

Insurance Balance Sheet Review Of the Romanian Insurance Sector

FINAL REPORT

December 21, 2021

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Acronyms

ASF - Autoritatea de Supraveghere Financiară
BEL – Best Estimate Liability
BSCR - Basic Solvency Capital Requirement
BSR - Balance Sheet Review
CDR - Counterparty Default Risk
CSRD - Corporate Sustainability Reporting Directive
DR – Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
DTA - Deferred Tax Assets
DTL - Deferred Tax Liabilities
EC - European Commission
EIOPA - European Insurance and Occupational Pensions Authority
ESG - Environmental, Social and Governance
EU - The European Union
HRG – Homogeneous Risk Groups
IBNR - Incurred But Not Reported claims
IFRS – International Financial Reporting Standards
ISA – International Standards on Auditing
IT - Information Technology
LoB – Line of Business
MCR - Minimum Capital Requirement
MTPL - Motor Third Party Liability
NLST – Non-Similar to Life Techniques
PVFP - Present Value of Future Premiums
Q&A – Question and Answer Process
QRT - Quantitative Reporting Template
RBNS – Reported But Not Settled claims
RFR – Risk Free interest Rate
RM – Risk Margin
SC - Steering Committee
SCR – Solvency Capital Requirement
SII – Solvency II
SII Directive - Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
SLT – Similar to Life Techniques
ToR - Terms of Reference
TVOG - Time value of options and guarantees
ULAE – Unallocated Loss Adjustment Expenses
UPR – Unearned premium reserve

1. Terms of Reference¹

The below depicts extracts from the Balance Sheet Review (BSR) Terms of Reference (ToR).

[...] The main objectives of the BSR are:

- a) to analyze the insurance portfolio of each participating insurance undertaking in order to establish the obligations under the insurance contracts, to assess the adequacy of technical provisions under Solvency II and have a reasoned estimate of the economic value of the respective technical provisions;
- b) to assess the appropriateness under the Solvency II framework of the recognition and valuation principles applied to all assets and liabilities;
- c) to assess under the Solvency II framework the effectiveness of the risk transfers to third parties of risks stemming from (re)insurance contracts written by the insurance undertakings including finite reinsurance contracts;
- d) to calculate the prudential parameters in accordance with Solvency II (MCR, SCR, Own Funds);
- e) to assess the appropriateness under the Solvency II framework of the system of governance;
- f) to review the risks of the insurance undertakings and to provide insight and raise awareness of the insurance' sector risks and vulnerabilities including potential contagions to the rest of the financial sector and the real economy.

The review will be carried out by independent external parties with high professional reputation and international experience under the steer of a Steering Committee (SC).

The review will be based on a methodological guidance to be developed by the SC.

[...]

The ASF will select, in consultation with the SC, a consultant firm with high professional reputation and international experience (hereinafter referred to as the Consultant) that will ensure a harmonized application of the methodology by the independent external reviewers (hereinafter referred as auditors). The designated Consultant shall not be one of the auditors of the participant undertakings.

[...]

The ASF shall approve a list of eligible auditors after consulting the SC. [...]

[...]

For the purpose of producing the auditors' list the ASF shall invite in its website applicants to submit proposals, after consulting the SC, having in mind the following the criteria:

- The firm must not be the Consultant for the review and must not belong to the group to which belongs the Consultant;
- The firm must have minimum 5 years of international experience in at least three EU member states in evaluating assets and liabilities of sizable insurance undertakings, and/or, auditing sizable insurance undertakings, and international experience in carrying out Asset Quality Reviews (AQR) in the banking sector or Balance Sheet Reviews (BSR) in the financial sector, commissioned by governments, EU or national authorities or central banks;
- The firm should demonstrate that it has a team with theoretical knowledge and a minimum 5 years practical experience in the financial sector and in evaluating both life and non-life sizable insurance undertakings and include at least 1 actuary with practical experience in auditing or evaluation both life and general insurance undertakings.

¹ Extract from the Terms of Reference adopted by the Steering Committee and approved by the Autoritatea de Supraveghere Financiară's Board on 4 March 2020 as amended on 22 July 2020

[...]

The SC will propose a ToR for the auditors based on which ASF will invite in its website applicants to submit proposals.

[...]

Each insurance undertaking shall select an auditor from that list who will conduct the review in line with the methodology approved by the ASF in consultation with the SC. All auditors' fees entailed by the review will be agreed with the auditor and paid by the respective participating insurance undertaking.

[...]

In order to conclude a contract with a specific participating undertaking for the BSR, the auditor must further *[further to the criteria on competences and experience of the teams established in the ToR]* comply with the following requirements:

- not to have performed statutory auditing activities, consulting or other kind of activities (tax and payroll advisory services to be excluded) on the respective participating undertaking, on the companies controlling directly or indirectly the participating undertaking or on the companies in Romania which are related to the companies controlling the participating undertaking or to the participating undertaking within the meaning of Article 212 (1) (b) of the Solvency II Directive, when those consulting or other activities provide a partial or full evaluation of the financial standing of the respective legal entity, at the moment of selection and during the exercise;
- not to have performed in the last 5 years preceding the review statutory auditing activities, consulting or other kind of activities (tax and payroll advisory services to be excluded) on the respective participating undertaking, on the companies controlling directly or indirectly the participating undertaking or on the companies in Romania which are related to the companies controlling the participating undertaking or to the participating undertaking within the meaning of Article 212 (1) (b) of the Solvency II Directive, when those consulting or other activities provided a partial or full evaluation of the financial standing of the respective legal entity;
- the firm or any of its team members not to have potential conflicts of interest;
- the actuary expert should be a qualified actuary, member of an Actuarial Association internationally recognized.

[...]

The ASF shall appoint an auditor based on the choice of the insurance undertaking. The ASF shall however have a veto right meaning that the ASF will have the power to override the undertakings' selection following recommendation from the SC. The SC's recommendation, [...], shall be based on a clear reasoned rationale supported on aspects such as potential conflicts of interest, appropriateness of the auditor proposal including the comprehensive analysis of the available resources having in mind the total number of entities proposing to contract the services of the same auditor.

[...]

Impediments, including legal actions, put by individual undertakings shall not preclude the performance of the exercise in the terms and conditions described in this ToR.

[...]

In order to achieve a better understanding of the results and conclusions, the Consultant and auditors will provide the SC with details on methodologies and assumptions used in performing the review, as well as with other relevant information.

The auditors will submit twice a month to the Consultant and SC a progress report regarding the implementation stage of the reviews. The progress reports will be issued in English language. [...] The

undertakings will provide the auditors with all the necessary information. The auditors will provide the Consultant with all the necessary information.

[...]

The final reports will be issued in both Romanian and English language.

The outcome of the reports and the evaluations made by the auditors can be presented to the insurance undertakings to be acquainted with, following agreement of the SC. However, the final reports shall reflect the independent view of the auditors due to the different nature of this exercise as compared to a statutory audit and any comments provided by the insurance undertakings should be included in a separate annex.

[...]

The review covers 26 insurance and reinsurance undertakings in Romania subject to Solvency II regime

The cut-off/reference date for the balance sheet data used in this review is the following: June 30, 2020.

[...] the SC will approve a proposal and submit it to the Board of ASF on:

- the conditions and criteria based on which the results of the BSR will raise supervisory actions including in terms of capital adequacy in regards to the insurance undertakings;
- the expected deadlines for the undertakings to comply with the required actions;
- the follow-up on the undertakings' compliance with the required actions.

Based on the proposal of the SC, the ASF Board will make a decision on the above conditions, criteria and required actions and make them public [...].

2. Executive Summary

The Balance Sheet Review (BSR) of the Romanian insurance market comprised a comprehensive assessment of the compliance with the Solvency II framework with reference to 30 June 2020, carried out on the basis of a defined methodology by independent external reviewers.

The BSR provided the supervisors with a point-in-time assessment of the financial and solvency position, and appropriateness of the system of governance, of the Romanian insurance market. The insurance undertakings will be expected to follow up on the outcome of the exercise and undertake actions to address the findings, as directed by the Autoritatea de Supraveghere Financiară (ASF).

The BSR resulted in both upward and downward adjustments with direct impact on the main prudential ratios, the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR).

The aggregated SCR ratio after the BSR, as proposed by auditors, was 99% and the aggregated MCR ratio was 259%.

The aggregated adjustment on the total Excess of assets over liabilities was a decrease of RON 1.736,1 Million (M). Total liabilities increased by RON 769,3M, mainly due to the increase of technical provisions (RON 1.035,1M). On the asset side, total assets decreased by RON 966,8M mainly due to the adjustments in reinsurance recoverables, reinsurance receivables, loans and mortgages and cash & cash equivalents, although the positive impact for some undertakings of the upward valuation adjustment from their investment in PAID.

The aggregated eligible own funds (EOF) to meet the SCR decreased by RON 1.952,9M and the aggregated eligible OF to meet the MCR decreased by RON 1.809,6M. SCR increased by RON 544,4M and MCR increased by RON 123,3M. The aggregated SCR ratio decreased by 79,5pp and the MCR ratio decreased by 177pp comparing with the ratios reported at the reference date.

The above-mentioned aggregated results include City Insurance S.A. (City), the biggest player in the Romanian insurance market at the BSR reference date.

Following supervisory evidence about the financial difficulties of City potentially precluding it to meet its obligations, and City's subsequent failure to restore its financial soundness in the terms legally foreseen, the ASF Board decided, on September 16, 2021, to withdraw the authorization of City to pursue insurance activities and to request inception of the winding-up procedures.

The financial deficiencies of City are reflected in the outcome of the BSR. Excluding City from the aggregated results, would result in an aggregated SCR of 141% and aggregated MCR of 351%. With total liabilities increasing by RON 421,3M mainly due to the increase of technical provisions (RON 185,2M), and total assets decreasing by RON 320,8M mainly due to the adjustments in reinsurance recoverables, reinsurance receivables and the strong positive impact from upward valuation adjustment from PAID. Excluding City, the aggregated eligible OF to meet the SCR would decrease by RON 769,8M and the aggregated eligible OF to meet the MCR would decrease by RON 753,8M while the SCR would increase by RON 214,5M and MCR increase by RON 42,6M. As a result, the aggregated SCR ratio would decrease by 37,6pp and the MCR ratio by 80pp comparing with the ratios reported at the reference date.

In three undertakings - City, Asito and Euroins - the total available own funds to cover the MCR were insufficient. In regards the SCR, in two undertakings - City and Euroins - the total available own funds

to cover SCR were insufficient. For the undertakings at a deficit, the total amount of the MCR deficit was RON 1.586,3M, and the total amount of the SCR deficit was RON 2.328,2M. To be noted that in all 3 undertakings there were relevant subsequent events as described below.

A significant part of the adjustments reflects system of governance deficiencies. Vulnerabilities were identified in several undertakings in connection with the IT environment and the internal control framework related with claims & technical provisions, reinsurance, impairment and capital requirements computation. There is a general need for improvement of the formal documented framework especially in regards the technical provisions calculation including assumptions and expert judgement, simplifications, recognition of contract boundaries, unbundling, segmentation and homogeneous risk groups (HRG) as well as ceded best estimates, and of the audit trail of controls to be performed on data in accordance with the SII requirements.

Based on the results of the BSR and the recalculation of prudential indicators, the undertakings are grouped, as indicated below, to be subject to differentiated remedial follow up actions, as established in the Follow-up actions published by ASF on 13 March 2020 (see Appendix 3).

The remedial actions required by ASF shall consider the subsequent events after the cut-off date.

- 1) **Group 1 insurance undertakings:** insurance undertakings that based on the outcome of the BSR do not hold sufficient eligible basic own funds to cover the Minimum Capital Requirement (MCR): City, Euroins, Asito

Subsequent actions after the cut-off date of the balance sheet review (see subchapter 5.5):

- **City:** the undertaking had the authorization to pursue insurance activities withdrawn by decision of the ASF Board on September 16, 2021.

- **Euroins:**

- in March-April 2021 the capital of the undertaking was increased by RON 126,64M out of which RON 76,64M mil through conversion of the subordinated loans and in July -September with other two subordinated debt issued of RON 39,44M and of RON 5,25M. In September-October 2021, a further amount of RON 120,22M was paid for the increase of the capital which in under ASF approval;
- the undertaking sold the investment property in Bulgaria by RON 24,66M in June 2021 and sold in December 2020 and April 2021 the balance of recourse receivables and receivables from recoveries by RON 58,4M as reported by the undertaking. The auditors' adjustments in property and the computation of the allowance for recourse receivables and receivables from recoveries ("recuperari") did not take into account the subsequent sales following the established methodology;
- the undertaking signed a new reinsurance contract for which submitted a transfer risk analysis in the context of the recovery plan imposed by ASF's Decision 1137 / 28.09.2020.

- **Asito:** the share capital of the undertaking was increased in September 2020 by RON 5.711.900, from the value of RON 20.642.300 to the value of RON 26.354.200 lei.

- 2) **Group 2 insurance undertakings:** insurance undertakings that based on the outcome of the BSR do not hold sufficient eligible own funds to cover the Solvency Capital Requirement (SCR): City, Euroins

Subsequent actions after the cut-off date of the balance sheet review (subchapter 5.5): See above

- 3) **Group 3 insurance undertakings:** insurance undertakings that based on the outcome of the BSR achieve the MCR and SCR: the remaining undertakings.

All undertakings had recommendations in regards deficiencies and areas for improvement. **All undertakings** shall submit to ASF plans aimed at correcting those situations.

3. Introduction

In order to have an enhanced insight into and raise awareness of the risks and vulnerabilities of the Romanian insurance sector, the Autoritatea de Supraveghere Financiară (ASF) has decided to perform an independent Balance Sheet Review (BSR) in cooperation with the European Insurance and Occupational Pensions Authority (EIOPA).

This BSR is the second in the Romanian insurance market. A similar exercise was performed in 2014-2015 with highly relevant results both for insurance undertakings and policyholders. While there has been a steady evolution of the sector since the 2014-2015 exercise was completed, the Romanian insurance market is characterized by a high level of concentration and maintains its dependence of motor third party liability (MTPL) insurance, as well as displays a rapid growth on specific undertakings of the credit and suretyship business.

In this 2020-2021 BSR participated 24 undertakings (please find the list in Appendix 1). Two undertakings were excluded namely Asigurare Reasigurare Asimed S.A., that had its authorization withdrawn in December 2020, and Onix Asigurari S.A. that will be subject to a specific supervisory review after the BSR.

The BSR was overseen by a Steering Committee (SC) that included representatives from the ASF and EIOPA.

Following an unsuccessful public procurement process held for the selection of the Consultant, a Consultant team was established with representatives from ASF and EIOPA to ensure, in close liaison with the SC, a harmonized application of the review's methodological guidance by the auditors performing the reviews, as well as a similar treatment of the participating undertakings by the auditors.

The BSR was carried out by 5 auditors, which were selected according to the criteria included in the ToR for the BSR: Deloitte Audit S.R.L., Ernst & Young Assurance Services S.R.L. in association with Ernst & Young Business Advisory Solutions, KPMG Audit S.R.L., Mazars România S.R.L. and PricewaterhouseCoopers Audit S.R.L. (please find the allocation of auditors per undertaking in Appendix 2).

See below the BSR key milestones:

- On 19 February 2020, the ASF and EIOPA issued a statement on their websites on their intention to launch an independent assessment of the Romanian insurance sector through a BSR;
- On 11 March 2020, the Board of the ASF approved the performance of the BSR for the entire Romanian insurance sector as well as the scope of the review (ToR) and the conditions and criteria based on which the results of the BSR will lead to the adoption of follow-up measures applicable to the insurance undertakings after the completion of the exercise. The Follow-up actions towards strengthening the supervision of the insurance undertakings, following the results of the insurance balance sheet review, were published on 13 March 2020;
- On 1 April 2020, the ASF and EIOPA announced on their websites that with regard to the special circumstances generated by the COVID-19 pandemic, they decided to postpone the start of the BSR. The statement advised the public that the new cut-off date for the balance sheet data and the amended exercise timeline would be communicated in due time;
- On 2 July 2020, the ASF and EIOPA announced on their websites that the cut-off date for the balance sheet data was 30 June 2020 and the BSR was expected to be launched in the second half of 2020. The governance of the exercise, the follow-up measures and the use of independent

consultant/auditors would remain unchanged, while necessary adjustments to the timeline would be ensured;

- On 22 July 2020 the ASF posted on its website the announcement for the selection of the auditors together with the methodological guidance;
- On 27 August 2020 the ASF published the list of the eligible auditors;
- On 11 November 2020 the ASF posted the allocation of the auditors;
- On the 18 November 2020 the ASF announced the updated deadlines of the BSR;
- On 26 November 2020 the ASF posted an updated list of the allocation of auditors;
- Following the organizational and preparatory steps the reviews commenced on 4 January 2021;
- The BSR was finalized on December 21, 2021 with the collection of all auditors' final reports and the preparation of this report summarizing the key findings of the review.

This report was prepared by the BSR Consultant team, based on the reports submitted by the auditors, subsequently endorsed by the SC and approved by the ASF Board.

It was the responsibility of the auditors to ensure that all procedures prescribed by the methodological guidance have been carried out and that the assumptions and techniques used in the valuation of assets and liabilities are adequate and accurate.

The auditors carried out procedures of an audit nature which as a minimum were those described in the methodological guidance, and were asked to also exercise judgment, where necessary, in order to report on factual findings and their overall conclusions. The findings refer to the financial information of undertakings' assets and liabilities, prudential ratios as well as to non-financial information.

Because these procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), the auditors did not express any assurance on the financial statements of the undertakings as of 30 June 2020.

The report is structured as follows:

- Chapter 1 depicts relevant extracts from the BSR ToR;
- Chapter 2 is the executive summary with an overview of the results of the BSR including the classification of insurance undertakings in three groups depending on their solvency position post BSR;
- Chapter 3 is a brief introduction with background information about the context of the BSR;
- Chapter 4 provides an overview of the methodological guidance for the BSR;
- Chapter 5 summarizes the outcome of the BSR;
- Chapter 6 summarizes the auditors' views about the main risks and vulnerabilities of the Romanian insurance sector.

The annexes include a brief overview of the impact of the BSR by undertaking.

This report has been prepared both in English and Romanian.

4. Methodological overview

The methodological guidance for the BSR exercise (the “methodology”) describes the main assumptions and parameters (including reference date and applicable framework, planning materiality and sampling criteria), the key tools and deliverables as well as the detailed procedures to be applied by the auditors to conclude on each area.

The methodology prescribes the minimum procedures to be followed by the auditors for the undertakings under their responsibility. The auditors were requested to use their professional judgment to determine the extent and nature of any additional procedures or information considered appropriate taking into account the scope of work requested in this exercise and their assessment of the specific characteristics of the respective undertakings under review.

The BSR Consultant team and the SC ensured the consistency in the application of the methodology by all auditors through:

- Reviewing the Blueprints and providing feedback;
- Reviewing the Progress reports (received twice a month) and Final reports and providing feedback;
- Performing consistency checks;
- Assessing significance of issues reported by the auditors and the remedial actions proposed;
- Delivering answers to any questions put by the auditors through a Q&A tool.

Additionally, several conference calls were arranged with the auditors for timely resolution of issues.

4.1 Objectives

The main objectives of the BSR were:

- a) to analyze the insurance portfolio of each participating insurance undertaking in order to establish the obligations under the insurance contracts, to assess the adequacy of technical provisions under Solvency II and have a reasoned estimate of the economic value of the respective technical provisions;
- b) to assess the appropriateness under the Solvency II framework of the recognition and valuation principles applied to all assets and liabilities;
- c) to assess under the Solvency II framework the effectiveness of the risk transfers to third parties of risks stemming from (re)insurance contracts written by the insurance undertakings including finite reinsurance contracts;
- d) to calculate the prudential indicators in accordance with Solvency II (MCR, SCR and Own Funds);
- e) to assess the appropriateness under the Solvency II framework of the system of governance;
- f) to review the risks of the insurance undertakings and to provide insight and raise awareness of the insurance' sector risks and vulnerabilities including potential contagions to the rest of the financial sector and the real economy.

The objective of this particular engagement for the auditors was to carry out procedures of an audit nature as described in the methodology and to report on the factual findings and on their conclusions over the findings. The auditors' final reports were required to assess the financial and non-financial information relating to the applicable regulatory framework to which the agreed-upon procedures have been applied. The reports were required to indicate if the procedures performed were those agreed upon, to list the specific procedures performed and to describe the auditor's factual findings with sufficient details about errors, exceptions found and conclusions. The Agreed Upon Procedures engagement required the performance of audit steps and therefore to be completed with reference to the other International Standards on Auditing (ISAs).

4.2 Reference date

The reference date for the BSR exercise was **30 June 2020**.

Subsequent events are not included directly in the adjusted assets value at the reference date. Subsequent events should however be described in the final report together with an analysis of their impact over findings.

4.3 Reference framework

The reference framework for the BSR was the Solvency II requirements, including the following:

- Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II Directive);
- Omnibus II (Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010;
- Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing the Solvency II Directive (DR);
- Commission Delegated Regulations (EU) amending Commission Delegated Regulation (EU) 2015/35;
- Technical standards for application of the Solvency II Directive;
- EIOPA Guidelines on implementation of the Solvency II Directive and Regulations.

4.4 Overview of the procedural requirements

4.4.1 System of Governance and accounting policies

Auditors were required to review of the appropriateness of the system of governance including the internal control mechanisms in place commensurately to the risks and complexities of the undertaking, based on the requirements of the Solvency II (SII) framework including EIOPA Guidelines on System of Governance ("EIOPA-BoS-14/253").

Auditors were required to assess if the undertakings had a robust set of clearly defined policies and processes for the correct interpretation of accounting rules as imposed by the SII framework and best market practices in the insurance sector.

Auditors had to identify issues most likely to result in material misstatement of the balance sheet value.

4.4.2 Reliability, quality, sufficiency and relevance of data

Auditors were required to obtain the description of the process for collecting and processing of data, check completeness and accuracy of data used in the calculation of the technical provisions, data adjustments or removals and also whether external data is exposed to at least same data standards as internal data and meets the criteria set out on EIOPA Guidelines on the valuation of technical provisions in regards to the use of external data.

Auditors were required to conclude whether data quality is sufficient for performing the needed procedures, request additional information or propose remedial actions.

4.4.3 Solvency II Balance sheet assessment

4.4.3.1 Technical Provisions

Auditors were required to assess if the calculation of technical provisions is performed in accordance with Articles 75-86 of the Solvency II Directive, Articles 17-61 of the Delegated Regulation (DR) and EIOPA Guidelines EIOPA-BoS-14/166 on the valuation of technical provisions and Guidelines EIOPA-BoS-14/165 on contract boundaries.

Auditors were required to report their findings, assess any potential impact as a result of their findings, and propose adjustments, if the case, to the Solvency II Balance Sheet and prudential ratios.

4.4.3.2 Assets and liabilities, other than technical provisions

Auditors were required to assess if all material assets and liabilities' recognition and valuation, other than technical provisions were performed with reference to Article 75 of the SII Directive that requires an economic, market-consistent approach to the valuation of assets and liabilities, supplemented by the requirements of the Articles 7-16 of the DR and the EIOPA Guidelines on recognition and valuation of assets and liabilities other than technical provisions ("EIOPA-BoS-15/113").

It was the responsibility of the auditor to ensure that the assumptions and the techniques used in the valuation were adequate and accurate. Auditors were required to report their findings, assess any potential impact as a result of their findings, and propose adjustments, if the case, to the Solvency II balance sheet and prudential ratios.

4.4.3.3 Reinsurance – Effectiveness of risk transfer

Auditors were required to provide an opinion about the effectiveness of the risks transfers to third parties stemming from (re)insurance contracts written by the undertakings including finite reinsurance contracts.

4.4.3.4 Related parties review

Auditors were required to review the accuracy of the identification of related parties of the undertaking as well as the nature of the relationship between the undertaking and these related parties, the type and scope of the transactions performed between these parties, recoverability of balances, and controls in order to identify and disclose the intra-group relations.

4.4.4 Own Funds and Capital Requirements Compliance

Auditors were requested to re-calculate the prudential parameters in accordance with SII (Own Funds, MCR and SCR) taking also into consideration the proposed adjustments.

4.4.5 Main risk and vulnerabilities of the insurance sector

Auditors were required, based on the performed procedures and their best knowledge of the Romanian market and of the international practices, to conclude on which key risks each undertaking faces and how some of them may affect the entire insurance sector or financial market.

The full text of the methodology of the BSR is published in the ASF website <https://asfromania.ro/uploads/articole/attachments/609e2d56811f2586844096.pdf>

5. Outcome of the Balance Sheet Review

5.1 System of Governance and accounting policies

The system of governance has been assessed for the majority of the undertakings as in general robust and appropriate considering their size and business, but with room for improvement.

Areas where improvements are recommended refer often to the IT environment and the internal control framework related with claims and technical provisions, reinsurance, impairment, receivables/payables and capital requirements computation.

In some of these undertakings, internal control deficiencies were encountered without audit trail and/or were observed inconsistencies and errors on the processes for the preparation and review of the Solvency II reporting without in some cases proper policies for the recognition, valuation and reporting in accordance with Solvency II (SII). Internal audit policies were also subject to recommendations.

In regards in particular to the Societatea de Asigurare-Reasigurare City Insurance S.A. (City), the numerous and the magnitude of the adjustments identified, lead to the conclusion that the internal control system had significant weaknesses especially in terms of segregation of responsibilities and processes for investments, reinsurance, claim settlement and claim reserving. Similarly, significant gaps were identified in Euroins Romania Asigurare Reasigurare S.A. (Euroins) in connection with the allocation and segregation of responsibilities and with several deficiencies identified in regards the undertaking's internal control system over technical provisions, investments, provisions other than technical provisions, insurance and intermediaries receivables and reinsurance recoverables and balances.

5.2 Reliability, quality, sufficiency and relevance of data

There is a general need for improvement of the formal documented framework especially in regards the technical provisions calculation including assumptions and expert judgement, simplifications, recognition of contract boundaries, unbundling, segmentation and homogeneous risk groups (HRG) as well as ceded best estimates, and of the audit trail of controls to be performed on data in accordance with the SII requirements.

Several recommendations were issued on the insufficiency of data, procedures and internal controls in regards the technical provisions calculations, recoverables and insurance and reinsurance balances.

For Credit and Suretyship business and Medical Insurance, information available in some cases does not appear to be sufficient for a full and reliable assessment of the characteristics of the underlying risks and identification of trends.

Improvements are needed in several cases in regards reconciliations and sufficiency of data checks performed by the undertakings with insufficient proper procedures and internal controls.

5.3 Solvency II Balance Sheet assessment

5.3.1 Adjusted Solvency II Balance Sheet

The BSR led to an aggregated decrease of the Excess of assets over liabilities of RON 1.736,1 Million (M) from RON 5.247M to RON 3.510,9M at the reference date.

As described in more detail in the next subchapters, the adjustments impacted both the assets and liabilities of the balance sheets of the participating undertakings.

The table below illustrates the net adjustments per undertaking. Undertakings are listed in accordance with their market share at 30 June 2020.

Table 1: BSR adjustments and excess of assets over liabilities after the BSR

(RON 000)

Insurance undertaking	Total net adjustments	Excess of assets over liabilities after BSR adjustments
City Insurance S.A. (City)	-994,069	-690,144
Allianz - Tiriac Asigurari S.A. (Allianz)	4,401	918,211
Euroins Romania Asigurare Reasigurare S.A. (Euroins)	-766,510	-596,408
Omniasig VIG (Omniasig)	-6,698	480,082
Groupama Asigurari S.A. (Groupama)	1,224	353,199
NN Asigurari De Viata S.A. (NN)	-7,298	693,702
Asirom Vienna Insurance Group S.A. (Asirom)	-6,148	360,968
Generali Romania Asigurare Reasigurare S.A. (Generali)	3,386	536,403
Uniqa Asigurari S.A. (Uniqa Asigurari)	4,788	215,751
BRD Asigurari De Viata S.A. (BRD)	-1,505	140,755
BCR Asigurari De Viata Vienna Insurance Group S.A. (BCR)	-72	281,860
Grawe Romania Asigurare S.A. (Grawe)	2,527	105,117
Signal Iduna Asigurare Reasigurare S.A. (Signal)	1,453	41,133
Pool-UI De Asigurare Impotriva Dezastrelor Naturale S.A. (PAID)	31,051	256,817
Gothaer Asigurari - Reasigurari S.A. (Gothaer)	7,567	69,576
Uniqa Asigurari de Viata S.A. (Uniqa Viata)	-1,570	58,153
Ergo Asigurari S.A. (Ergo Asigurari)	1,556	39,943
Garanta Asigurari S.A. (Garanta)	-1,202	65,942
ABC Asigurari - Reasigurari S.A. (ABC)	-1,598	35,392
Asito Kapital S.A. (Asito)	-6,416	14,351
Compania de Asigurari-Reasigurari Exim Romania (Care - Romania) S.A. (Exim)	-592	31,756
Eurolife FFH Asigurari De Viata S.A. (Eurolife Viata)	-605	31,503
Ergo Asigurari De Viata S.A. (Ergo Viata)	0	45,296
Eurolife FFH Asigurari Generale S.A. (Eurolife Generale)	189	21,526
Total	-1,736,141	

Excluding City, there would be an aggregated decrease of the Excess of assets over liabilities of RON 742,1M from RON 4.943,1 M to RON 4.201M.

The next subchapters provide an overview of the impact in terms of the technical provisions, assets, and liabilities other than technical provisions.

5.3.1.1 Technical Provisions

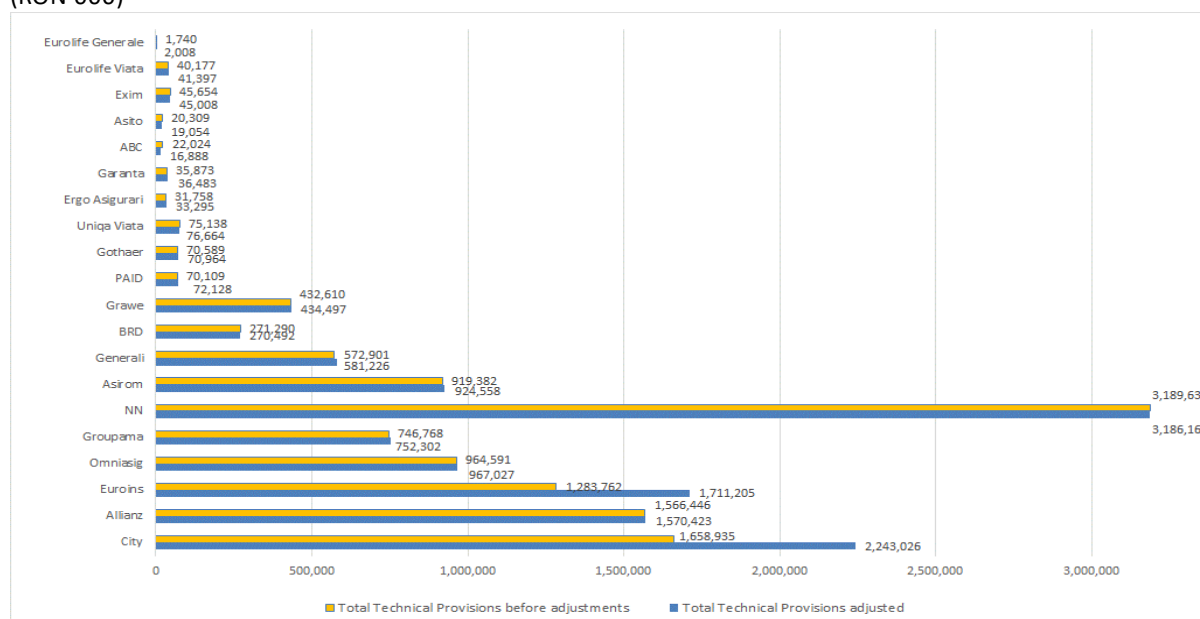
The adjustments performed resulted in an increase of technical provisions in the amount of RON 1.035,1M.

Technical provisions after the BSR adjustments correspond to RON 14.803,9M compared with RON 13.768,8M as reported by the undertaking at 30 June 2020.

Figure 1 below illustrates the adjustments per undertaking (undertakings were adjustments to technical provisions were proposed).

Figure 1: Total technical provisions before and after adjustments

(RON 000)

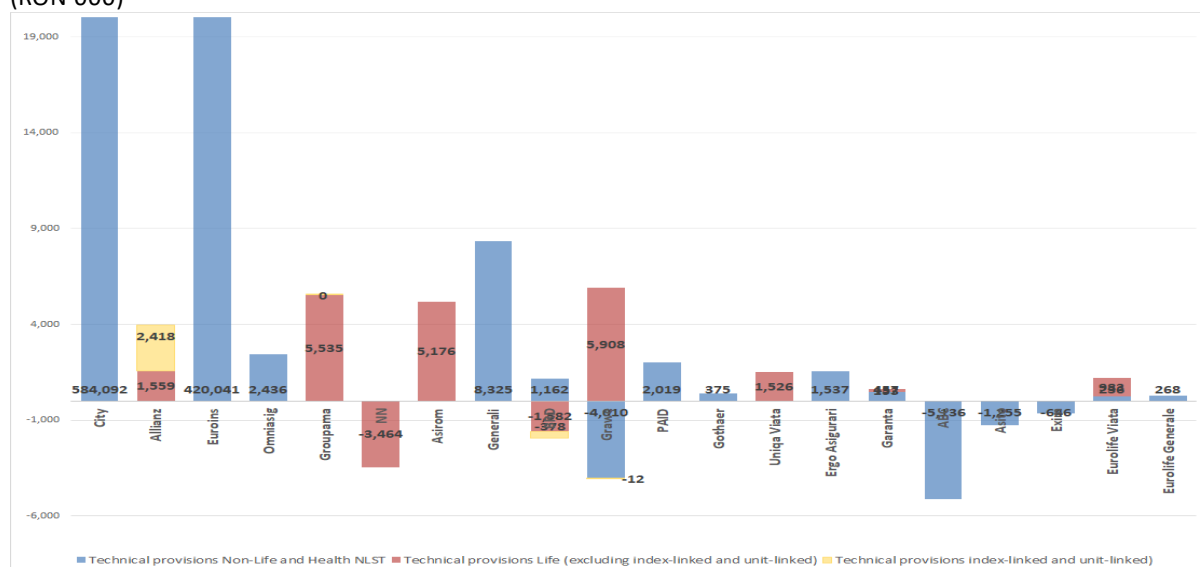


The aggregate amount of the upward adjustments is RON 1.046,4M, while the aggregate amount of the downward adjustments is RON 11,3M. City's increase of technical provisions corresponds to 56% of the total upward adjustments.

Adjustments proposed impacted more the non-life business as illustrated below.

Figure 2: Total technical provisions adjustments for Life and Non-Life sectors

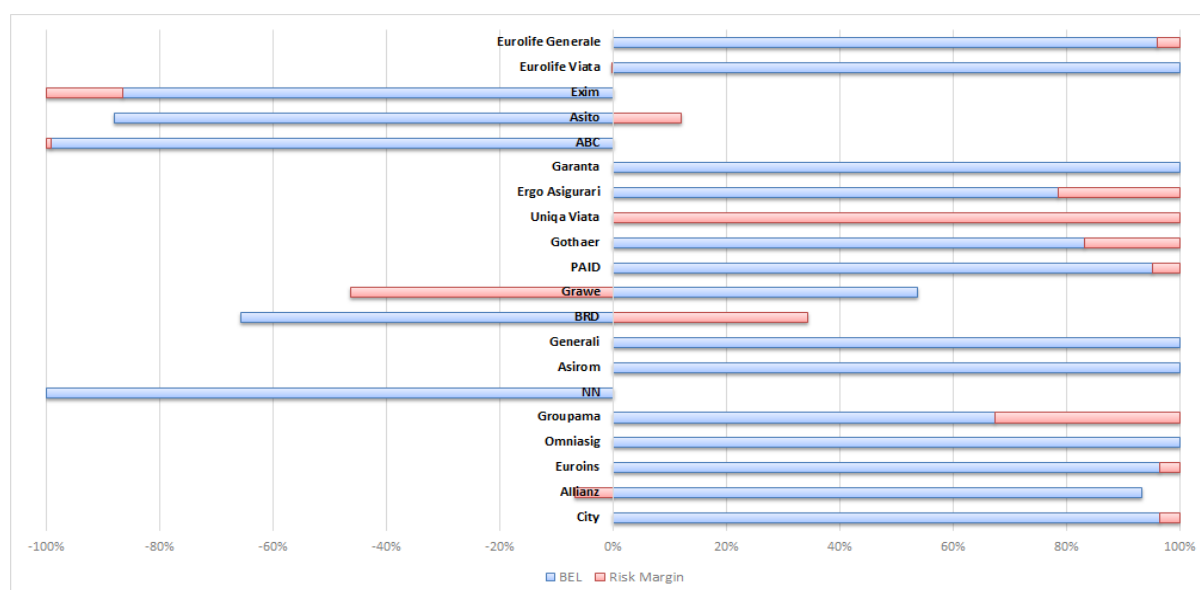
(RON 000)



Around 97,6% of the total adjustments were performed to technical provisions Non-Life and Health NLST (Non-Similar to Life Techniques). 2,2% were performed to technical provisions Life (excluding index-linked and unit-linked) and 0,2% to technical provisions index-linked and unit-linked.

Most adjustments (97,2%) were performed to the best estimate liability (BEL). Adjustments to the risk margin corresponded to the remaining 2,8%.

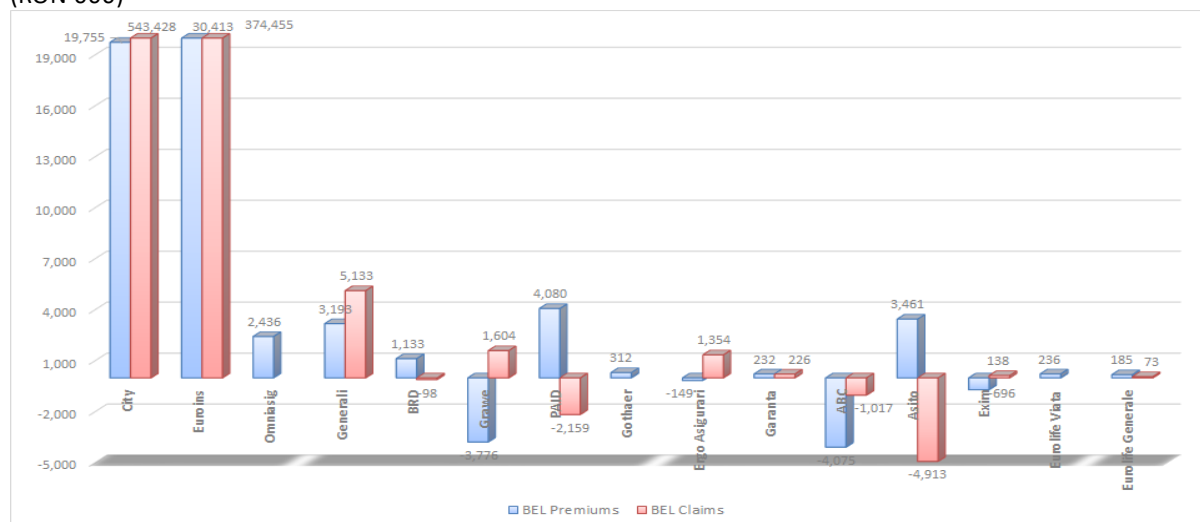
Figure 3: Breakdown of the BSR adjustments on technical provisions



On the non-life BEL, corrections had a more significant impact on the Claims provision than on the Premium provision, with adjustments of 94,2% of the total non-life BEL adjustments and 5,8%, respectively.

Figure 4: Breakdown of the BSR adjustments on Non-Life BEL

(RON 000)



Below is provided an overview of the main adjustments for non-life and life insurance liabilities.

Non-life insurance liabilities (for additional details see Annexes):

- Contract boundaries

Auditors were required to review whether the undertakings followed the recognition and derecognition principles regarding (re)insurance obligations as established in the Solvency II framework namely Articles 17, 18 of the DR and EIOPA Guidelines on contract boundaries.

Given uncertainties in view of the national legal framework, the BSR Consultant team clarified, for the purpose of the exercise, that Article 2.209 of the Civil Code does not specifically provide for the right

of unilateral termination of the insurance contract, but for the obligation of a 20 days' notice in case an insurance contract provides for such a right. However, in cases where the insurance contracts, signed by both parties, explicitly provide for the unilateral right of the insurer to terminate the contract with a 20 days' notice, the boundary of the contract shall be determined by the moment in the future when the undertaking gains this right, that is 20 days plus the time it takes to notify the policyholder, unless the undertaking provides additional evidence for not applying it, which shall be investigated case by case.

Auditors made several adjustments in cases where insurance contracts provided for the unilateral right of the insurer to terminate the contract with a 20 days notice that was not being considered in the contract boundaries, as well as due to other contractual articles in light of the Solvency II framework (Asito, City, Exim, Ergo Asigurari, Euroins, Eurolife Generale, Garanta). In the case of Uniqua Asigurari an adjustment was not proposed but provided a recommendation for the increase of the premium provision in this regard.

Where auditors accepted additional evidence such as management decisions, it is expected that on the basis of these management decisions the contracts will be reviewed in a reasonable time frame (ABC, BRD, Generali).

- **Input Data – Claims provision and Premium Provision**

Several IT system limitations or data input deficiencies led to corrections on reserves impacting both the claims and premium provisions. The tests performed by the auditors revealed, depending on the undertaking, cases of data insufficiency, incompleteness or inconsistencies in regards the RBNS database, ultimate losses derived from one historical claims triangles combining risks together, reconciliation issues between the system's amount and the accounting data and other technical mistakes (Asito, ABC, Allianz, BRD, City, Exim, Euroins, Eurolife Generale, PAID).

- **Premium Provision**

The auditors proposed, depending on the undertaking, different loss ratios, administrative expense ratios, lapse/cancellation rates, recourses recovery rates, inflation, exchange rates etc., adjusted the estimation of cash-flows within contract boundaries and for future premiums and corrected inconsistencies and misstatements (Asito, ABC, BRD, City, Exim, Ergo Asigurari, Euroins, Eurolife Generale, Garanta, Generali, Goather, Grawe, OmniaSig, PAID).

- **Claims Provision**

The auditors' independent recalculation of the reserves led to changes in the amounts of IBNR and RBNS. Issues identified include cases, depending on the undertaking, of lack of proper segmentation and split by homogeneous risk groups (HRG) and currency, no triangulation methods used for IBNR due to data limitations, inconsistencies of the methodologies and/or assumptions, insufficiency of reserves and reclassifications (Asito, ABC, BRD, City, Exim, Ergo Asigurari, Euroins, Eurolife Generale, Garanta, Generali, Grawe, PAID).

- **ULAE Recalculation**

The auditors' independent recalculation of the ULAE led to adjustments in Asito, City, Exim, Ergo Asigurari, Euroins, Eurolife Generale, Grawe.

- **Discounting**

Adjustments relating to the non-application of discounting, the application of a mid-year discount methodology or the consideration of different discounting curves for different currencies (Ergo Asigurari, Euroins, Generali, OmniaSig, PAID).

- **Reclassifications**

In Generali it was reclassified a Covid-19 provision from 'Provisions other than technical provisions' into the BEL of claims.

- **Risk Margin**

The risk margin was impacted mostly by the adjustments performed on capital requirements and BEL and in some cases by adjustments performed to the inputs and calculation method.

Life insurance liabilities (for additional details see Annexes):

- **Contract boundaries**

Auditors made adjustments based on the existing contractual articles and in light of the Solvency II requirement for BEL to be estimated within the boundaries of the insurance contracts at the moment where the undertaking has a unilateral right to terminate the contract (Eurolife Viata, Grawe, Groupama). Where auditors accepted additional evidence such as management decisions, it is expected that on the basis of these management decisions the contracts will be reviewed in a reasonable time frame (BRD).

- **Input Data & Documentation**

Several IT system limitations or data input deficiencies and insufficient controls or documentation led to corrections on reserves or recommendations (BRD, Eurolife Viata, Grawe, Generali, NN, Signal Iduna)

- **Actuarial modeling**

Adjustments derive, depending on the undertaking, from mistakes in modelling and/or inappropriate modelling and from correction of adjustments introduced for group reporting purposes and of simplifications (Asirom, BRD, Euroins, Groupama).

- **Guarantees and options**

The auditors proposed adjustments following the review of the TVOG (Time value of options and guarantees) methodology (Allianz, Groupama).

- **Assumptions**

- **Inflation**

Consideration of inflation in cases where undertakings had set the inflation rate at zero (Allianz, Euroins, Garanta).

- **Expenses**

Adjustments derive from outdated/inaccurate assumptions for expenses (Grawe).

- **Commissions rates, interest loan rates and exchange rates**

Adjustments derive from revision of the parameters (Asirom, BRD, Grawe, Euroins).

- **Mortality tables**

Adjustment derives from the review of the mortality table version in Euroins.

- **Reclassifications**

In NN it was reclassified an amount corresponding to a maturity gap provision into 'Provisions other than Technical Provisions'.

- **Risk Margin**

The risk margin was impacted mostly by the adjustments performed on capital requirements and BEL and in some cases to the calculation method.

5.3.1.2 Assets

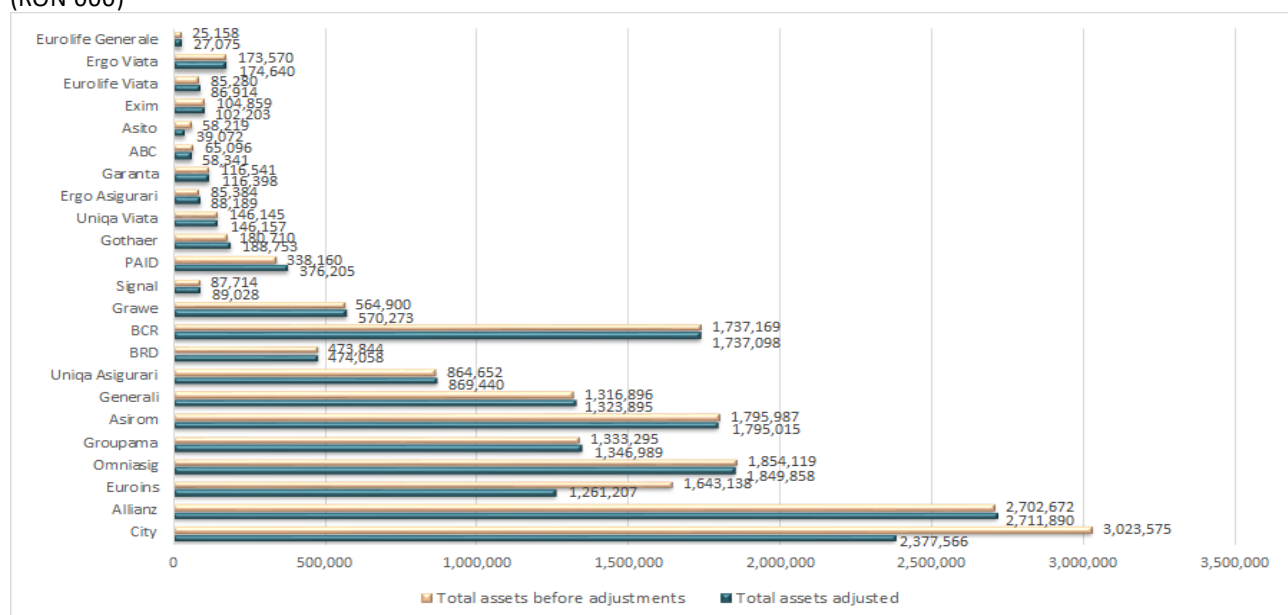
On the assets side, the aggregated downward adjustment was of RON 966,8M.

Total assets after the BSR adjustments correspond to RON 21.950,7M compared with RON 22.917,5M as reported by the undertakings at 30 June 2020.

Figure 5 below illustrates the total adjustments per undertaking (undertakings were adjustments to assets were proposed).

Figure 5: Total Assets before and after adjustments

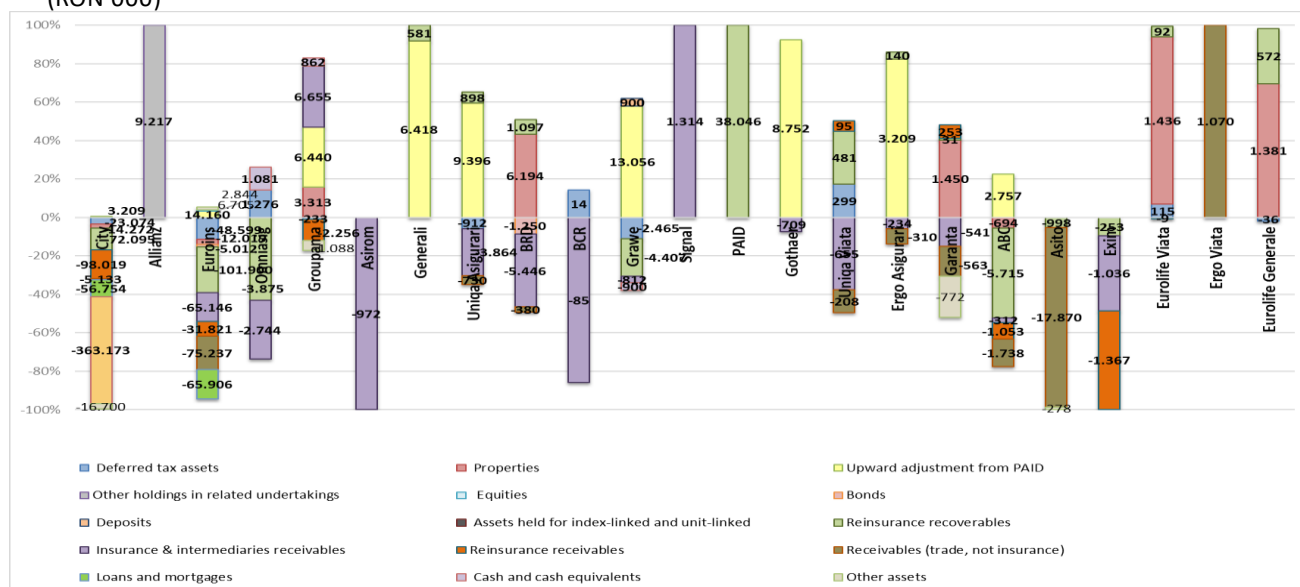
(RON 000)



As observed for technical provisions, also the assets' total adjustment is strongly impacted by the adjustments in City that reduced by RON 646M, 56% of which corresponding to the elimination of an amount recognised as 'Cash and cash equivalents' that was not confirmed by the depository financial institution. Excluding City, the total assets would have decreased by RON 320,8M. Figure 6 below illustrates the adjustment per undertaking and per asset class.

Figure 6: Breakdown of the BSR adjustments on assets

(RON 000)



To be noted that several undertakings were significantly positively impacted by the upward adjustment of PAID.

For the purposes of the BSR, having in mind the comprehensive nature of this exercise and the harmonization objective, the valuation technique adopted for the measurement of PAID by the participating undertakings, as approached by the BSR Consultant team, was the adjusted equity method as an implementation of Article 10 (5) to (7) of the DR. As such the value of the holding in PAID for the participating undertakings was based on the share of the excess of assets over liabilities as resulting from the BSR exercise. This allowed some undertakings to compensate other downward adjustments and increase the value of their assets.

Some of the most significant adjustments, apart from the reduction in “Cash and cash equivalents” resulting from the City’s review and the upward adjustments for PAID, were observed in the classes ‘Reinsurance recoverables’ and ‘Reinsurance receivables’ which confirms the vulnerabilities described in 5.3.1.4.

Below is provided an overview of the main adjustments.

- Upward adjustment from the participation/investment in PAID
The auditors considered the revised own funds as resulting from the BSR for valuing the participations/investments in PAID. This upward adjustment benefited ABC, City, Ergo Asigurari, Euroins, Generali, Goather, Grawe, Groupama, Uniqa Asigurari.-
- Loans and mortgages
Impairment adjustments based on the recoverability assessment of the loans granted (City, Euroins).
- Properties
Auditors proposed adjustments to the value of properties following the review of the valuation reports at the reference date, application of IFRS 16 and reclassifications (ABC, BRD, City, Euroins, Eurolife Viata, Eurolife Generale, Garanta, Groupama).
- Other holdings in related undertakings
Adjustment followed the review of the valuation reports at the reference date (Allianz).
- Bonds
Adjustments followed revaluation at market value based on available fair value information (BRD, Euroins).
- Equities
Adjustment followed revaluation at market value based on the available information and reclassification (Euroins).
- Deposits
Reclassification in Grawe (see below caption on Reclassifications).
- Reinsurance recoverables (see also 5.3.1.4)
The auditors used different assumptions in the computation of reinsurance recoverables. Adjustments were proposed, depending on the undertaking, consistently with the adjustments in technical provisions and the review of reinsurance arrangements’ clauses, following the recomputation of the profit commission, as a result of the application of a correct counterparty default adjustment, following reconciliation of reinsurance confirmation procedures, calculation of the reinsurance

recoverable for ENID (Event not in Date) part of the premium provision, and/or correction of further inconsistencies (ABC, Asito, BRD, City, Exim, Ergo Asigurari, Euroins, Eurolife Viata, Eurolife Generale, Garanta, Generali, Grawe, Omniasig, PAID, Uniqa Viata, Uniqa Asigurari).

- Insurance and intermediaries' receivables

Adjustments reflect the lack of proper accounting policies and procedures to allow an impairment assessment that takes into consideration aspects such as contamination principle, subsequent collections, historical collections, cancellations. Adjustments were proposed, depending on the undertaking, as a result of reconciliations, elimination of not due receivables from policyholders which should be modelled in technical provisions, impairment analysis and recalculations as well as reclassifications (Asirom, ABC, BCR, BRD, Exim, Ergo Asigurari, Euroins, Garanta, Goather, Grawe, Groupama, Omniasig, Signal, Uniqa Viata, Uniqa Asigurari).

- Reinsurance receivables

Adjustments derived, depending on the undertaking, from reconciliations procedures, reinsurance confirmations, recoverability assessments including impairment of old reinsurance receivables, review of recourses' receivables, application of contract boundaries and reclassifications (City, Exim, Euroins, Eurolife Viata, Garanta, Groupama, Uniqa Viata).

- Receivables (trade, not insurance)

Adjustments related, depending on the undertaking, with the de-recognition of the estimated recoverable part of future recourses to be included in the assessment of BEL, reconciliation procedures, reassessment of collectability of the receivables and reclassifications (Asito, BRD, City, Ergo Asigurari, Ergo Viata, Euroins, Garanta, Uniqa Viata, Uniqa Asigurari).

- Cash and cash equivalents

The auditor performed an adjustment on City following a cash outstanding balance not confirmed by the bank. Other adjustments refer to mistake in classification (Groupama) and reclassifications (Grawe, Omniasig).

- Deferred tax assets

Adjustments resulted from the impact of the BSR adjustments proposed and recoverability assessments (BCR, City, Euroins, Eurolife Viata, Eurolife Generale, Grawe, Groupama, Omniasig, Uniqa Viata, Uniqa Asigurari).

- Any other assets

Adjustments derived, depending on the undertaking, from the de-recognition of the unamortized part of premium related to the amortized cost of government bonds, impairment of amounts paid in advance, fees and commissions for obtaining financing amounts, impairment adjustments for other assets and reclassifications (Asito, City, Euroins, Garanta, Groupama).

- Reclassifications

Reclassification from 'Insurance and intermediaries receivables' of an allowance in relation to recovery of unpaid holidays to 'Receivables (trade not insurance)' (BRD); reclassification of PAID from 'Equities-unlisted' to 'Holdings in related undertakings, including participations' and of other listed shares as well as of a balance in 'Reinsurance receivables' and 'Reinsurance payables' with a related undertaking and reclassifications between 'Receivables (trade, not insurance)' and 'Any other assets' (Euroins), reclassification from 'Payable (trade, not insurance)' to 'Receivables (trade, not insurance)' representing an income tax recoverable (Ergo Viata); improvements done on properties that were reclassified from 'Any other asset's to 'Property' (Garanta); reclassification to 'Deposits' of an item previously classified as 'Cash and cash equivalents' (Grawe); reclassification of allowances 'Receivables

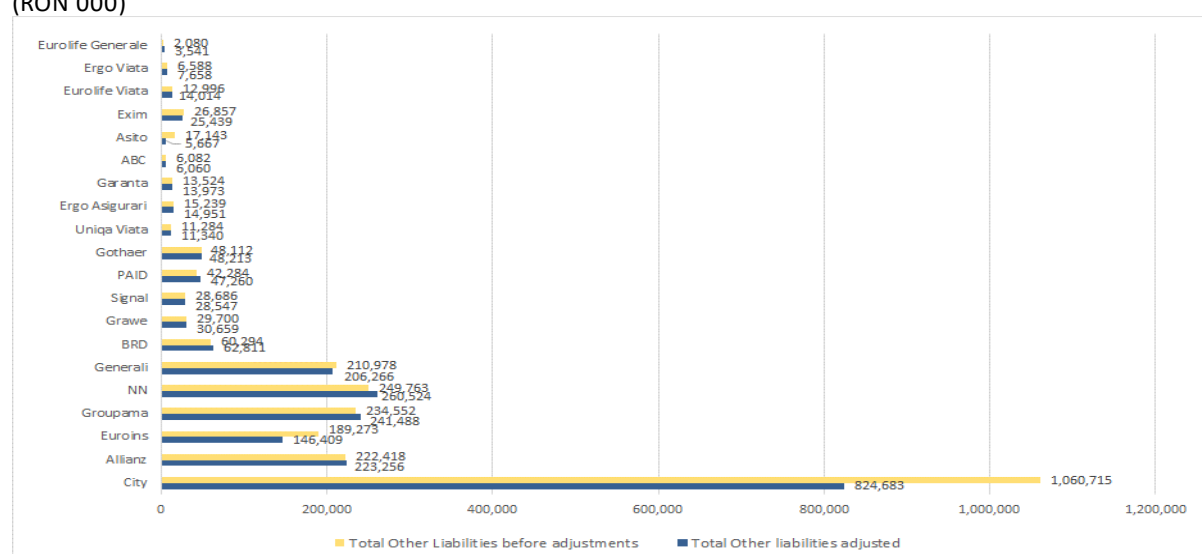
from recourses' to 'Provisions other than technical provisions' (Groupama); reclassification to 'Cash and cash equivalents' of a bank deposit for guarantees received from the intermediaries recognized in 'Insurance and intermediaries receivables' (Omniasig); reclassification from 'Receivables (trade not insurance)' to 'Insurance and intermediaries receivables' of an impairment of receivables from intermediaries (Uniqa Asigurari).

5.3.1.3 Liabilities, other than technical provisions

Liabilities, other than technical provisions, reduced by RON 265,8M. Also in this case, the downward adjustment is strongly impacted by the downward adjustments in City that corresponded to RON 236M.

Figure 7 below illustrates the adjustment per undertaking (undertakings where adjustments were proposed).

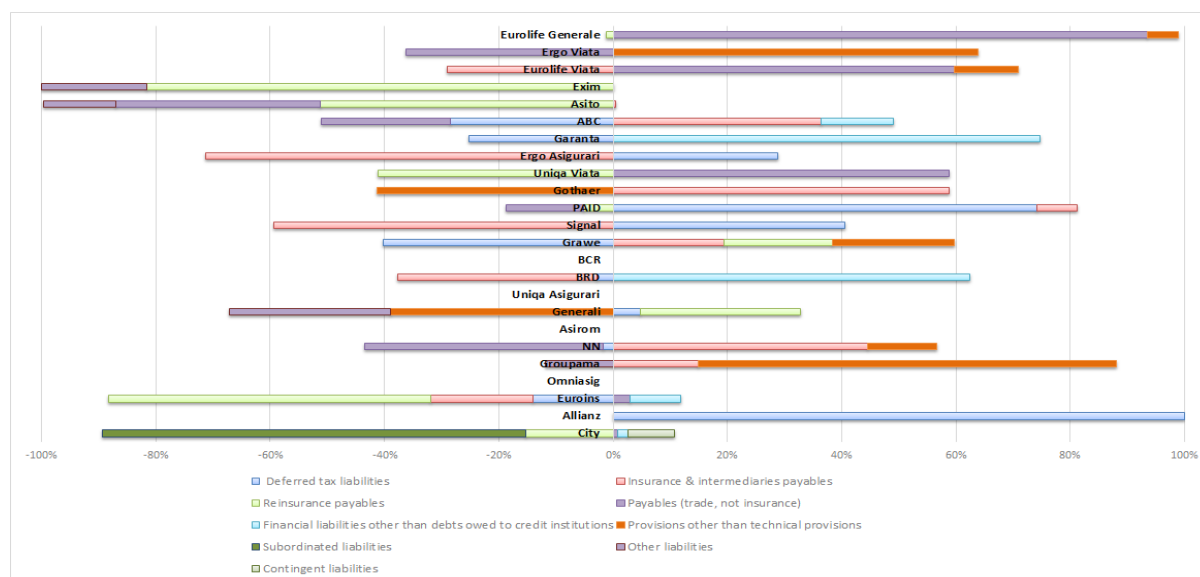
Figure 7: Total Liabilities, other than technical provisions, before and after adjustments (RON 000)



Some of the most significant adjustments, apart from the reduction of Subordinated liabilities for City, were observed in the classes 'Insurance and intermediaries payables', 'Reinsurance payables' and 'Payables (trade, not insurance)'.

Figure 8 below illustrates the adjustment per undertaking and per liability class (other than technical provisions).

Figure 8: Breakdown of the BSR adjustments on Liabilities, other than technical provisions



Below is provided an overview of the main adjustments.

- Insurance and intermediaries' payables

The auditors' proposed adjustments cover mainly the recomputation of commissions, reconciliation differences, accruals for insurance premiums due, correction of a write-off of liabilities and of double counting, reclassifications (ABC, Asito, BRD, Ergo Asigurari, Euroins, Euroins, Eurolife Viata, Gothaer, Grawe, Groupama, NN, PAID, Signal).

- Reinsurance payables

Adjustments related, depending on the undertaking, with impairment, reinsurance confirmations, reconciliation's inconsistencies, recomputation of commissions, elimination of annualization impact and reclassifications (Asito, City, Exim, Euroins, Euroins, Eurolife Generale, Generali, Grawe, PAID, Uniq Viata).

- Payables (trade not insurance)

These adjustments reflected, depending on the undertaking, the impact of adjustments in receivables from the recoverable part of the future recourses related to claims not paid, recalculations for the impact of IFRS 16, unrecorded liabilities amounts, reconciliation procedures, correction of measurement inconsistencies and reclassifications (Asito, City, Euroins, Euroins, Eurolife Viata, Eurolife Generale, Ergo Viata, Generali, NN, PAID, Uniq Viata).

- Financial liabilities other than debts owed to credit institutions

Adjustments related with the impact of IFRS 16 (ABC, BRD, City, Euroins, Garanta).

- Provisions other than technical provisions

The auditors' proposed adjustments related, depending on the undertaking, with a risk of potential dispute, recalculation of accruals, estimation of tax liabilities, reclassifications (Euroins, Euroins, Eurolife Generale, Ergo Viata, Generali, Gothaer, Grawe, Groupama, NN).

- Deferred tax liabilities

Adjustments resulted from the impact of the BSR adjustments proposed and updated deferred tax computation at the reference date (ABC, Allianz, BRD, Ergo Asigurari, Euroins, Garanta, Generali, NN, PAID, Signal).

- Subordinated liabilities

This adjustment refers to the elimination of subordinated liabilities in Basic Own Funds (BOF) of City.

- Contingent liabilities

The auditor proposed the recognition of a contingent liability following reassessment of reinsurance arrangements in City.

- Any other liabilities

Adjustments derived, depending on the undertaking, from the derecognition of the deferred revenue related to the amortized cost of government bonds, correction of recognition of premiums paid in advance, correction of amounts wrongly mapped, reclassifications (Asito, Exim, Generali, Groupama).

- Reclassifications

Reclassification from 'Payables (trade, not insurance)' to 'Insurance and intermediaries payables' of commissions due (ABC); reclassifications from 'Payable (trade, not insurance)' to 'Provisions, other than technical provisions' of the provisions for risks and charged (bonuses, retention, etc) (Ergo Viata), reclassification from 'Any other liability' to BEL of premiums paid in advanced (Exim); reclassification of a Covid-19 provision previously recognized in 'Provisions other than technical provisions' into the BEL of claims as well as of reinsurance reinstatement premiums from 'Any other liabilities' into 'Reinsurance payables' (Generali), of allowances 'Receivables from recourses' to 'Provisions other than technical provisions' (Groupama), of a maturity gap provision from 'Technical provisions' to 'Provisions other than technical provisions', of an amount for untaken holidays provisions from 'Payables (trade not insurance)' to 'Provisions other than technical provisions' and to 'Insurance and intermediaries payables' of amounts previously recognized in 'Payables (trade, not insurance)' (NN), reclassification from 'Payable, trade not insurance' to 'Intermediaries payables' of commissions payable to agents, brokers and intermediaries (PAID).

5.3.1.4 Reinsurance – Effectiveness of risk transfer

Generally, the risk transfer associated to the reinsurance contracts was assessed as effective or no significant findings were noted, with exception of City and Euroins. In case of City, there were aspects identified that could trigger the ineffectiveness of the risk transfer and the terms of a number of reinsurance treaties were not confirmed by reinsurers leading to significant adjustments. In regards Euroins, in case of a specific reinsurance contract the agreement was not considered reinsurance in substance.

In several cases there is not a formal documented assessment in connection with reinsurance risk transfer. Undertakings need to formalize and document the assessment regarding the reinsurance risk transfer (both qualitative and quantitative) with description of the assessment and conclusion reached.

Likewise needs to be improved in general the documentation on the calculation of recoverables with a detailed methodology, in particular with regard to the application of contract boundaries and computation of the reinsurance profit commission. Internal procedures for reconciliation or confirmation of balances and monitoring aging and recoverability, are areas where also improvements are needed.

In one case, consideration is recommended regarding the effectiveness of the reinsurance program for the Credit and Suretyship business having in mind the coverage and the nature/experience of the LoB.

5.3.1.5 Related parties review

The auditors reviewed the related parties, transactions and balances and there were not identified significant issues, with exception of Euroins where the auditor was unable to obtain sufficient appropriate evidence about the related parties balances as at 30 June 2020 and transactions with related parties recorded during 2019 and 2020.

Recommendations were provided for undertakings to design and implement a formalized internal procedure detailing the processes and internal controls in relation to related parties' identification, transactions and balances reconciliation, to review and assess whether additional reconciliation procedures should be performed at local level, and to include in the related parties' list also natural persons as requested by IAS 24.

5.3.1.6 Covid-19 impact

Auditors were required to assess updates of BEL assumptions and expert judgement and processes applied by undertakings on the possible effects of Covid-19.

In general, the assumptions used as at 30 June 2020 did not consider any Covid-19 effects. Undertakings considered that given the nature of the written products, as well as the portfolio structure of the products, there was no need for changes in assumptions regarding the computation of BEL and SCR.

Some undertakings are referred to monitor the potential impact in order to take if needed appropriate steps to mitigate any effects. Recommendations were provided for undertakings to monitor impact on assumptions including on mortality and morbidity rates in detail going forward and adjust the BEL assumptions if necessary, as the pandemic situation lasts longer than expected at the time of the assumption setting process. The impact on the insurer's portfolio may materialize in a mid-term horizon (i.e. the effects might not be visible immediately, but could be relevant to reflect for projections).

One undertaking (Generali) made a follow up of possible deviations and created a specific reserve for Covid-19.

5.4 Own Funds and Capital Requirements Compliance

Following the BSR adjustments to the SII balance sheets and the recomputation of the prudential indicators in light of the SII regulatory requirements, the aggregated SCR ratio corresponds to 99% and the aggregated MCR ratio to 259%.

The aggregated eligible own funds (EOF) to meet the SCR decreased by RON 1.952,9M and the aggregated eligible OF to meet the MCR decreased by RON 1.809,6M. SCR increased by RON 544,4M and MCR increased by RON 123,3M. The aggregated SCR ratio decreased by 79,5pp and the MCR ratio decreased by 177pp comparing with the ratios reported at the reference date.

Table 2: Own Funds after adjustments and prudential ratios

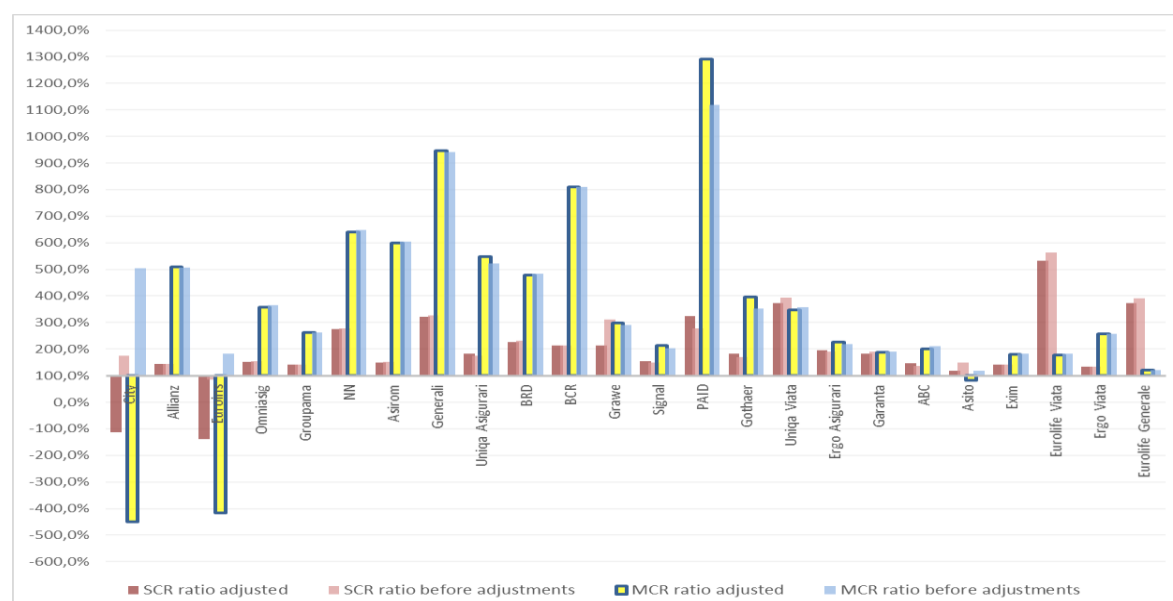
(RON 000)

Insurance undertaking	OF (after adjustments)			Capital requirements (after adjustments)		Surplus/shortfall	
	Excess of assets over liabilities	Eligible OF to meet the SCR	Eligible OF to meet the MCR	SCR	MCR	SCR ratio	MCR ratio
City	-690,144	-690,144	-690,144	613,780	153,445	-112.4%	-449.8%
Allianz	918,211	878,546	878,546	611,446	172,569	143.7%	509.1%
Euroins	-596,408	-596,408	-596,408	427,875	143,070	-139.4%	-416.9%
Omniasig	480,082	480,082	460,881	316,324	128,746	151.8%	358.0%
Groupama	353,199	470,429	356,111	333,001	135,209	141.3%	263.4%
NN	693,702	693,702	693,702	251,361	108,157	276.0%	641.4%
Asirom	360,968	360,968	360,968	241,222	60,311	149.6%	598.5%
Generali	536,403	521,828	521,828	162,355	55,105	321.4%	947.0%
Uniqa Asigurari	215,751	294,527	221,698	161,842	40,460	182.0%	547.9%
BRD	140,755	140,738	140,738	62,030	29,495	226.9%	477.2%
BCR	281,860	269,941	264,174	126,801	32,655	212.9%	809.0%
Grawe	105,117	105,117	105,117	49,233	35,206	213.5%	298.6%
Signal	41,133	41,133	37,670	26,715	17,603	154.0%	214.0%
PAID	256,817	256,817	256,817	79,534	19,884	322.9%	1291.6%
Gothaer	69,576	69,576	69,576	37,982	17,602	183.2%	395.3%
Uniqa Viata	58,153	62,049	61,272	16,633	17,602	373.0%	348.1%
Ergo Asigurari	39,943	39,943	39,943	20,403	17,603	195.8%	226.9%
Garanta	65,942	65,942	65,942	36,109	35,206	182.6%	187.3%
ABC	35,392	35,392	35,392	24,236	17,602	146.0%	201.1%
Asito	14,351	14,351	14,351	12,242	17,603	117.2%	81.5%
Exim	31,756	31,756	31,756	22,304	17,602	142.4%	180.4%
Eurolife Viata	31,503	31,503	31,255	5,920	17,603	532.1%	177.6%
Ergo Viata	45,296	45,296	45,296	33,758	17,603	134.2%	257.3%
Eurolife Generale	21,526	21,526	21,412	5,788	17,603	371.9%	121.6%

Excluding City from the aggregated results, would result in an aggregated SCR of 141% and aggregated MCR of 351%. The aggregated eligible OF to meet the SCR would decrease by RON 769,8M and the aggregated eligible OF to meet the MCR would decrease by RON 753,8M while the SCR would increase by RON 214,5M and MCR would increase by RON 42,6M. As a result, the aggregated SCR ratio would decrease by 37,6pp and the MCR ratio by 80pp comparing with the ratios reported at the reference date.

Figure 9 below illustrates the impact per undertaking.

Figure 9: BSR impact over the SCR and MCR



In three undertakings - City, Asito and Euroins - the total available own funds to cover the MCR were insufficient. In regards the SCR, in two undertakings –City and Euroins - the total available own funds to cover SCR were insufficient.

For the undertakings at a deficit, the total amount of the MCR deficit was RON 1.586,3M, and the total amount of the SCR deficit was RON 2.328,2M. Excluding City, the aggregate deficit of eligible own funds to cover the MCR and SCR, for the remaining insurers that are reported at a deficit, would be of respectively RON 742,7M and RON 1.024,3M.

To be noted that both Euroins and Asito undertook subsequent measures including capital increases after the BSR reference date (next subchapter 5.5).

5.5 Subsequent events

As requested by the methodology, the auditors considered subsequent events relevant to the analysis performed, including application of supervisory measures or provision of recommendations by the ASF or any other relevant information as applicable.

Based on the methodology, subsequent events were precluded to be included directly in the adjusted assets value at the reference date.

Subsequent events were required to instead be described in the final report together with an analysis of their impact over findings.

The following subsequent events were identified:

Asito

- In September 2020 the share capital of the undertaking was increased in by RON 5.711.900, from the value of RON 20.642.300 to the value of RON 26.354.200 lei.

City

- In June 2021, the undertaking was placed under the management of the Insurance Guarantee Fund, following the ASF decision to dismiss the management of undertaking.

- The undertaking concluded new reinsurance agreements for ceding the risks arising from the MTPL insurance policies. The effects of the new agreements, according to the contracts enters in force starting 1 October 2020.

- The insurance contract for covering the risk of depreciation of the investment property was not renewed at the expiration date (31 October 2020).

- The insurance contract guaranteeing a loan granted by the undertaking was renewed (expiry date 31 December 2020), however, the installments were not paid.

- The restructuring plan for the fiscal debt was approved by the Fiscal Administration at the beginning of 2021. The restructuring plan measures implies both qualitative and quantitative aspects to be fulfilled by the undertaking.

- The undertaking had the authorization to pursue insurance activities withdrawn by decision of the ASF Board on September 16, 2021.

Euroins

- In March-April 2021 the capital of the undertaking was increased by RON 126,64M out of which RON 76,64M mil through conversion of the subordinated loans and in July -September with other two subordinated debt issued of RON 39,44M and of RON 5,25M. In September-October 2021, a further amount of RON 120,22M was paid for the increase of the capital which is under ASF approval.

- In June 2021 the undertaking sold the investment property in Bulgaria by RON 24,662M to a third party perceived as a linked party.

- In April 2021, the undertaking sold the balance of recourse receivables as at 30 June 2020. The selling price equivalent of RON 53,95M represents approx. 92% from the gross value of recourse receivables in balance as at 30 June 2020. Subsequently, in December 2020, the undertaking sold, under certain terms, the balance of receivables from recoveries as at 30 June 2020 to a linked third party for the price of RON 4,4M. The computation of the allowance for recourse receivables and receivables from recoveries did not take into account the subsequent sales following the established methodology.

- In October 2020, the undertaking concluded a new reinsurance contract, which was further amended in December 2020. This followed the findings of ASF that led to the imposition of a recovery plan (ASF Decision 1137 / 28.09.2020). The undertaking submitted the result of an analysis on the transfer of risk of this contract to justify its solvency treatment and amended the contract in December 2020.

Eurolife Generale

- Share capital increase amounting to approximately 1 million EUR approved by the shareholders in the last quarter of 2020.

Groupama

- As at 30 June 2020, the undertaking had a provision for a penalty from the Competition Council that has been contested by the undertaking. As of December 2020, the litigation was closed with a final decision of the Court in favor of the undertaking.

This event would generate a positive impact for the undertaking as would generate a release in the general provisions of RON 33M.

6. Main risks and vulnerabilities of the Romanian insurance sector

The auditors provided their opinion about the main risks and vulnerabilities of the Romanian insurance sector on an aggregated and individual levels, based on the procedures performed and their best knowledge of the Romanian market and of the international practices:

- High concentration on top insurance undertakings

The Romanian insurance market is characterized by a considerable degree of concentration. In the year 2020, about 64% of the total volume of gross written premium was underwritten by 5 undertakings, respectively 89% of the total volume of gross written premium was underwritten by 10 undertakings.

In the event of significant financial distress for any of the top players, the whole market would suffer in terms of consumer confidence and, ultimately, of performance.

- High concentration on motor insurance

The insurance market and, particularly, the non-life insurance market is characterized by a high concentration on motor insurance (MTPL and Motor Hull), which accounts for about 57% of total gross premiums written in 2020 by insurance undertakings and, respectively, 71% of total gross premiums written for the non-life business.

Furthermore, most part of the undertakings underwriting motor insurance achieved in 2020 a combined gross loss ratio exceeding 100% (market average in 2020 was about 114% for Motor Hull and 113.5% for MTPL).

- Market pressure on the prices of MTPL insurance, accompanied by significant concentration and high number of litigations.

MTPL insurance is mandatory and represents a stable source of cash inflows for any insurance undertaking. There are 9 insurance undertakings on the market offering MTPL and they are competing mainly based on price. However, the concentration is very high as two players have a combined market share close to 75%.

At the same time, the product is characterized by long period for settlement of claims and high loss ratios, which create pressure on the profitability and solvency of these undertakings and the overall insurance sector. The combined gross loss ratio exceeded 100% in 2020 for all undertakings underwriting MTPL insurance.

Additionally, it was noted a constantly increase of the balances of receivables from recourses of the Motor Hull insurers in relation with the top two MTPL insurers. Furthermore, for a significant portion of these receivables the settlement occurs only after the creditor insurer files a legal action in court against the debtor insurer. This situation leads to a very high number of litigations bringing additional costs for the motor insurers, and financial burden and bottlenecks for the creditor insurers due to significant delays in debt collection.

- High loss ratios on the Credit and Suretyship insurance

In respect of Credit and Suretyship (Guarantee insurance), some undertakings are in general limited by having a portfolio of a small number of large policies and claims. In addition, the available historical data from these portfolios are not fully relevant for assessment of current risks due to their limited volume and also in some cases due to changes in the underwriting process, which altered the composition of the portfolio.

The undertakings have in average high loss ratios with high expected loss ratios for the near future. The analyses performed during underwriting may not be sufficient to capture the individual clients' claims risk.

- Health insurance provider exposure

In one undertaking covering Health insurance, there was limited information on the actual settlement of end client/ patients claims by the external health care provider which settles most claims. Also there was not an explicitly assessment of risks such as the risk of the external health care provider not being able to fulfil its obligations to the end clients. Need for a monitoring of data from the third party providing the claim benefit on the undertaking's behalf and to assess properly all underlying risks related to this business.

- Low penetration of life insurance

In 2020, the volume of gross written premium for the life insurance business recorded a slight decrease which determined the decrease to 19% (from 21% in 2019) of the share of the life insurance segment in the total gross written premium at the level of the insurance market.

From the perspective of the volume of gross written premium, the share of life insurance business in the total insurance market in Romania is at a low level compared to other EU countries; Romania being just before the penultimate place at EU level (based on 2019 data published by EIOPA) in terms of the share of life insurance segment in the total insurance sector. Furthermore, Romania ranked last among EU countries from the perspective of life gross written premium per capita.

- Covid-19 and macroeconomic environment manifested by uncertainty and low interest of investments

The persistence of the impact of this crisis on economic activities and uncertainties about future developments of the national economy, and not only, maintain macroeconomic risks at a level of attention.

At the same time, the low investment returns from 2020 continue in 2021, leading to a reduction in investment income and putting pressure on insurance undertakings' profitability. To address the low profitability, some undertakings plan to reduce costs and adjust their business models which may bring threats to the sustainability of business models.

Furthermore, the prolonged low investment income for the undertakings with significant life insurance business can be a factor limiting the increase of life insurance penetration.

- Low liquidity of the financial instruments and reduced local equities investment universe

- Exchange rates evolution exposing undertakings to increase foreign currency risk

- High concentration on bancassurance distribution

In certain cases it is perceived a significant concentration in terms of distribution channels with potential contagion risk.

- Cyber risk

Technology has increasingly become a primary driver of business transformation and growth. In this digital era, and more and more after the outbreak of Covid-19 pandemic, technology is the great enabler, but it introduces entirely new kinds of cyber threats. Cyber risk in the form of data theft, compromised accounts, destroyed files, or disabled or degraded systems is "top-of-mind" these days. To thrive in a digital future, organizations need a robust cyber risk strategy that can help them become secure, vigilant, and resilient. Building resilience to cyber risk in financial institutions is a rapidly growing priority for worldwide regulators too. Insurance institutions should expect a growing level of scrutiny from authorities in how they deal with cyber risk, and greater pressure to demonstrate that they are addressing emerging regulatory concerns in a timely way.

- New regulation to come into force

- IFRS 17 "Insurance Contracts": Designed to achieve the goal of a consistent, principle-based accounting for insurance contracts, this new standard requires insurance liabilities to be measured at

a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 redefines the calculation of certain financial metrics and thereby establishes a new framework for corporate performance measurement. It's expected that most performance metrics will change considerably under the new standard and as a result, individual performance assessments linked to these values will need to be re-evaluated - especially at the executive and management level.

- Corporate Sustainability Reporting Directive ("CSRD"): In April 2021, the European Commission (EC) adopted a proposal for CSRD that radically improves the existing reporting requirements of the EU's Non-Financial Reporting Directive. The CSRD covers all relevant Environmental, Social and Governance ("ESG") elements and aims to increase investments in truly sustainable activities across the EU. The regulatory change triggered by the CSRD is substantial, as management will be required to certify that an adequate risk and control framework safeguarding and governing reported ESG information under the CSRD has been established. Achieving this additional significant challenge requires from the companies to allocate knowledgeable resources throughout the entire organization (i.e. finance, risk management and operations etc.).

- Insurtech

More challenges can come in the following years as insurtechs and technology startups continue to redefine customer experience through innovations. The rise of fintech, changing consumer behavior, and advanced technologies is disrupting the insurance industry and pushing the need for investments and pressure on the budgeted costs.

Appendix 1 - List of participating undertakings

No.	Insurance undertaking	Gross written premiums 30 June 2020 (000 RON)	Market share GWP
1.	City Insurance S.A.	1,087,780	19.33 %
2.	Allianz - iriac Asigurari S.A.	683,161	12.14 %
3.	Euroins Romania Asigurare Reasigurare S.A.	671,516	11.94 %
4.	Omniasig Vienna Insurance Group S.A.	648,908	11.53 %
5.	Groupama Asigurari S.A.	524,748	9.33 %
6.	NN Asigurari De Viata S.A.	421,276	7.49 %
7.	Asirom Vienna Insurance Group S.A.	319,112	5.67 %
8.	Generali Romania Asigurare Reasigurare S.A.	296,364	5.27 %
9.	Uniqa Asigurari S.A.	184,189	3.27 %
10.	BRD Asigurari De Viata S.A.	137,673	2.45 %
11.	BCR Asigurari De Viata Vienna Insurance Group S.A.	135,406	2.41 %
12.	Grawe Romania Asigurare S.A.	83,960	1.49 %
13.	Signal Iduna Asigurare Reasigurare S.A.	77,517	1.38 %
14.	Pool-ul De Asigurare Impotriva Dezastrelor Naturale S.A. (Paid)	76,984	1.37 %
15.	Gothaer Asigurari - Reasigurari S.A.	38,209	0.68 %
16.	Uniqa Asigurari De Viata S.A.	36,569	0.65 %
17.	Ergo Asigurari S.A.	23,730	0.42 %
18.	Garanta Asigurari S.A.	22,766	0.40 %
19.	ABC Asigurari - Reasigurari S.A.	21,624	0.38 %
20.	Asito Kapital S.A.	11,803	0.21 %
21.	Compania De Asigurari - Reasigurari Exim Romania (Care - Romania) S.A.	11,109	0.20 %
22.	Eurolife Erb Asigurari De Viata S.A.	8,589	0.15 %
23.	Ergo Asigurari De Viata S.A.	6,872	0.12 %
24.	Eurolife Erb Asigurari Generale S.A.	4,040	0.07 %

Appendix 2 - Allocation of auditors per undertaking

No.	Insurance undertaking	Auditor
1.	City Insurance S.A.	KPMG Audit SRL
2.	Allianz - Tiriac Asigurari S.A.	Ernst &Young Assurance Services SRL in association with Ernst & Young Business Advisory Solutions
3.	Euroins Romania Asigurare Reasigurare S.A.	PricewaterhouseCoopers Audit S.R.L.
4.	OMNIASIG VIG	Deloitte Audit SRL
5.	Groupama Asigurari S.A.	Ernst &Young Assurance Services SRL in association with Ernst & Young Business Advisory Solutions
6.	NN Asigurari De Viata Sa	PricewaterhouseCoopers Audit S.R.L.
7.	Asirom Vienna Insurance Group S.A.	Deloitte Audit SRL
8.	Generali Romania Asigurare Reasigurare S.A.	Mazars România SRL
9.	Uniqa Asigurari S.A.	Deloitte Audit SRL
10.	BRD Asigurari De Viata S.A.	PricewaterhouseCoopers Audit S.R.L.
11.	BCR Asigurari De Viata Vienna Insurance Group S.A.	Deloitte Audit SRL
12.	Grawe Romania Asigurare S.A.	KPMG Audit SRL
13.	Signal Iduna Asigurare Reasigurare S.A	Deloitte Audit SRL
14.	Pool-UI De Asigurare Impotriva Dezastrelor Naturale S.A. (Paid)	PricewaterhouseCoopers Audit S.R.L
15.	Gothaer Asigurari - Reasigurari S.A.	Ernst &Young Assurance Services SRL in association with Ernst & Young Business Advisory Solutions
16.	Uniqa Asigurari De Viata S.A.	Deloitte Audit SRL
17.	Ergo Asigurari S.A.	Mazars România SRL
18.	Garanta Asigurari S.A.	Mazars România SRL
19.	ABC Asigurari - Reasigurari S.A.	Mazars România SRL
20.	Asito Kapital S.A.	Deloitte Audit SRL
21.	Compania De Asigurari - Reasigurari Exim Romania (Care - Romania) S.A.	PricewaterhouseCoopers Audit S.R.L.
22.	Eurolife Erb Asigurari De Viata S.A.	KPMG Audit SRL
23.	Ergo Asigurari De Viata S.A.	Mazars România SRL
24.	Eurolife Erb Asigurari Generale S.A.	KPMG Audit SRL

Appendix 3 - Follow up supervisory actions

The Follow up supervisory actions to be taken by ASF towards strengthening the supervision of the insurance undertakings following the results of the insurance balance sheet review were published on the ASF's website on 13 March 2020 <https://asfromania.ro/en/a/2123/exerci%C8%9Aiu-bsr,-la-nivelul-pie%C8%9Aei-asigur%C4%82rilor-din-rom%C3%82nia>.

I) Background

The Terms of Reference (ToR) for the Romanian Balance Sheet Review (BSR) in the insurance sector states that the Steering Committee (SC) will approve a proposal and submit it to the Autoritatea de Supraveghere Financiară (ASF) Board on:

- the conditions and criteria based on which the results of the BSR for the insurance's sector will raise supervisory actions including in terms of capital adequacy;
- the expected deadlines for the undertakings to comply with the required actions;
- the follow-up on the undertakings' compliance with the required actions.

Based on the proposal of the SC, the ASF Board will make a decision on the above conditions, criteria and required actions. Additional supervisory actions can be applied in line with the local legal and regulatory framework.

II) Rationale for follow up actions

The review will provide additional clarity on the financial and solvency situation of the participating insurance undertakings and their risks.

Where needed, the participating entities need to take action to restore or improve the financial position in a timely manner and improve their risk management. This ensures the stability of the system and confidence of all participants including policy holders.

III) Follow up supervisory actions based on the results of the Balance sheet review for the Insurance sector

Based on the results of the BSR and the recalculation/analyze of prudential indicators, which include reconsideration of an appropriate level of technical provisions as well as assets, the participating insurance and reinsurance undertakings (hereinafter insurance undertakings) will be grouped and will be subject to differentiated remedial follow up actions. The remedial actions required by ASF to be implemented by the participant insurance undertakings depend on the magnitude of the capital shortfall revealed by the BSR without prejudice of any adjustment following measure taken after the cut-off date.

1. Grouping of insurance undertakings

Insurance undertakings will be grouped as follows:

- 1) **Group 1 insurance undertakings:** insurance undertakings that based on the outcome of the BSR do not hold sufficient eligible basic own funds to cover the Minimum Capital Requirement (MCR);
- 2) **Group 2 insurance undertakings:** insurance undertakings that based on the outcome of the BSR do not hold sufficient eligible own funds to cover the Solvency Capital Requirement (SCR).
- 3) **Group 3 insurance undertakings:** insurance undertakings that based on the outcome of the BSR achieve the MCR and SCR.

2. Deadlines for the submission of realistic short-term finance schemes and recovery plans and for their approval

Group 1 insurance undertakings: ASF shall require the undertakings to submit a short-term realistic finance scheme for the implementation of remedial actions within one month following the publication of the results of the BSR on ASF's website.

Group 2 insurance undertakings: ASF shall require the undertakings to submit a realistic recovery plan for the implementation of remedial actions within 2 months following the publication of the results of the BSR on ASF's website.

All undertakings should further explain how they will address the risks identified by the BSR, correct the deficiencies and how this impacts the risk management.

ASF will analyze the plans received within 30 calendar days from the plan's submission date, where adequate propose changes, and approve it.

In case the participating undertakings are already in the process of implementing approved action/financial recovery plan submitted to ASF before the date of publication of the results of the BSR and those results indicate the need for additional own funds, the undertaking must assess the sufficiency of the actions/financial recovery plan and update it where insufficient. The respective undertakings will have 30 calendar days following the publication of the results of the BSR to report to ASF the plan's update to be approved by ASF within the above referred deadline.

3. Deadlines for progress reports and for restoring compliance with prudential indicators/correct deficiencies

Group 1 insurance undertakings will be requested to submit monthly, within 3 weeks after the end of the reference month, until the financial situation is restored, a progress report to ASF setting out the measures taken and the progress made to ensure compliance with the MCR in 3 months following the publication of the results of the BSR on ASF's website.

Group 2 insurance undertakings will be requested to submit every 3 months, within 3 weeks after the end of the reference month, until the financial situation is restored, a progress report to ASF setting out the measures taken and the progress made to ensure compliance with the SCR in 6 months following the publication of the results of the BSR on ASF's website.

Group 3 insurance undertakings: where are identified by the auditors vulnerabilities or deficiencies those undertakings will submit, within 30 calendar days following the publication of the results of the BSR on ASF's website, plans aimed at correcting those vulnerabilities or deficiencies.

In case undertakings fall in more than one group, ASF may allow the submission of only one plan covering the overall measures to address the different deficiencies.

4. Supervisory measures

Where:

- 1) the short-term finance scheme or recovery plan are not considered realistic or sufficient by ASF within the time limit set above (i.e. 30 calendar days); or
- 2) there is no significant progress showed following ASF's assessment of the monthly and quarterly progress reports in restoring the MCR and/or SCR; or
- 3) the undertaking fails to restore the MCR and/or SCR at the end of the established deadlines,

ASF shall within 4 weeks (from the submission date of the short-term finance scheme or recovery plan or the monthly and quarterly progress reports or the established deadline to restore the MCR and/or SCR, take all measures necessary to safeguard the interest of policyholders, including, and without prejudice of other measures foreseen in the law that may be applied alongside, the following:

-SCR breach:

- measures aimed at reducing the risk profile such as requiring the undertaking to refrain from underwriting new risks or to renew pending contracts in certain lines of business, or requiring the undertaking to change its asset portfolio with the aim of reducing the market and credit risk;
- measures aimed at limiting or preventing a reduction of financial resources such as setting limitations on dividend payments and prohibiting the free disposal of assets;
- imposing, together with other measures, additional reporting requirements to enable improved monitoring.

-MCR breach:

- restrict free disposal assets;
- withdrawal of authorization.

IV) Information to EIOPA and other Member States

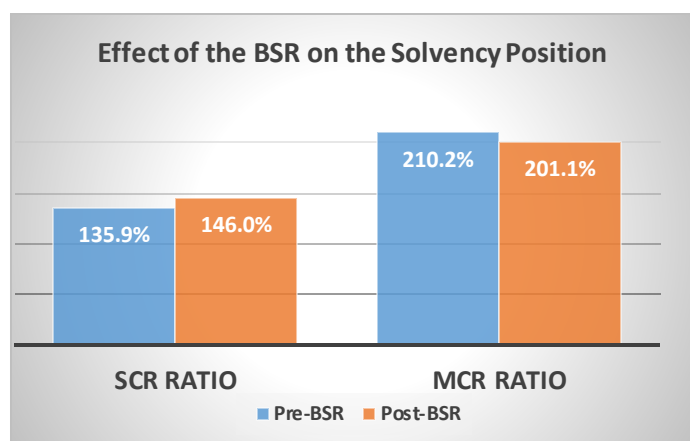
- 1) ASF shall provide EIOPA with an overview of the follow-up made following the initial assessments of the short-term finance scheme and recovery plans as well as the progress reports within 2 weeks of the recovery plan/progress report's submission date. Where more severe actions are taken by ASF to safeguard the interest of policyholders those shall be immediately communicated;
- 2) ASF shall inform within 3 days from the measure's date the relevant Group supervisors and concerned host Members States about the measures taken and any deviations from planned progress;
- 3) ASF shall provide EIOPA with a report informing about the overall state of play of the Romanian market following the surveillance and actions taken.

Annexes - Overview of the impact of the BSR by undertaking

Undertakings are listed alphabetically

Annex 1: ABC Asigurari - Reasigurari S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments, of RON 58,341M Assets and RON 22,948M Liabilities, leading to an excess of assets over liabilities equal to RON 35,392M. The initial solvency position, reported as at the 30th of June 2020, was 210,2% MCR ratio and 135,9% SCR ratio. Following the BSR adjustments there is a reduction of the MCR coverage of 9,1pp (201,1%) and increase of 10,1pp of the SCR coverage (146%).

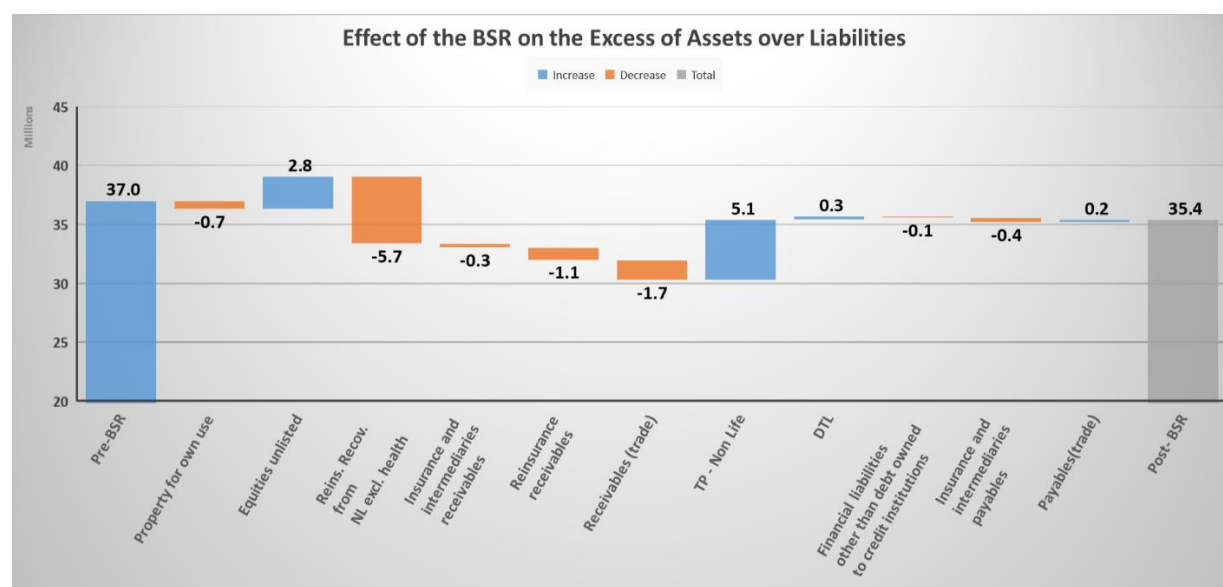


Basic Own Funds RON 35,4M are comprised only of Tier 1 elements consisting of:

- paid-in ordinary share capital RON 19,8M
- reconciliation reserve RON 15,6M

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 37,0M to 35,4M.



Assets

Total assets decreased by RON 6,8M as a result of the following adjustments:

- Property for own use: RON -0,7M from the review of the valuation reports at the reference date and from the application of IFRS 16;
- Equity unlisted: RON +2,8M following the revaluation of the investment in PAID;
- Reinsurance recoverables from Non-Life excl. health: RON -5,7M, following the BEL adjustments, recomputation of the reinsurance profit commission and cancelation rate on ceded multi-annual PVFP;
- Insurance and intermediaries receivables: RON -0,3M from impairment;

- Reinsurance receivables: RON-1,1M following recomputation of the reinsurance profit commission;
- Receivables (trade, not insurance): RON-1,7M from recourses' impairment/recalculation.

Liabilities

Total liabilities decreased by RON 5,2M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Non-Life: overall decrease of RON 5,1M, as a result of the update of the methodology for exclusion of large claims in the IBNR, splitting of the best estimate calculation on the credit line of business by country, updating the estimated recourses related to RBNS, correction of the formula on calculation of UPR net of PVFP, integration of the refundable advanced incomes in volume measure, correction of the double-counting in the PVFP, correction of loss ratios, correction of the administrative rates in the combined ratio, non-application of cancellation rates on total volume measures and integration of the ASF tax;
- Risk margin decreased by RON 44K following the recalculation of the duration formula combined with adjusted values of BEL and SCR.

- Adjustments in **liabilities other than technical provisions**

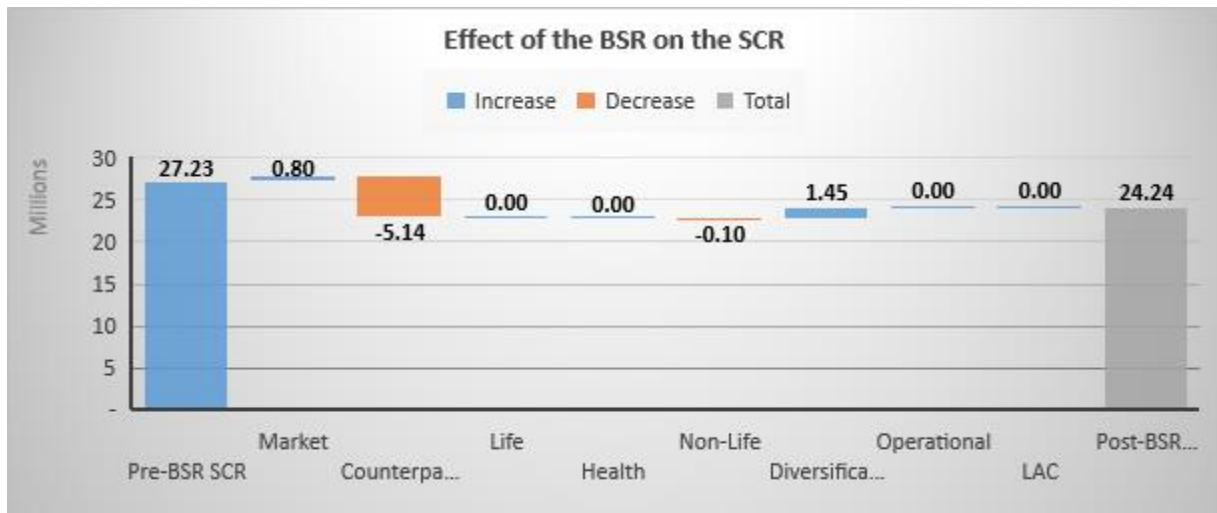
- Deferred tax liabilities: decrease of RON 0,3M following the identified adjustments;
- Financial liabilities other than debt owed to credit institutions: increase of RON 0,1M from the application of IFRS 16;
- Insurance and intermediaries payables: increase of RON 0,4M related with commissions due (reclassification and adjustment);
- Payables (trade, not insurance): decrease of RON 0,2M from reclassification of the commissions due and adjustment.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 201,1% and a SCR coverage of 146%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 18,7M corresponding to 65% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 7,7M) and Counterparty Default risk (RON 2,2M). The key component of the Non-Life Underwriting Risk is the Premium and Reserve risk sub-module (RON 15,2M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Counterparty Default Risk SCR, which decreased by RON 5,14M, mainly due the decrease of the Type 2 Counterparty risk sub-module.

Reinsurance – effectiveness of risk transfer

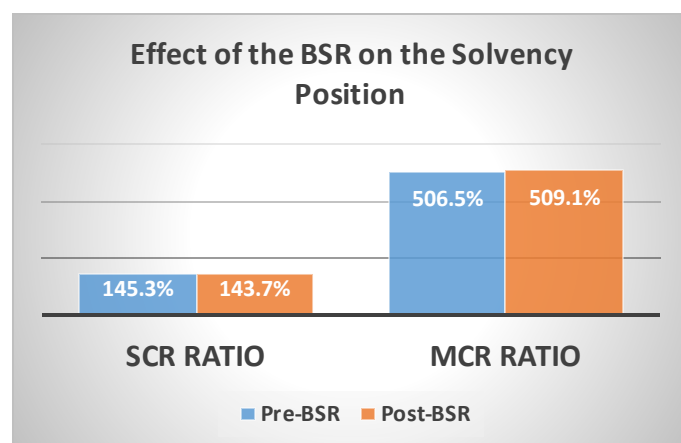
No material issues were identified in respect of effectiveness of risk transfer. The undertaking is recommended to update its methodology related to the computation of the reinsurance profit commission.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations for improvements in relation to the IT environment in particular for Logical Security and cases of change in management, as well as, in regards the internal control framework related with management of the databases for Claims & Technical Provisions and data for impairment booking. Recommendations were provided to update the methodology related to technical provisions and SCR computation.

Annex 2: Allianz – Tiriac Asigurari S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments, of RON 2.711,9M Assets and RON 1.793,7M Liabilities, leading to an excess of assets over liabilities equal to RON 918,2M. The initial solvency position, reported as at the 30th of June 2020, was 506,5% MCR and 145,3% SCR. Following the BSR adjustments there is an increase of the MCR coverage of 2,6pp (509,1%) and decrease of 1,6pp of the SCR coverage (143,7%).

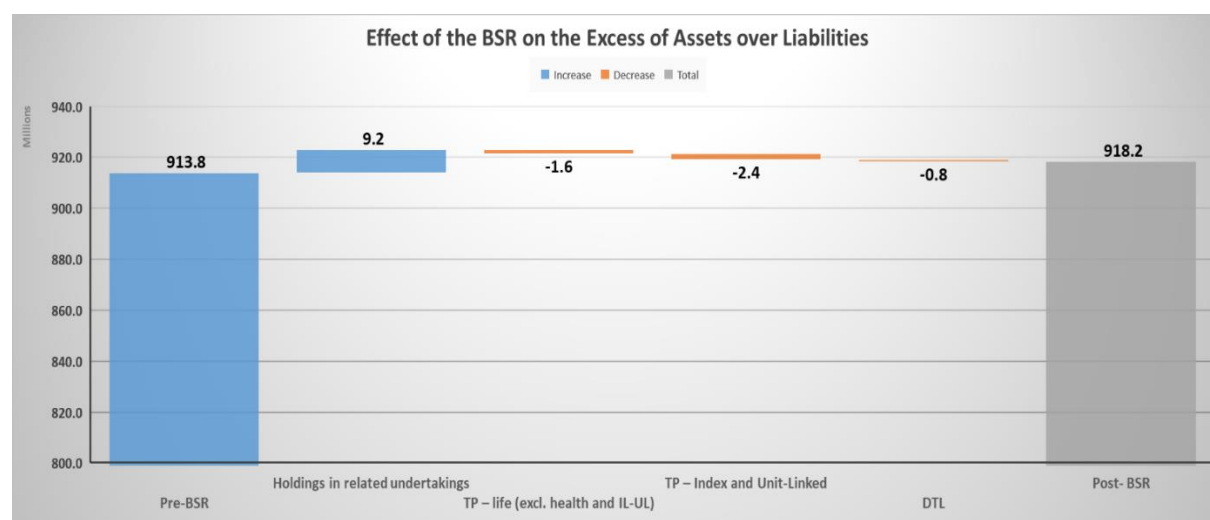


Basic Own Funds RON 878,5M are comprised only of Tier 1 elements consisting of:

- paid-in ordinary share capital RON 94,4M and the related share premium capital RON 321,9M
- reconciliation reserve RON 462,3M

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 913,8M to 918,2M.



Assets

On the assets side, the adjustment refers to the increase of RON 9,2M in Holding in related undertakings including participations, following the updated valuation of a participation.

Liabilities

Total liabilities increased by RON 4,8M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate - Life including Index-linked & Unit linked increased RON 4,3M following the review of the TVOG (Time value of options and guarantees) methodology for the products with profit participation and the consideration of long-term inflation rate;

- Risk margin decreased by RON 311K following recomputation considering the counterparty default risk stemming from life reinsurance recoverables and the revised life underwriting risk capital requirement.

-Adjustments in **liabilities other than technical provisions**

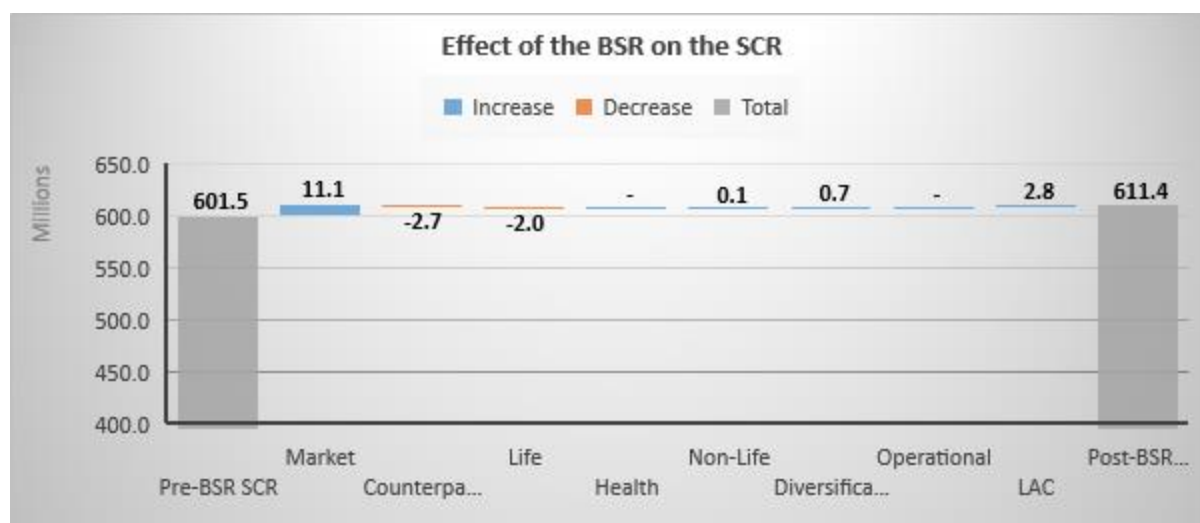
- Deferred tax liability: RON 838,4K increase following the net overall impact on deferred tax of the adjustments proposed.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 509,1% and a SCR coverage of 143,7%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking comes from Market risk (around 46% of the BSCR before any diversification) and the Non-Life UW risk (around 41% of the BSCR before any diversification). The key components contributing to the Market risk are Concentration risk (RON 308,2M) and Equity risk (RON 150,8M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk category.



The main adjustment is related to the Market risk which increased by RON 11,1M strongly impacted by an upward adjustment in the Equity risk submodule following the consideration of a participation's exposure in the calculation as well as the different shocks applied in Unit-Linked liabilities, and a downward adjustment due to a reclassification.

Reinsurance – effectiveness of risk transfer

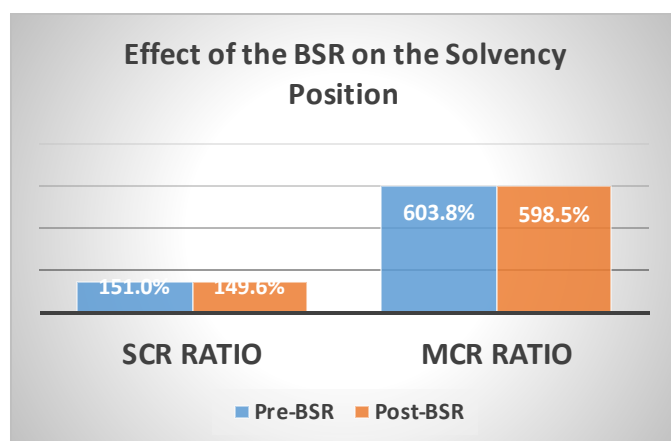
No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations for improvements in relation to the IT General Control testing and for procedures to ensure consistency of data used in the calculation of technical provisions.

Annex 3: Asirom Vienna Insurance Group S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 1.795M Assets and RON 1,434M Liabilities, leading to an excess of assets over liabilities equal to RON 361M. The initial solvency position, reported as at the 30th of June 2020, was 151% SCR ratio and 603,8% MCR ratio. Following the BSR adjustments there is a change in the SCR coverage of -1,3pp (149,6%) and a decrease of -5,3pp for the MCR coverage (598,5%).

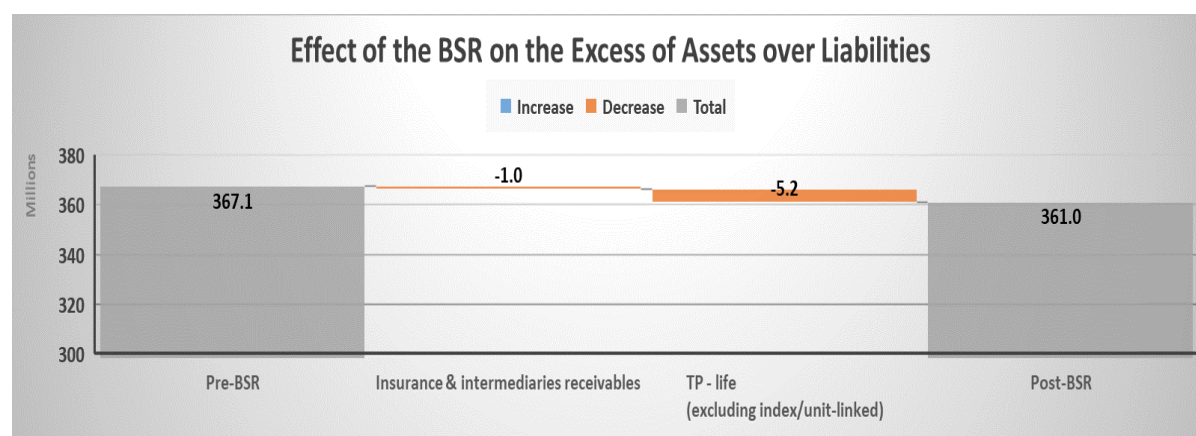


Basic Own Funds RON 360,97M are comprised of only Tier 1 elements:

- paid-in ordinary share capital RON 509,1M and the related share premium capital RON 273,9M
- reconciliation reserve RON - 422,1M

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 367,1M to 361M.



Assets

On the assets side, the overall adjustment is the result of the following correction:

- Insurance and intermediaries receivables: decrease of 1M RON following subsequently cancelled receivables.

Liabilities

Total liabilities increased by RON 5,2M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Life (excluding index-linked and unit-linked) increase of RON 5,2M resulting mainly from the correction of a modelling mistake/inappropriate modelling for the Insurance With-Profit participation and the Other Life insurance

-Adjustments in **liabilities other than technical provisions**

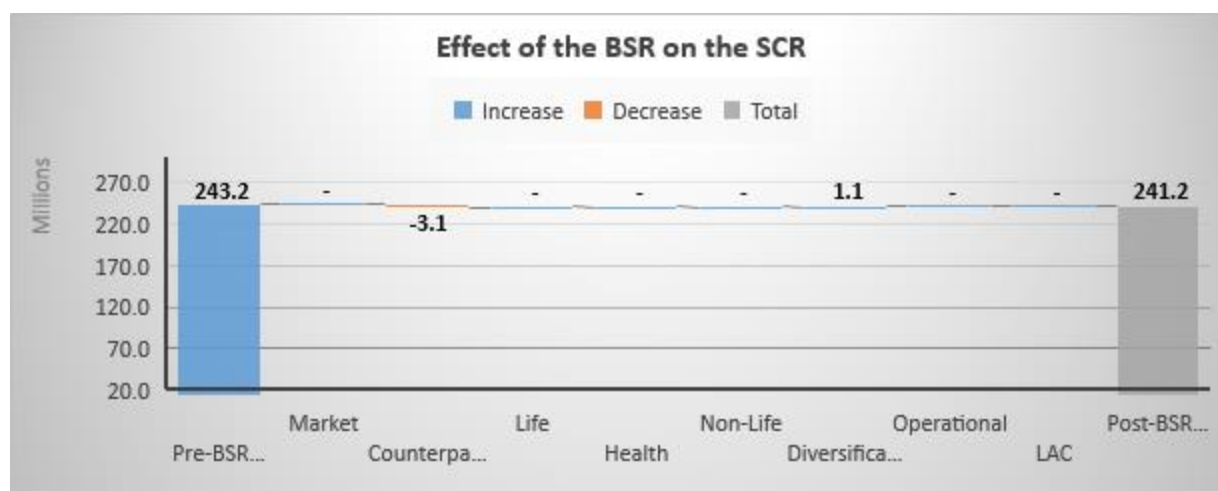
- There were no adjustments in liabilities other than technical provisions

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 598.5% and a SCR coverage of 149,6%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 168,8M corresponding to 57% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 68M) and Counterparty Default risk (RON 34M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Counterparty Default Risk SCR, which decreased by RON 3,1M, mainly as a result of the correction of the mistake in the ageing analysis of receivables from intermediaries.

Reinsurance – effectiveness of risk transfer

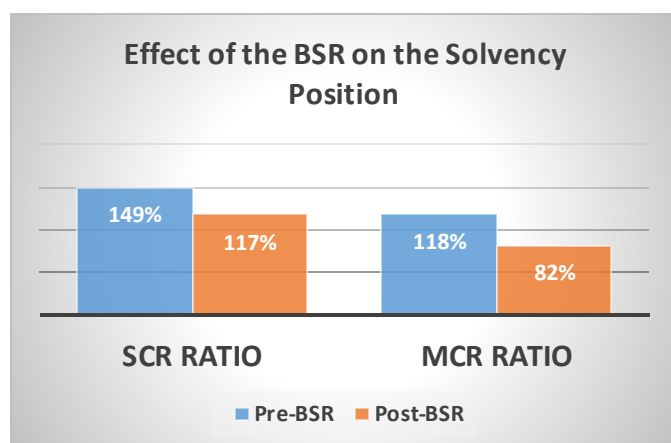
No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Recommendations for improvements in relation to the development of more formal documentation with formal design and audit trail for the Technical Provisions area, in particular for the implementation of a formalized process to develop assumptions, simplifications, expert judgement, unbundling and approach to recognition and contract boundaries, and risk margin calculation. Further recommendations include the life underwriting risk module and for proper policies and procedures in regards insurance receivables and payables.

Annex 4: Asito Kapital S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 39,072M Assets and RON 24,721M Liabilities, leading to an excess of assets over liabilities equal to RON 14,351M. The initial solvency position, reported as at the 30th of June 2020, was 149,3% SCR ratio and 118% MCR ratio. Following the BSR adjustments, the SCR ratio decreased by 32pp (117,2%) and the MCR ratio decreased by 36pp (81,5%).

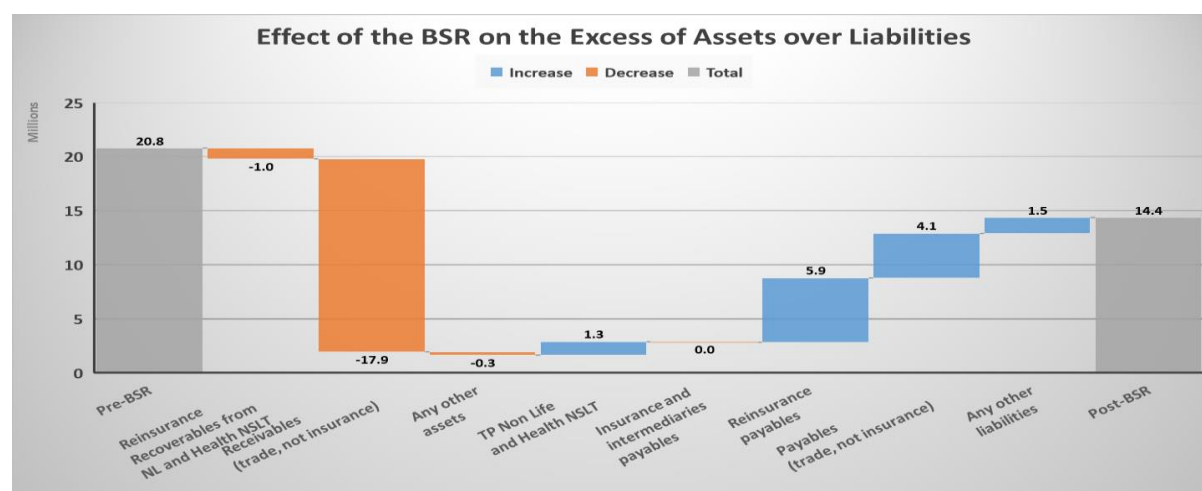


Basic Own Funds RON 14,35M are comprised of Tier 1 elements :

- paid-in ordinary share capital RON 20,64 M
- reconciliation reserve RON -6,29M RON

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 20,8M to 14,4M.



Assets

On the assets side, the overall adjustment is a decrease of RON 19M as a result of the following corrections:

- Reinsurance recoverables from Non-Life and Health NSLT: RON-1,0M following the adjustments of the Gross Technical Provisions
- Receivables (trade, not insurance): RON-17,9M, due to the de-recognition of the estimated recoverable part of the future recourses related to RNBS files from the receivables from recourses and its inclusion within the assessment of the BEL, as well as to the reassessment of collectability of the receivables from recourses
- Any other assets: RON-0,3M, following the de-recognition of the unamortized part of premium related to the amortized cost of Government bonds.

Liabilities

Total liabilities decreased by RON 13M as a result of the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate Non-Life and Health NSLT: decrease of RON 1,5M RON following the increase of the BEL for premium provision as a result of adjustments for contract boundaries in Property, Casco and General Third Party Liability, of the review of the expected loss ratio of the LoB Guarantees and of the recourse recovery rate, and, the decrease of the BEL for claims provision from adjustments in IBNER, future recourse recoveries from litigations subsequently won, and reduction of ULAE
- Risk margin decreased by RON 197K reflecting the adjustments proposed to the best estimate and SCR.

- Adjustments in **liabilities other than technical provisions**

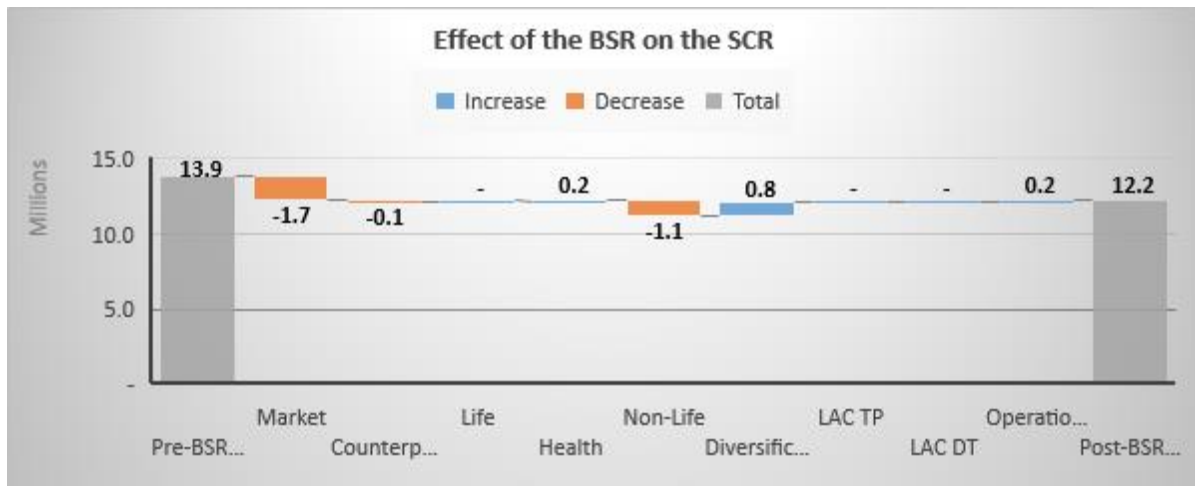
- Insurance and intermediaries payables: increase of 0,047M RON, based on the recalculation of the intermediaries commission related to the due insurance receivables.
- Reinsurance payables: decrease of 5,9M as a result of the correction of impairment of the receivables from recourses ceded in reinsurance
- Payables (trade, not insurance): decrease of 4,1M as a result of adjustments in receivables from the recoverable part of the future recourses related to claims not paid (in RBNS) for suretyship insurance contracts.
- Any other liabilities: decrease of 1,5M, following the derecognition of the deferred revenue related to the amortized cost of the Government Bonds and exclusion of premiums paid in advance for policies not yet started as of 30 June 2020 which were already included within the assessment of the best estimate of liabilities.

Capital Requirements

The undertaking does not comply with the Solvency II minimum capital requirement with a MCR coverage of 81,5% (SCR coverage of 117,2%), following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life underwriting risk module (RON 8,5M corresponding to 54% of the BSCR before any diversification effect), while the other material risk modules are Counterparty Default risk (RON 2,9M) and Health risk (RON 2,4M). The key components of the Non-Life Underwriting risk module is the Non-Life CAT risk sub-module (RON 6,0M) and Premium and reserve risk sub-module (RON 4,6M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market risk SCR, which decreased by RON 1,7M, as a result of the decrease of the Currency risk, Concentration risk, Interest rate risk SCR, partially offset by the increase of the Equity risk.

Reinsurance – effectiveness of risk transfer

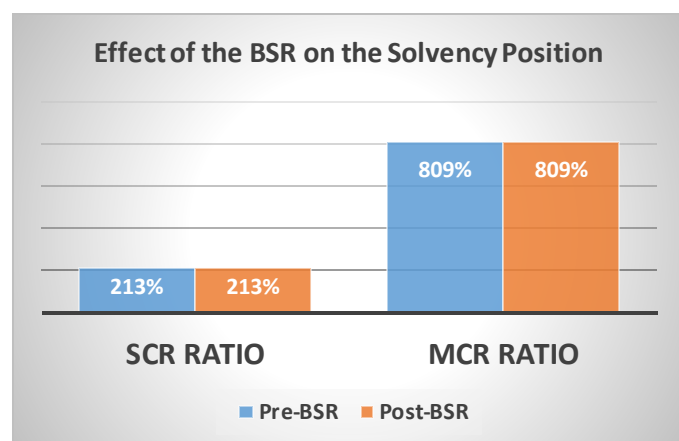
No material issues were identified in respect of effectiveness of risk transfer. However, the reinsurance program may not be effectively covering the risks of the Credit and Suretyship business given the coverage and the nature/experience of the LoB.

Corporate Governance, processes and internal control framework, accounting policies

Identified a series of inconsistencies and errors in the processes for the preparation and review of the reporting as at 30 June 2020 in accordance with Solvency II framework, and not developed a policy for the recognition, valuation and reporting of balance sheet items and own funds in accordance with Solvency II. The undertaking is recommended to improve the processes and related control environment for the preparation and review of the reporting in accordance in Solvency II framework, including to improve the formal documented framework, procedures and methodologies in regards the technical provisions and SCR calculation. With regard to the reliability, quality, sufficiency and relevance of data, the information available, especially for Suretyship business and Medical Insurance, may not be sufficient for a full and reliable assessment of the characteristics of the underlying risks and identification of trends.

Annex 5: BCR Asigurari De Viata Vienna Insurance Group S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 1.737M Assets and RON 1.455M Liabilities, leading to an excess of assets over liabilities equal to RON 282M. The initial solvency position, reported as at the 30th of June 2020, was 212,9% SCR ratio and 809,3% MCR ratio. Following the BSR adjustments there were only minor decreases of 0,05pp of the SCR coverage (212,9%) and 0,26pp of the MCR coverage (809%).

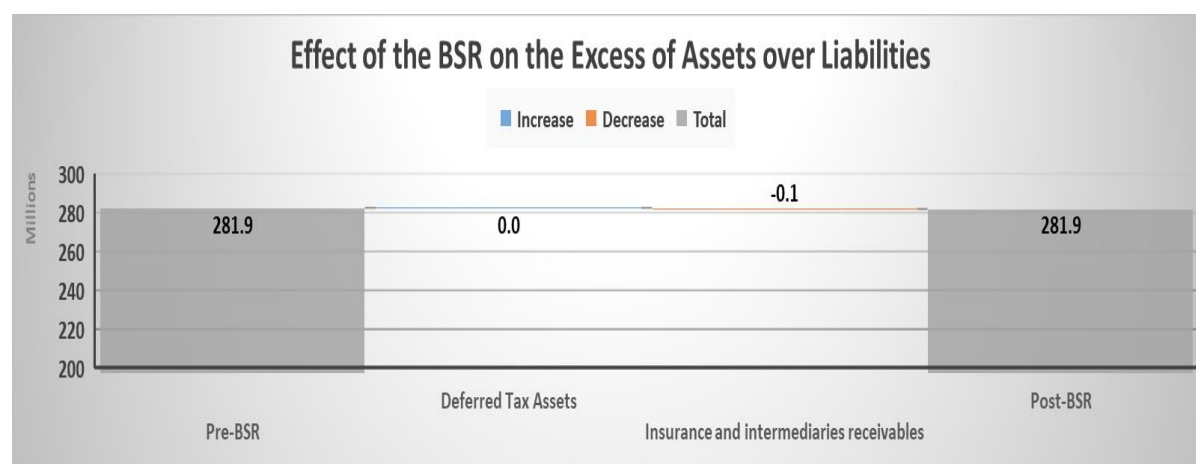


Basic Own Funds RON 269,941M are comprised of Tier 1 and Tier 3 elements:

- RON 264,173M Tier 1 elements consisting of ordinary share capital, related share premium capital and reconciliation reserve
- 5,767M Tier 3 elements consisting of Net Deferred Tax Assets

Balance Sheet adjustments

Overall, the excess of assets over liabilities slightly decreased from RON 281,931M to 281,860M.



Assets

On the assets side, the overall adjustment is a decrease of RON 0,072M as a result of the following corrections:

- Insurance and intermediaries receivables: RON -0,085 M due to the impact of subsequent cancellations.
- Deferred Tax Assets: RON +0,014 thousand as a result of the impact of the adjustments proposed

Liabilities

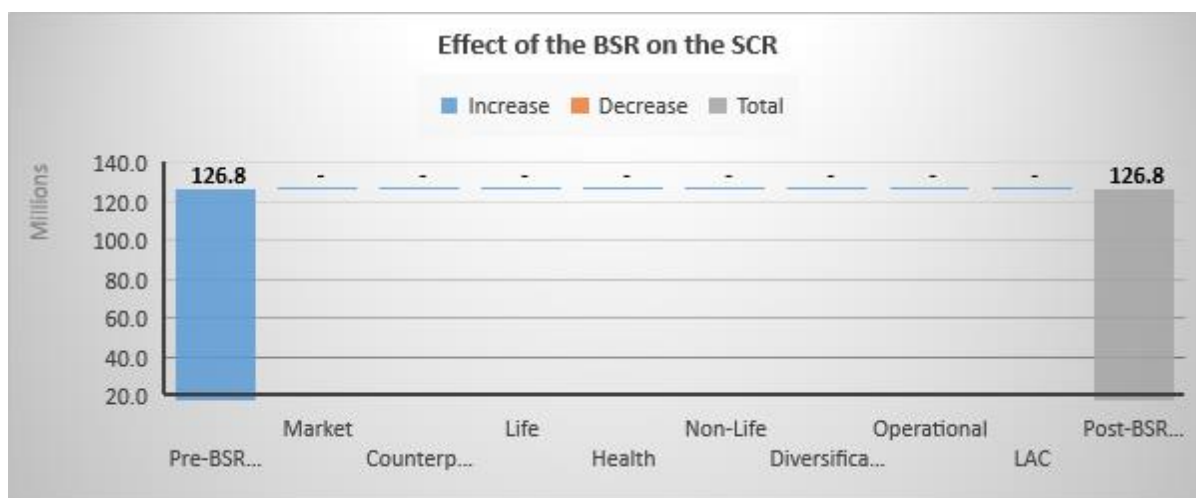
Total liabilities did not change as a result of the Balance Sheet Review .

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 809% and a SCR coverage of 213%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking are related to Market risk module (RON 74,19 M corresponding to 49% of the BSCR before any diversification effect), while the other material risk modules are Life Underwriting risk (RON 68M) and Counterparty Default risk (RON 8,3M). The key component of the Market risk SCR is the Concentration risk sub-module (RON 60,7M).

There were no adjustments to the SCR as a result of the balance sheet review as illustrated in the graph below.



Reinsurance – effectiveness of risk transfer

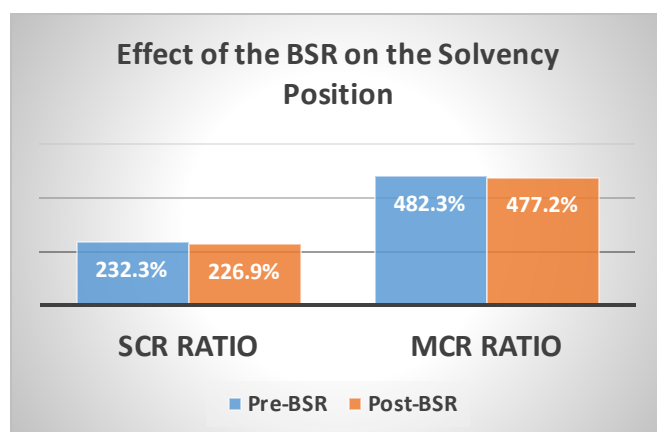
No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations for improvements such as in relation to the formal documented framework, procedures and methodologies in regards the technical provisions and life underwriting risk module calculation.

Annex 6: BRD Asigurari De Viata S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 474M Assets and RON 333.M Liabilities, leading to an excess of assets over liabilities equal to RON 141M. The initial solvency position, reported as at the 30th of June 2020, was 482,3% MCR ratio and 232,3% SCR ratio. Following the BSR adjustments there is a decrease of 5,4pp of the SCR coverage (226,9%) and a decrease of 5,1pp of the MCR coverage (477,2%).

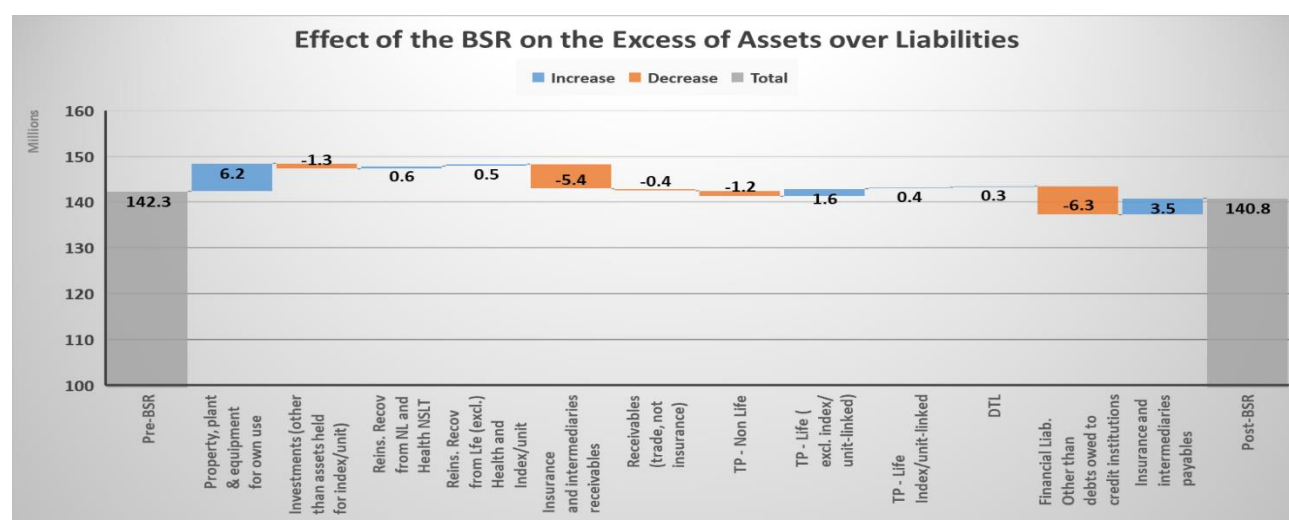


Basic Own Funds RON 140,7M are comprised only of Tier 1 elements consisting of:

- 36,1M Ordinary share capital
- 104,6M Reconciliation reserves.

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from 142,3M to 140,8M.



Assets

On the assets side, the overall adjustment is an increase of 0,2M RON, as a result of the following corrections:

- Property, plant and equipment for own use: RON+6,2M following the incorporation of IFRS 16 impact
- Investments (other than assets held for index/unit – linked) - Bonds: RON-1,3M due to the correction of the market valuation for government bonds
- Reinsurance recoverables: RON+1,1M following mostly the updates and corrections done on the BEL

- Insurance and intermediaries receivables: RON-5,4M following reconciliation procedures and a reclassification to Receivables (trade, not insurance)
- Receivables (trade, not insurance): RON-0,4M as a result of a reclassification, of an allowance in relation to recovery of unpaid holidays, from Insurance and intermediaries receivables.

Liabilities

Total liabilities increased by 1,7M RON due to the following adjustments:

- Adjustments in **Technical provisions**

- Best Estimate Non-life (excluding health): decrease of RON-0,25M mainly following the update of exchange rates
- Best Estimate Health NLST: increase of RON +1,28M mainly due to the update of assumptions and reclassification from Non-life (excluding health)
- Best Estimate Life (excluding health and index/unit-linked): decrease of RON -2,46M mainly due to the review of commission rates, interest loan rate, updated exchanges rates and simplifications
- Best Estimate Health SLT: increase of RON +0,15M mainly due to the revision of the above-mentioned parameters and methodology
- Best Estimate Index-linked and Unit-linked: decrease of RON -0,39M mainly due to revision of simplifications used
- Risk Margin: increase of RON +0,88M following the recalculation of the risk margin in light of the revised BEL and SCR.

- Adjustments in **liabilities other than technical provisions**

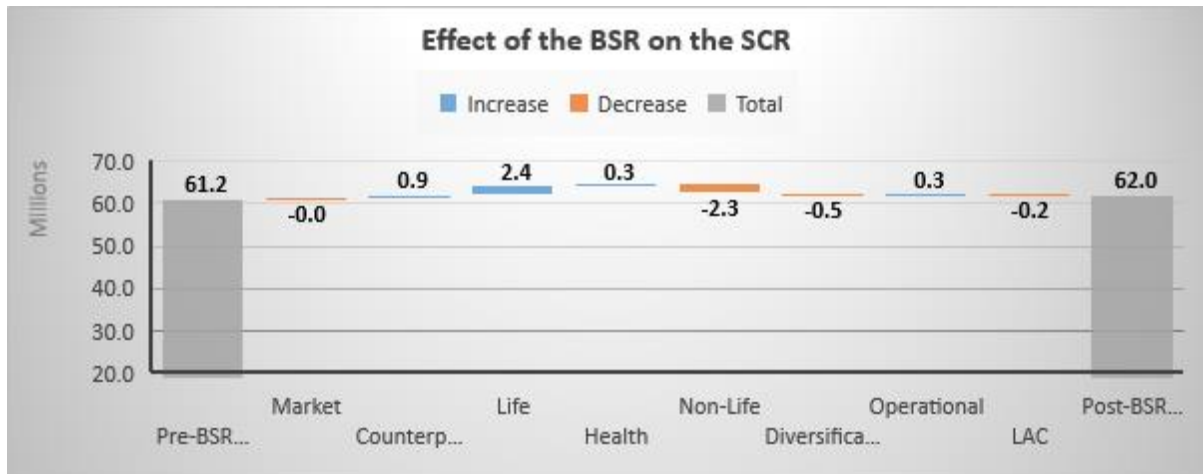
- Financial liabilities other than debts owed to credit institutions: RON+6,3M following the incorporation of IFRS 16 impact
- Insurance and intermediaries payables: RON-3,5M following reconciliation procedures
- Deferred tax liabilities: RON -0,29M in light of the proposed adjustments.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 477,2% and a SCR coverage of 226,9%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Life Underwriting risk module (36,4 M) and Non-Life Underwriting risk module (RON -33,6M corresponding to 33%, respectively 31% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 19,9M) and Counterparty default risk (RON 11,3 M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustments are related to the Life underwriting risk which increased by RON 2,4M mainly due to the increase of Lapse risk and Mortality risk and to the Non-Life Underwriting risk SCR, which decreased by RON 2,3M, as a result of the downward adjustment of the Premium and Reserve risk SCR.

Reinsurance – effectiveness of risk transfer

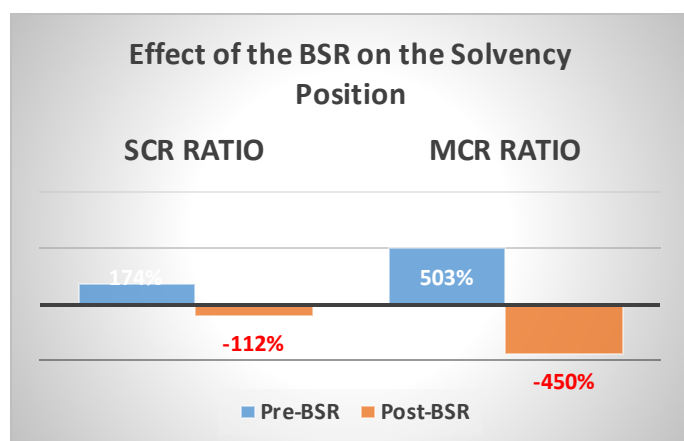
No issues were identified with regard to the effectiveness of risk transfer. Recommendation provided for the undertaking to formalize and document the assessment regarding the reinsurance risk transfer (both quantitative and qualitative) with description of the assessment and conclusion reached.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations to improve documentation especially on assumptions, claims management and simplifications used, and strengthen the internal control environment related to the processing of insurance premiums and over data accuracy, completeness and processes in connection with the technical provisions' calculation, investments, receivables, payables and SCR computation.

Annex 7: City Insurance S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 2.377,6M Assets and RON 3.067,7M Liabilities, leading to a negative excess of assets over liabilities, equal to RON -690,1M. The initial solvency position, reported as at the 30th of June 2020, was 503% MCR ratio and 174% SCR ratio. Following the BSR adjustments there is a decrease of the MCR coverage of 953pp (-450%) and decrease of 286pp of the SCR coverage (-112%).

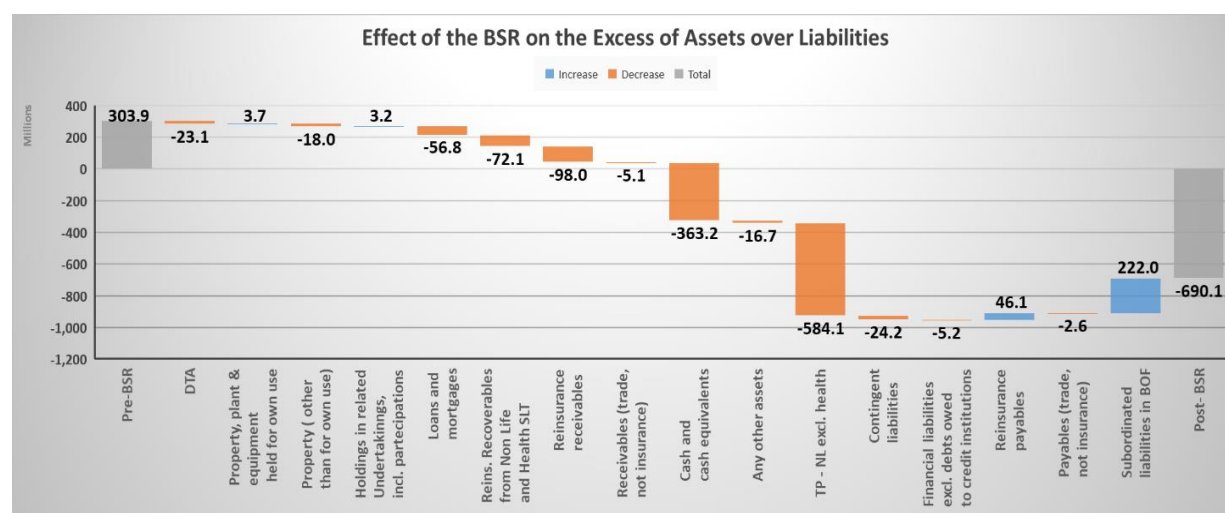


Basic Own Funds RON are negative, RON-690,1M and comprised of Tier 1 elements only, consisting of:

- Ordinary share capital RON 93,3M
- Reconciliation reserve RON -783,4M

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 303,9M to RON -690,1M.



Assets

On the assets side, the overall adjustment is a decrease of RON 646M as a result of the following corrections:

- Property, plant and equipment held for own use: RON +3,7M, following the application of IFRS 16
- Property (other than for own use): RON -18M, as result of the revised valuation of properties owned by the undertaking
- Holdings in related undertaking, including participations: RON+3,2M, due to the upward adjustment of PAID
- Loans and mortgages: RON- 56,8M, due to the impairment of the loans granted

- Reinsurance recoverables: RON-72,1M, following the reconciliation of reinsurance confirmation procedures and several unconfirmed reinsurance treaties as well as differences between the confirmed outstanding from the reinsurer with the outstanding booked by the undertakings
- Reinsurance receivables: RON-98M, as a result of reinsurance confirmations
- Receivables (trade, not insurance): RON-5,1M, following impairment provision for subrogation receivables
- Cash and cash equivalents: RON-363,2M, following cash outstanding balance not confirmed by the bank
- Any other assets: RON-16,7M, following the impairment of amounts paid in advance, fees and commissions for obtaining financing amounts
- Deferred tax assets: RON-23,1M, following impairment of the deferred tax assets in light of the significant uncertainties on the going concern assumptions of the undertaking.

Liabilities

Total liabilities increased by RON 348,1M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Non Life excl. health: increase of RON 563,1M. This included the recalculation of the best estimate of claims at the level of claims considering all cash-flows, by currency and considering split by homogenous risk groups with revised assumptions; under the actuarial model in place the ultimate losses were derived from one historical claims triangle combining all risks together. In regards the best estimate for premium provision the adjustment followed estimation of the cash-flows within the contract boundaries of the insurance contracts and revised assumptions
- Risk margin: increased by RON 20,9M reflecting the adjustments proposed to the best estimate and SCR.

- Adjustments in **liabilities other than technical provisions**

- Reinsurance payables: decrease of RON 46,1M, as a result of reinsurance confirmations
- Contingent liabilities: increase of RON 24,2M due to the reassessment of reinsurance arrangements
- Financial liabilities excl. debts owed to credit institutions: increase of RON 5,2M, resulting from the application of IFRS 16
- Payables (trade, not insurance): increase of RON 2,6M, due to the inclusion of a number of unrecorded liabilities related to broker bonuses and other unrecorded liabilities amounts
- Subordinated liabilities in Basic Own Funds: decrease of RON 222M, following elimination of subordinated liabilities in Basic Own Funds.

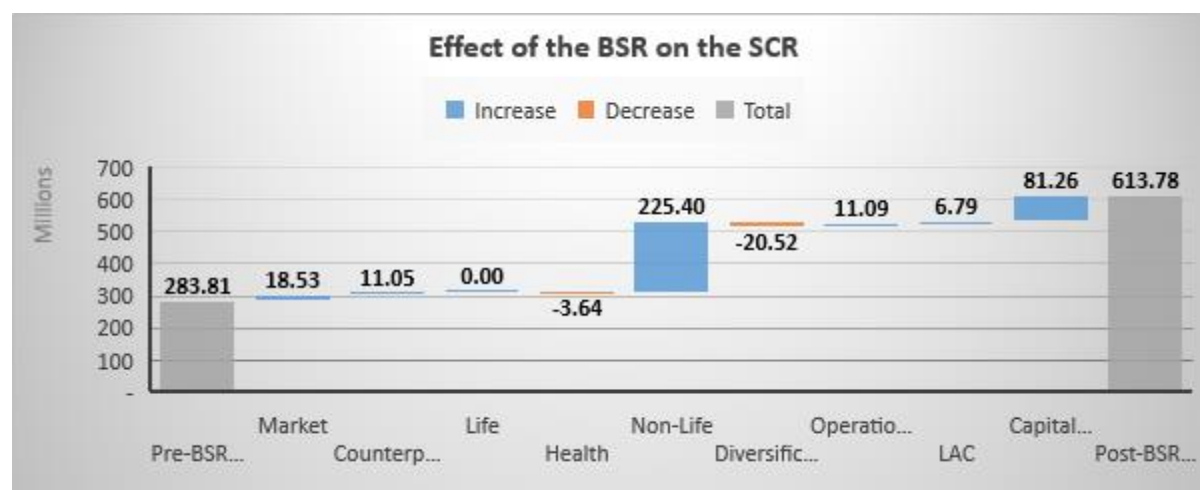
Capital Requirements

The undertaking is not compliant with the Solvency II capital requirements with a MCR coverage of -450% and a SCR coverage of -112%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 395,4M corresponding to 72% of the BSCR before any diversification effect), while the other material risk modules are counterparty risk (RON 88,6M) and Operational risk (RON 65,6M).

The key component of the Non-Life Underwriting Risk is the Premium and Reserve risk sub-module (RON 310,2M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Non-Life UW Risk SCR, which increased by RON 225,4M, as a result of the upward adjustment of all the Non-Life risk sub-modules.

Reinsurance – effectiveness of risk transfer

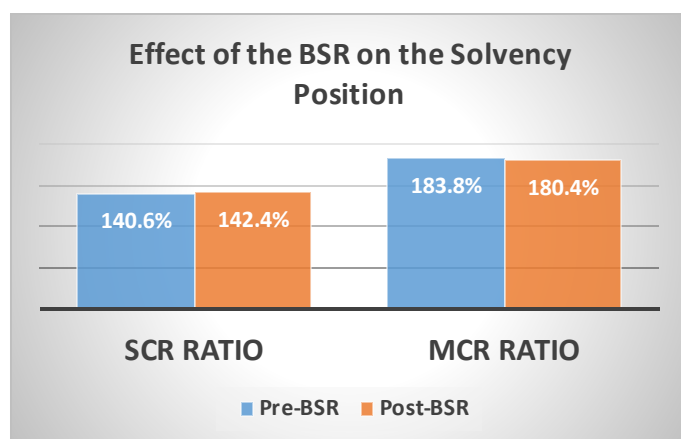
There were several aspects identified that could trigger the ineffectiveness of the risk transfer. Additionally, the terms of a number of reinsurance treaties were not confirmed by reinsurers and findings indicated the need for review of the calculation method and assumptions of the reinsurance recoverables.

Corporate Governance, processes and internal control framework, accounting policies

Significant gaps were identified in relation to the Corporate Governance system and the Solvency II requirements. The undertaking would need to significantly improve the internal control system, in particular, but not limited to, in relation to the segregation of responsibilities and processes for investment, reinsurance, claims settlement and reserving.

Annex 8: Compania De Asigurari - Reasigurari Exim Romania (Care - Romania) S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 102,2M Assets and RON 70,5M Liabilities, leading to an excess of assets over liabilities equal to RON 31,8M. The initial solvency position, reported as at the 30th of June 2020, was 140,6% SCR ratio and 183.8% MCR ratio. Following the BSR adjustments there is an increase of the SCR coverage of 1,8pp (142,4%) and a decrease of 3,4pp of the MCR coverage (180,4%).

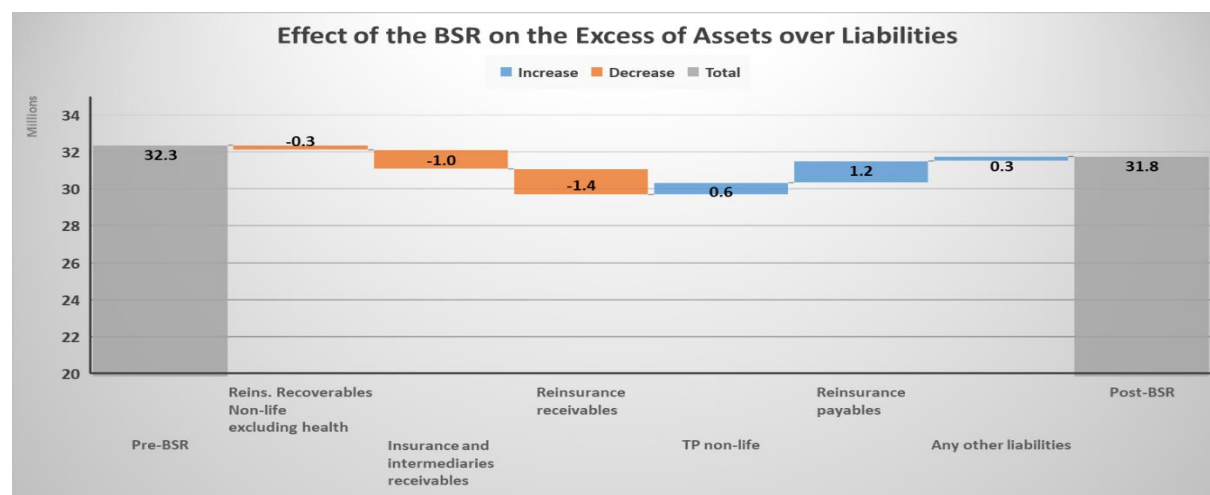


Basic Own Funds RON 31,75M are comprised of only Tier 1 elements:

- paid-in ordinary share capital RON 38,82M
- reconciliation reserve RON - 7,07M

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 32,4M to 31,8M.



Assets

On the assets side, the overall adjustment is a decrease of RON 2,7M as a result of the following corrections:

- Reinsurance recoverables from Non-Life excluding health: RON-0,3M, following the adjustments in technical provisions and the application of the correct counterparty default adjustment
- Insurance and Intermediaries receivables: RON-1,0M, following the analysis in terms of ageing and subsequent cash collected on the receivable from the policyholders and the review of recourses
- Reinsurance receivables: RON-1,4M following the review of the reinsurance balances and recourses' receivables.

Liabilities

Total liabilities decreased by RON 2,1M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate Non-Life decreased by RON 0,6M following adjustments such as the implications of the application of contract boundaries and modelling of future premiums for certain policies, consideration of inflation and revised loss ratio, reclassification of future costs related with reinsurance contracts and ULAE
- Risk margin decreased by RON 87K reflecting the adjustments proposed to the best estimate and SCR.

- Adjustments in **liabilities other than technical provisions**

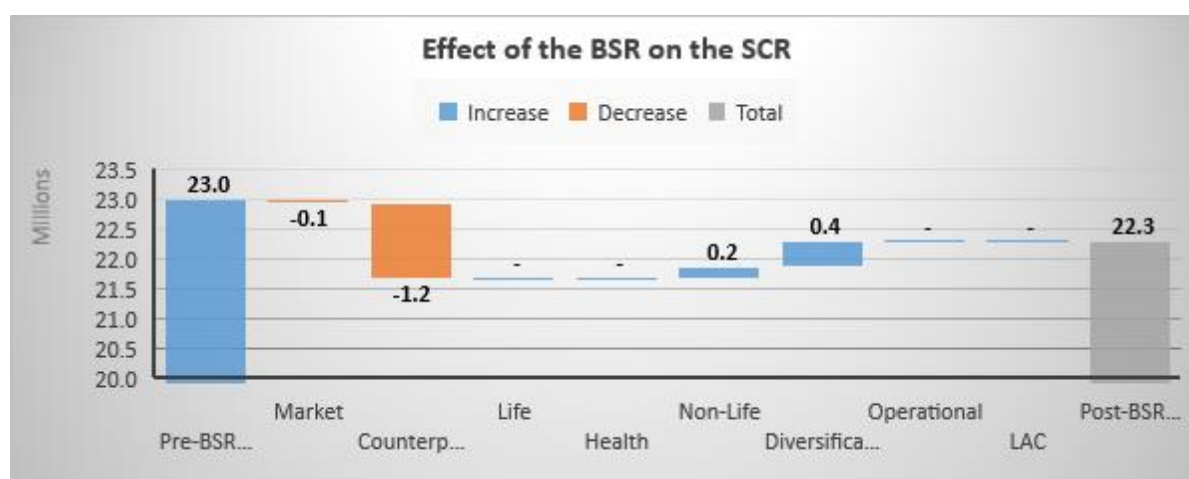
- Reinsurance payables: decrease of RON 1,2M, resulting from the review of the undertaking's reinsurance balances.
- Any other liability, not elsewhere shown: decrease of RON 0,3M resulting from the reclassification of premiums paid in advanced mainly for the LoB Credit and Suretyship insurance.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 180,4% and a SCR coverage of 142,4%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 16,9M corresponding to 65% of the BSCR before any diversification effect), while the other material risk modules are Counterparty Default risk (RON 4,3M) and Market risk (RON 4,1M). The key component of the Non-Life Underwriting risk SCR is the Premium and reserve risk sub-module (RON 12,7M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Counterparty Default Risk SCR, which decreased by RON 1,2M, as a result of the review of the credit ratings assigned to counterparties and the recalculation of receivables from recourses.

Reinsurance – effectiveness of risk transfer

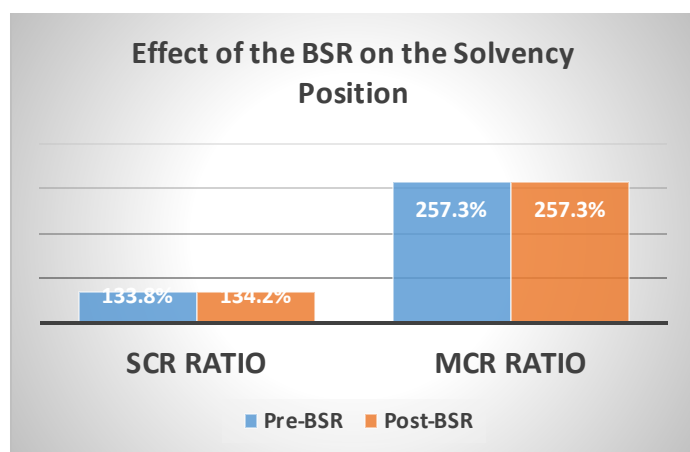
No material issues were identified in respect of effectiveness of risk transfer. However, there is no formal documented assessment in connection with reinsurance risk transfer; the undertaking was recommended to formalize and document the assessment regarding the reinsurance risk transfer (both qualitative and quantitative).

Corporate Governance, processes and internal control framework, accounting policies

Provided recommendations for measures to ensure supervision and review within the internal audit team and allow for rotation, as well as, to properly formalize the documentation of internal controls in order to be able to provide an audit trail for the internal controls performed following deficiencies encountered. On accounting policies, the undertaking is recommended to implement a formal accounting policy for allowance (impairment) of reinsurance receivables. In regards the reliability, quality sufficiency and relevance of data, the undertaking is recommended to improve, following several findings, the Data quality internal procedures and to design relevant internal controls over technical provisions and reinsurance balances. Improvements needed in relation to the formal documented framework, procedures and methodologies for technical provisions including contract boundaries and SCR calculation.

Annex 9: Ergo Asigurari De Viata S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 174,640M Assets and RON 129,344M Liabilities, leading to an excess of assets over liabilities equal to RON 45,296M. The initial solvency position, reported as at the 30th of June 2020, was 257,3% MCR ratio and 133,8% SCR ratio. Following the BSR adjustments there is an increase of 0,4pp of the SCR coverage (134,2%).

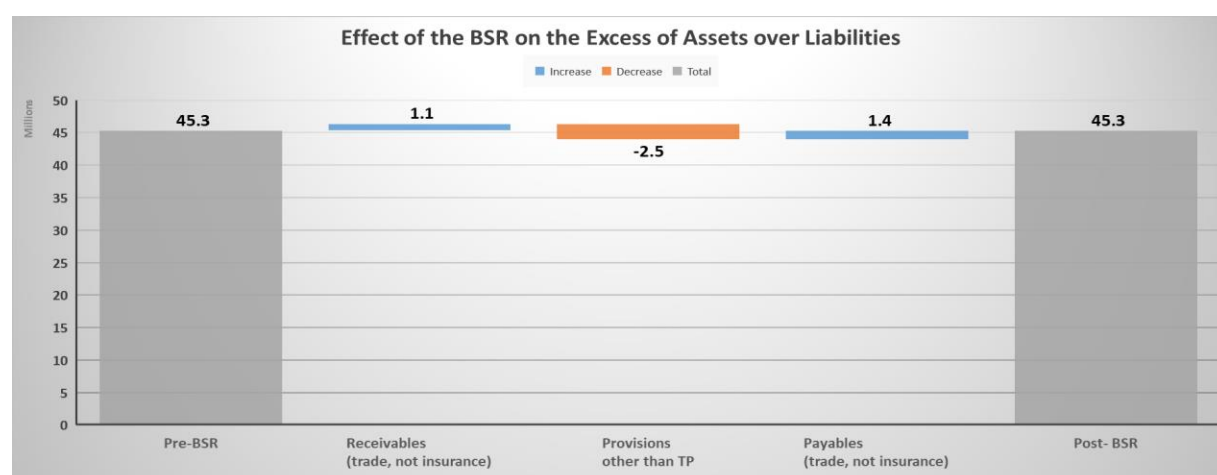


Basic Own Funds RON 45,3M are comprised only of Tier 1 elements consisting of:

- RON 75,5M Ordinary share capital gross of own share
- RON -30,2M Reconciliation reserve

Balance Sheet adjustments

Overall, the excess of assets over liabilities remained constant at RON 45,3M.



Assets

On the assets side, the overall adjustment is an increase of RON 1,1M, as a result of the following corrections:

- Receivables (trade, not insurance): increase of RON 1,1M due to a reclassification of an item from Payable (trade, not insurance) to Receivables (trade, not insurance), representing the income tax recoverable as at 30 June 2020.

Liabilities

Total liabilities decreased by the same value RON 1,1M as a result of the reclassification:

- Adjustments in **Technical provisions**

- There were no adjustments performed with regard to the Technical Provisions.

-Adjustments in **liabilities other than technical provisions**

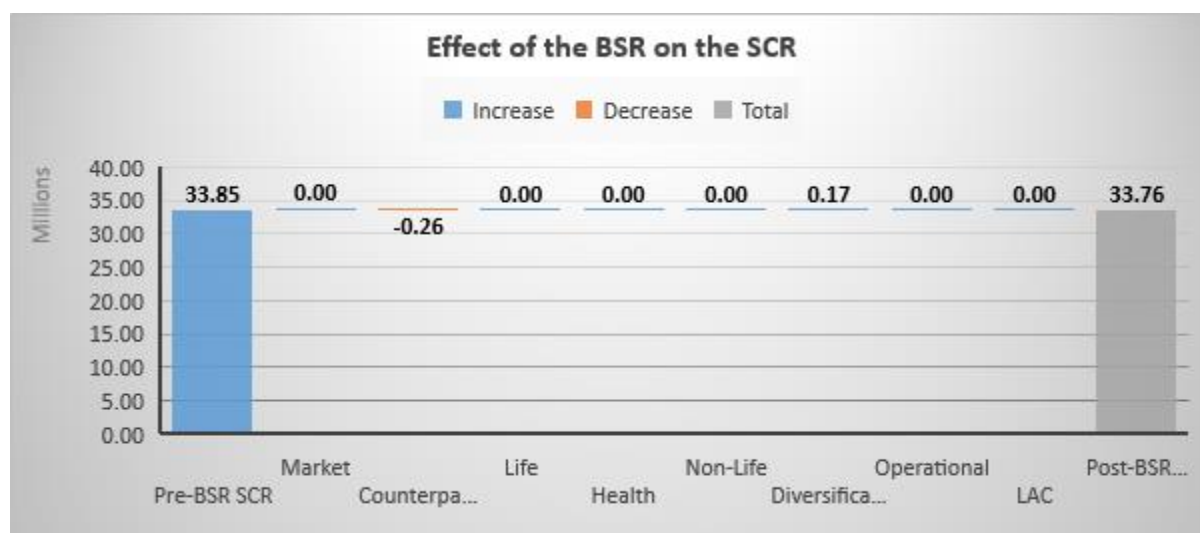
- Provisions other than Technical Provisions: increase of RON 2,5M resulting from the reclassification of provisions for risks and charges from Payables (trade, not insurance) and income tax recoverable to Receivables (trade, not insurance)
- Payables (trade, not insurance): decrease of RON 1,4M, due to the reclassification.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 257,3% and a SCR coverage of 134,2%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking are related to the Life Underwriting risk module (RON 27,9M corresponding to 79% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 5,9M) and Operational risk (RON 3,4M). The key component of the Life Underwriting Risk is the Expense risk sub-module (RON 21,4M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The only adjustment is related to the Counterparty Default Risk SCR, which decreased by RON 0,26M, as a result of the downward adjustment of the SCR for Counterparty Default Type 2 exposures.

Reinsurance – effectiveness of risk transfer

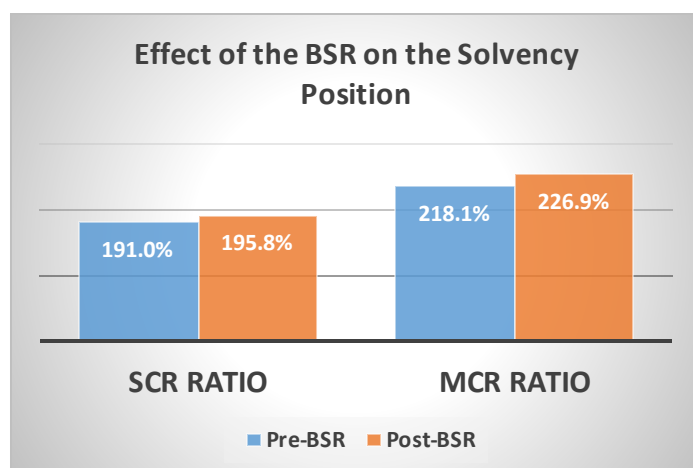
No significant deficiencies were identified.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations with regard to the enhancement of the IT environment procedures, related parties procedures and to improve the controls of the input data used in SCR computation.

Annex 10: Ergo Asigurari S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 88,189M Assets and RON 48,246M Liabilities, leading to an excess of assets over liabilities equal to RON 39,943M. The initial solvency position, reported as at the 30th of June 2020, was 218,07% MCR ratio and 191,02% SCR ratio. Following the BSR adjustments there is an increase of the MCR coverage of 8,84pp (226,91%) and increase of 4,75pp of the SCR coverage (195,77%).

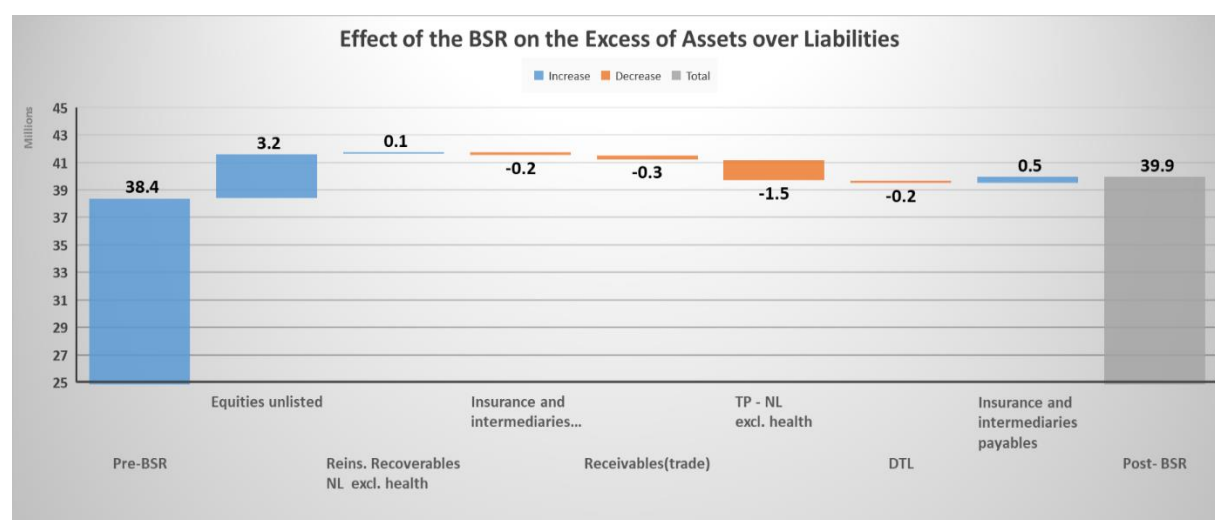


Basic Own Funds RON 39,9M are comprised only of Tier 1 elements consisting of:

- Ordinary share capital RON 26,7M
- Reconciliation reserve RON 13,2M

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 38,4M to 39,9M.



Assets

On the assets side, the overall adjustment is an increase of RON 2,8M as a result of the following corrections:

- Equity unlisted: increase of RON+3,2M related to the upward adjustment of PAID
- Reinsurance recoverables from Non-Life excl. health: increase of RON 0,1M due to the adjustments performed on technical provisions and computation corrections
- Insurance and intermediaries receivables: decrease of RON 0,2M as result of the adjustment for additional impairment on insurance receivables

- Receivables (trade, not insurance): decrease of RON 0,3M, resulting from additional impairment on recourse receivables.

Liabilities

Total liabilities increased by RON 1,2M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Non-Life: increase of RON 1,2M following adjustments related with contract boundaries, the SII IBNR formula, discounting, exclusion of paid ALAE from outliers' reserves, ULAE, administrative expenses ratio, ASF tax ratio, payment pattern, currencies and cancelation rate
- Risk margin increased by RON 0,331M reflecting the adjustments proposed to the best estimate and SCR.

- Adjustments in **liabilities other than technical provisions**

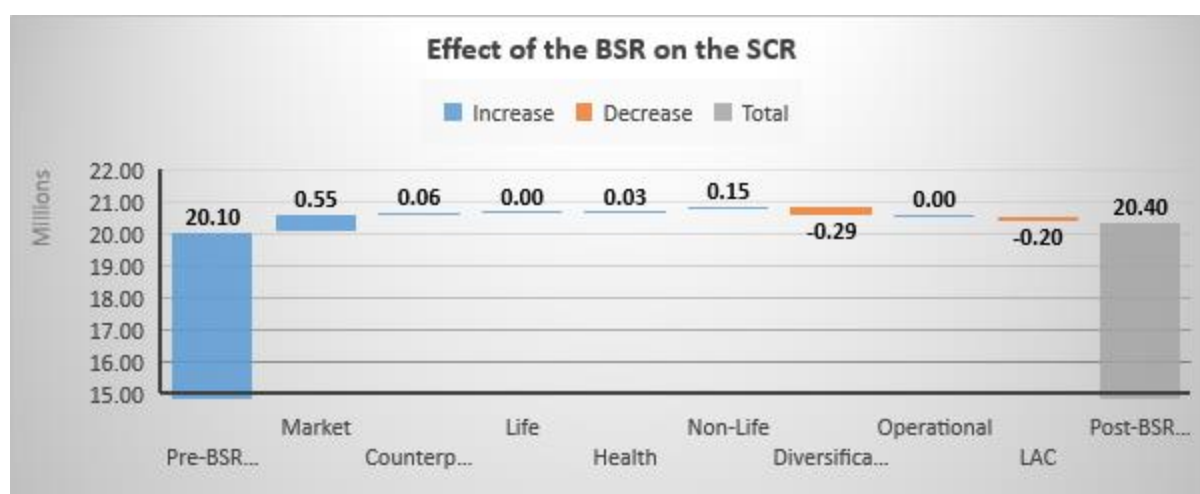
- Insurance and intermediaries payables: decrease of RON 0,5M related with commissions payables for due receivables
- Deferred tax liabilities: increase of RON 0,2M as a result of the impact of the adjustments proposed

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 226,91% and a SCR coverage of 195,77%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 11,2M corresponding to 40% of the BSCR before any diversification effect), while the other material risk modules are counterparty risk (RON 8,2M) and Market risk (RON 6,5M). The key component of the Non-Life Underwriting Risk is the Premium and Reserve risk sub-module (RON 7,4M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market Risk SCR, which increased by RON 0,55M, as a result of the upward adjustment of the SCR for Equity, Currency and Concentration Risk, and of the downward correction of the Interest Rate risk SCR.

Reinsurance – effectiveness of risk transfer

No material issues were identified in respect of effectiveness of risk transfer. The undertaking is recommended to better document and justify the methodology underlying the calculation of the Ceded Best Estimate and reinforcing the control environment for reinsurance balances.

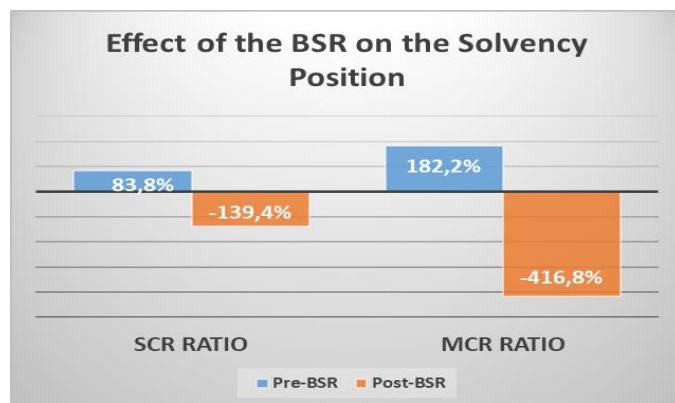
Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations for improvements on the IT environment, procedures and methodologies in regards technical provisions including contract boundaries, risk margin and SCR calculation. Further recommendations include a formal documented framework in regards reinsurance and related parties.

Annex 11: Euroins Romania Asigurare Reasigurare S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 1.261,2M Assets and RON 1.857,6M Liabilities, leading to a negative excess of assets over liabilities, equal to RON -596,4M. The initial solvency position, reported as at the 30th of June 2020, was 182,2% MCR ratio and 83,8% SCR ratio. Following the BSR adjustments there is a decrease of the MCR coverage of 599,1pp (-416,86%) and decrease of 223,21pp of the SCR coverage (-139,39%).

To be noted that subsequent events took place in later 2020 and in 2021, the latter including increases of capital, that reduce the current deficits (see subchapter 5.5).

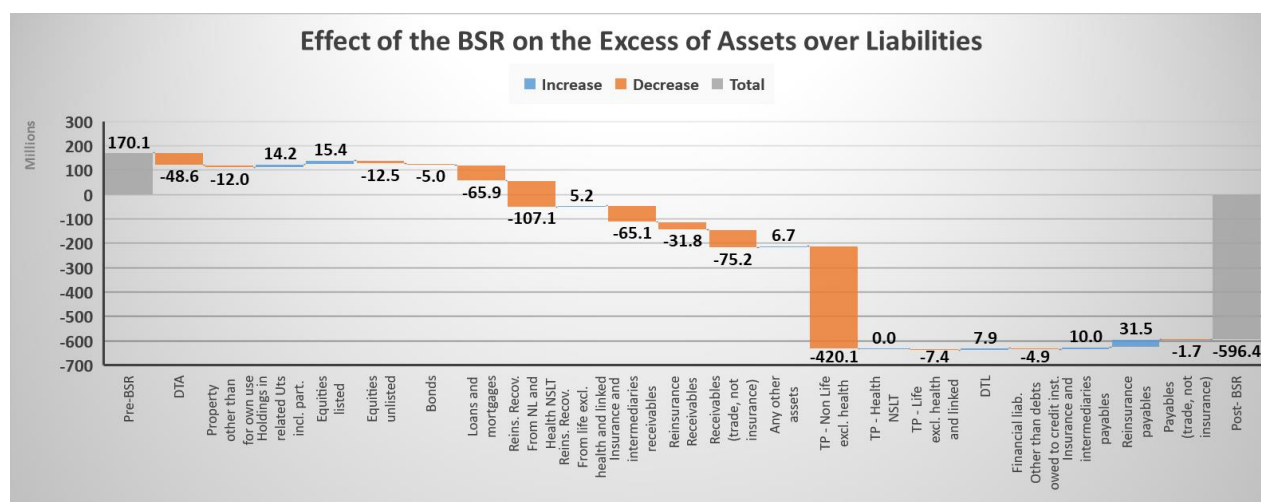


Basic Own Funds RON are negative, RON -596,4M and comprised of Tier 1 and Tier 2 elements, consisting of:

- Ordinary share capital RON 532,8M
- Share premium account related to ordinary share capital RON 22,4M
- Reconciliation reserve RON -1.151,6M

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 170,1M to RON -596,4M.



Assets

On the assets side, the overall adjustment is a decrease of RON 381,9M as a result of the following corrections:

- Property other than for own use: RON -12M following the review of the valuation at the reference date of an investment property in Bulgaria
- Holdings in related undertakings, including participations: RON +14,2M following the reclassification of PAID from equities unlisted and the upward adjustment of PAID
- Equities-listed: RON +15,4M following reclassification and downward adjustments due to lack of fair value information

- Equities - unlisted: RON-12,5M following reclassifications and downward adjustments due to lack of fair value information
- Bonds: RON -5M due to lack of fair value information
- Loans and mortgages: RON-65,9M due to the impairment adjustment based on recoverability assessment of the loans granted
- Reinsurance recoverables: RON-101,9M following the recalculation of the BEL and the review of reinsurance arrangements' clauses
- Insurance and intermediaries receivables: RON-65,2M due to elimination of not due receivables from policyholders which should be modelled in technical provisions and review of deferred expenses coming from the commissions due to intermediaries
- Reinsurance receivables: RON-31,8M following assessment of recoverability and reclassification
- Receivables (trade, not insurance): RON-75,2M following reconciliation procedures, reclassifications and impairment assessment
- Any other assets: RON+6,7M following reclassifications
- Deferred tax assets: RON-48,6M as a result of the impact of the adjustments proposed and recoverability assessment.

Liabilities

Total liabilities increased by RON 384,6M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate - Non Life excl. health: increase of RON 404,9M following increase of the premium provisions as a result of the review of contract boundaries, review of payment pattern, discounting, expense, lapse and loss ratios and insufficiency of the claims provision also considering recalculation of IBNR for annuities, separate modelling of IBNR for MTPL between material damages and bodily injuries, discounting, and review of loss ratios, ULAE and data quality
- Best estimate - Life excluding health and index-linked and unit-linked: increase of RON 7,3M, resulting from the inclusion of additional RBNS for annuities claims files and the review of assumptions regarding discount rates, long term inflation rates and mortality table
- Risk margin: increase by RON 15,3M reflecting the adjustments proposed to the BEL and SCR.

- Adjustments in **liabilities other than technical provisions**

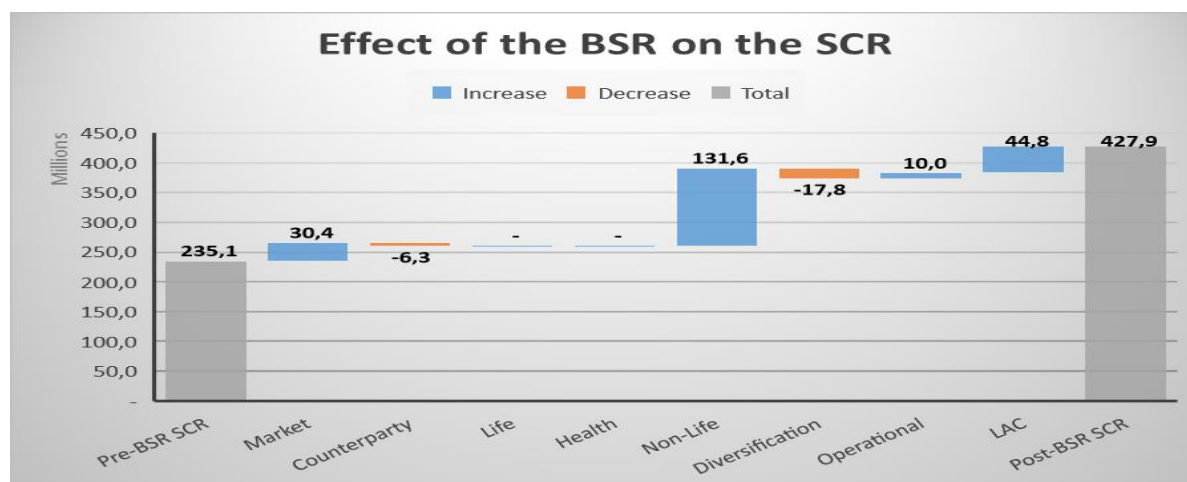
- Financial liabilities other than debts owed to credit institutions: increase of RON 4,9M following reconciliation of impact of IFRS 16
- Insurance and intermediaries payables: decrease of RON 10M reflecting reconciliation procedures and the adjustment for the not due part of commissions
- Reinsurance payables: decrease of RON 31,5M due to reconciliations and elimination of annualization impact on reinsurance balances
- Payables (trade, not insurance): increase of RON 1,6M following reconciliation procedures
- Deferred tax liabilities: decrease of RON 7,9M as a result of the impact of the adjustments proposed.

Capital Requirements

The undertaking is not compliant with the Solvency II capital requirements with a MCR coverage of -416,8% and a SCR coverage of -139,4%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 331,6M corresponding to 74% of the BSCR before any diversification effect), while the other material risk modules are market risk (RON 88,1M) and Operational risk (RON 49,4M). The key component of the Non-Life Underwriting Risk is the Premium and Reserve risk sub-module (RON 330M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Non-Life UW Risk SCR, which increased by RON 131,6M, as a result of the upward adjustment of Premium-Reserve risk sub-module and the Non-Life CAT risk sub-module.

Reinsurance – effectiveness of risk transfer

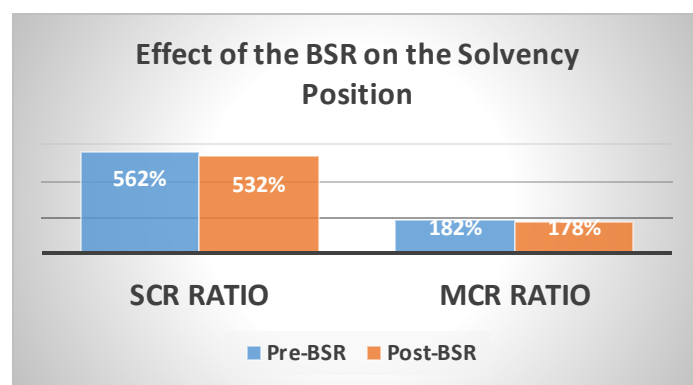
In case of a specific reinsurance contract, the agreement was not considered reinsurance in substance.

Corporate Governance, processes and internal control framework, accounting policies

Significant gaps were identified in relation to the System of Governance including in regards the need to ensure an adequate transparent organisational structure with a clear allocation and appropriate segregation of responsibilities and an effective system for ensuring the transmission of information. Significant improvements are recommended in connection with the undertaking's internal control system considering the nature, scale and complexity of the risks inherent to the business. Areas where improvements are needed include technical provisions such as formal controls over data quality, calculations, methodologies and assumptions used, investments, provisions other than technical provisions, insurance and intermediaries receivables and reinsurance recoverables and balances. The actuarial and internal audit functions should also be improved as well as developed accounting policies in line with Solvency II requirements.

Annex 12: Eurolife FFH Asigurari De Viata S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 86,914M Assets and RON 55,412M Liabilities, leading to an excess of assets over liabilities equal to RON 31,503M. The initial solvency position, reported as at the 30th of June 2020, was 562,22% SCR ratio and 181,65% MCR ratio. Following the BSR adjustments there is a reduction of the MCR coverage of 4,1pp (177,55%) and a decrease of 30,12pp of the SCR coverage (532,10%).

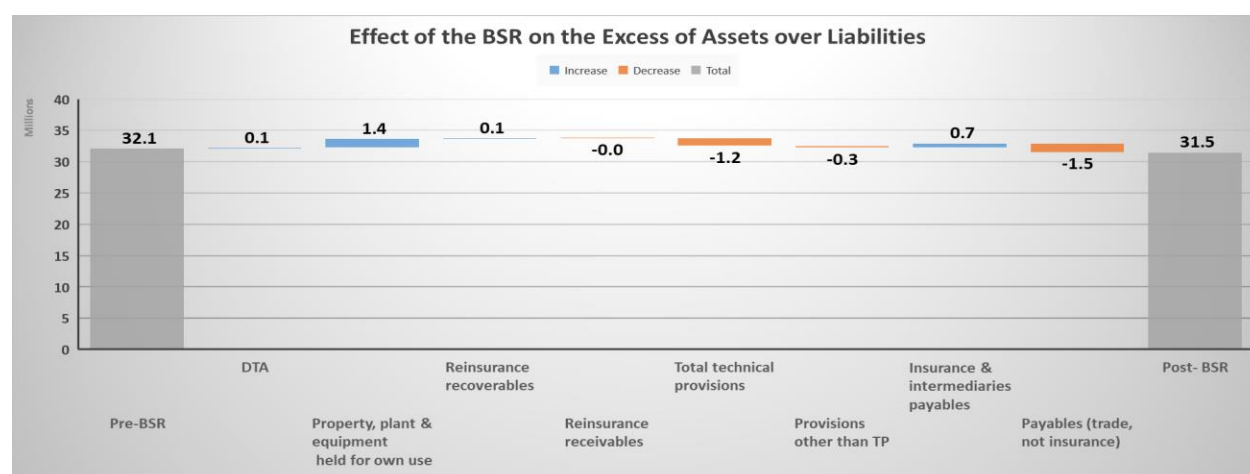


Basic Own Funds RON 31,503M are comprised of Tier 1 and Tier 3 elements consisting of:

- RON 31,255M Tier 1 elements consisting of ordinary share capital and reconciliation reserve
- RON 0,248M Tier 3 elements consisting of net deferred tax assets.

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 32,1M to 31,5M.



Assets

On the assets side, the overall adjustment is an increase of RON 1,6M as a result of the following corrections:

- Property, plant and equipment held for own use: increase of RON+1,4M, due to the application of IFRS 16
- Reinsurance recoverables: increase of RON+0,1M following the adjustment in technical provisions
- Reinsurance receivables: decrease of RON-0,009M related with the written-off of a reinsurance balance.
- Deferred tax assets: increase of RON +0,1M as a result of the impact of the adjustments proposed.

Liabilities

Total liabilities increased by RON 2,2M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate: increase of RON 1,2M, as a result of the application of contract boundaries
- Risk margin: decreased by RON 0,09M reflecting the adjustments proposed to the best estimate.

- Adjustments in **liabilities other than technical provisions**

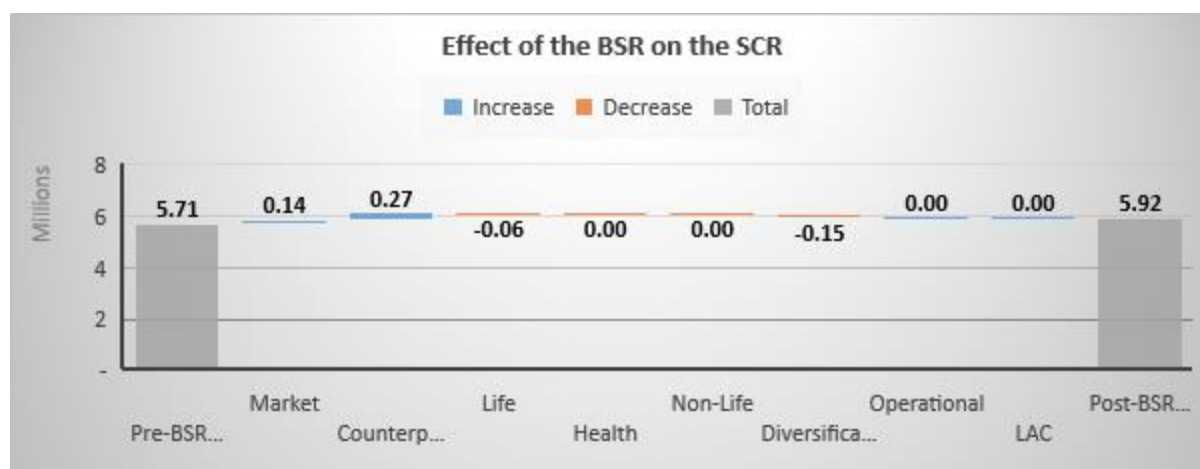
- Provisions other than technical Provisions: increase of RON 0,3M resulting from the identification of a risk of a probable dispute
- Insurance and intermediaries payables: decrease of RON 0,7M, following the correction of intermediaries commission payable
- Payables (trade, not insurance): increase of RON 1,5M following the application of IFRS 16.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 177,6% and a SCR coverage of 532,1%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking are related to the Market risk module (RON 2,6M corresponding to 32% of the BSCR before any diversification effect), while the other material risk modules are Health risk (RON 2,5M) and Life Underwriting risk (RON 1,6M). The key component of the market risk SCR is the market concentration risk sub-module (RON 2,4M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Counterparty Default Risk SCR, which increased by RON 0,27M, mainly due the increase of the capital requirement for the Type 2 Counterparty risk sub-module.

Reinsurance – effectiveness of risk transfer

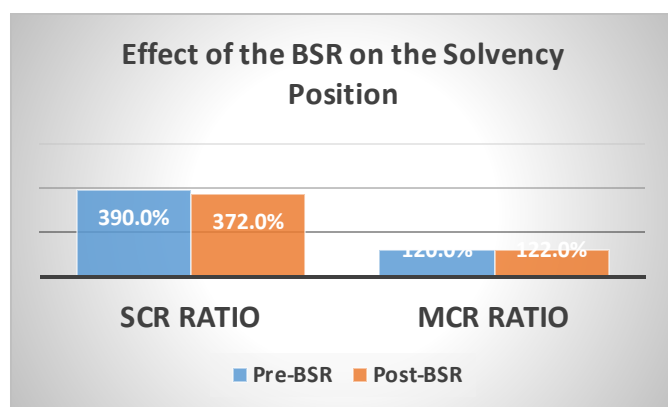
No material issues were identified in respect of effectiveness of risk transfer. The undertaking is recommended to enhance and approve a detailed methodology for the calculation of reinsurance recoverables in particular with regard to the application of contract boundaries.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Although observed a wide internal control framework, areas for improvement include the IT environment and formalization of further controls with regards to technical provisions and reinsurance.

Annex 13: Eurolife FFH Asigurari Generale S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 27,075M Assets and RON 5,549M Liabilities, leading to an excess of assets over liabilities equal to RON 21,526M. The initial solvency position, reported as at the 30th of June 2020, was 390% SCR ratio and 120% MCR ratio. Following the BSR adjustments there is a reduction of the SCR coverage of 18pp (372%) and an increase of 2pp of the MCR coverage (122%).

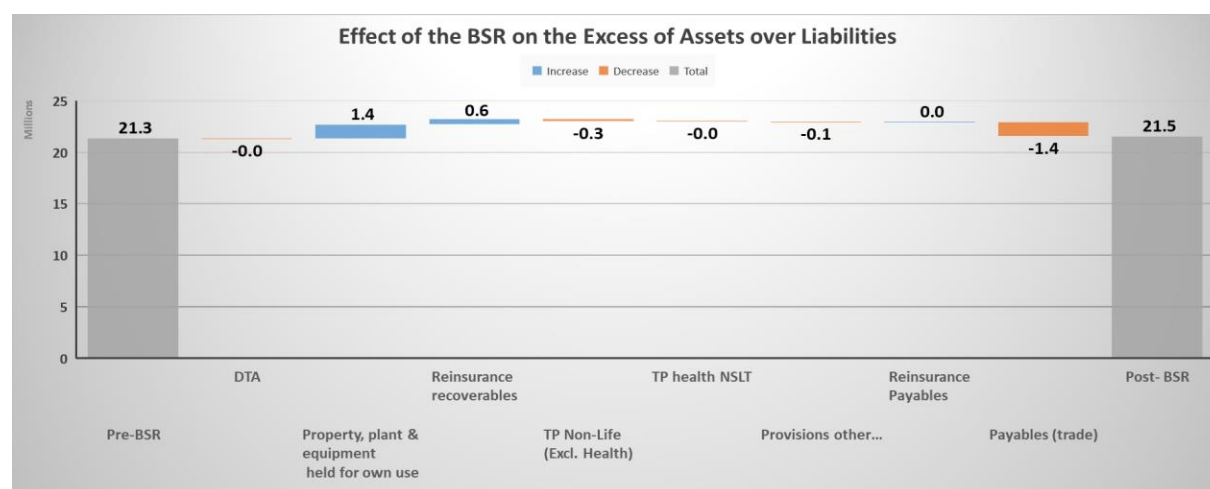


Basic Own Funds RON 21,526M are comprised of Tier 1 and Tier 3 elements consisting of:

- RON 21,412M Tier 1 elements consisting of ordinary share capital and reconciliation reserve
- RON 0,114M Tier 3 elements consisting of net deferred tax assets.

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 21,3M to 21,5M.



Assets

On the assets side, the overall adjustment is an increase of RON 1,9M as a result of the following corrections:

- Property, plant and equipment held for own use: RON+1,4M, due to the application of IFRS 16
- Reinsurance recoverables: RON+0,6M following recomputation consistent with the gross BEL adjustment as described below
- Deferred tax assets: RON-0,035M as a result of the impact of the adjustments proposed.

Liabilities

Total liabilities increased by RON 1,7M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate Non-Life excl. Health and technical provisions Health NSLT: increase of RON 0,3M, as a result of a recomputation of the premiums provision considering application of contract boundaries, premiums refund outflows and commissions refund outflows and revised assumptions on lapse rates, administrative and loss ratios, as well as, recomputation of the claims provision with alternative methodology including ULAE
- Risk margin increased by RON 0,011M reflecting the adjustments proposed to the best estimate.

- Adjustments in **liabilities other than technical provisions**

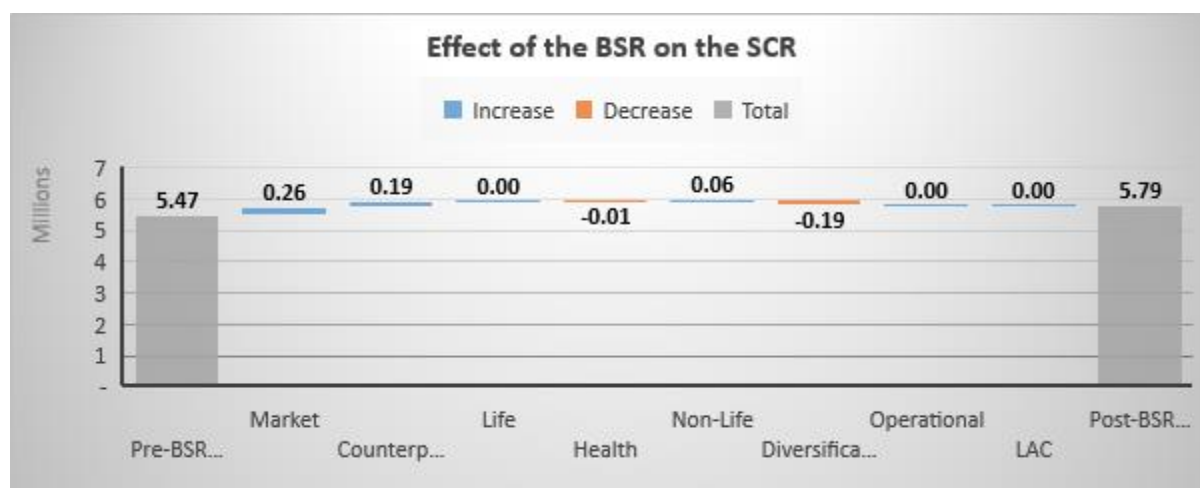
- Provisions other than Technical Provisions: increase of RON 0,1M resulting from the identification of a risk of a probable dispute
- Reinsurance payables: decrease by RON 0,017M following recomputation of commissions
- Payables (trade, not insurance): increase by RON 1,4M following the application of IFRS 16.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 122% and a SCR coverage of 372%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 4,2M corresponding to 56% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 1,4M) and Counterparty Default risk (RON 1,2M). The key component of the Non-Life Underwriting risk SCR is the Catastrophe risk sub-module (RON 3,7M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market Risk SCR, which increased by RON 0,26M, as a result of the upward adjustment to the Equity, Property and Currency risk SCR, partially offset by the downward correction of the Interest Rate and Concentration risk SCR.

Reinsurance – effectiveness of risk transfer

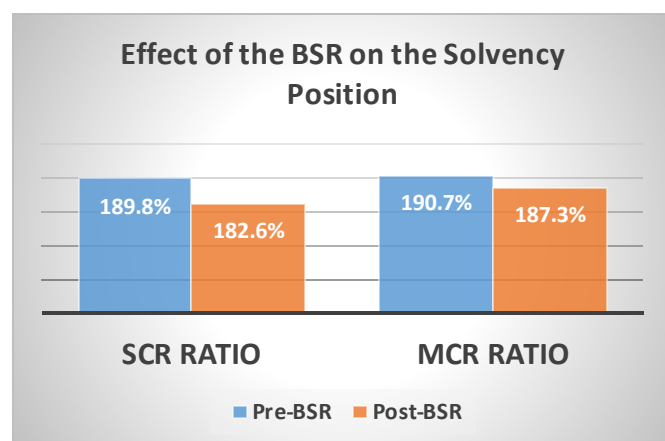
No material issues were identified in respect of effectiveness of risk transfer. The undertaking is recommended to enhance and approve a detailed methodology for the calculation of reinsurance recoverables on a consistent basis to the contractual boundaries of the underlying insurance contracts and considering all cash inflows & outflows and lapse rates.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Although observed a wide internal control framework, areas for improvement include the IT environment and formalization of further controls with regards to technical provisions and reinsurance.

Annex 14: Garanta Asigurari S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 116,398M Assets and RON 50,456M Liabilities, leading to an excess of assets over liabilities equal to RON 65,942M. The initial solvency position, reported as at the 30th of June 2020, was 190,72% MCR ratio and 189,78% SCR ratio. Following the BSR adjustments there is a reduction of the MCR coverage of 3,42pp (187,30%) and decrease of 7,16pp of the SCR coverage (182,62%).

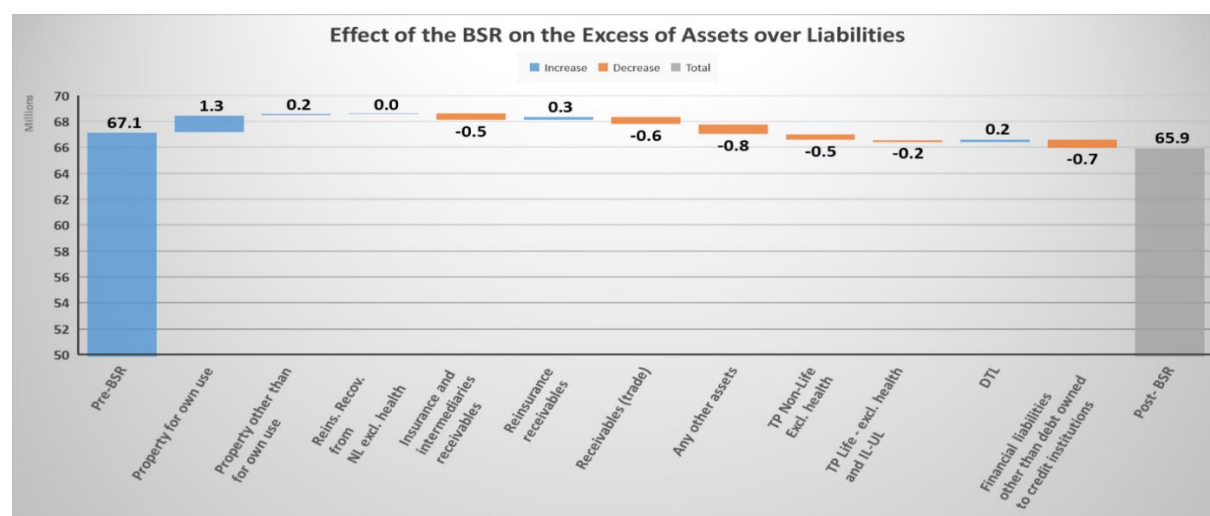


Basic Own Funds RON 65,942M are comprised only of Tier 1 elements:

- paid-in ordinary share capital RON 28,14M
- reconciliation reserve RON 37,80M

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 67,1M to 65,9M.



Assets

On the assets side, the overall adjustment is a decrease of RON 0,14M as a result of the following corrections:

- Property for own use: increase of RON 1,28M related to a reclassification from the caption "Any other assets, not elsewhere shown" and to adjustment according to IFRS 16
- Property other than for own use: increase of RON 0,17M following a reclassification as described above
- Reinsurance recoverables from Non-Life excluding Health: increase of RON 0,03M following adjustments in technical provisions

- Insurance and intermediaries receivables: decrease of RON 0,54M resulting from adjustment for impairment
- Reinsurance receivables: increase of RON 0,25M following adjustment in technical provisions for contract boundaries
- Receivables (trade, not insurance): decrease of RON-0,56M from recourse impairment
- Any other assets: decrease of RON-0,77M following the reclassification described above.

Liabilities

Total liabilities increased by RON 1,1M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Non-Life excl. health: increase of RON 0,46M following the application of contract boundaries, consideration of lapse rate in future premiums and the inflation on future payments
- Best estimate – Life excl. health and Index-Linked and Unit-Linked: increase of RON 0,15M from the consideration of inflation in the calculation of the future expenses

- Adjustments in **liabilities other than technical provisions**

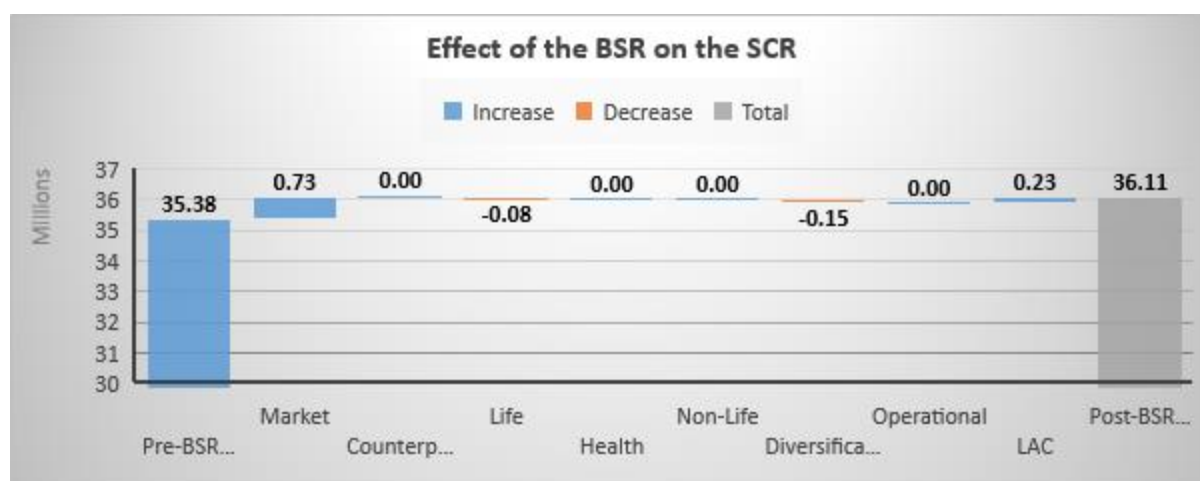
- Financial liabilities other than debt owed to credit institutions: increase of RON 0,68M, resulting from an adjustment for IFRS 16
- Deferred tax liabilities: decrease of RON 0,23M as a result of the impact of the adjustments proposed.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 187,3% and a SCR coverage of 182,62%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 21,02M corresponding to 38% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 18,5M) and Counterparty default risk (RON 10,02M). The key component of the NL Underwriting Risk is the Catastrophe risk sub-module (RON 19,03M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market Risk SCR, which increased by RON 0,73M, as a result of the upward adjustment of the SCR for Currency and Property Risk, and of the downward correction of the Spread risk SCR.

Reinsurance – effectiveness of risk transfer

No material issues were identified in respect of effectiveness of risk transfer. Provided recommendations related to the consideration of contract boundaries in technical provisions.

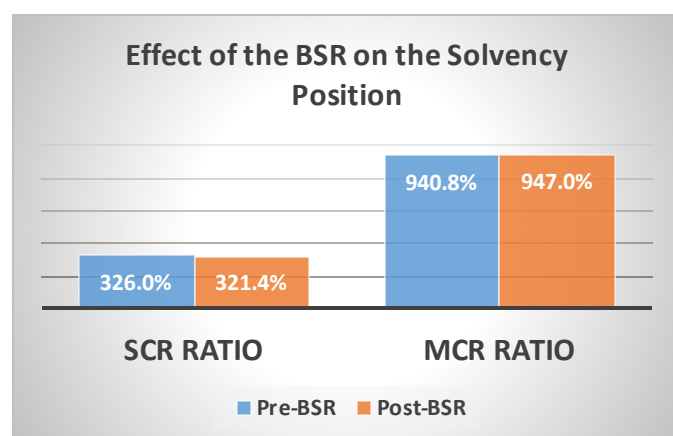
Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations for improvements in regards the IT environment, the automation and strengthening of controls in claims management, contract boundaries and to improve the documentation and further controls in regards technical provisions and SCR.

Annex 15: Generali Romania Asigurare Reasigurare S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 1.323,895M Assets and RON 787,492M Liabilities, leading to an excess of assets over liabilities equal to RON 536,403M. The initial solvency position, reported as at the 30th of June 2020, was 940,8% MCR ratio and 326,0% SCR ratio. Following the BSR adjustments there is an increase of the MCR coverage of 6,2pp (947,0%) and decrease of 4,6pp of the SCR coverage (321,4%).

To be noted that the auditor considered the upward adjustment of RON 6,4M of PAID in the Own Funds but did not update the SCR sub-modules Equity & Concentration as the values used for the reported SCR at 30 June 2020 are the same as of 31 December 2019. If the value of PAID would have been updated, this would result in an increase of the overall SCR of approximately RON 3M.

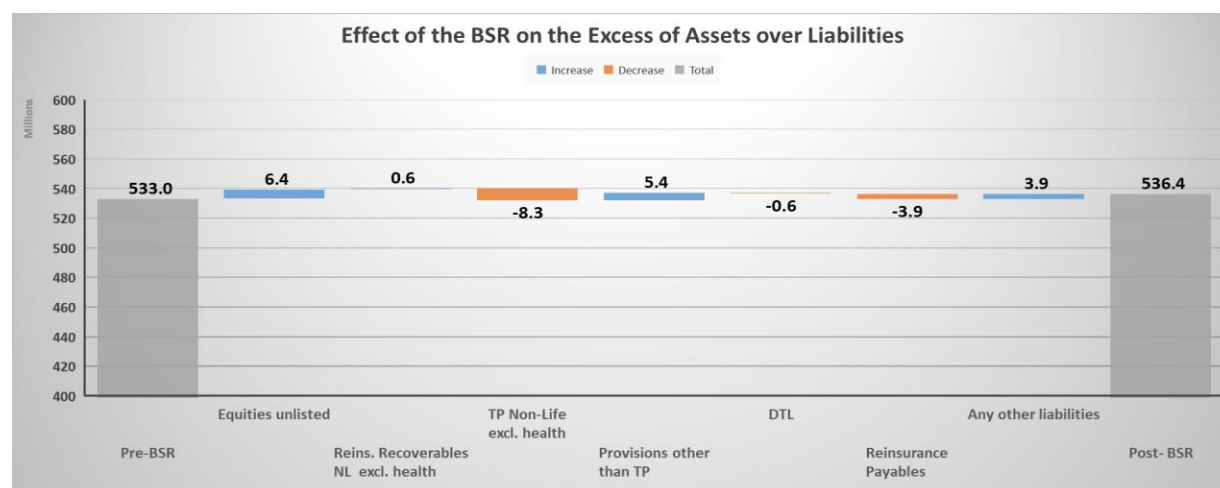


Basic Own Funds RON 521,828M are comprised only of Tier 1 elements consisting of:

- Ordinary share capital RON 179M and the related share premium capital RON 50,3M
- Reconciliation reserve RON 292,5M

Balance Sheet adjustments

Overall, the excess of assets over liabilities increase from RON 533M to 536,4M.



Assets

On the assets side, the overall adjustment is an increase of RON 7M as a result of the following corrections:

- Equities unlisted: increase of RON 6,4M, related to the upward adjustment of PAID
- Reinsurance recoverables from Non-Life excluding Health: increase of RON 0,6M accordingly with the adjustments in technical provisions.

Liabilities

Total liabilities increased by RON 3,6M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Non-Life excl. health: increase of RON 8,3M related to the recomputation of the premiums provision with application of lapse rates in instalment premiums and consideration of different discounting curves for premiums in different currencies as well as to the reclassification of the Covid-19 provision previously recognized in Provisions other than technical provisions into the Best estimate of claims

- Adjustments in **liabilities other than technical provisions**

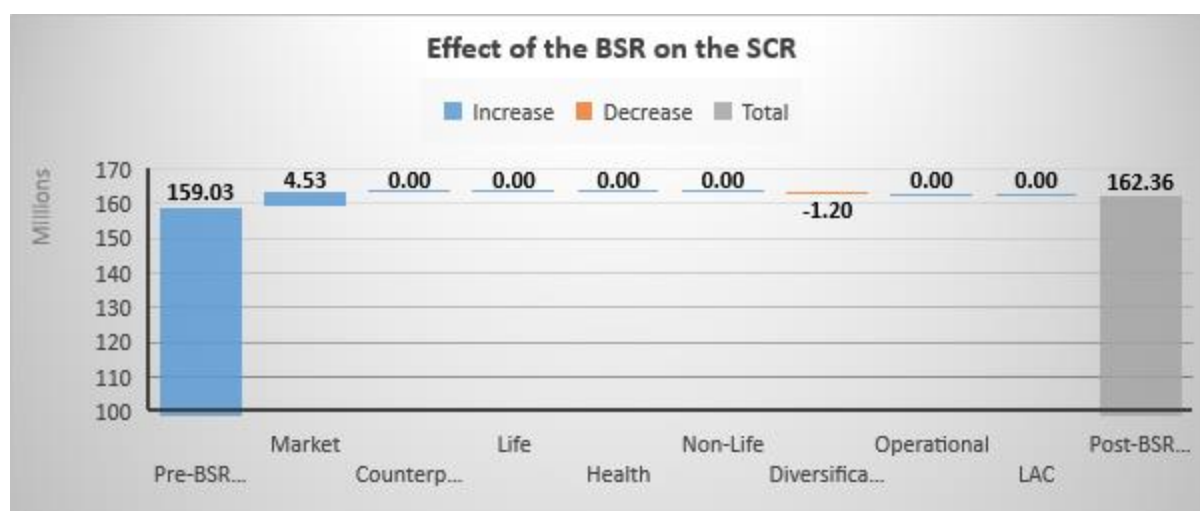
- Reinsurance payables: increase of RON 3,9M, following the reclassification of reinsurance reinstatement premiums that were previously presented as “Any other Liabilities”
- Provisions other than technical provisions: decrease of RON 5,4M, related to the reclassification of a Covid-19 specific provision into the Best estimate of claims
- Any other liabilities: decrease of RON 3,9M, following the above-mentioned reclassification of reinsurance reinstatement premiums
- Deferred tax liabilities: increase of RON 0,6M as a result of the impact of the adjustments proposed.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 947,0% and a SCR coverage of 321,4%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 95,7M corresponding to 40% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 87,6M) and Counterparty default risk (RON 34,7M). The key component of the NL Underwriting Risk is the Premium and reserve risk sub-module (RON 91,9M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market Risk SCR, which increased by RON 4,53M, as a result of the upward adjustment of the SCR for interest rate.

Reinsurance – effectiveness of risk transfer

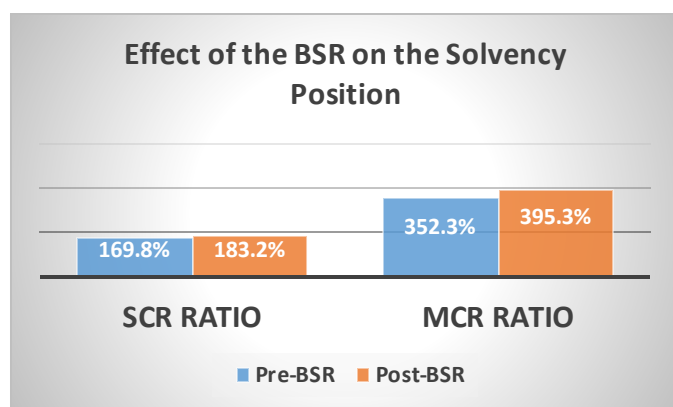
No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues identified. Provided recommendations for improvements in regards the IT environment and underlined that some aspects namely on technical provisions are not sufficiently documented.

Annex 16: Gothaer Asigurari - Reasigurari S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 188,8M Assets and RON 119,2M Liabilities, leading to an excess of assets over liabilities equal to RON 69,6M. The initial solvency position, reported as at the 30th of June 2020, was 352,3% MCR ratio and 169,8% SCR ratio. Following the BSR adjustments there is an increase of the MCR coverage of 43pp (395,3%) and increase of 13,4pp of the SCR coverage (183,2%).

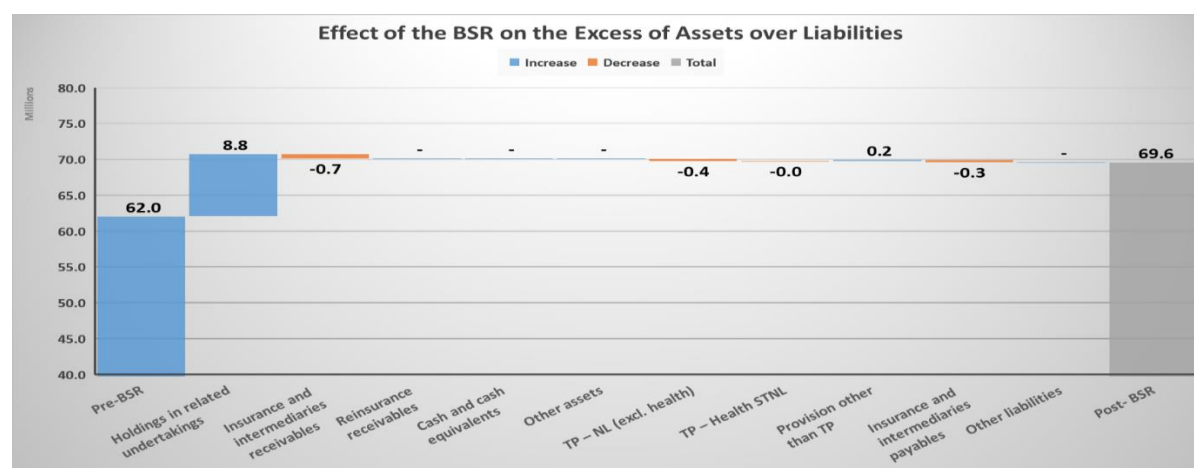


Basic Own Funds RON 69,5M are comprised only of Tier 1 elements consisting of:

- Paid-in ordinary share capital RON 62,7M and the related share premium capital RON 148,5M
- Reconciliation reserve RON - 141,7M

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 62,0M to 69,6M.



Assets

On the assets side, the overall adjustment is an increase of RON 8M as a result of the following corrections:

- Holding in related undertakings, including participations: increase of RON 8,8M, as a result of to the upward adjustment of PAID
- Insurance and intermediaries receivables: decrease of RON 0,7M, resulting from the recalculation of allowances.

Liabilities

Total liabilities increased by RON 0,48M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Non-Life (excluding health): increase of RON 0,31M, as a result of the adjustment of the currency split used for the calculation of the cash-flows of the premium provision for a specific segment
- Risk margin of Non-Life (excluding health) and Health similar to Non-Life: increase of RON 0,06M following adjustments for inputs and methodological deviations.

-Adjustments in **liabilities other than technical provisions**

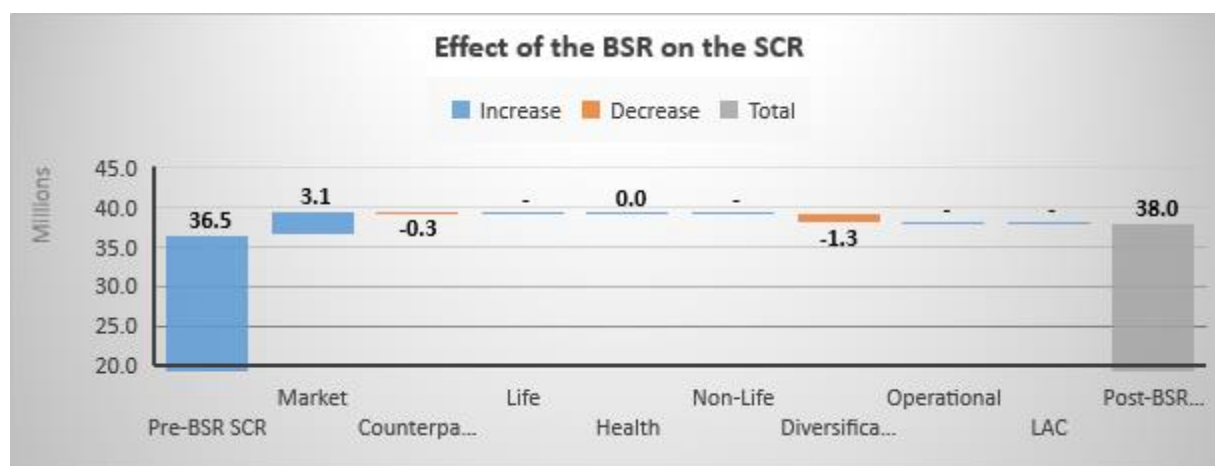
- Provisions other than technical provisions: Reduction of RON 0,2M, based on the recalculation of accruals
- Insurance and Intermediaries' payables: Increase in amount of RON 0,3M due to adjustment for reconciliation difference.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 395,3% and a SCR coverage of 183,2%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 22,2M corresponding to 48% of the BSCR before any diversification effect), while the other material risk modules are market risk (RON 12,0M) and counterparty risk (RON 11,5M). The key component of the Non-life Underwriting Risk is the Premium and Reserve risk sub-module (RON 19,5M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market Risk SCR, which increased by RON 3,1M, mainly due the increase of the Equity Risk SCR (related to the PAID participation) and the Property risk SCR.

Reinsurance – effectiveness of risk transfer

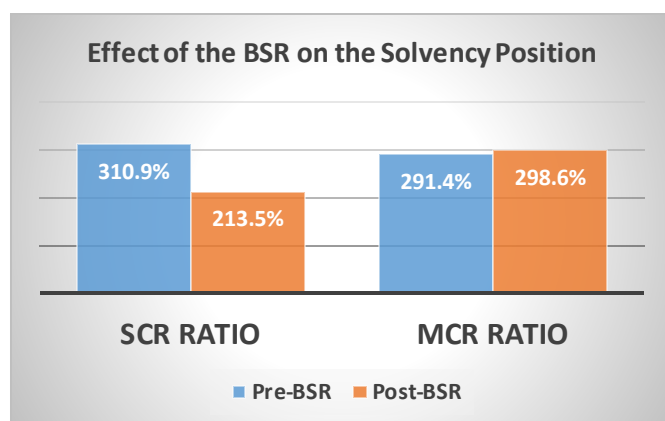
No material issues were identified in respect of effectiveness of risk transfer. The undertaking is recommended to improve the reconciliation process with reinsurers for year-end and consider whether a regular periodic reconciliation should be performed for interim periods.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations were provided for improvements in relation to the IT General Control testing and the formal documented framework regarding investment limits per counterparty and control of the reserving process.

Annex 17: Grawe Romania Asigurare S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 570,273M Assets and RON 465,156M Liabilities, leading to an excess of assets over liabilities equal to RON 105,117M. The initial solvency position, reported as at the 30th of June 2020, was 310.9% SCR ratio and 291.4% MCR ratio. Following the BSR adjustments, the SCR coverage decreased by 97,4pp (213,5%) and the MCR coverage increased by 7,2pp (298,6%).

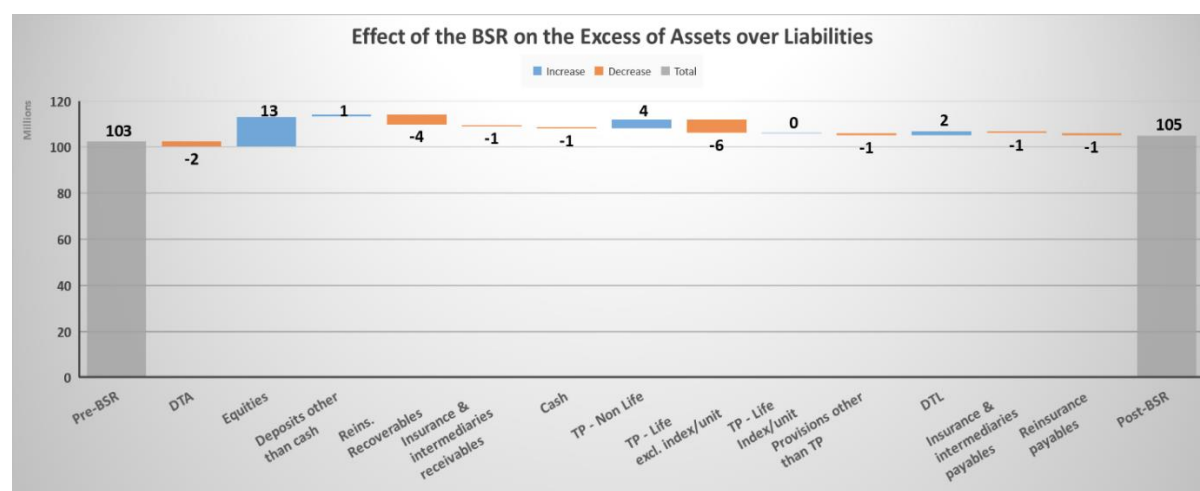


Basic Own Funds RON 105,117M are comprised of only Tier 1 elements:

- Paid-in ordinary share capital RON 71M and the related share premium capital RON 4,7M
- Reconciliation reserve RON 29,4M

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 102,590M to 105,117M.



Assets

On the assets side, the overall adjustment is an increase of RON 5,4M as a result of the following corrections:

- Equities: RON +13,1M, resulting from the upward adjustment of PAID
- Deposits other than cash: RON +0,9M, following the reclassification of an item previously classified as Cash
- Reinsurance recoverables: RON -4,4M, as a result of the revised consideration of contract boundaries and discounting factor adjustments:
- Insurance and intermediaries receivables: RON -0,8M, following test for impairment provision for insurance receivables
- Cash and cash equivalents: RON -0,9M, following the reclassification on a long term deposit
- Deferred Tax Assets: RON -2,5M, as a result of the impact of the adjustments proposed.

Liabilities

On the liabilities side, the overall adjustment is an increase of RON 2,8M as a result of the following corrections:

- Adjustments in **Technical provisions**

- Best estimate – Non Life: RON-2,2M, following recomputation and correction of ULAE for the claims provision (RON+1,6M), and the elimination of the acquisition commission and discounting of the payment pattern for claims for the premium provision (RON-3,8M)
- Best estimate – Life: RON+15.9M, following the adjustment of the administrative expense ratio and the review of contract boundaries
- Risk margin: RON -11,8M reflecting the adjustments proposed and the review of contract boundaries.

- Adjustments in **liabilities other than technical provisions**

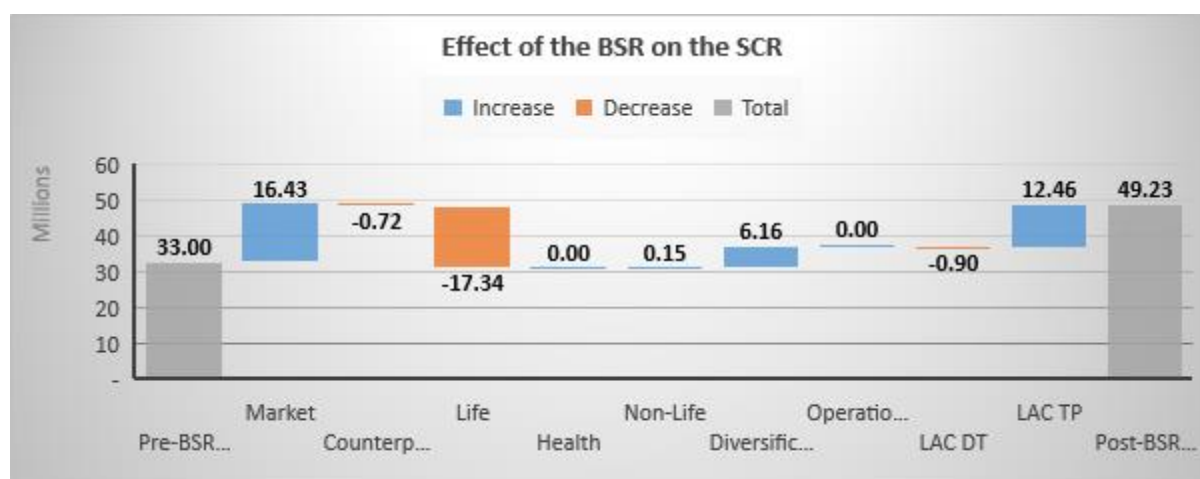
- Provisions other than technical provisions: RON+1M, following the identification of a probable dispute
- Insurance and intermediaries payables: RON+1M, following the inclusion of an accrual for the insurance payables from Non-Life insurance premiums due
- Reinsurance payables: RON+1M, mainly as a result of the recalculation of payables for certain reinsurance treaties
- Deferred Tax Liabilities: RON-2M, as a result of the impact of the adjustments proposed.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 298,6% and a SCR coverage of 213,5%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to Market risk module (RON 42,1M corresponding to 65% of the BSCR before any diversification effect), while the other material risk modules are Non-Life Underwriting risk (RON 16,5M) and Counterparty Default risk (RON 5,3M). The key component of the Market risk SCR is the Interest Rate risk sub-module (RON 34M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market risk SCR, which increased by RON 16M, as a result of the increase of the interest rate and equity SCR, partially offset by the decrease of the property, spread, concentration and currency SCR. The RON -17M adjustment to the Life SCR is mainly the result of the decrease of the Lapse and Expense SCR.

Reinsurance – effectiveness of risk transfer

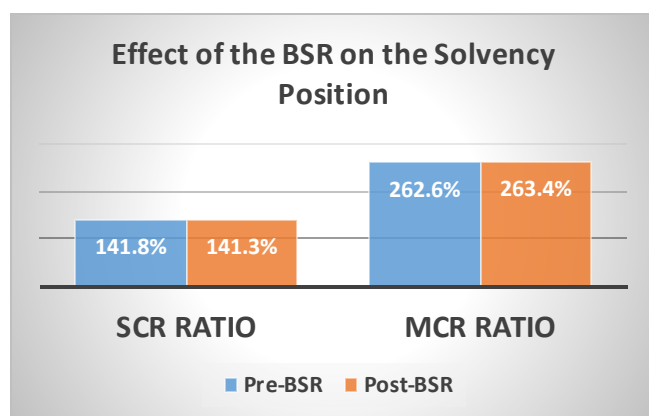
No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations for improvements include controls of claim files, methodologies and controls with respect to risk management, technical provisions including contract boundaries, SCR calculation, reinsurance settlement accounts computation and of the externalization of the reinsurance calculations to the Group as well as to the high reliance on the Group to process and produce reports.

Annex 18: Groupama Asigurari S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments, of RON 1.346,99M Assets and RON 993,790M Liabilities, leading to an excess of assets over liabilities equal to RON 353,199M. The initial solvency position, reported as at the 30th of June 2020, was 262,6% MCR ratio and 141,8% SCR ratio. Following the BSR adjustments there is an increase of the MCR coverage of 0,8pp (263,4%) and decrease of 0,5pp of the SCR coverage (141,3%).

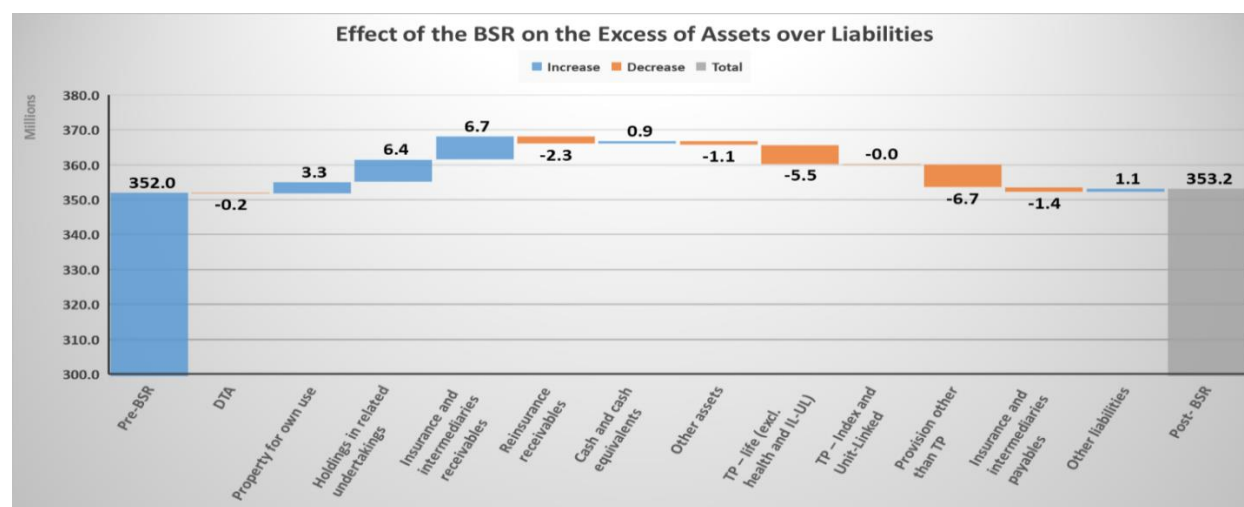


Basic Own Funds RON 470,4M consist of:

- Tier 1 consisting of share capital in amount of 122,6M RON and reconciliation reserve in amount of 206,4M RON;
- Tier 2 consisting of 117,2M RON subordinated liabilities.
- Tier 3 consisting of the net value of deferred tax assets in amount of 24,1M RON.

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 352,0M to 353,2M.



Assets

On the assets side, the overall adjustment is an increase of RON 13,7M as a result of the following corrections:

- Property, plant & equipment held for own use. RON +3,3M following the review of the valuation reports at the reference date
- Holdings in related undertaking: RON +6,4M related to the upward adjustment of PAID
- Insurance and Intermediaries receivables: RON +6,7M following a reclassification of allowances receivables from recourses to Provisions other than technical provisions
- Reinsurance receivables: RON -2,3M to reflect the impairment for old reinsurance receivables balances
- Cash and cash equivalents: RON +0,9M as a result of the correction of a mistake in classification

- Other assets: RON-1,1M impairment adjustment for other assets than recourse's recoverability
- Deferred tax assets: RON-0,2M as a result of the impact of the adjustments proposed.

Liabilities

Total liabilities increased by RON 12,5M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Life (excluding health and index-linked and unit-linked) increased around RON 3,7M following removal of an adjustment introduced for Group reporting purposes, adjustment for contract boundaries and allowance for the Time Value of Options and Guarantees (TVOG)
- Risk margin: – increased by RON 1,8M following the adjustments proposed

- Adjustments in **liabilities other than technical provisions**

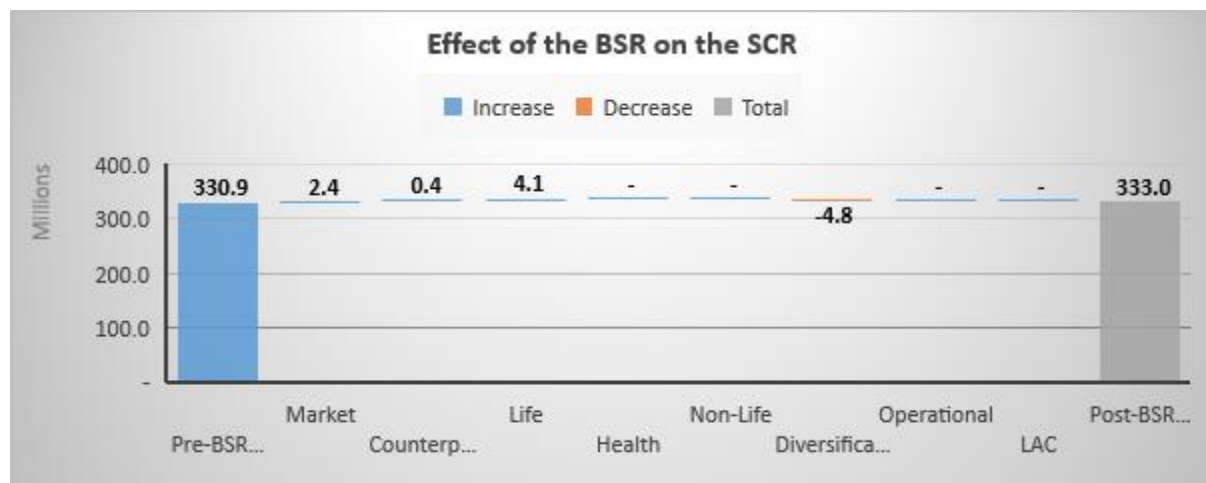
- Provisions other than technical provisions: increase of RON 6,7M, following a reclassification of allowance receivables from recourse
- Insurance and Intermediaries' payables: increase of RON 1,4M, as a result of an adjustment derived from brokers' payment tests
- Any other liabilities, not elsewhere shown: decrease of RON 1,1M, following correction of an amount wrongly mapped.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 263,4% and a SCR coverage of 141,3%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 265,1M corresponding to 64% of the BSCR before any diversification effect), while the other material risk modules are market risk (RON 74,1M) and counterparty risk (RON 37,1M). The key component of the Non-life Underwriting Risk is the Premium and Reserve risk sub-module (RON 248,5M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk category.



The main adjustment is related to the Life UW risk SCR, which increased by RON 4,1M, strongly impacted by an upward adjustment in the Life Best Estimate reserve, following the correction of an erroneous application of contract boundaries to PPI products.

Reinsurance – effectiveness of risk transfer

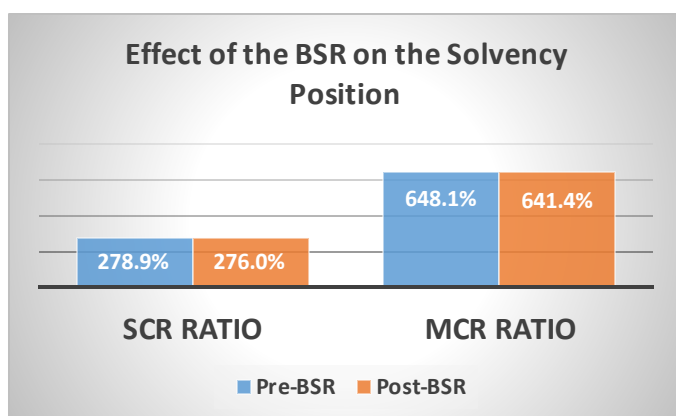
No material issues were identified in respect of effectiveness of risk transfer. Provided recommendations for the undertaking to implement an adequate regular monitoring procedure regarding the aging and the recoverability of the reinsurance balances in order to take timely appropriate actions and to improve the reconciliation process in place for balances with reinsurers.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations for improvements were provided in relation to the IT General Control testing and for procedures to ensure consistency of data used including in regards the calculation of technical provisions and insurance receivables.

Annex 19: NN Asigurari De Viata S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 4.140,4M Assets and RON 3.446,69M Liabilities, leading to an excess of assets over liabilities equal to RON 693,701M. The initial solvency position, reported as at the 30th of June 2020, was 278,9% SCR ratio and 648,1% MCR ratio. Following the BSR adjustments there is a decrease of the SCR coverage of -2,9pp (276%) and a decrease of 6,7pp of the MCR coverage (641,4 %).

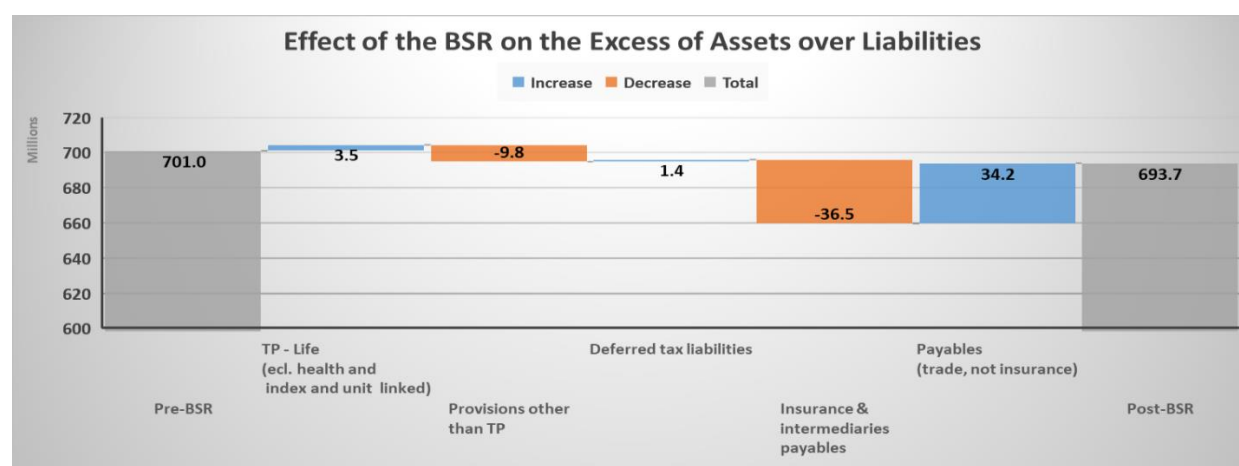


Basic Own Funds RON 693,702M are comprised of only Tier 1 elements:

- paid-in ordinary share capital RON 39,592M
- reconciliation reserve RON 654,11M

Balance Sheet adjustments

Overall, the excess of assets over liabilities reduced from RON 701M to 693,7M.



Assets

On the assets side, no adjustments were performed in the context of the Balance Sheet Review.

Liabilities

Total liabilities increased by RON 7,3M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate Life (excl. Health and index and unit linked) - decrease of RON 3,5M as a result of a reclassification of an amount corresponding to a maturity gap provision from the best estimate to Provisions other than Technical Provisions.

- Adjustments in **liabilities other than technical provisions**

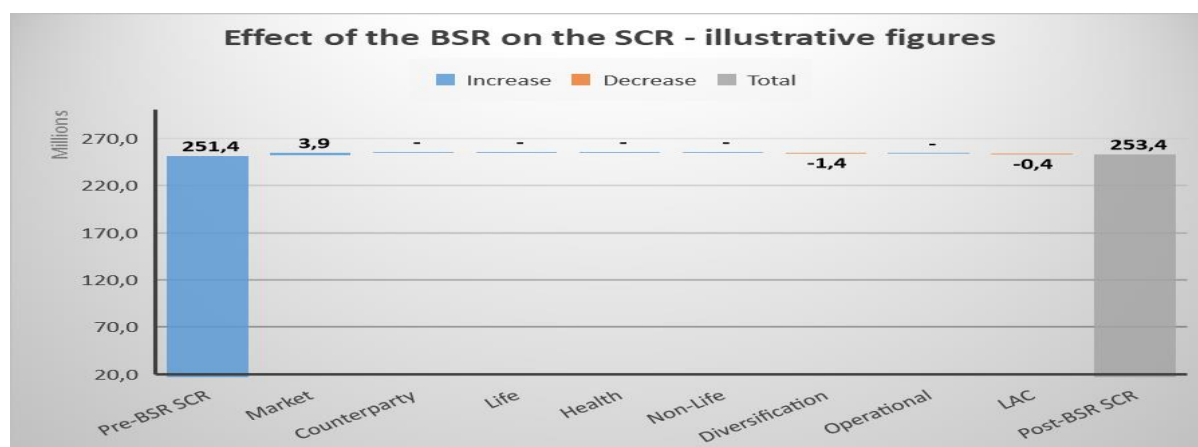
- Provisions other than Technical Provisions: increase of RON 9,8M resulting from the recalculation of tax liabilities, and the reclassifications of a maturity gap provision and of untaken holidays provisions
- Insurance & intermediaries payables: increase of RON 36,5M following correction of write-off of liabilities and the reclassification of items from Payables (trade, not insurance)
- Payables (trade, not insurance): decrease of RON 34,2M as a result of the above-mentioned reclassifications
- Deferred tax liabilities: decrease of RON 1,4M as of result of the other adjustments.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 641,4% and a SCR coverage of 276%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Health Underwriting risk module (RON 149,9M corresponding to 40% of the BSCR before any diversification effect), while the other material risk modules are Life Underwriting risk (RON 115,2M) and Market risk (RON 101,9M). The key component of the Health Underwriting risk SCR is the Health Similar to Life Technique risk sub-module (RON 149,9M).

The auditor did not adjust, on the basis of the materiality threshold, the SCR for the BSR purposes, but presented as illustrative figures the potential impact as it is presented below.



The main adjustment is related to the Market Risk SCR, which increases by RON 3,9M, as a result of the increase of Property and Spread risk SCR, partially offset by the decrease of the Interest Rate risk SCR.

Reinsurance – effectiveness of risk transfer

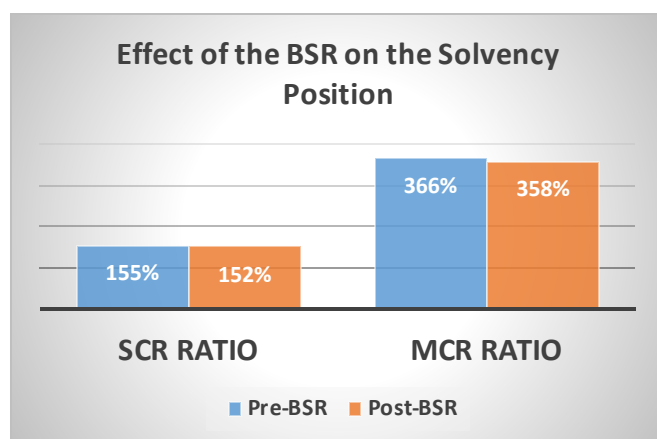
No material issues were identified in respect of effectiveness of risk transfer. Provided recommendations for establishment of internal procedures for assessing the risk transfer in relation to the reinsurance contracts.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations were provided in particular in regards the updating of the accounting policy for intermediaries' payables measurement in line with the SII requirements, claims IT System, quality of data and actuarial methodology used in the computation of technical provisions.

Annex 20: Omniasig Vienna Insurance Group S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 1.849,9M Assets and RON 1.369,8M Liabilities, leading to an excess of assets over liabilities equal to RON 480M. The initial solvency position, reported as at the 30th of June 2020, was 154,7% SCR ratio and 365,7% MCR ratio. Following the BSR adjustments, the SCR ratio decreased by 3pp (151,8%) and the MCR ratio decreased by 8pp (358%).

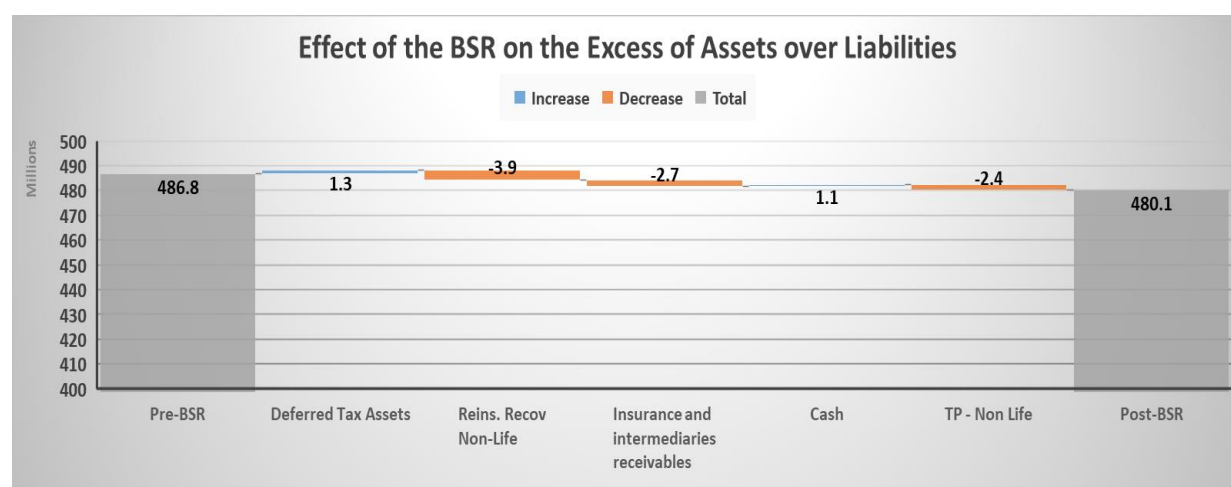


Basic Own Funds RON 480M are comprised of Tier 1 and Tier 3 elements:

- RON 460,9M Tier 1 elements consisting of ordinary share capital, share premium capital and reconciliation reserve
- RON 19,2M Tier 3 elements consisting of Net Deferred Tax

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 486,8M to 480,1M.



Assets

On the assets side, the overall adjustment is a decrease of RON 4,3M as a result of the following corrections:

- Reinsurance recoverables from Non-Life: RON -3,9M following correction of misstatement regarding discounting cash-flows in foreign currencies
- Insurance and intermediaries receivables: RON -2,7M following reclassification to Cash and cash equivalents of bank deposit for guarantees received from the intermediaries and the derecognition of receivables subsequently cancelled
- Cash and cash equivalents: RON +1,1M, resulting from the above-mentioned reclassification
- Deferred Tax Assets: RON +1,3M as of result of the other adjustments.

Liabilities

Total liabilities increased by RON 2,4M as a result of the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate – Non Life: increase of RON 2,4M, following correction of misstatement regarding discounting cash-flows in foreign currencies

- Adjustments in **liabilities other than technical provisions**

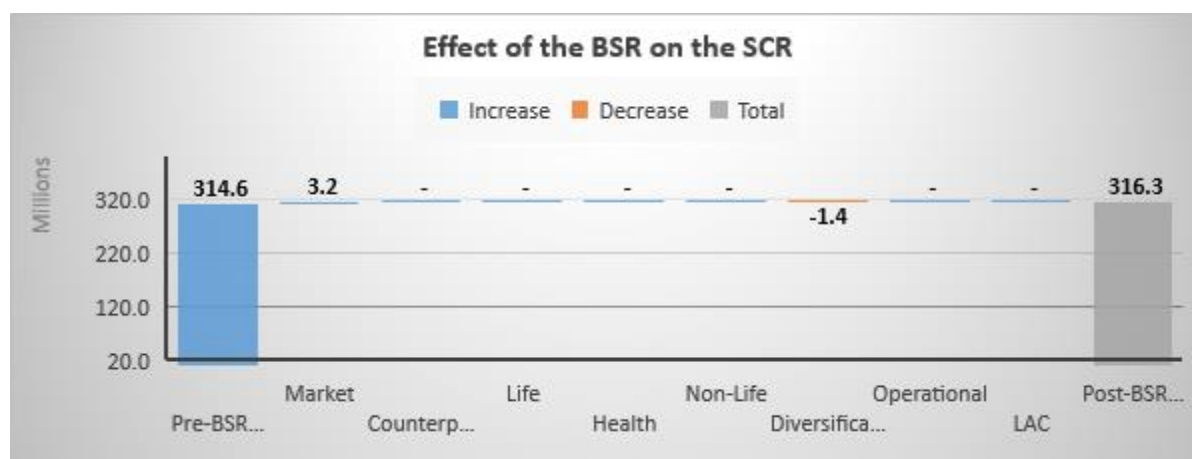
- There were no adjustments in liabilities other than technical provisions

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 358% and a SCR coverage of 152%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to Non-Life underwriting risk module (RON 208,9M corresponding to 59% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 83,4M) and Counterparty Default risk (RON 55,5M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the market risk SCR, which increased by RON 3,2M, as a result of the increase of the Currency risk SCR, partially offset by the decrease of the Interest rate risk SCR.

Reinsurance – effectiveness of risk transfer

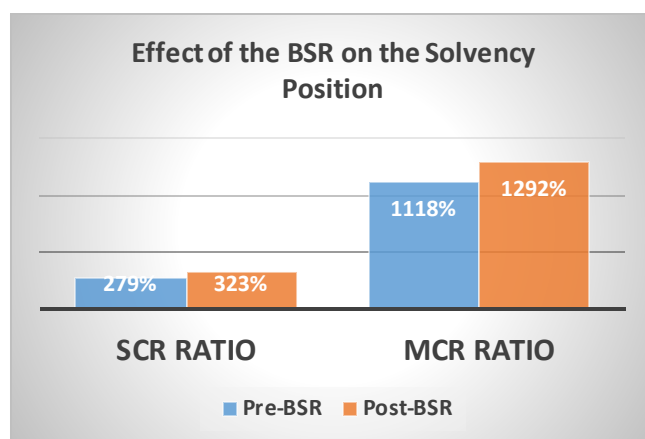
No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations were provided for improvement of the formal documented framework in regards the technical provisions' calculation including unbundling, assumptions and methods for discounting, recognition and contract boundaries. Other areas include the establishment of a comprehensive policy for Solvency II reporting purposes including guidance to the treatment of insurance and intermediaries receivables and payables.

Annex 21: Pool-ul De Asigurare Impotriva Dezastrelor Naturale S.A. (Paid)

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 376,21M Assets and RON 119,39M Liabilities, leading to an excess of assets over liabilities equal to RON 256,82M. The initial solvency position, reported as at the 30th of June 2020, was 279,4% SCR ratio and 1117,7% MCR ratio. Following the BSR adjustments there is an increase of the SCR coverage of 44pp (322,9%) and an increase of 174pp of the MCR coverage (1291,6%).

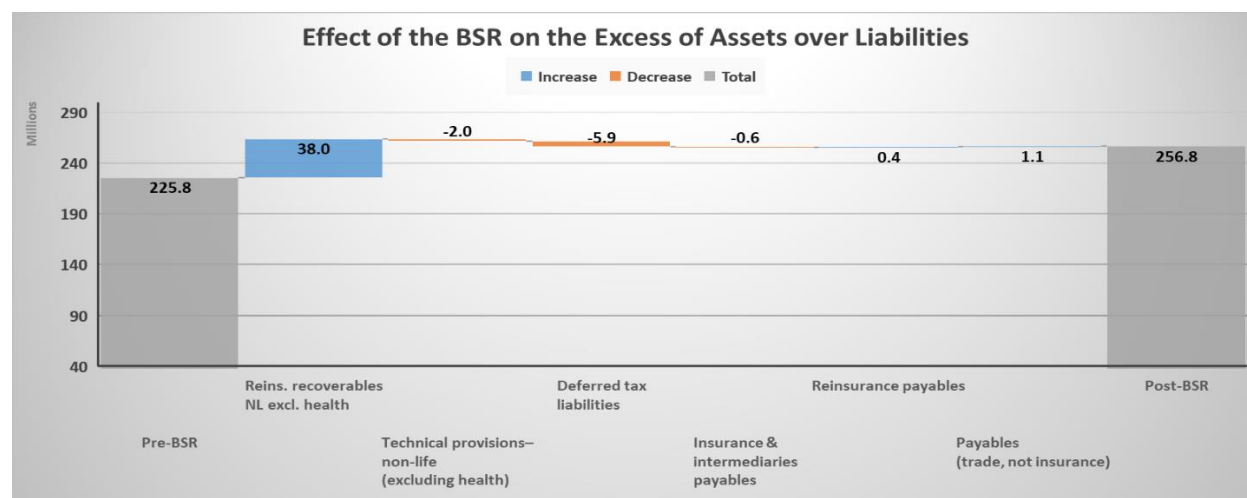


Basic Own Funds RON 256,82M are comprised of only Tier 1 elements:

- paid-in ordinary share capital RON 19,34M
- reconciliation reserve RON 237,47M

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 225,8M to 256,8M.



Assets

On the assets side, the overall adjustment is an increase of RON 38M as a result of the following corrections:

- Reinsurance recoverables from Non-Life excluding health: RON+38M mainly resulting from the calculation of the reinsurance recoverable for ENID (Event not in Date) part of the premium provision

Liabilities

Total liabilities increased by RON 7M due to the following adjustments:

- Adjustments in **Technical provisions**

- Best estimate Non-Life excl. Health increase of RON 1,9M following recalculation of the claims provision using a 'best estimate' approach and considering actual experience regarding payment pattern and discounting, and of the recalculation of the premiums provisions with a revised calculation of ENID, ratios, inflation and discounting
- Risk margin: increase of RON 0,1M following the best estimate and SCR adjustments

-Adjustments in **liabilities other than technical provisions**

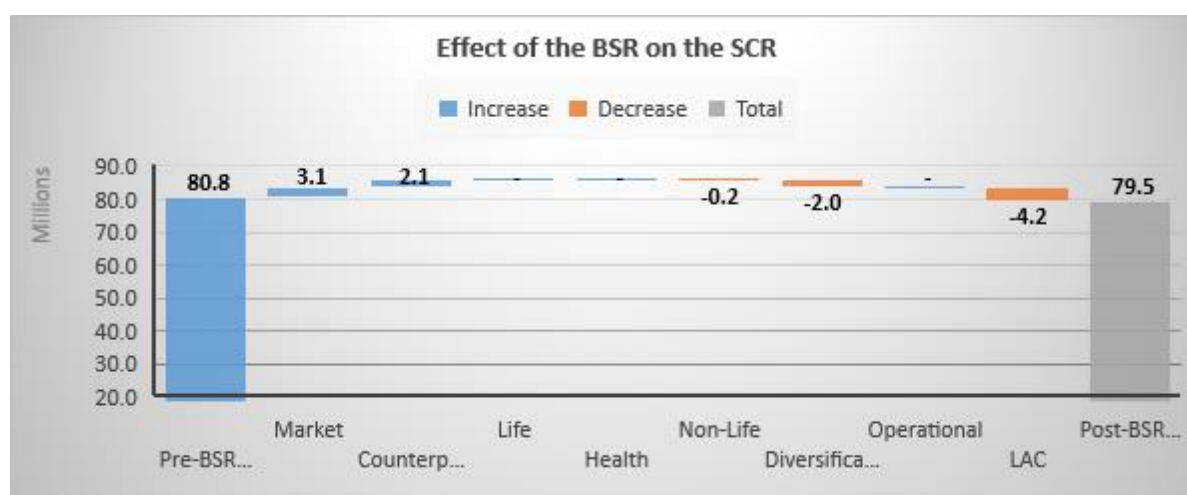
- Insurance and intermediaries payables: increase by 0,56M RON, following the reclassification from Payable, trade not insurance, of commissions payable to agents, brokers and intermediaries
- Payables (trade, not insurance): decrease of 1,1M RON, following the above-mentioned reclassification and correction of the modelling of premiums in advance
- Reinsurance payables: decrease of RON 0,4M following reconciliation's inconsistencies
- Deferred Tax Liabilities: increase of RON 5,9M as a result of the other adjustments.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 1292% and a SCR coverage of 323%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to the Non-Life Underwriting risk module (RON 63,1M corresponding to 55% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 28M) and Counterparty Default risk (RON 23M). The key component of the Non-Life Underwriting risk SCR is the Catastrophe risk sub-module (RON 54,8M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market Risk SCR, which increased by RON 3,1M, as a result of the upward adjustment to the Currency risk SCR, partially offset by the downward correction of the Interest Rate and Equity risk SCR.

Reinsurance – effectiveness of risk transfer

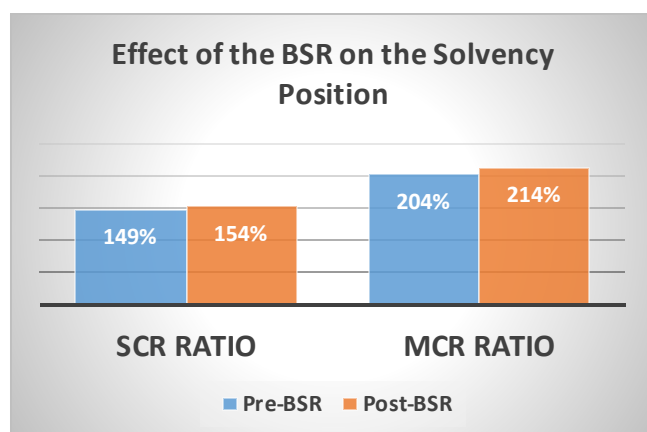
No material issues were identified in respect of effectiveness of risk transfer. Provided recommendation for a formal documented assessment in connection with reinsurance risk transfer (both qualitative and quantitative).

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations were provided for prioritization of the update of the IT System in regards claims and further improvements to the IT system in connection with underwriting. Other areas for improvement were the update of the accounting policy for payables balances in line with SII requirements and the development of a series of controls with formal design and audit trail for technical provisions areas.

Annex 22: Signal Iduna Asigurare Reasigurare S.A

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 89,028M Assets and RON 47,895M Liabilities, leading to an excess of assets over liabilities equal to RON 41,133M. The initial solvency position, reported as at the 30th of June 2020, was 149,1% SCR ratio and 204% MCR ratio. Following the BSR adjustments, the SCR ratio increased by 4,9pp (154%) and the MCR ratio increased by 10pp (214%).

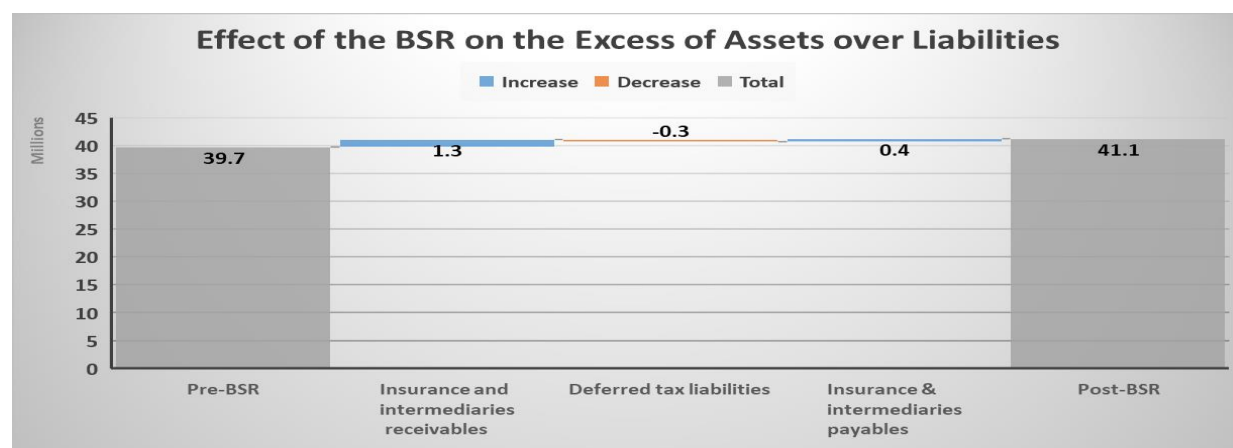


Basic Own Funds RON 41,133M are comprised of Tier 1 and Tier 3 elements:

- RON 37,669M Tier 1 elements consisting of ordinary share capital and reconciliation reserves
- RON 3,463M Tier 3 elements consisting of Net Deferred Tax Assets

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 39,7M to 41,1M.



Assets

On the assets side, the overall adjustment is an increase of RON 1,3M as a result of the following correction:

- Insurance and intermediaries receivables: RON +1,3M, resulting from the correction of an understatement of inward reinsurance receivables and impairments.

Liabilities

Total liabilities decreased by RON 0,1M as a result of the following adjustments:

- Adjustments in **Technical provisions**

- No adjustments in technical provisions were applied

-Adjustments in **liabilities other than technical provisions**

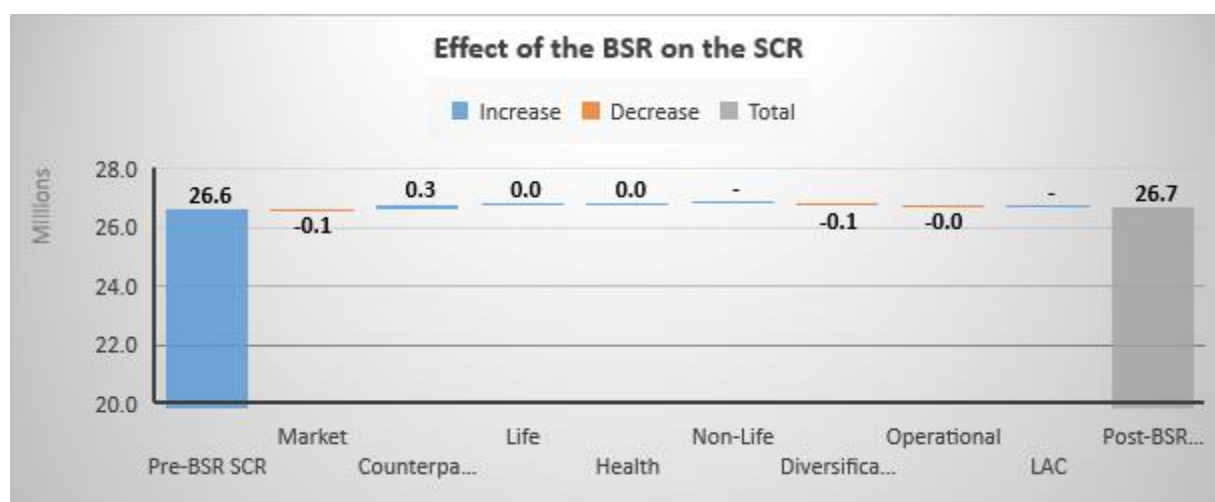
- Insurance and intermediaries payables: decrease of RON 0,4M, resulting from the elimination of a potential double counting of an item linked to a lease contract
- Deferred tax liabilities: increase of RON 0,3M following properly updated calculation of the deferred taxation.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 214% and a SCR coverage of 154%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to Health underwriting risk module (RON 20,8M corresponding to 74% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 4,5M) and Counterparty Default risk (RON 2,5M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Counterparty Default risk, which increased by RON 0,3M, mostly due to the adjustment of Type 2 exposures.

Reinsurance – effectiveness of risk transfer

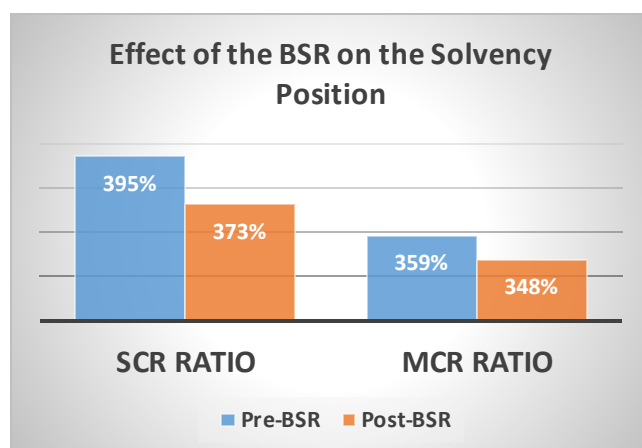
No assessment from the auditor on the basis that the undertaking does not have reinsurance held.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations provided include the development of a comprehensive SII reporting policy, impairment policy and detailed documentation and justification about the unbundling process and recognition and contract boundaries, as well as further improvements especially in regards deferred tax, technical provisions, risk margin and capital requirements calculation.

Annex 23: Uniqa Asigurari De Viata S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 146,157M Assets and RON 88,004M Liabilities, leading to an excess of assets over liabilities equal to RON 58,153M. The initial solvency position, reported as at the 30th of June 2020, was 394,7% SCR ratio and 358.7% MCR ratio. Following the BSR adjustments, the SCR ratio decreased by 22pp (373%) and the MCR ratio decreased by 11pp (348,1%).

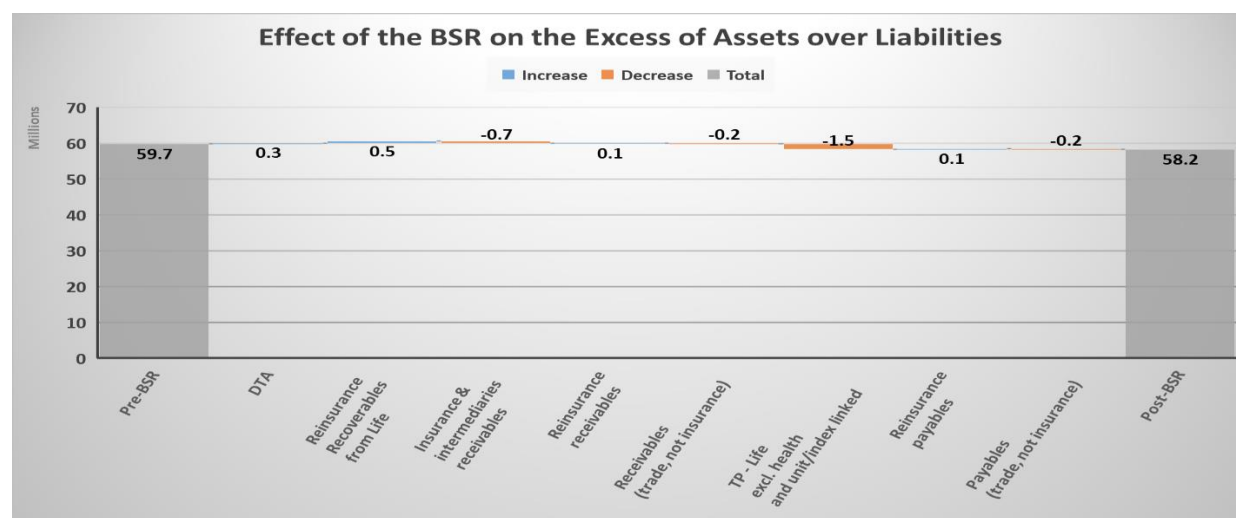


Basic Own Funds RON 62,049M are comprised of Tier 1, Tier 2 and Tier 3 elements:

- RON 57,752M Tier 1 elements consisting of ordinary share capital, share premium and reconciliation reserves
- RON 3,896M Tier 2 elements consisting of subordinated liabilities
- RON 0,401M Tier 3 elements consisting of Net Deferred Tax Assets

Balance Sheet adjustments

Overall, the excess of assets over liabilities decreased from RON 59,7M to 58,2M.



Assets

On the assets side, the overall adjustment is an increase of RON 0,01M as a result of the following corrections:

- Reinsurance recoverables from Life: RON+0,5M, related to the reinsurance recoverables stemming from the reinsurers' share on the incurred claims
- Insurance and intermediaries receivables: RON-0,7M, following operational errors and reconciliation
- Reinsurance receivables: RON+0,1M, following reconciliations
- Receivables (trade, not insurance): RON -0,2M from an impairment of a trade receivable
- Deferred Tax Assets: RON+0,3M as a result of the other adjustments.

Liabilities

Total liabilities increased by 1,6M due to the following adjustments:

- Adjustments in **Technical provisions**

- Risk Margin - Life excluding Health and Index-Linked and Unit-Linked: increase of RON 1,5M, following the correction of the risk-free yield adopted.

- Adjustments in **liabilities other than technical provisions**

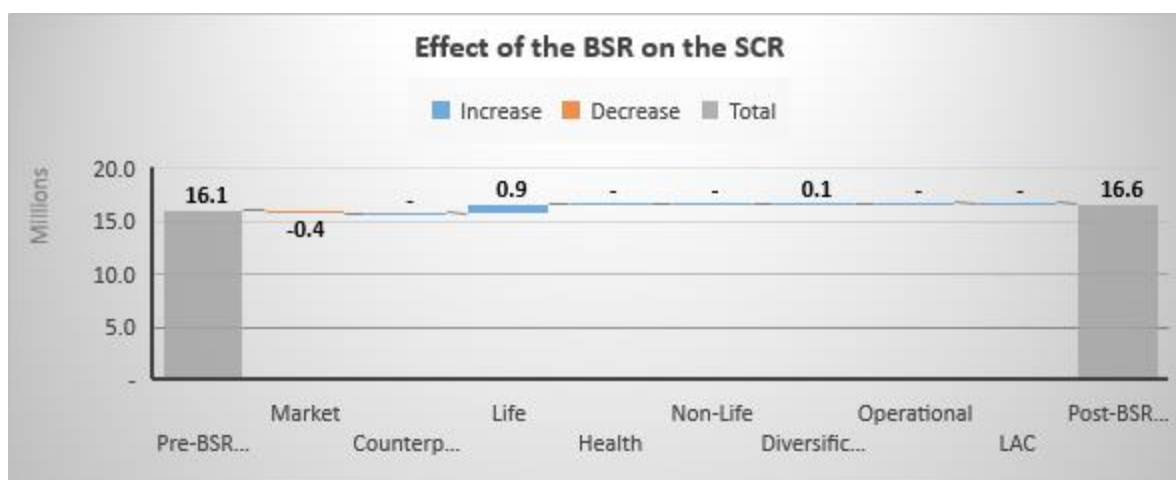
- Reinsurance payables: decrease of RON 0,1M, following reconciliations
- Payables (trade, not insurance): increase of RON 0,2M following the adjustments in the reinsurance receivables and payments

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 348% and a SCR coverage of 373%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to Life underwriting risk module (RON 10,6M corresponding to 56% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 5,4M) and Counterparty Default risk (RON 1,1M). The key component of the Life Underwriting risk module is the Life expense risk sub-module (RON 4,5M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Life Underwriting risk SCR, which increased by RON 0,9M, as a result of the increase of the Lapse risk SCR.

Reinsurance – effectiveness of risk transfer

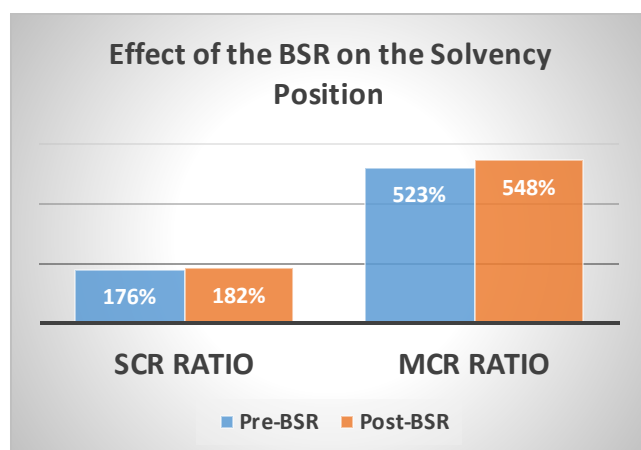
No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations to improve the IT system, the policy related to reinsurance and receivables and strengthening the internal controls for the assessment of receivables impairment allowance, the calculation of the technical provisions and computation of SCR.

Annex 24: Uniqa Asigurari S.A.

The undertaking's Balance Sheet is composed, after the BSR adjustments of RON 869,440M Assets and RON 653,690M Liabilities, leading to an excess of assets over liabilities equal to RON 215,751M. The initial solvency position, reported as at the 30th of June 2020, was 175,8% SCR ratio and 523,3% MCR ratio. Following the BSR adjustments, the SCR ratio increased by 6pp (182%) and the MCR ratio increased by 25pp (547,9%).

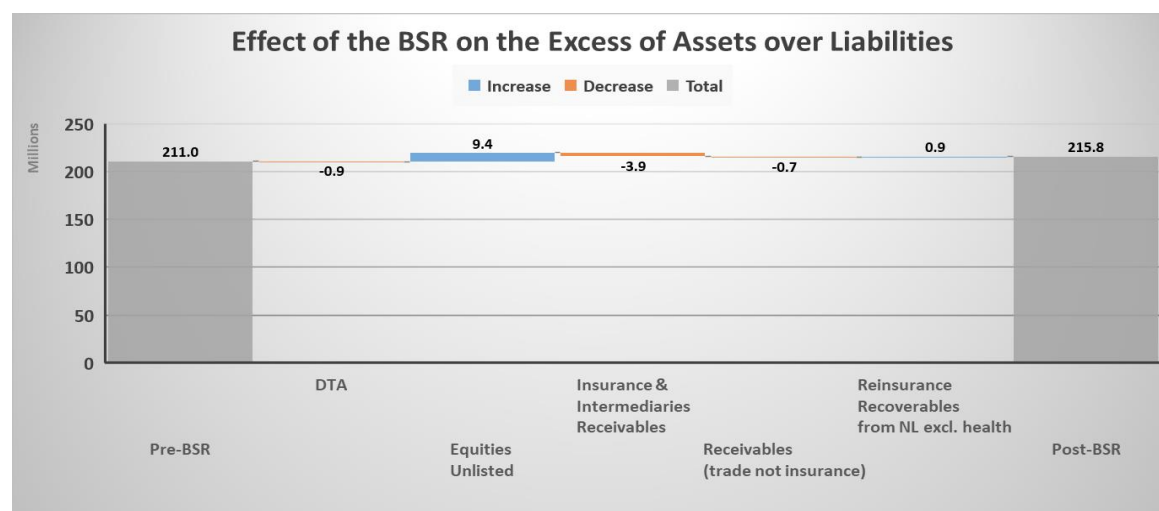


Basic Own Funds RON 308,9M are comprised of Tier 1, Tier 2 and Tier 3 elements:

- RON 213,6M Tier 1 elements consisting of ordinary share capital, share premium and reconciliation reserves
- RON 93,2M Tier 2 elements consisting of subordinated liabilities
- RON 2,1M Tier 3 elements consisting of Net Deferred Tax Assets

Balance Sheet adjustments

Overall, the excess of assets over liabilities increased from RON 211,0M to 215,8M.



Assets

On the assets side, the overall adjustment is an increase of RON 4,8M as a result of the following corrections:

- Equities unlisted: RON+9,4M, following the upward adjustment of PAID
- Insurance and intermediaries receivables: RON-3,9M, resulting from reconciliations, reclassification of an impairment erroneously presented under Receivables (trade, not insurance), and correction for receivables subsequently cancelled
- Receivables (trade not insurance): RON-0,7M, due to the above-mentioned reclassification, reconciliations and impairment

- Reinsurance recoverables from Non-life excl. health: RON+0,9M, following the correction of an inconsistency between the SII balance sheet and accounting
- Deferred Tax Assets: RON-0,9M, as a result of the other adjustments performed to the balance sheet

Liabilities

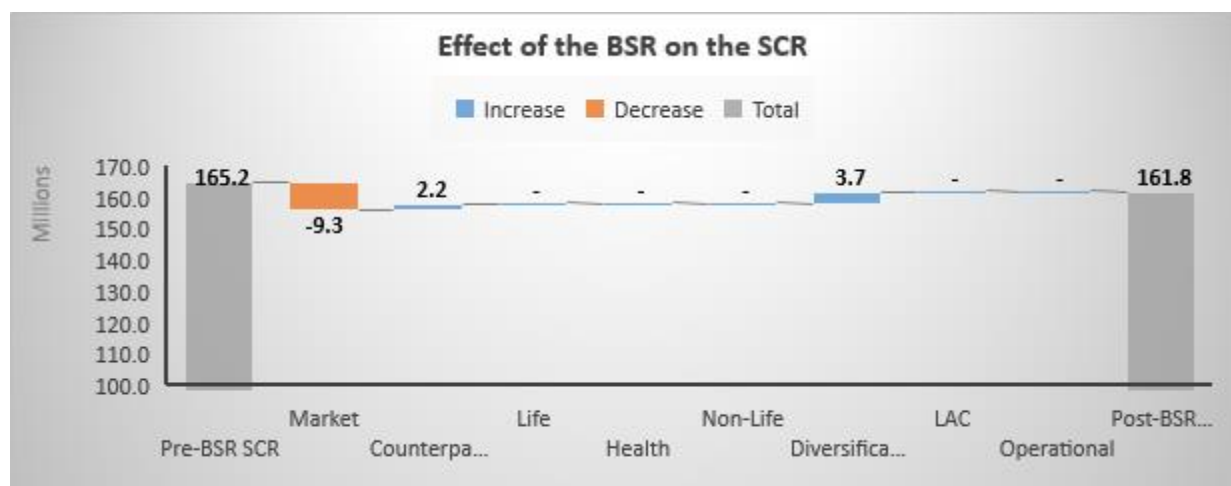
There were no adjustments performed to the liabilities of the Undertaking.

Capital Requirements

The undertaking remains compliant with the Solvency II capital requirements with a MCR coverage of 548% and a SCR coverage of 182%, following the recalculation of the prudential parameters in accordance with Solvency II.

The majority of the capital requirements of the undertaking is related to Non-Life underwriting risk module (RON 124,7M corresponding to 68% of the BSCR before any diversification effect), while the other material risk modules are Market risk (RON 34,3M) and Counterparty Default risk (RON 23M).

The impact of the BSR adjustments is illustrated in the graph below presenting the adjustments of the SCR per risk module.



The main adjustment is related to the Market risk SCR, which decreased by RON 9,3M, as a result of the decrease of Market Concentration risk, partially offset by the increase of Currency and Equity risk SCR.

Reinsurance – effectiveness of risk transfer

No material issues were identified in respect of effectiveness of risk transfer.

Corporate Governance, processes and internal control framework, accounting policies

No material issues were identified. Recommendations to substantiate the legal interpretation of the contract clauses preparing a formal methodology documentation for describing the approach to recognition of contract boundaries, and further improve documentation and processes in areas connected with receivables, impairment and the calculation of technical provisions and capital requirements computation.