.2. NON-LIFE UNDERWRITING RISK

RISK EXPOSURE AND ASSESSMENT

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

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

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

The business underwritten by the Company is a mix of retail, commercial and industrial risks. Motor insurance is the most important, followed by property, liability and other segments.

The Company exposures to underwritten risks are described in Section D.2.2 of this report, related to technical provisions and the market value balance sheet.

The vast majority of exposure underwritten by the Company is located in the Czech Republic. This location includes NAT CAT risks exposed mainly to flood, wind, hailstorm and snow perils.

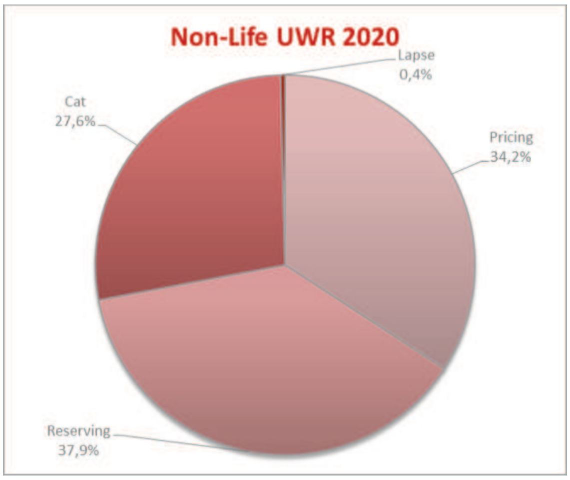
The SCR for the non-life underwriting risk of the Company is measured by means of the full internal model (FIM) including the transferred portfolio of the former Generali pojišťovna according to the regulators' approval of the model change. The SCR for the transferred portfolio was evaluated by means of the Standard Formula for year-end 2019. Both approaches cover the following risks:

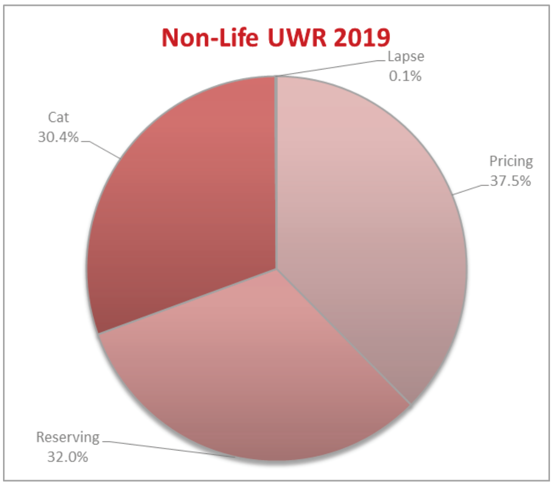
- Pricing and catastrophe risk: the possibility that premiums are not sufficient to cover future claims, contract expenses and extremely volatile events;
- Reserving risk: the uncertainty of the claims reserves run-off around its expected value, in a one-year time horizon;
- Lapse risk: related to the uncertainty that customers may cancel their existing policies in larger numbers than expected.

The following table shows the development of non-life risk measured by the internal model:

Non-life underwriting risks	2020	2019	delta %
Non-life UW risks	**3,829,010**	**2,828,975**	**35%**
Pricing	1,832,873	1,524,812	20%
Reserving	2,030,575	1,301,750	56%
CAT	1,478,788	1,237,400	20%
Lapse	20,525	4,635	343%

The following charts show the shares of individual risks in total non-life UW risk:





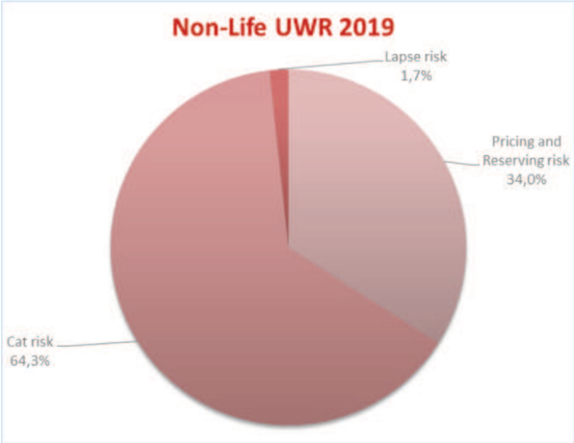
The significant movements can be seen for all non-life UWR risks. The main reason is an inclusion of the transferred portfolio of former Generali pojišťovna into the full internal model. IN 2019 standard formula was applied to that portfolio. The increase in lapse risk was driven by higher expected profit included in the future premium as a consequence of the improved profitability observed during the COVID-19 pandemic. The reserving risk movement was influenced by the change in the portfolio structure, especially in the case of general liability.

The COVID-19 pandemic has impacted the pricing risk results. We have observed positive deviations in motor insurance and negative development in business interruption and travel agency insolvency. These observations contributed to slightly higher standard deviations of the results in the mentioned areas but the impact was not very severe. Reserving risk was influenced even less, mainly via lower exposure.

The following table shows the figures for non-life risks measured using the standard formula as of year-end 2019 for the transferred Generali pojišťovna portfolio. 2020 is not presented, as this part of the business was included in the full internal model.

Non-life underwriting risks	2019
Non-life UW risks	**1,887,646**
Pricing and reserving risk	803,630
Cat risk	1,518,424
Lapse risk	40,617

The following chart shows the shares of individual risks in total non-life UW risk:



The risk management function checks the appropriateness of the parameters used in the SCR calculation by performing a sensitivity analysis.

RISK MANAGEMENT AND MITIGATION

P&C risk selection starts with a general proposal in terms of the underwriting strategy and corresponding business selection criteria in agreement with the Group. The underwriting strategy is formulated consistently with the risk preferences defined by the Board within the risk appetite framework.

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

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

The Company transfers reinsurance contracts to Head Office through the Bulgaria-based company GP Reinsurance EAD, which serves as a captive reinsurer for the Generali companies from the CEE region.

The property catastrophe reinsurance program for 2021 is designed as follows:

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

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

There was no major change in the reinsurance program of the Company. The only relevant adjustment was an increase in the capacity of the catastrophe excess of loss program. The aim of this adjustment was to increase protection from the most severe catastrophic events.

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

The risk management function confirms the adequacy of the risk mitigation techniques on an annual basis. An analysis of several alternative reinsurance programs with a focus on indicators such as solvency ratio, profitability and economic value is provided to test the suitability of the current setup.

The current reinsurance program has significantly improved the risk position of the Company. The mitigation effect is most significant in the case of CAT risk, where more than 90% of the SCR is ceded out of the Company. The effect is also favourable in the case of other non-life underwriting risk – the decrease of 60% in lapse risk, 57% in pricing risk and 42% in reserving risk was driven by the current reinsurance structure.

C.2. MARKET RISK

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

The Company might then be exposed to the following market & credit risk:

- Invested assets may not perform as expected because of falling or volatile market prices;
- Cash from maturing bonds may be reinvested under unfavourable market conditions, typically lower interest rates;
- Invested assets may not perform as expected because of perceived or actual deterioration of the creditworthiness of the issuer;
- Derivative or reinsurance contracts may not perform as expected because of a perceived or actual deterioration of the creditworthiness of the counterparty.

Regarding its invested assets, the Company is a long-term liability-driven investor, and holds assets until they are needed to redeem the promises to policyholders. It is therefore fairly immune to any short-term decrease and fluctuations in their market values.

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

For this purpose, the Company manages its investments in a prudent way according to the prudent person principle, and strives to optimize the return of its assets while minimizing the negative impact of short-term market fluctuations on its solvency. The company achieves this optimization by investing only in assets and instruments whose risks can be properly identified, measured, monitored, managed and appropriately taken into account when assessing solvency needs.

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

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

In more detail, the Company is exposed to the following main asset classes:

Asset allocation	Market value 2020	Market value 2019
Government bonds	28,774,627	25,309,128
Corporate bonds	18,183,039	16,502,337
Investment funds	18,706,759	17,300,936
Equity	16,769,473	21,043,474
Structured notes	783,334	763,809
Cash and deposits	1,524,478	1,605,942
Mortgages and loans	7,015,195	5,944,500
Property	1,017,817	1,129,668
Derivatives	46,945	276
Total	**92,821,668**	**89,600,068**

The total market value of assets increased by 3.6% in 2020. The biggest contributor of this change was the increase in the bo nd allocation, partially offset by a decrease in the equity position.

C.2.1. RISK EXPOSURE AND ASSESSMENT

The market risks included in the company risk map are the following:

- Equity risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the level of equity market prices that may lead to financial losses.
- Equity volatility risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in the volatility of equity markets.
- Interest rate risk: the risk of adverse changes in the market value of the assets or in the value of liabilities due to changes in interest rates in the market. The Company is mostly exposed to upward changes in interest rates as higher interest rates can decrease the present value of the promises made to policyholders to less than the value of the assets backing those promises.
- Concentration risk: the risk of incurring significant financial losses because the asset portfolio is concentrated on a small number of counterparties, thus increasing the possibility that a negative event hitting only a small number or even a single counterparty can produce large losses.
- Currency risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in exchange rates.
- Interest rate volatility risk: the risk of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of interest rate implied volatilities.
- Property risk: the possibility of adverse changes in the market value of the assets or the value of liabilities due to changes in the level of property market prices.

The current allocation to market risk is as follows:

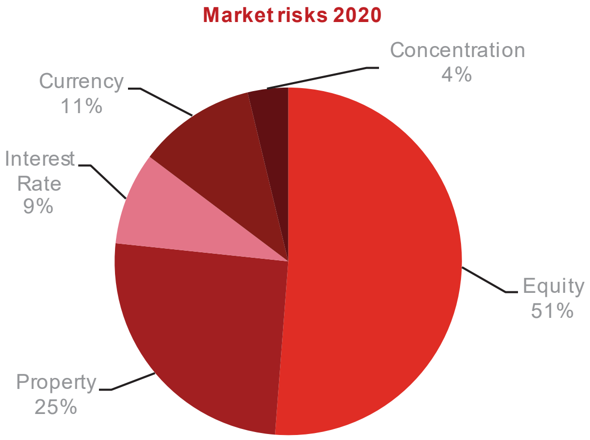
Exposure to risk type	Market value 2020	Market value 2019
Equity risk	20,152,780	25,206,543
Equity volatility risk	0	0
Interest rate risk	55,835,167	48,884,997
Concentration risk	87,789,040	88,978,077
Currency risk	10,164,421	11,700,459
Interest rate volatility risk	4,879,673	1,363,296
Property risk	10,711,111	10,574,497

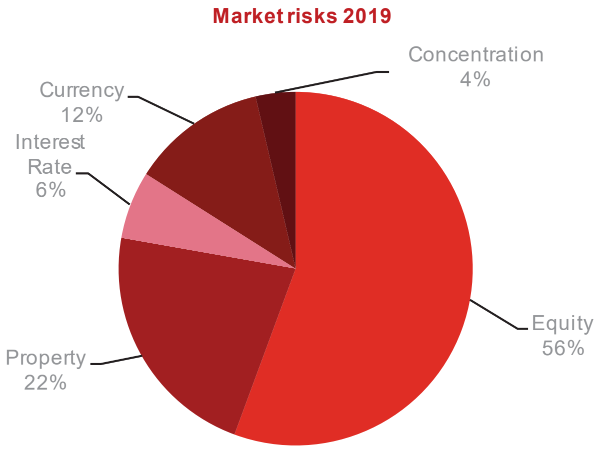
The biggest change was the revaluation of two participations, Patricie and ČP Zdravi, due to their dividend payment to Generali Česká Pojišťovna. This effectively transformed CZK 5 billion from equity participation to bonds (mainly Czech government bonds).

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

The Company evaluates its market risk using the Generali Group internal model used for the SCR calculation. A breakdown of the SCR according to this methodology and originating from market risk can be seen in the table and charts below and in Section E.

Market risks	Value 2020	Value 2019
Equity	4,067,527	4,867,030
Property	2,020,896	1,940,000
Interest rate	683,844	542,717
Currency	870,237	1,082,213
Concentration	299,088	318,775





To ensure the ongoing appropriateness of the internal model methodology, market risk calibrations are reviewed on a yearly basis. Since the last reporting period several minor model changes affecting assets were implemented, but their aggregated impact is low.

- The cost of the dynamic hedging methodology was amended to incorporate REPO operations as a new FX hedging instrument
- The increased capital requirement for European government bonds.
- Reduced correlation between spread widening risk factors and IR risk factors (PC1)

Market risk concentration is explicitly modelled by the internal model. According to the results of the model and the composition of the balance sheet, the Company is exposed to concentration property risk driven by the fact that the Company only recently started to invest in real estate and thus the number of buildings owned is limited.

C.2.2. RISK MANAGEMENT AND MITIGATION

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

One of the main risk-mitigation techniques used by the Company is liability-driven asset management, which aims at enabling the comprehensive management of assets taking into account the Company's liabilities structure.

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

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

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

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

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

The annual SAA proposal:

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

The Group has centralized the management and monitoring of specific asset classes (private equity, alternative fixed income, etc.). These kinds of investments are subject to accurate due diligence aiming at assessing the quality of the investment, the level of risk related to the investment, and its consistency with the approved liability-driven SAA.

In addition to risk tolerance limits set for the Company solvency position defined within the RAF, the current risk monitoring process of the Company is also integrated into the system of investment risk limits through the adoption of the Generali Group investments risk guidelines (GIRG) provided by Head Office. This includes general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

Furthermore, the Company is also actively implementing market risk mitigation strategies:

Currency risk

The Company's functional currency is the Czech crown (CZK). However, the investment portfolios also contain instruments denominated in foreign currencies. According to the general policy, all these instruments are either dynamically hedged into CZK via FX or assigned to foreign currency technical reserves at a corresponding value. FX hedging is implemented either through FX derivatives (i.e. FX swaps, forward transactions and cross currency swaps) or through cross-currency REPO operations (used since 2016). The process in place guarantees high effectiveness of the hedging.

Interest rate risk

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

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

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

The Company implements hedge accounting to reflect its hedging strategy within the financial statements. As part of hedge accounting activities, the effectiveness of hedging is measured as the ratio of gains/losses on hedged items to the profit or loss result of the hedging instrument. An effectiveness test is regularly performed each month, and compliance with the 80%-125% rule is verified.

C.3. CREDIT RISK

For general information on the market and credit risk context, see the preceding section on market risk.

C.3.1. RISK EXPOSURE AND ASSESSMENT

The credit risk included in the company risk map:

- Spread widening risk is the risk of adverse changes in the market value of the assets due to changes in the market value of non-defaulted credit assets. The market value of an asset can decrease because of spread widening risk either because the market's assessment of the creditworthiness of the specific obligor decreases, which is typically accompanied by a credit rating downgrade, or because there is a market-wide systemic reduction in the price of credit assets.
- Default risk refers to the risk of incurring losses because of the inability of a counterparty to honour its financial obligations.

Allocation to credit risk

Exposure to risk type	Market value 2020	Market value 2019
Spread widening risk	56,925,149	52,926,305
Credit default risk	56,925,149	52,926,305
Counterparty default risk	21,279,818	22,882,775

The greatest change occurred in the spread widening risk/credit default risk exposure, which increased compared to 2019 due to the acquisition of the insurance portfolios and related assets and liabilities of Pojišťovna Patricie.

We do not expect any substantial changes in the relationship to risk exposure in the foreseeable future.

To ensure that the level of credit risk deriving from invested assets is adequate to the business run by the Company and the obligations undertaken with the policyholders, the investment activity is performed in a sound and prudent manner in accordance with the Prudent Person Principle set out in Article 132 of Directive 2009/138/EC, as determined in the group investment governance policy (GIGP) approved by Head Office and subsequently approved by the Board.

The Prudent Person Principle is applied independently of the fact that assets are subject to either market risk or credit risk or both.

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

The Company evaluates its credit risk using the Generali Group internal model used for the SCR calculation. The breakdown of the SCR originating from credit risk according to this methodology can be seen in Section E.

To ensure the continuous appropriateness of the internal model methodology, credit risk calibrations are reviewed on a yearly basis. No material changes have occurred since the last reporting period.

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

C.3.2. RISK MANAGEMENT AND MITIGATION

The credit risk borne by the Company is managed in many concurrent ways.

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

Moreover, the application of the internal model produces a set of quantitative risk metrics that allow the definition of risk tolerance levels and the performance of sensitivity analysis on selected risk scenarios.

In addition to the framework illustrated above, the current risk monitoring process of the Company is also integrated through the adoption of the Generali Group investments risk guidelines (GIRG) provided by Group Head Office. The GIRG include general principles, quantitative risk limits (with a strong focus on credit and market concentration), authorization processes and prohibitions.

C.4. LIQUIDITY RISK

C.4.1. RISK EXPOSURE AND ASSESSMENT

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

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

The Company's liquidity risk assessment relies on projecting cash obligations and available cash resources into the future to ensure that available liquid resources are always sufficient to cover cash obligations that will come due in the same period.

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

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

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

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

The liquidity metrics show a stable liquidity position. There have been no material changes to this area which could have resulted in breaches of stipulated liquidity thresholds since the last reporting period.

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

C.4.2. RISK MANAGEMENT AND MITIGATION

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

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

The principles for liquidity risk management designed in the liquidity risk management policy and the risk appetite framework are fully embedded in the Company's strategic planning as well as in business processes, including investments and product development. As far as the investment process is concerned, the Company has explicitly identified liquidity risk as one of the main risks connected with investments, and has stipulated that the strategic asset allocation process must rely on indicators strictly related to liquidity risk, including the mismatch of duration and cash flows between assets and liabilities. Investment limits have been imposed on the Company to ensure that the share of illiquid assets is kept within a level that does not impair the Company's asset liquidity. As far as product development is concerned, the Company follows the life and P&C underwriting policies defining the principles to be applied to mitigate the impact on liquidity from lapses and surrenders in respect of the life business and claims in respect of the non-life business. There were no material changes in this area in the last monitored period.

C.4.3. EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS

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

The EPIFP amount underwritten by the Company has been calculated in accordance with Article 260(2) of the Delegated Act and amounts to CZK 9.662 billion for the life business and CZK 2.157 billion for the P&C business at year-end 2020. The increase in non-life profit compared to the preceding year (CZK 1.800 billion) was mainly driven by the lower expectation of losses for the motor business and general liability insurance segments. The improvement is connected to the COVID-19 pandemic and related restrictions. It can be seen that the EPIFP for the life business increased. This was primarily due to the increase in profitability caused by the lower lapse assumption.

Expected profit included in future premiums (EPIFP) gross

	Expected profit included in future premiums (EPIFP)		
	31 December 2020	31 December 2019	delta %
Expected profit included in future premiums (EPIFP) – life insurance	9 661 951	9 065 469	7%
Expected profit included in future premiums (EPIFP) – non-life insurance	2 156 564	1 799 884	20%
Expected profit included in future premiums (EPIFP) – total	**11 818 515**	**10 865 353**	**9%**

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C.5. OPERATIONAL RISK

C.5.1. RISK EXPOSURE AND ASSESSMENT

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. Compliance and financial reporting risk falls within this category. The calculation of capital requirement for operational risk is part of internal model since 2020.

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

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

Following best industry practices, the Company's framework for operational risk management includes its loss data collection (LDC) and risk assessment and scenario analyses.

Loss data collection is the process of collecting losses from operational risk events, and provides a backward-looking view on the Company's risk profile in operational risks.

Risk assessment and scenario analysis provides a forward-looking view of the Company's risk profile in operational risk, and requires an analysis of the risks performed jointly with the business owners:

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

MAIN COMPANY RISKS

For the Company and the industry as a whole, one of the main operational risks arises from the implementation and correct interpretation of all requirements arising from regulations like IDD, GDPR, the customer protection regulation, or the AML directive. The Company therefore strictly monitors requirements resulting from regulations, especially as regards customer data privacy and customer protection, and takes the necessary actions to ensure full compliance with both regulatory requirements and security standards. The Company is also fully aware of the risk of cyber attacks, which is increasing across the whole industry. The increasing relevance of this risk is related to the steadily increasing dependence on IT. Furthermore, the Company is aware of the significance of fraud risk, especially client frauds and fraud by intermediaries, however this risk has been efficiently mitigated thanks to a highly developed and structured detection system. Pandemic-related risk was newly included in the main risks because of the worldwide events in the past year.

C.5.2. RISK MANAGEMENT AND MITIGATION

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

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

Overall, the operational risk management system is primarily based on the assessment of risks by experts in different fields of Company operations, and collecting information on losses that have actually occurred. The outputs of these analyses are used to suppo rt investments in new or modified controls and mitigation actions to keep the level of operational risk within an acceptable range and to achieve better operational flow efficiency.

From a process perspective, there have been no material changes to this area since the last reporting period. However, the risk profile of the Company has slightly changed, mainly due to external factors and the mitigation actions performed by the Company. Due to planned activities in the customer protection area, operational risk decreased in comparison to the preceding period. The Company now faces pandemic risk, which was not considered significant in past years. Increased risk exposure is also observed in the cyber security area, however this is accompanied by the parallel development of mitigation measures reducing the residual risk. Other operational risks are stable without relevant changes.

C.6. OTHER MATERIAL RISK

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

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

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

There have been no material changes to this area since the last reporting period.

C.7. ANY OTHER INFORMATION

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

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

The impacts of the sensitivities are reported in Section E.

There have been no material risks in this area since the last reporting period.

D. Valuation for solvency purposes

D.1. ASSETS

D.1.1. GENERAL VALUATION FRAMEWORK

There were no material changes to the general valuation framework in comparison with the preceding reporting period except for the implementation of IFRS 16.

Solvency II clarifies the relationship between the SII valuation of assets and liabilities and the international accounting standards (IFRS) adopted by the European Commission. The primary objective for valuation as set out in the Solvency II regulation requires an economic, market-consistent approach to the valuation of assets and liabilities.

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

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

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

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

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

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

Fair value measurement approach

Items will be valued on an economic basis having the IFRS as reference.

On this basis, the following hierarchy of high-level principles for the valuation of assets and liabilities is used:

Level 1 inputs

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

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

An active market for an asset or liability is a market on which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs

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

They include:

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

Level 3 inputs

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

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

Valuation techniques

In some cases a single valuation technique will be sufficient, whereas in others multiple valuation techniques will be appropriate. The fair value of assets is determined using independent valuations provided by third parties. Exceptions are required or IFRS valuation methods are excluded only for some specific items.
Additional information about financial asset valuation methods and assumptions is provided in the Notes to the Financial Statements, Chapter C.

SII SPECIFICITIES

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

In particular, the exceptions refer to:

- Goodwill and intangible assets;
- Participations (or related undertakings);
- Deferred taxes.

GOODWILL AND INTANGIBLE ASSETS

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

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

PARTICIPATIONS (OR RELATED UNDERTAKINGS)

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

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

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

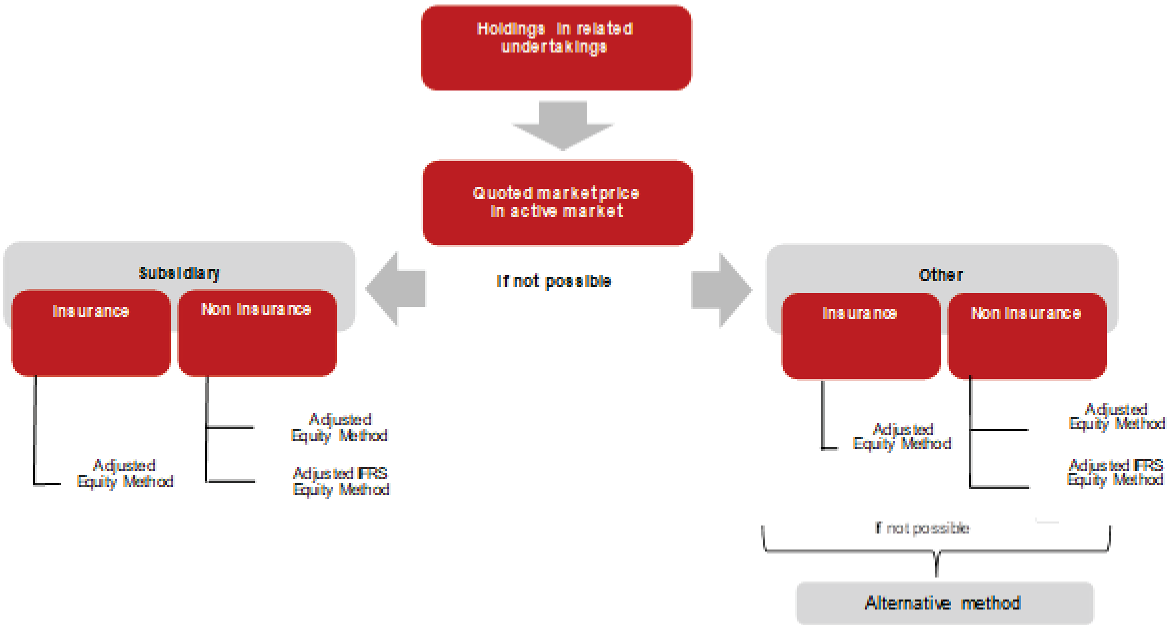
Valuation

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

Solvency II guidelines provide a hierarchy that will be used to value holdings in related undertakings for Solvency purposes. The hierarchy consists of:

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

The following figure shows the structure of this hierarchy.



DEFERRED TAXES

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

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

Valuation

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

In particular, deferred tax assets and liabilities - other than deferred tax assets (DTA) arising from the carry-forward of unused tax credits and the carry-forward of unused tax losses - should be determined on the basis of the difference between the values ascribed to assets and liabilities, and the values ascribed to assets and liabilities as recognized and valued for tax purposes.
In other words, the deferred tax value has to be based on the difference in the value of the underlying assets and liabilities assumed in the valuation consistent with the Solvency II Directive and the value for tax purposes.

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

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

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

In particular, with reference to investments in subsidiaries, associated companies, joint ventures and investment vehicles, and in accordance with IAS 12, Section 39, an enterprise will recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

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

The table below presents the deferred tax assets and liabilities recognized by the Company.

Deferred tax

	Final DTA		Final DTL	
	2020	2019	2020	2019
Intangible assets	1,039,291	1,081,760	0	0
Deferred acquisition costs	265,489	269,526	0	0
IFRS 16 assets	0	0	141,106	173,035
Insurance provisions and amount ceded to reinsurers from insurance provisions	0	0	1,517,028	2,715,447
Financial instruments	0	5,688	212,105	95,315
IFRS 16 liabilities	182,721	205,197	0	0
Other	85,339	69,070	0	0
Total	**1,572,840**	**1,631,241**	**1,870,239**	**2,983,797**

As in the prior year, in 2020 material deferred tax asset is recognised from intangible assets in 2020. As disclosed in Chapter A.1.4., the Company has also acquired insurance portfolios and assets and liabilities related to the insurance portfolio. The difference between the book value of the portfolios and related assets and liabilities acquired and the purchase price paid is an intangible asset according to tax rules and will be amortized. This difference has been recognized in retained earnings in the financial statements. The Company has therefore newly recognized a deferred tax asset in 2019 and in 2020.

Deferred tax liabilities on insurance provisions arise mostly from the difference between the tax value of technical provisions and the technical provisions calculated according to SII. With effect from 1 January 2020, Act No 364/2019, amending certain tax laws to increase government revenues, was approved. This law regulates, besides other changes, the corporate income taxes of insurance companies. From 2020, the tax base of insurance liabilities is the value of insurance liabilities calculated in accordance with the European Solvency II Directive, replacing the current accounting value reported under the Accounting Act. The impact of this change is split over two years and has decreased the deferred tax liability in comparison with 2019 by CZK 1.223 billion.

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

The expected time horizon for the reversal of temporary differences from the portfolio transfer is 15 years (deferred tax asset CZK 852.898 million), three years for other intangible assets (which corresponds to the amortization period for most of the intangible assets), one year for deferred acquisition costs, while for bonds it is variable. The expected time horizon for the reversal of temporary differences for insurance provision is one year.

The probability of future taxable profits is supported by business plans prepared for a three-year horizon and approved by the parent company.

LEASING

Property and equipment holdings used by the Company under operating leases in which the risks and benefits relating to the ownership of the assets remain with the lessor are recorded on the Company's statement of financial position in the lines Property, plant and equipment held for own use and Property (other than for own use), and are depreciated over 1 to 8 years.

Future lease payments from operating leases are recorded on the Company's statement of financial position in the line Financial liabilities other than debts owed to credit institutions, and are recorded as the present value of leasing payments for the leasing term. The discount rates used are from 1.1% to 1.9%.

The Company has arranged 468 lease agreements, mainly for properties, as of 31 December 2020. Some of these properties are further leased to subsidiaries under operating leases.

D.1.2. DEVIATIONS FROM IFRS

By accepting the valuation methods defined in the IFRS, Solvency II anticipates that there will be cases where IFRS valuation methods are not consistent with Solvency II requirements, requiring the valuation of balance sheet items at fair value. Solvency II excludes specific valuation methods such as cost or amortized cost, and models where value is determined at the lower of the carrying amount and fair value less costs to sell.

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

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

D.1.3. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

BALANCE SHEET

Year-on-year comparison of the Solvency II value

Assets	2020	2019
Deferred acquisition costs		
Intangible assets		
Deferred tax assets	166,708	
Property, plant and equipment held for own use	722,610	877,909
Investments (other than assets held for index-linked and unit-linked contracts)	67,820,944	68,036,488
Property (other than for own use)	295,207	316,964
Holdings in related undertakings, including participations	13,322,136	17,794,170
Equities	2,210,825	2,086,266
Bonds	46,169,301	42,591,825
Government bonds	28,200,115	26,209,652
Corporate bonds	17,704,782	16,108,014
Structured notes	31,223	30,487
Collateralised securities	233,181	243,672
Collective investment undertakings	4,731,184	4,517,358
Derivatives	962,290	529,905
Deposits other than cash equivalents	130,000	200,000
Assets held for index-linked and unit-linked contracts	17,158,382	16,651,820
Loans and mortgages	6,986,225	8,208,914
Reinsurance recoverables	7,509,847	7,121,154
Deposits to cedants	326	555
Insurance and intermediaries receivables	2,744,787	2,889,744
Reinsurance receivables	2,756,253	2,918,035
Receivables (trade, not insurance)	506,815	1,306,986
Cash and cash equivalents	1,097,679	1,452,581
Any other assets, not shown elsewhere	360,427	807,968
Total assets	**107,831,002**	110,064,484

The investment structure movements mainly reflected a decrease in the value of the subsidiary Pojišťovna Patricie related to a dividend payment of CZK 5.067 billion and investment activity driven by market conditions and investment policies.

The significant decrease in loans and mortgages was caused by the decrease in reverse repo agreements. The decrease in trade receivables was mainly caused by the decrease in collaterals.

Reconciliation of the Solvency II value with the statutory financial statements

AAssets	Solvency II value	Statutory accounts value	Note	Amount per financial statements	Mapping
Deferred acquisition costs		,397,308	Deferred acquisition cost valued at zero for SII	1,397,308	
Intangible assets		,526,300	Intangible assets valued at zero for SII	1,526,300	
Deferred tax assets	166,708	,686,168	Different valuation methodology	1,686,168	
Property, plant and equipment held for own use	722,610	722,610		744,793	Art works shown are presented in the line any other assets, not elsewhere shown in SII
Investments (other than assets held for index-linked and unit-linked contracts)	67,820,944	5,605,041		64,719,509	
Property (other than for own use)	295,207	295,207		295,207	
Holdings in related undertakings, including participations	13,322,136	1,142,964	Participations are valued at fair value for SII	10,387,431	The company Green Point offices a.s. is classified in the financial statements as held for sale (any other assets, not elsewhere shown)
Equities	2,210,825	2,174,096		2,174,096	
Bonds	46,169,301	6,169,301		46,169,301	
Government bonds	28,200,115	8,200,115		28,200,115	
Corporate bonds	17,704,782	7,704,782		17,704,782	
Structured notes	31,223	31,223		31,223	
Collateralised securities	233,181	233,181		233,181	
Collective investment undertakings	4,731,184	4,731,184		4,731,184	
Derivatives	962,290	962,290		962,290	
Deposits other than cash equivalents	130,000	130,000			Term deposits up to 15 days are mapped in the financial statements in cash and cash equivalents
Assets held for index-linked and unit-linked contracts	17,158,382	7,158,382		17,158,382	
Loans and mortgages	6,986,225	6,961,689		6,962,015	Part of the balance is reported as deposits to cedants arising out of reinsurance operations in the financial statements
Reinsurance recoverables	7,509,847	4,239,581	Different valuation methodology	14,239,581	
Deposits to cedants	326	326			The balance is reported as other loans and mortgages in SII
Insurance and intermediaries receivables	2,744,787	2,744,787		2,506,870	The balances sum represents receivables in the statutory financial statements
Reinsurance receivables	2,756,253	2,756,253		2,994,171	
Receivables (trade, not insurance)	506,815	506,815		506,815	
Cash and cash equivalents	1,097,679	1,097,679		1,227,679	Term deposits up to 15 days are mapped in the financial statements in cash and cash equivalents
Any other assets, not elsewhere shown	360,427	360,427		1,093,776	The company Green Point offices a.s. is classified in the financial statements as held for sale Art works shown are presented in any other assets, not elsewhere shown in SII
Total assets	107,831,002	6,763,367		116,763,367	

D.2. TECHNICAL PROVISIONS

D.2.1. LIFE TECHNICAL PROVISIONS

OVERVIEW OF LIFE TECHNICAL PROVISIONS

The Solvency II life technical provisions at the end of 2020 were calculated according to Articles 77 to 83 of the Solvency II Directive 2009/138/EC. In line with Solvency II rules and the policy conditions, contract boundaries are applied to regularly paid accident riders. No future cash flows from this segment are projected/considered in the life TP calculation.

The following table shows the life technical provisions at the end of 2020 split into their main components: the best estimate of liabilities, reinsurance recoverables net of the counterparty default adjustment, risk margin, and transitional measures.

SII life technical provisions

	31/12/2020	31/12/2019
Best estimate of liabilities - gross of reinsurance	39,158,732	39,646,371
Risk margin	1,063,201	1,406,142
Technical provisions - gross of reinsurance	**40,221,932**	**41,052,512**
Reinsurance recoverables	(585,812)	(582,045)
Technical provisions - net of reinsurance	**39,636,121**	**40,470,467**
Transitional measures	0	0
Technical provisions - net of reinsurance and transitional measures	**39,636,121**	**40,470,467**

**** positive amounts represent a liability*

The main drivers of the life TP movement in 2020:

- The opening adjustment: -CZK 211 million caused by the application of the internal model approach to the former Generali Pojišťovna portfolio;
- The economic experience variance: -CZK 158 million caused by the lower investment returns in 2020, mainly on UL liabilities;
- The operating experience variance: +CZK 644 million driven mainly by decreased lapses;
- The change in the future operating assumption: -CZK 230 million driven by the decreased lapse rates assumption (-CZK 551 million), partially offset by growth in unit expenses (+CZK 348 million);
- The change in economic assumption: decrease in the yield curve increasing the TP by CZK 788 million;
- New business: -CZK 621 million.

The best estimate of liabilities corresponds to the average of the present values of expected future cash flows generated from contracts present in the Company portfolio, and therefore includes both a probabilistic assessment of their occurrence and an appropriate assessment of the time value of money, obtained on the basis of risk-free interest rates as of 31 December 2020, as observed in the market and officially communicated by EIOPA. This curve (derived for the main markets and from interbank swap rates) includes both an adjustment to consider the residual default risk of these instruments (the so-called credit risk adjustment, amounting to -10bps for CZK) and an adjustment to consider the excess return achieved in a risk-free manner by the assets covering the insurance liabilities (the so-called volatility adjustment, equal to +10bps for CZK).

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

For portfolio of the Company as a whole, depending on the type and risk inherent in it, the expected future cash flows have been assessed in a deterministic scenario (i.e. a certainty equivalent scenario) or as the mean value of a set of stochastic scenarios, to allow the calculation of the cost of financial guarantees and contractual options. In the latter case, specific assumptions on future management decisions were also implemented in the actuarial platforms (so-called management actions relating, e.g. to future profit sharing), and also the rational behaviour of the insured (the so-called dynamic policyholder's behaviour, which can impact the propensity to exercise options such as the surrender option).

The best estimate of liabilities for the residual part of the portfolio (the majority are either matured or lapsed policies whose reserves are still in the books just waiting to be paid out) was revaluated using a simplified approach and assumed equal to the IFRS reserves.

As shown in the above table, the best estimate of liabilities gross of reinsurance amounted to CZK 39.16 billion, and mainly consists of insurance with profit participation, mostly including old savings products in run-off and the traditional part of hybrid products.

Only 1.50% of gross BEL is transferred via reinsurance outside the Company, and the reinsurance recoverables net of the counterparty default adjustment related to these contracts amounted to CZK 0.59 billion. The reinsurance recoverables were evaluated by means of appropriate projections of the cash flows expected from reinsurance contracts and adjusted using the counterparty default adjustment to take into account of the risk of default of the reinsurer.

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

The capital requirement needed to cover non-hedgeable risk was determined using the internal model. The rate used to determine the cost of capital is 6% per annum. The cost of capital for each projection year was discounted at the valuation date using the term structure of interest rates without the volatility adjustment. In line with the regulation, the risk margin is calculated net of reinsu rance. The future projection of the capital requirement needed to cover the non-hedgeable risks and its allocation by line of business was carried out by means of suitable risk drivers applied to the capital required in respect of each risk included in the risk margin calculatio n.

As of 31 December 2020, the risk margin associated with Generali Česká pojišťovna life insurance contracts was CZK 1.063 billion.

The total value of the Solvency II life technical provisions of Generali Česká pojišťovna as of 31 December 2020, calculated as the sum of the best estimate of liabilities net of reinsurance and risk margin, amounted to CZK 39.64 billion.

The following table reports the amount of the Solvency II life technical provisions split by line of business:

- Insurance with profit participation
  - Traditional endowment products (also including some life risk riders)
  - A guaranteed savings part and life risk riders unbundled from ‘hybrid‘ products
  - A declared interest rate part unbundled from ‘hybrid’ products
- Unit-linked - contracts without options and guarantees
  - Pure UL products (mostly single paid)
  - UL part unbundled from ‘hybrid‘ products
- Other - contracts without options and guarantees
  - Pure risk products
  - All life risk riders unbundled from new generation of hybrid products
  - Accident riders (with future premiums subject to contract boundaries)
- Annuities stemming from non-life obligations
  - MTPL and TPL annuities (RBNS reserve only).

Life technical provisions YE2020 by line of business

	2020	% weight	2019	% weight
Total	**39,636,121**	**100%**	**40,470,467**	**100%**
Insurance with profit participation	25,254,710	64%	26,164,287	65%
UL - Contracts without options and guarantees	15,688,119	40%	15,050,809	37%
Other - Contacts without options and guarantees	(2,324,130)	(6)%	(1,729,500)	(4)%
Annuities stemming from non-life obligations	1,017,422	3%	984,871	2%

**** positive amounts represent a liability*

Generali Česka pojištovna’s Solvency II life technical provisions net of reinsurance mainly consist of insurance with profit participation, which mostly includes old products in run-off and traditional parts of hybrid products (including some life risk riders).

The following table compares the technical provisions reported in the financial statements with the Solvency II life technical provisions at the end of 2020.

	IFRS	Solvency II	Delta
Gross reserves/BEL gross	47,825,824	39,158,732	8,667,092
Ceded reserves/Reinsurance recoverables	(639,271)	(585,812)	(53,459)
Risk margin	0	1,063,201	(1,063,201)
Net reserves/Net TP	**47,186,553**	**39,636,121**	**7,550,432**

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

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

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

  In contrast, financial statement reserve cash flows typically do not consider future policyholder bonuses and are discounted by means of technical interest rates defined at contract inception.
- The Methodology used to evaluate the business with profit sharing and guarantees: for this type of contract, Solvency II technical reserves are valued using stochastic actuarial platforms that capture a wide spectrum of possible financial scenarios and thus allow for the explicit assessment of the cost options and guarantees held by the insured. In contrast, statutory reserves do not include an assessment of those costs.
- Counterparty default adjustment: unlike statutory valuation, the amount of Solvency II reinsurance recoverables is adjusted to take into account the probability of default of the counterparty.
- Risk margin: unlike statutory reserves, Solvency II includes an explicit assessment of the amount to be held against non-hedgeable risks.

The following table compares the technical provisions reported in the financial statements with the Solvency II life technical provisions at the end of 2020 in detail by line of business.

	IFRS	Solvency II	Delta
Insurance with profit participation	27,577,750	25,254,710	2,323,040
UL - contracts without options and guarantees	17,273,591	15,688,119	1,585,472
Other - contacts without options and guarantees	1,477,366	(2,324,130)	3,801,496
Annuities stemming from non-life obligations	857,846	1,017,422	(159,576)

The difference between the technical provisions in the financial statements and the Solvency II life technical provisions varies depending on line of business. The reason is that the sources of differences described above are differently relevant for different lines of business. Almost all the sources described above are relevant for insurance with profit participation (except those caused by the market value of assets covering reserves). Conversely, the difference for UL – contracts without options and guarantees is given only by the different costs and fees for fund management from/to the Company taken into account.

SOURCES OF UNCERTAINTY

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

In the long term, the assumptions used are stable and we did not experience any significant fluctuations in 2020. In recent years, we have seen improvements in surrender rates and increased stability in disability and morbidity rates assumptions (leading to the replacement of conservative estimates for actual claims data).

The following table shows the sensitivity of the gross best estimate of liabilities under Solvency II at the end of 2020 to the change in individual assumptions.

	Gross best estimate of liabilities	Delta	Delta %
Expenses -10%	38,414,541	(744,191)	(1.90)%
Expenses +10%	39,902,775	744,043	1.90%
Life lapse -10%	38,739,391	(419,341)	(1.07)%
Life lapse +10%	39,533,006	374,274	0.96%
Mortality -10%	38,954,188	(204,544)	(0.52)%
Mortality +10%	39,361,641	202,910	0.52%
Longevity -10%	39,211,768	53,036	0.14%
Longevity +10%	39,109,887	(48,845)	(0.12)%
Morbidity and disability -10%	38,925,531	(233,201)	(0.60)%
Morbidity and disability +10%	39,391,754	233,022	0.60%

The underwriting parameters only slightly affect the Generali Česká pojišťovna portfolio. The most relevant operating assumption is expenses, which affect the whole portfolio. A variation of 10% in the expense assumptions changes the best estimate of liabilities by about 1.90%. The other operating assumptions have a relatively small effect on the TP due to the application of contract boundaries (CB) on accident and daily allowance riders. Without the application of CBs, the surrender assumptions and morbidity assumptions would generate a high materiality impact on the TP.

The changes in economic assumptions have a relatively high impact on the best estimate value of liabilities, however the market value of assets covering life reserves is also affected at the same time. The absorption capacity of liabilities versus the change in asset value is 96% in the case of interest rates and 77% in the case of changes in equity value. The final impact on the Solvency Capital Requirement is therefore lower. The impacts resulting from possible changes in the economic environment are relatively small thanks to compensation between assets and liabilities.

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

The valuation of the best estimate of liabilities was performed using the volatility adjustment (as referred to in Article 77d of Directive 2014/51/EU) provided by EIOPA for CZK and equal to 10bps at year end 2020. A change to zero of the volatility adjustment would correspond to an increase of CZK 191 million in the life BEL of Generali Česká pojišťovna.

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

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

D.2.2. P&C TECHNICAL PROVISIONS

OVERVIEW OF P&C TECHNICAL PROVISIONS

The P&C technical provisions related to:

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

are calculated as the sum of the discounted best estimate of liabilities (BEL) and the risk margin (RM) and other provisions (OTP). Other provisions represent estimated investment expenses related to BEL.

$$TP = BEL + RM + OTP$$

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

Outstanding claims reserve

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

- The BEL of the un-modelled and semi-modelled business (a line of business or part of a line of business which, for various reasons, e.g. a lack of adequate, appropriate and complete data, or the inhomogeneity of the business, means it has not been analysed using actuarial methods) has been calculated using IFRS figures. Un-modelled and semi-modelled business represents approximately 11.4% of IFRS provisions, and mainly contains provisions for bonuses and the accepted reinsurance business.
- The BEL of the modelled business (business which, thanks to the availability of adequate, appropriate and complete data, has been analysed in detail using actuarial methods) has been assessed using the following steps:

Claims and grouping

To perform an appropriate actuarial analysis of the technical provisions and to carry out ultimate cost projections, historical claims data on a paid and incurred basis (gross of contractual and facultative reinsurance) have been taken into account. The development data used for these purposes meet the appropriate quality attributes of proportionality, materiality and completeness.

Each portfolio is selected to enable the identification of homogeneous groups of risks, types of coverage, and other specificities such as the length and the variability of the claims run-off. The minimum level of granularity adopted considers the split between types (direct business, proportional accepted business, non-proportional accepted business), and in each category identifies twelve lines of business (workers' compensation; medical expenses; income protection; motor vehicle liability; other motor; marine, aviation and transport; fire and other damage to property; general liability; credit and suretyship; legal expenses; assistance; miscellaneous financial loss). Where necessary, a more granular segmentation of the portfolio is used, especially in the case of property, liability and motor insurance. Where reasonable, claims have been split depending on their size and significance into attritional, large and extremely large claims, and the analysis has been done separately for each claim type. Annuity claims are also treated separately.

Starting from 2018, outstanding claims reserves coming from accident riders sold as part of life insurance contracts are revaluated in non-life as part of the Solvency II LoB income protection using the standard non-life actuarial methods described below.

The new portfolios acquired through the business combination transaction last year have been grouped together with similar original portfolios of the Company. The internal model was used for the risk evaluation of technical reserves arising from the portfolios.

Expenses

The reserve for loss adjustment expenses (LAE) consists of two parts. The reserve for expenses directly arising from a particular compensation case (allocated loss adjustment expenses (ALAE)) is treated as part of claims costs. The reserve for expenses not directly arising from a particular compensation case (unallocated loss adjustment expenses (ULAE)) is related to the whole package of services offered by an insurance company and is not automatically associated with a specific claim. A simplified approach is used to derive the ULAE reserve that is assumed to be proportional to the UBEL (undiscounted best estimate of liabilities) of the line of business (i.e., $ULAE\ reserve = R \cdot UBEL$), where R is estimated based on recent experience. In the case of the newly acquired portfolios, all the loss adjustment expenses were considered as unallocated in the LAE UBEL calculation.

Inflation

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

Actuarial methods

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

- The link ratio method on paid (or development factor models - DFM) is a generalization of the chain ladder method, based on an analysis of cumulative payments over years. This class of methods is based on the hypothesis that the settlement process is stable across origin periods.
- The link ratio method on incurred technically works like the preceding one but is based on incurred developments, i.e. the sum of cumulative paid and outstanding amounts.
- The Bornhuetter-Ferguson method on paid or incurred combines the projected ultimate (obtained e.g. by means of a development factor method) with an alternative (a priori) value using a weighted credibility approach.
- The Cape Cod method on paid or incurred which, similarly to the Bornhuetter-Fergusson method, combines already emerged claims with expected claims to be paid or reported late, is based on assumptions derived from the emerged proportion of claims.
- The frequency severity method combines projections of the expected number of claims and expected average claims, where ultimate claims are the product of these two items.
- The incremental loss ratio method on paid or incurred, also known as the additive method, expects stable development in the contribution to the loss ratio across origin periods.

An analysis using more than one of the methods listed above was performed to confirm the results.

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

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

Net evaluation

In general, less risky portfolios are covered by a 40% - and more risky portfolios by a 70% - quota share. In addition to this, lines of business exposed to the risk of large single claims, such as MTPL or large risk portfolios in property and liability insurance, are covered by XL treaties. The reinsurance share on IFRS claims provisions is mostly represented by a quota share, hence a feasible simplification is used for the net UBEL evaluation. For each homogeneous group of risks, UBEL net of reinsurance is calculated adopting the following simplified approach:

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

where %NG indicates the percentage of the IFRS net outstanding claims reserve to the IFRS gross outstanding claims reserve.

The valuation of the best estimate net of reinsurance is performed taking into account an adjustment for expected losses due to default of the reinsurance counterparties (counterparty default adjustment).

Premiums reserve

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

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

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

- Cash inflows arising from future premiums;
- Cash outflows arising from future claims, net of salvage and subrogation, including allocated and unallocated claims adjustment expenses;
- Cash outflows arising from administration expenses in respect of claims occurring after the valuation date as well as costs arising from ongoing administration of in-force policies and acquisition costs, insofar as they are related to the considered portfolio.

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

Discounting

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

Other reserves

Other reserves are created to cover expected investment expenses related to assets covering the BEL.

Risk margin

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

Non-hedgeable risks evaluated using the partial internal model related to original portfolios as well as non-hedgeable risks evaluated through the standard formula related to newly acquired portfolios are used as inputs for the calculation of the risk margin.

Fair value of the outstanding claim reserve - Total

(thousand CZK)	2020	2019	change	change %
Gross IFRS reserve	**22,599,094**	**23,473,266**	**-874,172**	**-4%**
Best estimate of liabilities gross of reinsurance	**14,057,404**	**13,859,008**	**198,396**	**1%**
Recoverables from reinsurance after CDA	-6,540,613	-6,335,520	-205,092	3%
Best estimate of liabilities net of reinsurance	7,516,792	7,523,488	-6,696	0%
Other provisions - investment expenses	37,572	32,442	5,130	16%
Risk margin	575,229	497,962	77,267	16%
Technical provisions net of reinsurance	**8,129,593**	**8,053,892**	**75,701**	**1%**

Regarding the fair value of outstanding claim reserve, technical provisions net of reinsurance increased by CZK 76 million, which is in relative terms a movement of 0.9%. This actually consists of two movements: the best estimate of liabilities net of reinsurance decreased by CZK 7 million (0.1%) and the risk margin increased by CZK 77 million (15.5%).

IFRS claim reserves year-to-year movements were influenced by the COVID19 pandemic. There was an observed decrease in IFRS values for medical expenses, income protection, MTPL and Casco. On the other hand, there was an increase in fire and other damage to property. The drop in marine was caused by the settlement of large claims during the year. Claim reserve management actions also contributed to a decrease in claim reserves in MTPL (CZK 268 million) and TPL (CZK 125 million).

Furthermore, following the major portfolio transfer last year, the residue parts of Česká pojišťovna ZDRAVÍ a.s. (ČPZ) and Pojišťovna Patricie a.s. (PP) were transferred this year. On 21 December 2020, the ČPZ and PP balances were transferred to GCP, i.e. the relevant reserves were transferred to GCP – no payments or premiums were moved. This year, the portfolio transfer concerns mainly indirect insurance with an IFRS value of CZK 238 million, direct insurance of CZK 72 million, premium provisions of CZK 2 million for direct insurance, and CZK 6 million for direct business.

The undiscounted best estimate mostly changed in line with the movement of IFRS reserves, however a decrease in accounting reserves in MTPL was not fully followed by BEL due to a planned release in the prudency set resulting from the volatility of technical provisions.

Movement of the curve was observed throughout 2020 due to developments in financial markets in connection with the COVID-19 pandemic. As a consequence of the RFR change, the discounting effect relatively decreased in long-tailed such as MTPL and TPL. This led to an increase in the discounted best estimate, which reduced the portfolio development effect.

The provision for investment expenses related to the BEL is calculated according to Group methodology. Based on the Group's recommendation, these expenses are presented as other provisions, separately from the BEL.

The risk margin was higher in 2020 than in 2019 due to the model change, as last year different capital models were used for each portfolio (partial internal model x standard formula) and it was necessary to combine different SCRs. The Group model change means the allocation of operational risk between outstanding claims and premium provision is not comparable – this is the reason for the large deltas.

Fair value of premium reserve – total

(thousand CZK)	2020	2019	change	change %
Gross IFRS reserve	**7,198,593**	**7,018,289**	**180,305**	**3%**
Best estimate of liabilities gross of reinsurance	**2,305,920**	**2,447,473**	**-141,553**	**-6%**
Recoverables from reinsurance after CDA	-383,423	-203,589	-179,833	88%
Best estimate of liabilities net of reinsurance	1,922,498	2,243,884	-321,386	-14%
Other provisions - investment expenses	17,343	14,430	2,913	20%
Risk margin	178,023	236,208	-58,184	-25%
Technical provisions net of reinsurance	**2,117,865**	**2,494,522**	**-376,657**	**-15%**

Regarding the fair value of outstanding premium reserve, technical provisions net of reinsurance decreased by CZK 377 million, in relative terms a movement of 15.1%. This was actually two movements: the best estimate of liabilities net of reinsurance decreased by CZK 321 million (14.3%) and the risk margin decreased by CZK 58 million (24.6%).

The decrease in the best estimate was mostly due to the COVID-19 situation in 2020, which resulted in the extraordinary development of CY LR as an indirect effect of low economic activity during the year. Schools, restaurants, hotels, service providers and most shops were gradually closed and all mass events cancelled. The national borders were closed to passenger transport at the same time.

The LR analysis was much deeper to ensure proper reflection of the expected future development. The most significant impact is visible for the motor business (MTPL, MOC), where the claim frequency decreased due to the low traffic density.

The future expectation – with 50% probability – is that the national lockdown will continue at the beginning of next year, and the majority of the future premium/UPR is related to this.

The provision for investment expenses related to BEL is newly calculated according to the updated Group methodology. Based on the Group's recommendation, these expenses are presented as other provisions, separately from BEL.

The risk margin was lower in 2020 than in 2019 due to the model change, as described above in the section related to OC.

Fair value of outstanding claims provisions

Line of business	IFRS reserves net of reinsurance	BEL net of reinsurance after CDA	Other provisions - investment expenses	Risk margin	TP net of reinsurance
Total	**11,934,117**	**7,516,792**	**37,572**	**575,229**	**8,129,593**
Direct insurance	**11,092,206**	**6,696,629**	**33,676**	**549,862**	**7,280,168**
Non-life motor	6,228,678	3,607,671	24,380	370,788	4,002,839
Non-life non motor excl. AHD	3,108,394	1,891,762	7,089	160,563	2,059,414
Accident, health and disability	1,755,134	1,197,196	2,208	18,511	1,217,915
Accepted proportional insurance	**841,868**	**814,829**	**3,895**	**24,107**	**842,832**
Non-life motor	1,229	1,134	10	0	1,144
Non-life non motor excl. AHD	840,639	813,695	3,885	24,107	841,687
Accident, health and disability	0	0	0	0	0

The most important outstanding claims provision segment is the non-life motor business, which forms about 53.9% of the total direct business in terms of the net OC BEL (and 56.2% in terms of the net IFRS claim reserve).

Fair value of premium provisions

Line of business	IFRS reserves net of reinsurance	BEL net of reinsurance after CDA	Other provisions - investment expenses	Risk margin	TP net of reinsurance
Total	**4,263,260**	**1,922,498**	**17,343**	**178,023**	**2,117,865**
Direct insurance	**4,223,001**	**1,915,613**	**17,169**	**174,984**	**2,107,766**
Non-life motor	2,159,157	1,084,454	11,692	72,942	1,169,089
Non-life non motor excl. AHD	2,025,719	823,787	5,427	101,586	930,800
Accident, health and disability	38,125	7,372	50	456	7,877
Accepted proportional Insurance	**40,259**	**6,885**	**174**	**3,039**	**10,099**
Non-life motor	270	42	1	0	43
Non-life non motor excl. AHD	39,989	6,843	173	3,039	10,055
Accident, health and disability	0	0	0	0	0

The most important premium provision segment is again the non-life motor business, which forms about 56.6% of the total direct business in terms of the net premium BEL (and 51.1% in terms of the net IFRS claim reserve). The larger proportion of the motor business in premium BEL than the IFRS premium reserve was caused by the lower profitability of the motor business compared to the non-motor business.

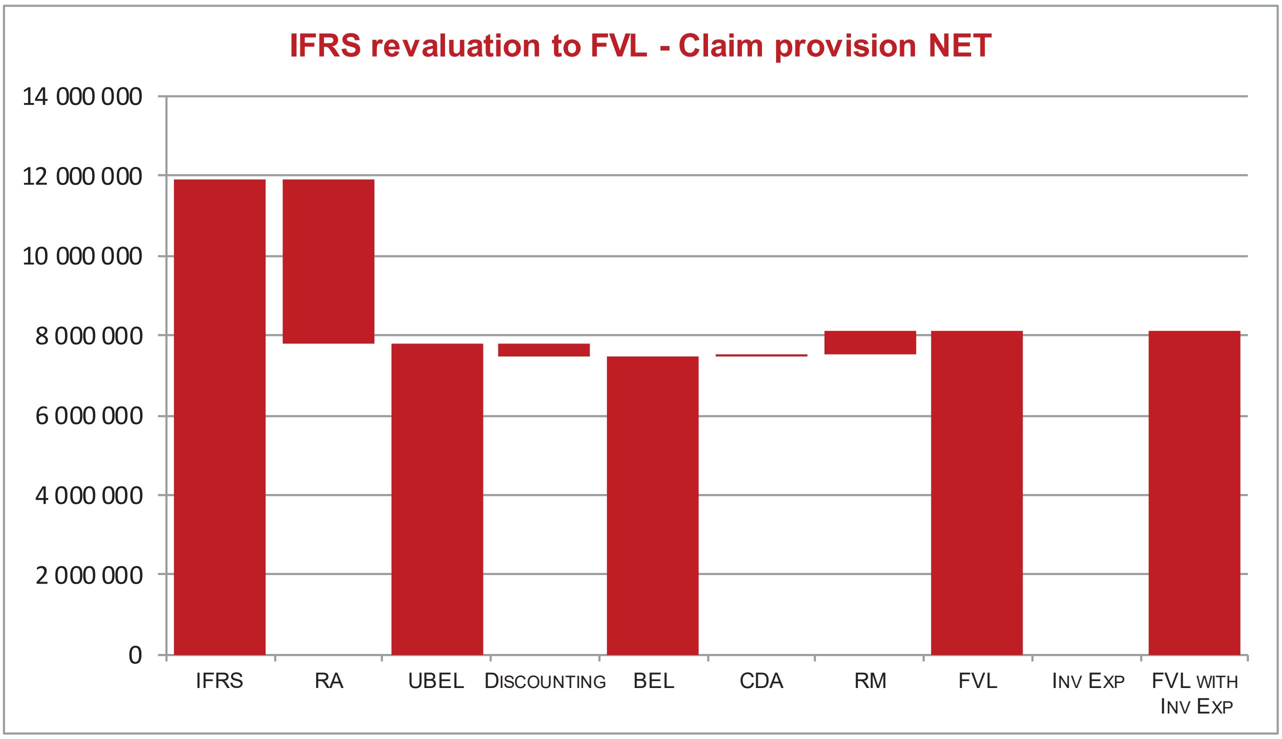
P&C TP COMPARISON WITH RESERVES

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

You can find a decomposition of the revaluation process for technical provisions below:

Revaluation process: from IFRS to fair value - claim provision

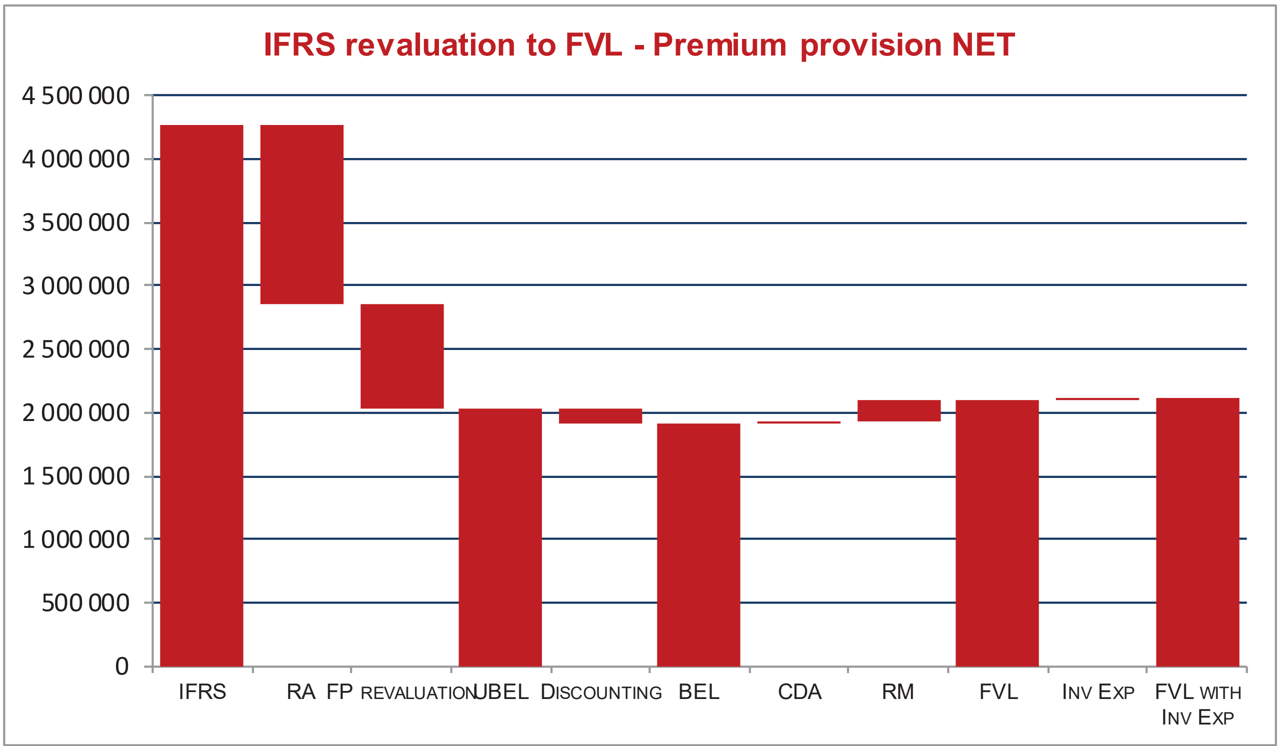
(CZK thousand)	IFRS	Reserve adequacy	UBEL	Discounting effect	BEL	Expected default	Risk margin	FV liabilities	Investment expenses	FV Liabilities incl. investment expenses
Total OC NET	11,934,117	4,140,508	7,793,609	347,468	7,446,141	70,650	575,229	8,092,021	37,572	8,129,593



Reserve adequacy forms 34.7% of the IFRS claim reserve. Further, the discounting effect decreased OC UBEL by 4.5% in order to obtain the OC BEL. After the inclusion of items such as expected default, risk margin and investment expenses, the final fair value of liabilities was CZK 8.130 billion.

Revaluation process: from IFRS to fair value - premium provision

(CZK thousand)	IFRS	Reserve adequacy	FP revaluation	UBEL	Discounting effect	BEL	Expected default	Risk margin	FV liabilities	Investment expenses	FV liabilities incl. investment expenses
Total UP NET	4,263,260	1,411,112	-826,748	2,025,400	118,726	1,906,674	15,824	178,023	2,100,521	17,343	2,117,865



Reserve adequacy forms 33.1% of the IFRS premium reserve and the FP revaluation decreases the IFRS premium reserve by an additional 19.4% in order to achieve the premium UBEL. Further, the discounting effect in the case of the premium UBEL is 5.9%. After the inclusion of items such as expected default, risk margin and investment expenses, the final fair value of liabilities was CZK 2.118 billion.

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

The Company creates OTP to cover investment-related expenses. The estimated amount of these expenses is CZK 46.872 million in total for original and newly acquired portfolios.

SOURCES OF UNCERTAINTY AND SENSITIVITY ANALYSES

Two kinds of sources of uncertainty are embedded in the technical provisions. The first arises from the essence of the insurance business and is represented by the randomness of the process of claims occurrence and reporting. This is monitored by actuaries through the construction of stochastic scenarios resulting in the distribution of possible claims run-off results. The highest uncertainty is experienced in lines of business that include large risks (mainly corporate property). IFRS reserves are currently set at a level to ensure the Company is able to cover deviations from the undiscounted BEL with a return period of over 20 years.

The second type of uncertainty is represented by external factors such as claims inflation, interest rates, and changes in legislation. These factors are not driven by the Company, but their impact can be reduced by ongoing monitoring of the market and legal environment, and early identification or even anticipation of possible changes. Sensitivity analyses of external factors are performed by the Company. An increase in the risk-free rate of 50 basis points would result in a BEL decrease of 1.6%.

The greatest uncertainty is still expected in regard to the ultimate effect of the New Civil Code (NCC). This change in legislation affects compensation in liability insurance, especially in the case of bodily injuries. The NCC came into force on 1 January 2014. Although developments in this area seem to be favourable, settlement processes and judicial practice have still not been stabilized. Insufficient experience with such a large change presents a significant source of uncertainty for UBEL evaluation. The reserving process is closely monitored throughout the Company.

The Company reduces the volatility risk through diversification and reinsurance. Providing a wide portfolio of insurance products mitigates the relative impact of unfavourable developments from run-off in individual lines of business. A properly chosen reinsurance structure, including quota share and XL treaties, helps limit the absolute impact of potential negative run-off. The current reinsurance setup mitigates reserving risk by almost 40%.

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

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

Risk free rate used at 2020YE

Run-off period	Interest rate w/o VA	Volatility adjustment	Interest rate with VA	Run-off period	Interest rate w/o VA	Volatility adjustment	Interest rate with VA
1	2.1%	0.1%	2.3%	11	1.6%	0.1%	1.7%
2	2.2%	0.1%	2.3%	12	1.6%	0.1%	1.7%
3	2.1%	0.1%	2.2%	13	1.6%	0.1%	1.7%
4	2.0%	0.1%	2.2%	14	1.6%	0.1%	1.8%
5	2.0%	0.1%	2.1%	15	1.7%	0.1%	1.8%
6	1.9%	0.1%	2.0%	16	1.7%	0.1%	1.9%
7	1.8%	0.1%	1.9%	17	1.8%	0.1%	1.9%
8	1.7%	0.1%	1.8%	18	1.8%	0.1%	2.0%
9	1.6%	0.1%	1.8%	19	1.9%	0.1%	2.0%
10	1.6%	0.1%	1.7%	20	2.0%	0.1%	2.1%

Run-off period	Interest rate w/o VA	Volatility adjustment	Interest rate with VA	Run-off period	Interest rate w/o VA	Volatility adjustment	Interest rate with VA
21	2.0%	0.1%	2.1%	31	2.5%	0.1%	2.6%
22	2.1%	0.1%	2.2%	32	2.5%	0.1%	2.6%
23	2.1%	0.1%	2.2%	33	2.5%	0.1%	2.6%
24	2.2%	0.1%	2.3%	34	2.6%	0.1%	2.7%
25	2.2%	0.1%	2.3%	35	2.6%	0.1%	2.7%
26	2.3%	0.1%	2.4%	36	2.6%	0.1%	2.7%
27	2.3%	0.1%	2.4%	37	2.7%	0.1%	2.7%
28	2.3%	0.1%	2.4%	38	2.7%	0.1%	2.8%
29	2.4%	0.1%	2.5%	39	2.7%	0.1%	2.8%
30	2.4%	0.1%	2.5%	40	2.8%	0.1%	2.8%

The usage of volatility adjustment decreased the net BEL by 0.3%, or CZK 30.3 million. The total revaluation achieved by discounting the TP was CZK 466 million.

D.3. OTHER LIABILITIES

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

There were no material changes to the general valuation framework in comparison with the preceding reporting period.

EXCLUSION OF IFRS VALUATION METHODS

This chapter gives an overall description of the SII valuation methods for liabilities other than technical provisions, complementary to the general valuation for solvency purposes (Section D - Introduction).

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

SII SPECIFICITIES

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

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

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

CONTINGENT LIABILITIES

Valuation

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

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

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

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

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

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

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

Contingent liabilities shown in the financial statements

As of 31 December 2020 and 31 December 2019, the Company recognized the following provisions for contingent liabilities:

	2020	2019
Restructuring provision	34,501	36,600
Provisions for commitments	32,493	19,942
Total	**66,994**	**56,542**

COMMITMENTS DISCLOSED UNDER IFRS

As of 31 December 2020 and 31 December 2019, there were no commitments disclosed in IFRS that should have been – due to their material scope and the possibility of a decrease in resources representing economic benefits – reported in the Solvency II balance sheet according to Solvency II.

Legal

As of 31 December 2020, a legal suit was brought consolidating several cases concerning the decision of the General Meeting of the Company in 2005 approving a squeeze-out of minority shareholders and consideration paid on the pending squeeze-out. Based on legal analyses carried out by external legal counsel, the management of the Company believes that none of these cases gives rise to any contingent future liabilities for the Company.

Nuclear pool participation

Česká pojištovna a.s. is a member of the Czech Nuclear Pool (CNP). The subscribed net retention is as follows:

	2020	2019
Liability (w/o D&O liability)	252,710	231,871
D&O liability only	28,602	27,275
FLEXA extended coverage of nuclear risk plus BI	708,812	680,000
Total	**990,124**	**939,146**

As a member of the CNP, the Company has signed relevant documents like the Statute, Cooperation Agreement, Claims Handling Cooperation Agreement and the Solidarity Agreement. As a result, the Company is jointly and severally liable for the obligations resulting from such documents. This means that in the event one or more of the other members is/are unable to meet their obligations to the CNP, the Company would take over the uncovered part of this liability, pro-rata to its own net retention used for the contracts in question. The management does not consider the risk of another member being unable to meet its obligations to the CNP to be material to the financial position of the Company. The CNP has implemented adequacy rules for net member retentions related to their capital positions, and these are assessed every quarter. In addition, the potential liability of the Company for any given insured/assumed risk is contractually capped at quadruple the Company's net retention for direct risks (insurance contracts) and double the Company's net retention for indirect risks (inwards reinsurance contracts).

FINANCIAL LIABILITIES

Valuation

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

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

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

According to IFRS 9 (not yet adopted by the Company), the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability[2] should be determined either:

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

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

Consistency with IFRS

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

(a) financial liabilities at fair value through profit or loss;
(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
(c) financial guarantee contracts;
(d) commitments to provide a loan at a below-market interest rate.

[2] In accordance with IFRS 9 paragraph B5.7.16 and subsequent

Financial liabilities valued at amortized cost according to IAS 39 will be valued at fair value for the Solvency II balance sheet.

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

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

D.3.2. RECONCILIATION OF SII VALUES AND FINANCIAL STATEMENTS

Year-on-year comparison of the Solvency II value

Liabilities	2020	2019
Technical provisions	57,393,425	58,140,035
Provisions other than technical provisions	66,993	56,542
Deposits from reinsurers	1,400,000	1,400,000
Deferred tax liabilities	464,107	1,352,555
Derivatives	753,070	438,163
Financial liabilities owed to credit institutions	1,162,859	4,550,774
Financial liabilities other than debts owed to credit institutions	989,511	1,079,986
Insurance and intermediaries payables	2,434,436	2,864,221
Reinsurance payables	6,397,292	6,430,436
Payables (trade, not insurance)	3,579,503	2,566,524
Any other liabilities, not elsewhere shown	2,544,131	2,132,173
Total liabilities	77,185,327	80,803,741
Excess of assets over liabilities	30,645,675	29,260,743

The movements in financial liabilities other than debts owed to credit institutions were driven by the decrease in repo transactions and by market conditions and investment policies.

The decrease in deferred tax liabilities and the increase in tax liabilities (reported in the line Payables (trade, not insurance)) was driven by changes in the taxation of technical provisions (see D.1.2).

Reconciliation of the Solvency II value with the statutory financial statements

Liabilities	Solvency II value	Statutory accounts value	Note	Amount per financial statement	Mapping
Technical provisions	57,393,425	77,623,511	Different valuation methodology	77,623,511	
Provisions other than technical provisions	66,993	66,993		66,993	
Deposits from reinsurers	1,400,000	1,400,000		1,400,000	
Deferred tax liabilities	464,107		Different valuation methodology		
Derivatives	753,070	753,070		753,070	
Financial liabilities owed to credit institutions	1,162,859	1,162,859		1,162,859	
Financial liabilities other than debts owed to credit institutions	989,511	950,292	IFRS 16 liabilities are valued at fair value for SII	950,292	
Insurance and intermediaries payables	2,434,436	2,434,436		2,364,409	The balance sum represents payables in the statutory financial statements
Reinsurance payables	6,397,292	6,397,292		6,467,320	
Payables (trade, not insurance)	3,579,503	3,579,503		3,579,503	
Any other liabilities, not elsewhere shown	2,544,131	2,544,131		2,544,131	
Total liabilities	77,185,327	96,912,087		96,912,087	
Excess of assets over liabilities	30,645,675				

D.4. ALTERNATIVE METHODS FOR VALUATION

In respect of the official SII data valuation, no material alternative methods except the valuation of instruments at Level 3 (see D.1) were used.

The following table provides a description of the valuation techniques and the inputs used in the fair value measurement:

Equities	The fair value is mainly determined using an independent evaluation provided by a third party or is based on the amount of shareholders' equity.
Investment funds	The fair value is mainly based on information about the value of the underlying assets. The valuation of underlying assets requires significant expert judgment or estimation.
Bonds, loans	An indicative price is provided by a third party or the discounted cash flow technique uses objectively unobservable inputs (extrapolated interest rates and volatilities, historical volatilities and correlations, material adjustments to the quoted CDS spreads, the prices of similar assets requiring material adjustments, etc.)
Investment properties	The fair value is determined using independent valuation provided by a third party and is based on the market value of the property determined by comparing recent sales of similar properties in the surrounding or competing area to the relevant property.

The table below describes unobservable Level 3 inputs:

Description	FV as of 31/12/2020	FV as of 31/12/2019	Valuation technique(s)	Non-market observable input(s)
Equities	947,078	715,887	Net asset value	n/a
Investment funds	15,827	18,073	Expert judgment	Value of underlying instruments
Government bonds	2,701,868	2,660,333	Discounted cash flow technique	Credit spread level
Corporate bonds	1,774,381	1,583,146	Discounted cash flow technique	Credit spread level

D.5. ANY OTHER INFORMATION

All significant information on valuation has been mentioned in the above sections.

E. Capital management

The Company has a comfortable and sound solvency position from the Solvency II perspective with a solvency ratio significantly above 100%.

The solvency ratio grew by 32 percentage points compared to last year. This positive development was driven by a drop in the Solvency Capital Requirement (SCR), which reflects inclusion of the portfolios taken over from former Generali Pojišťovna a.s. (currently Pojišťovna Patricie, a.s.) and CP ZDRAVÍ a.s. in the Internal Model scope (their capital requirement was previously quantified using the standard formula). Dividend payout from Pojišťovna Patricie to Generali Česká pojišťovna a.s constituted a further significant positive effect. The COVID-19 epidemic negatively impacted predominantly the financial markets in the first half of 2020. However they then recovered and their development finally contributed positively to the available own funds of Generali Česká pojišťovna a.s year-on-year. The available own funds remained at a very comfortable level, ensuring the Company's ability to meet its obligations even in critical scenarios of incurred losses.

Solvency position

	2020	2019	change
Own funds	26,038,675	26,043,743	-5,068
Solvency Capital Requirement	11,126,681	12,883,886	-1,757,205
Solvency ratio	234%	202%	

The following chapters provide more details on the Company's own funds and the Solvency Capital Requirement.

E.1. OWN FUNDS

E.1.1. POLICIES AND PROCESSES RELATED TO OWN FUNDS MANAGEMENT, INFORMATION ON THE TIME HORIZON USED FOR BUSINESS PLANNING AND ON ANY MATERIAL CHANGES OVER THE REPORTING PERIOD

The capital management activities are defined by the Group and local Capital Management Policy, which is subject to approval by the respective Board of Directors.

Capital management activities refer to own funds management and control, and in particular procedures that are intended to:

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

The Capital Management Plan represents a part of the overall three-year strategic plan. The strategic plan is primarily based on the following assumptions:

- financial scenarios;
- strategic asset allocation;
- the business mix.

The Capital Management Plan includes a detailed description of the development of own funds and the regulatory capital requirement during the strategic planning period.

The Company CRO is responsible for producing the Capital Management Plan and the CEO is responsible for submitting it to the Board of Directors.

If extraordinary operations (e.g. mergers and acquisitions, issuance of own funds) are expected in the plan period, their impact is explicitly included in the own funds and regulatory capital requirement development and further details are included in the relevant documentation. Issuances of own funds are explicitly included in the Capital Management Plan with a detailed description of the rationale.

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

The Capital Management Plan is defined taking into account the limits and tolerances set out in the Risk Appetite Framework

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E.1.2. AMOUNT AND QUALITY OF ELIGIBLE OWN FUNDS

The Company regularly evaluates its own funds and analyses their value and composition. The own funds of the Company consist of its share capital, the reconciliation reserve and the foreseeable dividend. All mentioned components are part of Tier 1, the highest quality capital.

The difference between the Company's IFRS Equity and Solvency II own funds is based on the revaluation of technical provisions, intangible assets, participations and other items.

Reconciliation between IFRS Equity and own funds for Solvency purposes

	2020
IFRS Equity	19,851,279
Revaluation of intangible assets	-2,923,608
Revaluation of investments	2,215,902
Revaluation of net technical provisions	13,500,352
Revaluation of other items	-14,683
Revaluation of deferred taxes	-1,983,567
Excess of assets over liabilities in Solvency II	30,645,675
Foreseeable dividend	-4,607,000
Eligible own funds	26,038,675

Revaluations in the table above represent differences between valuation according to IFRS accounting standards and valuation in accordance with the Solvency II Directive.

Intangible assets are revalued to zero for Solvency II purposes. The valuation of investments (including participations) is based on the market value of the instrument/undertaking.

Technical provisions valued for solvency purposes are equal to the sum of the best estimate, risk margin and counterparty default adjustment. The best estimate corresponds to the probability-weighted average of future cash flows, taking into account the time value of money and using the relevant risk-free interest rate term structure. The risk margin is based mainly on the assumption that the whole portfolio of insurance and reinsurance obligations is taken over by another insurance or reinsurance undertaking. The counterparty default adjustment takes into account the expected losses due to the default of a reinsurance counterparty.

The remaining part of the difference consists of deferred taxes related to the revaluations mentioned above and other minor differences between the valuation for accounting and solvency purposes.

More details about valuation methods under Solvency II are provided in Section D.

The Company has no restrictions in terms of the transferability of own funds.

Eligible own funds to meet SCR equal the total available own funds after deduction of the foreseeable dividend. The development of eligible own funds to meet SCR, split according to tiers, is shown in the following table.

Eligible own funds by Tier

	2020	2019	change
Total eligible own funds to meet the SCR	26,038,675	26,043,743	-5,068
Tier 1 – unrestricted	26,038,675	26,043,743	-5,068
Tier 1 - restricted	0	0	0
Tier 2	0	0	0
Tier 3	0	0	0

Eligible own funds are very stable year-to-year, the result of several mutually compensating factors. The non-life portfolio generated relatively high accounting profit during 2020, which will be fully paid out to the shareholder based on the dividend policy, however the effect on eligible own funds is negative as the contribution of the non-life portfolio to Solvency II own funds is lower than the accounting profit. The life portfolio contributed negatively as well, as new business did not fully compensate the realized profits from maturing portfolio (which are paid out in full as well). Nevertheless, the investment assets contributed positively, mainly through the increase of value of the bond portfolio due to the shift of yield curves.

The tables below contain a comparison of the basic own funds in current and previous year, together with the split of basic own funds by tier.

Basic own funds – comparison with the previous year

	2020	2019	change
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	0
Share premium account related to ordinary share capital	0	0	0
Surplus funds	0	0	0
Preference shares	0	0	0
Share premium account related to preference shares	0	0	0
Reconciliation reserve	22,038,675	22,043,743	-5,068
Subordinated liabilities	0	0	0
An amount equal to the value of net deferred tax assets	0	0	0
Other own-fund items approved by the supervisory authority as basic own funds not specified above	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0
Deductions for participations in financial and credit institutions	0	0	0
Total basic own funds after deductions	26,038,675	26,043,743	-5,068

Basic own funds by Tier

	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	4,000,000	4,000,000	0	0	0
Share premium account related to ordinary share capital	0	0	0	0	0
Surplus funds	0	0	0	0	0
Preference shares	0	0	0	0	0
Share premium account related to preference shares	0	0	0	0	0
Reconciliation reserve	22,038,675	22,038,675	0	0	0
Subordinated liabilities	0	0	0	0	0
An amount equal to the value of net deferred tax assets	0	0	0	0	0
Other own-fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0	0	0	0	0
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	26,038,675	26,038,675	0	0	0

The reconciliation reserve is equal to the total excess of assets over liabilities reduced by the amount of own shares, foreseeable dividends and distributions, and other items listed in the following table.

The year-on-year change in the reconciliation reserve is due to the same reasons as the change in eligible own funds.

Reconciliation reserve

	2020	2019	change
Assets – Liabilities	30,645,675	29,260,743	1,384,932
Own shares	0	0	0
Foreseeable dividends and distributions	4,607,000	3,217,000	1,390,000
Other basic own fund items	4,000,000	4,000,000	0
Restricted own fund items due to ring fencing	0	0	0
Reconciliation reserve	22,038,675	22,043,743	-5,068

None of the basic own fund items is subject to transitional measures.

The Company does not have any ancillary own funds.

E.1.3. OWN FUNDS ELIGIBLE TO MEET THE MINIMUM CAPITAL REQUIREMENT

The Company's own funds eligible to meet the MCR equal the total amount of own funds eligible to cover the MCR. In the case of the Company, they equal the eligible own funds to meet the SCR because the whole capital amount is classified as Tier 1.

Eligible own funds by Tier

	2020	2019	change
Total eligible own funds to meet the MCR	26,038,675	26,043,743	-5,068
Tier 1 – unrestricted	26,038,675	26,043,743	-5,068
Tier 1 – restricted	0	0	0
Tier 2	0	0	0
Tier 3	0	0	0

The year-on-year difference in eligible own funds is consistent with that provided in the section dedicated to eligible own funds to meet the SCR.

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. SCR AND MCR VALUES

The Solvency Capital Requirement is calculated based on the Internal Model approved in March 2016 by the College of Supervisors (including the Czech National Bank). The capital requirement for transferred portfolios was calculated using the standard formula, according to the relevant legislation, by 31/12/2020 the transferred portfolios are already modelled within the Internal Model, in line with the approved model change.

The Minimum Capital Requirement is calculated according to the relevant legislation, and its value is significantly lower than the Solvency Capital Requirement. The detailed inputs for the MCR calculation are part of the annex to this report (QRT S.28.01).

SCR and MCR

	2020	2019	change
Solvency Capital Requirement	11,126,681	12,883,886	-1,757,205
Minimum Capital Requirement	3,351,914	3,220,972	130,943

The Solvency Capital Requirement dropped mainly due to the inclusion of the transferred portfolios of former Generali Pojišťovna a.s. (currently Pojišťovna Patricie, a.s.) and CP ZDRAVÍ a.s. into the Internal Model scope – at YE19, their SCR was quantified using the standard formula and diversification among the portfolios could not be reflected. Dividend payout from Pojišťovna Patricie and CP ZDRAVÍ to Generali Česká pojišťovna a.s constituted a further significant positive effect, which led to a drop in equity participation risk. On the contrary, a considerable negative effect was induced by a change in taxation of technical reserves, leading to a significant decrease of deferred tax liability and thus also the tax absorption of the SCR losses.

The Minimum Capital Requirement, being a volume-based indicator, increased due to portfolios, which were taken over – compared to the previous period, the increase in premiums in the non-life segment manifested itself in a higher MCR (since the takeover took place in December 2019, the premiums did not increase the MCR in 2019).

E.2.2. SCR BREAKDOWN

The YE20 Solvency Capital Requirement amounts to 11.1 bCZK. The Internal Model splits the total Solvency Capital Requirement into the following major modules: financial, credit, life underwriting, non-life underwriting and operational risk. In addition to these risk modules, the total Solvency Capital Requirement is increased by the amount of Model adjustment that reflects risks that are not taken into account in the Internal Model. The Tax cap item reflects the change in net deferred taxes after stress that cannot be absorbed due to the initial amount of net deferred tax liability, which serves as the cap of the tax absorption.

The capital requirements for the transferred portfolios were assessed using the standard formula at year-end 2019 – their inclusion into the Internal Model constitutes a model change which is subject to approval by the CNB. By year-end 2020, this model change has already been approved and the whole portfolio is thus modelled using Internal Model. Additionaly, a model change regarding operational risk was approved as well. Operational risk was the only risk which has been evaluated using standard formula for the purposes of SCR calculation until now. Newly it is also assessed using Internal Model of the Company, which thus transformed its model into full internal model.

SCR breakdown

	2020	weight	2019	weight
SCR before diversification	14,339,691	100%	14,921,938	100%
Financial risk	4,155,800	29%	4,905,118	33%
Credit risk	2,781,694	19%	2,433,843	16%
Life underwriting risk	1,251,489	9%	646,860	4%
Non-life underwriting risk	3,101,498	22%	2,291,470	15%
Operational risk	1,507,143	11%	744,725	5%
Tax cap	1,542,067	11%	624,514	4%
Model adjustment	0	0%	307,000	2%
SF transferred Generali	0	0%	2,902,608	19%
SF transferred CP Zdravi	0	0%	65,799	0%
Diversification benefit	-3,213,010		-2,038,052	
Total SCR	11,126,681		12,883,886	

The SCR breakdown shows that the risk profile of the Company is relatively stable as for the structure, with significantly higher risks related to the assets' portfolio than to the liabilities arising from underwritten policies. The non-life underwriting risks are also significant, while life underwriting risks are relatively minor. This is partially due to application of contract boundaries which results in cutting off most of the cash flows related to the life riders, which carry significant morbidity and lapse risk. The importance of operational risks grew with their inclusion in Internal Model scope.

We can observe growth of all modules, partially due to the distribution of the standard formula charges among individual modules, except for financial risks, where the abovementioned effect of the dividend payout from subsidiaries prevails (reduction of equity risk in favour of credit risk).

The figures presented in the table above are consistent with the Quantitative Reporting Template (QRT) reported to the Czech National Bank and hence present the risk capitals net of tax.

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

The Company does not use the duration-based equity risk sub-module in the calculation of the SCR.

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

This section provides an overview of the Internal Model used to calculate the SCR, reported in Section E.2. Before focusing on the main differences between the standard formula and the Internal Model for the main risk categories, a brief introduction is provided to highlight the main purpose and scope of the Internal Model and to illustrate the methods used.

E.4.1. PURPOSE OF THE INTERNAL MODEL

The Company deems that the Internal Model is the most appropriate way to assess the SCR as it represents the best way of capturing the risk profile in terms of granularity, calibration and correlation of various risk factors.

The Group's Internal Model is structured around a specific risk map, which contains all the risks that Generali Group and the Company have identified as relevant to their business, allowing for the calculation of the Solvency Capital Requirement at single risk level for each node of the hierarchy.

In implementing the Model, the Group has employed a Monte Carlo approach with 'proxy functions' to determine the full probability distribution of the change in the basic own funds over a one-year horizon and to calculate the SCR at any percentile for in-scope companies and risks (Monte Carlo methods are used in the industry to obtain precise numerical results using the embedded characteristics of repeated random sampling to simulate more complex real-world events. Proxy functions are mathematical functions that mimic the interaction between risk drivers and insurance portfolios to obtain the most reliable results). The aggregation process consists of the use of advanced aggregation techniques (market best-practice techniques), and the calibration procedure involves quantitative and qualitative aspects.

E.4.2. SCOPE OF THE INTERNAL MODEL

From the Company's point of view, the Internal Model covers all the risk categories reported in the Group risk map in Section B.3.1. The Internal Model covers all life underwriting risk, non-life underwriting risk, financial risk, credit risk and operational risk. The Internal Model's purpose is to capture the behaviour of individual risks and their impact on the balance sheet, taking into account the diversification between portfolios, risks and locations.

E.4.3. METHODS USED IN THE INTERNAL MODEL

The Group Internal Model allows for the determination of a full Probability Distribution Forecast (PDF) of the change in basic own funds (BOF) over a one-year time horizon. From the resulting PDF, the SCR can be calculated at a given confidence level (such a level where the outcome is deemed to correctly represent events with a low probability of occurrence) by reading the corresponding percentile. Generali uses a Monte Carlo approach with proxy functions that allows for the simulation of each balance sheet item through the calculation of the full distribution of gains/losses. Other capital metrics required for internal purposes, such as single risk capital charges (e.g. a change in BOF after a 1-in-10 drop in the level of equity prices) can also be derived from the single risk PDF.

The risk measure used is the Value at Risk (VaR) at a 99.5% quantile of the probability distribution function (corresponding to a 1-in-200 years event), the underlying variable is represented by the change in basic own funds, and the time horizon is one year according to the calibration principles of the Solvency II Directive.

The main risks of the Company are described in the following paragraphs.

Life underwriting risk

- The Internal Model stress calibration for life underwriting risk is based on Company-specific historical portfolio data, unlike the standard stress levels provided by the standard formula approach. In particular, the Company calculates the potential deviations from the best estimate due to adverse events through:
  - a combination of market data with local exposures for catastrophe risk calibration (mortality);
  - Company historical portfolio data for all other risks.
- The methodology underlying the life underwriting risk calibration is given by the Group and its adequacy assessed at local level and also applied at local level.

Non-life underwriting risk

The main differences between the standard formula and the Internal Model for the Solvency Capital Requirement calculation concerning non-life underwriting risks are as follows:

- As regards the pricing and reserving risks, the difference refers to the calibration approach, where the standard formula uses a standard deviation defined by EIOPA, whilst for the Internal Model a bottom-up calculation of the business underwritten is performed and own data are used.
- For CAT risk, the difference lies in the calibration approach, where the standard formula is based on exposures to CAT risks in which geographic risk coefficients are determined by EIOPA. The Internal Model uses advanced models based on market best practice instead.
- As regards reinsurance, the standard formula uses a series of simplified approaches, whilst the Internal Model performs precise modelling of the reinsurance programs (proportional and non-proportional, including facultative).

Financial and credit risk

- The standard formula approach for market risk is based either on the application of standardized stress factors directly to asset exposures or, in case of interest rate risk, in the application of a standardized and simplified stress level to the curves used to discount future cash flows.
- The Internal Model adopts much more sophisticated state-of-the-art modelling techniques, based on a more granular risk map. Interest rate volatility and equity volatility risk are, for example, modelled in the Internal Model while they are not modelled in the standard formula;
- Furthermore, also within the same risk module, the Internal Model is capable of producing a much more accurate representation of the risk profile. This is because the higher granularity of the Internal Model risk map allows better reflection of the true diversification benefit of individual portfolios as well as the peculiarities of individual financial instruments.

Operational risk

The quantification of operational risk within Internal Model is based on analysis of scenarios, which affect the financial stability of the Company. It differs from the standard formula mainly in the following aspects:

- The scenarios subject to analysis cover a wide range of activities and risks arising from these, which jeopardize solvency of the Company. The material risks entering into the calculation of the capital requirement are individualized and they adequately represent the true risk profile of the Company. In contrast, the standard formula is simply based on volumes of premiums and technical provisions, not taking into account the structure of risks of the given company
- The standard formula does not reflect dependencies among operational risk and other risk modules. The calculation using Internal Model adequately reflects these dependencies, as well as dependencies among individual scenarios within the operational risk module

For a description of the nature and appropriateness of the data used in the Internal Model, please refer to Section B.3.2.

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

The Company has a sound solvency position and no issues have been identified in relation to compliance with either the Minimum Capital Requirement or the Solvency Capital Requirement.

E.6. OTHER INFORMATION

SENSITIVITIES

As anticipated in Section C.7, sensitivity testing analyses the impact of simple changes in specific risk drivers (e.g. interest rates, equity shock, credit spreads) on the level of own funds, the Solvency Capital Requirement as well as solvency ratio.

The level of eligible own funds and the SCR were recalculated for each sensitivity. Their joint impact on the solvency ratio is presented in the following table.

Sensitivities

	Solvency ratio
Base scenario	234%
Yield curve +50 bps	230%
Yield curve -50 bps	238%
Equity +25%	236%
Equity -25%	232%
Corporate spread +50 bps	232%
No volatility adjustment	221%
Ultimate forward rate -15 bps	234%

It is obvious that none of the sensitivities represents a significant threat to the solvency position of the Company. The most impactful one among the above presented sensitivities is the scenario without volatility adjustment, however even in this case the solvency ratio remains well above 190%. Apart from testing of the sensitivities to shifts in individual risk factors the Company evaluates periodically also combined effect of several changes of the risk factors in stress scenarios as part of the ORSA process.

Solvency and Financial condition report - Public QRTs - as of 31.12.2020

Basic Information

Undertaking name	Generali Česká pojišťovna a.s.
Undertaking identification code	31570010000000054609
Type of code of undertaking	LEI
Type of undertaking	Undertakings pursuing both life and non-life insurance activity
Currency used for reporting	CZK
Figures reported in	thousands
Accounting standards	The undertaking is using IFRS
Method of Calculation of the SCR	Full internal model

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Balance Sheet

	Solvency II value
Assets	
Intangible assets	0
Deferred tax assets	166 708
Pension benefit surplus	0
Property, plant & equipment held for own use	722 610
Investments (other than assets held for index-linked and unit-linked contracts)	**67 820 944**
Property (other than for own use)	295 207
Holdings in related undertakings, including participations	13 322 136
Equities	*2 210 825*
Equities - listed	1 226 842
Equities - unlisted	983 983
Bonds	*46 169 301*
Government Bonds	28 200 115
Corporate Bonds	17 704 782
Structured notes	31 223
Collateralised securities	233 181
Collective Investments Undertakings	4 731 184
Derivatives	962 290
Deposits other than cash equivalents	130 000
Other investments	0
Assets held for index-linked and unit-linked contracts	17 158 382
Loans and mortgages	**6 986 225**
Loans on policies	190
Loans and mortgages to individuals	0
Other loans and mortgages	6 986 034
Reinsurance recoverables from:	**7 509 847**
Non-life and health similar to non-life	6 924 035
Non-life excluding health	6 401 277
Health similar to non-life	522 758
Life and health similar to life, excluding health and index-linked and unit-linked	600 776
Health similar to life	0
Life excluding health and index-linked and unit-linked	600 776
Life index-linked and unit-linked	-14 965
Deposits to cedants	326
Insurance and intermediaries receivables	2 744 787
Reinsurance receivables	2 756 253
Receivables (trade, not insurance)	506 815
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
Cash and cash equivalents	1 097 679
Any other assets, not elsewhere shown	360 427
Total assets	**107 831 002**

Liabilities	
Technical provisions - non-life	**17 171 492**
Technical provisions - non-life (excluding health)	**15 422 941**
TP calculated as a whole	0
Best estimate	14 688 656
Risk margin	734 286
Technical provisions - health (similar to non-life)	**1 748 551**
TP calculated as a whole	0
Best estimate	1 729 584
Risk margin	18 967
Technical provisions - life (excluding index-linked and unit-linked)	**24 548 779**
Technical provisions - health (similar to life)	**0**
TP calculated as a whole	0
Best estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**24 548 779**
TP calculated as a whole	0
Best estimate	23 737 111
Risk margin	811 668
Technical provisions – index-linked and unit-linked	**15 673 154**
TP calculated as a whole	0
Best estimate	15 421 621
Risk margin	251 533
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	66 993
Pension benefit obligations	0
Deposits from reinsurers	1 400 000
Deferred tax liabilities	464 107
Derivatives	753 070
Debts owed to credit institutions	1 162 859
Financial liabilities other than debts owed to credit institutions	989 511
Insurance & intermediaries payables	2 434 436
Reinsurance payables	6 397 292
Payables (trade, not insurance)	3 579 503
Subordinated liabilities	0
Subordinated liabilities not in BOF	0
Subordinated liabilities in BOF	0
Any other liabilities, not elsewhere shown	2 544 131
Total liabilities	**77 185 327**

Excess of assets over liabilities	**30 645 675**

Generali Česká pojišťovna a.s.

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Premiums, claims and expenses by line of business

	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
Premiums written																	
Gross - Direct Business	113 987	514 327	0	7 333 129	7 136 914	379 279	8 542 022	2 981 575	38 848	0	0	19 965					**27 060 047**
Gross - Proportional reinsurance accepted	0	0	0	0	280	31 325	401 418	161 611	4 460	0	0	0					**599 095**
Gross - Non-proportional reinsurance accepted													4 019	43 255	400	113 036	**160 710**
Reinsurers' share	46 403	208 187	0	2 871 803	2 906 787	330 933	4 427 955	1 634 479	24 125	0	0	0	4 019	43 255	400	113 240	**12 611 589**
Net	**67 583**	**306 139**	**0**	**4 461 326**	**4 230 407**	**79 672**	**4 515 485**	**1 508 707**	**19 183**	**0**	**0**	**19 965**	**0**	**0**	**0**	**-204**	**15 208 263**
Premiums earned																	
Gross - Direct Business	119 943	519 441	0	7 223 226	7 041 624	386 759	8 539 509	2 971 874	58 676	0	0	19 965					**26 881 017**
Gross - Proportional reinsurance accepted	0	0	0	-0	280	31 429	447 923	166 321	6 647	0	0	0					**652 600**
Gross - Non-proportional reinsurance accepted													4 019	43 255	400	113 036	**160 710**
Reinsurers' share	48 786	207 913	0	2 828 013	2 868 640	335 090	4 472 879	1 634 261	26 725	0	0	0	4 019	43 255	400	113 240	**12 583 222**
Net	**71 157**	**311 528**	**0**	**4 395 213**	**4 173 264**	**83 099**	**4 514 552**	**1 503 934**	**38 598**	**0**	**0**	**19 965**	**0**	**0**	**0**	**-204**	**15 111 105**
Claims incurred																	
Gross - Direct Business	55 667	122 500	0	2 834 667	3 693 104	88 694	4 052 352	1 046 463	15 943	0	0	-2 925					**11 906 465**
Gross - Proportional reinsurance accepted	0	0	0	1 097	-2 093	14 607	273 032	92 180	0	0	0	0					**378 824**
Gross - Non-proportional reinsurance accepted													1 992	75 255	369	44 719	**122 335**
Reinsurers' share	26 516	51 995	0	1 115 701	1 418 940	70 947	1 942 202	692 184	7 289	0	0	-0	1 992	75 254	369	44 719	**5 448 108**
Net	**29 151**	**70 506**	**0**	**1 720 063**	**2 272 071**	**32 354**	**2 383 183**	**446 458**	**8 654**	**0**	**0**	**-2 925**	**0**	**1**	**0**	**0**	**6 959 516**
Changes in other technical provisions																	
Gross - Direct Business	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	0	0	0	0	0	0					**0**
Gross - Non- proportional reinsurance accepted													0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	105 792	3 632	0	1 376 844	1 020 493	36 617	1 548 352	566 045	68 812	0	0	7 214	-20	-211	0	-525	**4 733 045**
Other expenses																	**222 586**
Total expenses																	**4 955 630**

	Line of Business for: life insurance obligations						Life reinsurance obligations		Total
	Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
Premiums written									
Gross	0	2 582 534	2 629 892	5 440 158	0	0	0	0	**10 652 585**
Reinsurers' share	0	0	0	1 480 061	0	0	0	0	**1 480 061**
Net	**0**	**2 582 534**	**2 629 892**	**3 960 097**	**0**	**0**	**0**	**0**	**9 172 524**
Premiums earned									
Gross	0	2 582 534	2 629 892	5 440 158	0	0	0	0	**10 652 585**
Reinsurers' share	0	0	0	1 480 061	0	0	0	0	**1 480 061**
Net	**0**	**2 582 534**	**2 629 892**	**3 960 097**	**0**	**0**	**0**	**0**	**9 172 524**
Claims incurred									
Gross	0	4 028 723	1 873 911	1 736 158	0	60 282	0	0	**7 699 073**
Reinsurers' share	0	0	0	423 655	0	22 317	0	0	**445 972**
Net	**0**	**4 028 723**	**1 873 911**	**1 312 502**	**0**	**37 965**	**0**	**0**	**7 253 101**
Changes in other technical provisions									
Gross	0	1 866 918	-531 248	19 428	0	0	0	0	**1 355 098**
Reinsurers' share	0	0	0	-2 625	0	0	0	0	**-2 625**
Net	**0**	**1 866 918**	**-531 248**	**22 053**	**0**	**0**	**0**	**0**	**1 357 723**
Expenses incurred	231	646 206	200 407	1 093 976	0	0	0	0	**1 940 819**
Other expenses									**91 630**
Total expenses									**2 032 449**

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Premiums, claims and expenses by country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		BG	SK	PL	HU	DE	
Premiums written							
Gross - Direct Business	26 991 053	692	57 909	5 226	717	4 158	**27 059 754**
Gross - Proportional reinsurance accepted	436 219	136 832	0	12 461	10 392	0	**595 904**
Gross - Non-proportional reinsurance accepted	0	159 200	0	0	0	0	**159 200**
Reinsurers' share	12 303 794	296 033	0	0	10 262	0	**12 610 089**
Net	**15 123 478**	**692**	**57 909**	**17 686**	**846**	**4 158**	**15 204 769**
Premiums earned							
Gross - Direct Business	26 812 022	692	57 909	5 226	717	4 158	**26 880 724**
Gross - Proportional reinsurance accepted	481 995	136 914	0	20 108	10 392	0	**649 409**
Gross - Non-proportional reinsurance accepted	0	159 200	0	0	0	0	**159 200**
Reinsurers' share	12 275 346	296 114	0	0	10 262	0	**12 581 723**
Net	**15 018 671**	**692**	**57 909**	**25 334**	**846**	**4 158**	**15 107 611**
Claims incurred							
Gross - Direct Business	11 906 465	0	0	0	0	0	**11 906 465**
Gross - Proportional reinsurance accepted	290 216	103 266	100	-5 831	-1 844	0	**385 907**
Gross - Non-proportional reinsurance accepted	0	122 334	1	0	0	0	**122 335**
Reinsurers' share	5 231 338	225 600	97	0	-1 844	0	**5 455 191**
Net	**6 965 342**	**0**	**4**	**-5 831**	**0**	**0**	**6 959 516**
Changes in other technical provisions							
Gross - Direct Business	0	0	0	0	0	0	**0**
Gross - Proportional reinsurance accepted	0	0	0	0	0	0	**0**
Gross - Non- proportional reinsurance accepted	0	0	0	0	0	0	**0**
Reinsurers'share	0	0	0	0	0	0	**0**
Net	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses incurred	4 718 301	-1 382	10 508	4 134	-267	1 431	**4 732 725**
Other expenses							**222 586**
Total expenses							**4 955 310**

	Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
Premiums written							
Gross	10 652 585	0	0	0	0	0	**10 652 585**
Reinsurers' share	1 480 061	0	0	0	0	0	**1 480 061**
Net	**9 172 524**	**0**	**0**	**0**	**0**	**0**	**9 172 524**
Premiums earned							**0**
Gross	10 652 585	0	0	0	0	0	**10 652 585**
Reinsurers' share	1 480 061	0	0	0	0	0	**1 480 061**
Net	**9 172 524**	**0**	**0**	**0**	**0**	**0**	**9 172 524**
Claims incurred							**0**
Gross	7 699 073	0	0	0	0	0	**7 699 073**
Reinsurers' share	423 655	0	0	0	0	0	**423 655**
Net	**7 275 418**	**0**	**0**	**0**	**0**	**0**	**7 275 418**
Changes in other technical provisions							**0**
Gross	1 355 098	0	0	0	0	0	**1 355 098**
Reinsurers' share	-2 625	0	0	0	0	0	**-2 625**
Net	**1 357 723**	**0**	**0**	**0**	**0**	**0**	**1 357 723**
Expenses incurred	1 940 819	0	0	0	0	0	**1 940 819**
Other expenses							**91 630**
Total expenses							**2 032 449**

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Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)		Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				Contracts without options and guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions calculated as a sum of BE and RM													
Best Estimate													
Gross Best Estimate	24 928 260	15 421 621	0	-2 661 928	0	1 470 778	0	**39 158 732**	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-3 396	-14 965	0	96 478	0	507 695	0	**585 812**	0	0	0	0	**0**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	24 931 656	15 436 586	0	-2 758 406	0	963 084	0	**38 572 920**	0	0	0	0	**0**
Risk Margin	323 054	251 533		434 276		54 338	0	**1 063 201**	0		0	0	**0**
Amount of the transitional on Technical Provisions													
Technical Provisions calculated as a whole	0	0		0		0	0	**0**	0		0	0	**0**
Best estimate	0	0	0	0	0	0	0	**0**	0	0	0	0	**0**
Risk margin	0	0		0		0	0	**0**	0		0	0	**0**
Technical provisions - total	**25 251 314**	**15 673 154**		**-2 227 652**		**1 525 117**	**0**	**40 221 932**	**0**		**0**	**0**	**0**

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Non - life Technical Provisions

	Direct business and accepted proportional reinsurance									Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total Non-Life obligations**
Technical provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions calculated as a sum of BE and RM																	
Best estimate																	
Premium provisions																	
Gross	5 767	10 045	0	810 343	692 818	-20 532	362 357	213 830	231 292	0	0	0	0	0	0	0	**2 305 920**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	1 194	7 247	0	236 790	181 875	-18 746	-180 382	1 228	154 217	0	0	0	0	0	0	0	**383 423**
Net Best Estimate of Premium Provisions	4 573	2 799	0	573 554	510 943	-1 786	542 739	212 601	77 075	0	0	0	0	0	0	-0	**1 922 498**
Claims provisions																	
Gross	27 024	1 686 748	0	4 363 054	1 058 274	237 890	3 330 909	3 039 616	33 420	0	0	9 340	0	187 154	358	138 531	**14 112 319**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	10 239	504 079	0	1 479 960	296 481	189 160	1 921 438	1 812 677	5 870	0	0	0	0	182 472	355	137 882	**6 540 613**
Net Best Estimate of Claims Provisions	16 784	1 182 670	0	2 883 094	761 793	48 730	1 409 470	1 226 939	27 550	0	0	9 340	0	4 681	3	649	**7 571 707**
Total Best estimate - gross	32 790	1 696 794	0	5 173 398	1 751 093	217 359	3 693 266	3 253 446	264 712	0	0	9 340	0	187 154	358	138 531	**16 418 240**
Total Best estimate - net	21 357	1 185 469	0	3 456 648	1 272 736	46 945	1 952 210	1 439 541	104 625	0	0	9 340	0	4 681	3	649	**9 494 205**
Risk margin	648	18 319	0	411 917	31 814	6 211	124 351	147 307	11 353	0	0	74	0	5	0	1 255	**753 253**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Best estimate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Risk margin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Technical provisions - total																	
Technical provisions - total	33 439	1 715 112	0	5 585 314	1 782 906	223 569	3 817 617	3 400 752	276 066	0	0	9 414	0	187 159	358	139 786	**17 171 492**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	11 433	511 325	0	1 716 750	478 356	170 414	1 741 056	1 813 905	160 087	0	0	0	0	182 472	355	137 882	**6 924 035**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**22 005**	**1 203 787**	**0**	**3 868 565**	**1 304 550**	**53 155**	**2 076 561**	**1 586 847**	**115 979**	**0**	**0**	**9 414**	**0**	**4 687**	**3**	**1 904**	**10 247 457**

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Non-life Insurance Claims Information

Accident Year/Underwriting year	1 - Accident year

Gross Claims Paid (non-cumulative)

	Development year											In Current year	Sum of years (cumulative)
	0	1	2	3	4	5	6	7	8	9	10 & +		
Prior											53 285	53 285	
N-9	7 955 251	2 898 924	648 296	245 782	145 156	96 561	-859	35 844	28 365	20 802		20 802	12 074 120
N-8	8 017 640	3 186 241	666 101	279 768	117 465	46 366	27 407	16 128	7 118			7 118	12 364 235
N-7	8 978 580	3 469 858	864 184	316 828	98 795	48 086	30 631	8 743				8 743	13 815 704
N-6	7 141 969	3 292 259	897 879	322 810	113 573	43 082	35 742					35 742	11 847 313
N-5	6 791 369	3 130 112	753 884	415 208	219 677	97 781						97 781	11 408 031
N-4	7 515 031	3 309 908	744 223	411 458	193 568							193 568	12 174 188
N-3	7 885 165	3 626 712	955 725	550 185								550 185	13 017 787
N-2	8 192 627	3 717 800	967 066									967 066	12 877 493
N-1	9 222 595	3 478 388										3 478 388	12 700 983
N	8 385 119											8 385 119	8 385 119
Total												**13 797 797**	**120 664 974**

Gross undiscounted Best Estimate Claims Provisions

	Development year											Year end (discounted data)
	0	1	2	3	4	5	6	7	8	9	10 & +	
Prior											485 545	452 831
N-9	0	0	0	0	0	0	0	0	164 112	127 111		118 490
N-8	0	0	0	0	0	0	0	144 318	116 241			108 339
N-7	0	0	0	0	0	0	197 990	149 992				140 564
N-6	0	0	0	0	0	322 122	187 859					174 797
N-5	0	0	0	0	456 236	401 896						376 347
N-4	0	0	0	702 141	476 346							444 209
N-3	0	0	1 486 996	890 433								852 495
N-2	0	2 086 948	1 233 192									1 167 150
N-1	5 851 988	2 125 423										2 024 616
N	5 200 078											4 992 052
Total												**10 851 889**

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Impact of long term guarantees measures and transitionals

	Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
Technical provisions	57 393 425	0	0	245 029	0
Basic own funds	26 038 675	0	0	-173 664	0
Eligible own funds to meet Solvency Capital Requirement	26 038 675	0	0	-173 664	0
Solvency Capital Requirement	11 126 681	0	0	577 602	0
Eligible own funds to meet Minimum Capital Requirement	26 038 675	0	0	-173 664	0
Minimum Capital Requirement	3 351 914	0	0	9 387	0

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Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35					
Ordinary share capital (gross of own shares)	4 000 000	4 000 000		0	
Share premium account related to ordinary share capital	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	22 038 675	22 038 675			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	**26 038 675**	**26 038 675**	**0**	**0**	**0**
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	**0**			**0**	**0**
Available and eligible own funds					
Total available own funds to meet the SCR	**26 038 675**	**26 038 675**	**0**	**0**	**0**
Total available own funds to meet the MCR	**26 038 675**	**26 038 675**	**0**	**0**	
Total eligible own funds to meet the SCR	**26 038 675**	**26 038 675**	**0**	**0**	**0**
Total eligible own funds to meet the MCR	**26 038 675**	**26 038 675**	**0**	**0**	
SCR	**11 126 681**				
MCR	**3 351 914**				
Ratio of Eligible own funds to SCR	**234,0%**				
Ratio of Eligible own funds to MCR	**776,8%**				

Reconciliation reserve	
Excess of assets over liabilities	30 645 675
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	4 607 000
Other basic own fund items	4 000 000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
Reconciliation reserve	**22 038 675**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	9 661 951
Expected profits included in future premiums (EPIFP) - Non- life business	2 156 878
Total Expected profits included in future premiums (EPIFP)	**11 818 829**

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Solvency Capital Requirement - for undertakings on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
FIN01	Financial Risk	4 155 800
CRD01	Credit Risk	2 781 694
LUW01	Life underwriting risk	1 251 489
HLT01	Health underwriting risk	0
NUW01	Non-life underwriting risk	3 101 498
OPE01	Operational risk	1 507 143
TAX01	Tax Cap Effect	1 542 067
MOD01	Model Adjustment	0
INT01	Intangible risk	0
SFA01	SF model adjustment	0

Calculation of Solvency Capital Requirement	
Total undiversified components	14 339 691
Diversification	-3 213 010
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	
Capital add-ons already set	0
Solvency capital requirement	
Other information on SCR	
Amount/estimate of the overall loss-absorbing capacity of technical provisions	0
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	-297 399
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirement for ring fenced funds	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0
Net future discretionary benefits	271 512

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

	Non-life activities	Life activities
	$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
Linear formula component for non-life insurance and reinsurance obligations	2 066 658	154 679

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	21 357	67 583		
Income protection insurance and proportional reinsurance	4 710	306 139	1 180 759	
Workers' compensation insurance and proportional reinsurance	0	0		
Motor vehicle liability insurance and proportional reinsurance	3 456 648	4 461 326		
Other motor insurance and proportional reinsurance	1 272 736	4 230 407		
Marine, aviation and transport insurance and proportional reinsurance	46 945	79 672		
Fire and other damage to property insurance and proportional reinsurance	1 952 210	4 515 485		
General liability insurance and proportional reinsurance	1 439 541	1 508 707		
Credit and suretyship insurance and proportional reinsurance	104 625	19 183		
Legal expenses insurance and proportional reinsurance	0	0		
Assistance and proportional reinsurance	0	0		
Miscellaneous financial loss insurance and proportional reinsurance	9 340	19 965		
Non-proportional health reinsurance	0	0		
Non-proportional casualty reinsurance	4 681	0		
Non-proportional marine, aviation and transport reinsurance	3	0		
Non-proportional property reinsurance	649	0		

	Non-life activities	Life activities
	$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
Linear formula component for life insurance and reinsurance obligations	20 225	1 110 352

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits	0		24 660 144	
Obligations with profit participation - future discretionary benefits	0		271 512	
Index-linked and unit-linked insurance obligations	0		15 436 586	
Other life (re)insurance and health (re)insurance obligations	963 084		0	
Total capital at risk for all life (re)insurance obligations		0		148 556 416

Overall MCR calculation	
Linear MCR	3 351 914
SCR	11 126 681
MCR cap	5 007 007
MCR floor	2 781 670
Combined MCR	3 351 914
Absolute floor of the MCR	201 887
Minimum Capital Requirement	**3 351 914**

Notional non-life and life MCR calculation	Non-life activities	Life activities
Notional linear MCR	2 086 883	1 265 032
Notional SCR excluding add-on (annual or latest calculation)	6 927 408	4 199 273
Notional MCR cap	3 117 333	1 889 673
Notional MCR floor	1 731 852	1 049 818
Notional Combined MCR	2 086 883	1 265 032
Absolute floor of the notional MCR	100 943	100 943
Notional MCR	2 086 883	1 265 032