2017

Solvency and Financial Condition Report (SFCR)

HDI Assicurazioni

Al tuo fianco, ogni giorno.

Contents

Summary

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

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

A. Business and results

B. Governance system

C. Risk profile

D. Solvency assessment

E. Capital management.

Unless otherwise specified, all information given in the document refers to the Company’s FY 2017.

All figures are stated in thousands of euros.

A) Business and results

The data as at 31/12/2017 includes the balances of the merger by acquisition of CBA Vita and InChiaro Assicurazioni, which took place on 29 June 2017, with tax and accounting effects as from 1 January 2017.

The Company closes FY 2017 with pre-tax profits of 33,186 thousand euros, up 4,343 thousand euros on 2016. The 2017 net profits, of 19,755 thousand euros, are also up 4,975 thousand euros on 2016.

Shareholders' equity comes to of 239,245 thousand euros, rising 13,155 thousand euros on 2016.

Direct insurance premiums amount to 1,409,794 thousand euros, up 33.3% on last year. Non-life premiums written, equal to 386,989 thousand euros, increasing by 7.5% on 2016, whilst life premiums written, equal to 1,022,805 thousand euros, rise by 46.6% on 2016.

The technical performance of the non-life segments reveals positive results and an improvement on 2016, with a combined ratio, that decreases from 95.80% in 2016 to 94.96%.

Investments, apart from those to the benefit of insured parties in the life segments, are 5,113,204 thousand euros and grow by 1,455,933 thousand euros on 2016.

Technical provisions total 5,419,278 thousand euros, up 1,605,853 thousand euros on last year.

The number of the insurance sales point remains basically constant.

B) Governance system

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

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

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

Moreover, in accordance with the definitions given by legislation, the Company has also established four essential "key" functions: Group Internal Audit, Group Risk Management, Compliance and Actuarial Function and, according to the provisions of ISVAP Regulation no. 41, has also established an independent Anti-Money Laundering, Anti-Terrorism and Anti-Fraud Function.

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

c) Risk profile

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

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

With reference to the risks evaluated through the capital requirement, calculated according to the Standard Formula with the application of USP parameters to non-life technical risks, an indication is given below of the weighting of each risk with respect to the total. Evaluations are determined considering the effect of the correlation of the risks and the mitigation effect connected with the technical provisions and deferred tax.

Category of risk	*Weight on total*
Market risk	45%
Life underwriting risks	7%
Non-life underwriting risks	21%
Health underwriting risks	1%
Counterparty default risks	9%
Operational risks	17%

d) Solvency assessment

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

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

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

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

The total assets of the Solvency II financial statements amounted to € 6,344,933 thousand and compared to € 6,174,749 thousand in the statutory financial statements, shows a higher value of € 170,184 thousand.

The total liabilities of the Solvency II financial statements amounted to € 5,896,191 thousand and compared to € 5,950,504 thousand in the statutory financial statements, shows a lower value of € 39,313 thousand. Overall, therefore, the excess of assets compared to the liabilities of the Solvency II financial statements amounts to € 448,742 thousand and compared to € 239,245 thousand in the statutory financial statements shows a higher value of € 209,497 thousand.

The technical provisions of the non-life business relating to the Solvency II valuation at 31/12/2017 amount to € 810,449 thousand, while the technical provisions (Technical Provision) of the Life business are still based on the Solvency II valuation, at 31/12/2017 amount to 4,808,535 thousand euros.

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

e) Capital management

As regards solvency, as at 31/12/2017, the Company has Eligible Own Funds for 538.716 thousand euros, of which 453.388 thousand euros classified as tier 1 and 85,328 thousand euros classified as tier 2. The Solvency Capital Requirement is 308.748 thousand euros and therefore the Company's Solvency Ratio, given by the ratio of Eligible Own Funds and the Solvency Capital Requirement, is 174,48%, as shown in the table below and, in detail, in section E of this document.

Solvency II values	
Eligible Own Funds	538.716
Solvency Capital Requirement (SCR)	308.748
Solvency Ratio	174,48%

A

Business and results

SECTION A. BUSINESS AND RESULTS

This section provides:

- general information on the Company, including the significant events that took place during the reference period;
- qualitative and quantitative information on the results of the Company’s underwrtiting on an aggregated level and for the substantial business areas and substantial geographic areas, in which business took place in FY 2017, together with a comparison with that given in the previous reference period, as resulting from the Company’s financial statements;
- qualitative and quantitative information on the results of the Company’s investments, in FY 2017, together with a comparison with that disclosed in the previous reference period, as resulting from the Company’s financial statements;
- information on other revenues and material costs that the Company has incurred in the reference period, together with a comparison with that given in the previous reference period, as resulting from the Company’s financial statements.

A. Business and results

A.1 Assets

A.1.1 Information on the company

HDI Assicurazioni S.p.A., with registered office in Rome, is an insurance company authorised to carry out the life and non-life insurance business by Ministerial Decree no. 19570/1993; it is entered under Section I of the Register of Insurance companies under no. 1.00022.

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

At 31.12.2017, the Group is formed of the following Companies:

- HDI Assicurazioni S.p.A., with registered office in Rome, at Via Abruzzi, 10 (parent company);
- HDI Immobiliare S.r.l., with registered office in Rome, at Via Abruzzi, 3, property management company held 100% by HDI Assicurazioni S.p.A.;
- InLinea S.p.A., with registered office in Rome, at Via Abruzzi, 3, an insurance intermediation company, held 70% by HDI Assicurazioni S.p.A. and for the remaining 30% by Fondazione Nazionale delle Comunicazioni (formerly Ente Banca Nazionale delle Comunicazioni);
- InChiaro Life dac, an Irish insurance company with registered office in Dublin, involved in the insurance business in the Life business, held 100% by HDI Assicurazioni S.p.A.

HDI Assicurazioni is a composite company whose origins date back to 1881 and whose current structure was established in 2001 from an evolution of BNC Assicurazioni S.p.A

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

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

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

The accounts of HDI Assicurazioni S.p.A. are audited by the independent auditing firm KPMG S.p.A.
The main characteristic of the Company is its approach that sees it inter-relate with defined, selected customer segments, preparing offers and services that aim to satisfy the needs of each "homogeneous group" of customers.

Its history, its current, ever-renewed competence and its main distinctive capacity all come together to allow it to achieve its mission, which, in communicational terms, the Company represents with the claim:

"At your side, every day".

This mission is the natural consequence of the company's capacity to stand out, represented by its niche vocation, in turn supported by its tradition, the skills of its staff and peripheral networks, always aimed at serving different customer segments, including employees and retired employees of the railways in particular.
HDI Assicurazioni was founded on values that it sees as a priority and which underlie the Company's growth and its relations with customers, namely:

- *Transparency*:
  - all activities are pursued with maximum transparency;
- *Consistency*:
  - the significant evolution achieved over the years by the Company has always been pursued in a logic of gradual, consistent action;
- *Teamwork*:
  - no goal can be achieved if we work individually. Collaboration, an integration of functions, correct inter-personal relations and correct relations with the sales network are all essential conditions to successful business;
- *Customer focus*:
  - if the mission claim is "At your side, every day", the Customer focus is a priority value for the Company. Customer protection is pursued on all levels and at all times.

A.1.2 Significant events

On 29 June 2017, with accounting and tax effect as from 1 January 2017, following specific authorisation by the Supervisory Authority given on 28 February 2017, the merger by acquisition process was concluded of the companies CBA Vita and InChiaro Assicurazioni into HDI Assicurazioni, thereby marking the close of a procedure that had been launched late November 2015. At the same time as the purchase, a ten-year distribution agreement was also stipulated with the Banca Sella Group, with which, consequently, the collaboration was consolidated, extended to include not only non-life line of business but also life.

Furthermore, on the 5th of June 2017, following a specific decision taken by the BoD, the Company submitted to the Supervisory Authority the intention to obtain authorization to use the USP parameters, i.e. a subset of the company's specific parameters to be substituted to market wide parameters of the Standard Formula as part of the calculation the solvency capital requirement, in relation to non-life premium and reserve risk according to art. 45-Sexies, paragraph 7 of the Private Insurance Code (CAP).

This intention was then formalized with application for approval for the use of the specific parameters sent on 28.3.2018.

The Company received the authorization on 24.04.2018 date.

A.2 Underwriting results

Underwriting results, net of reinsurance, divided up by line of business, is given in the table below, the information of which is partly contained in QRT S.05.01.02. The net underwriting result differs from the net technical balance present in the statutory financial statements prepared in accordance with the Italian accounting standards, due to the absence of financial income and expense and other technical income and expense. Expenses for claims include liquidation costs, which come to 31,537 thousand euros in the non-life segments and to 930 thousand euros in life segments. Non-life management expenses include acquisition costs for 42,267 thousand euros, administrative costs for 13,578 thousand euros and general expenses for 41,475 thousand euros. Life management expenses include acquisition costs for 566 thousand euros, administrative costs for 5,811 thousand euros and general expenses for 12,623 thousand euros.

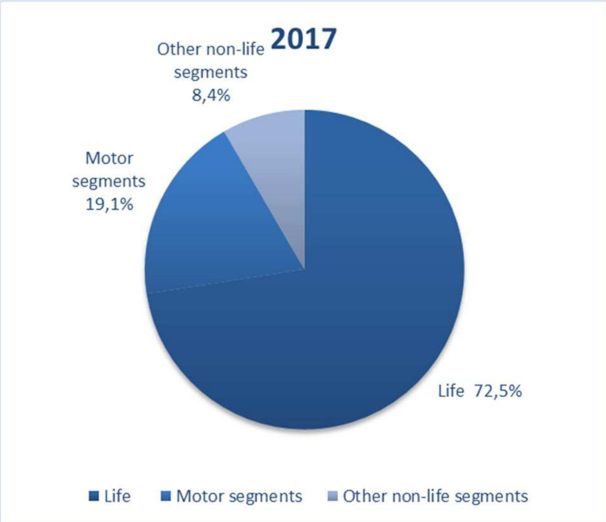
(amounts in thousand Euro)

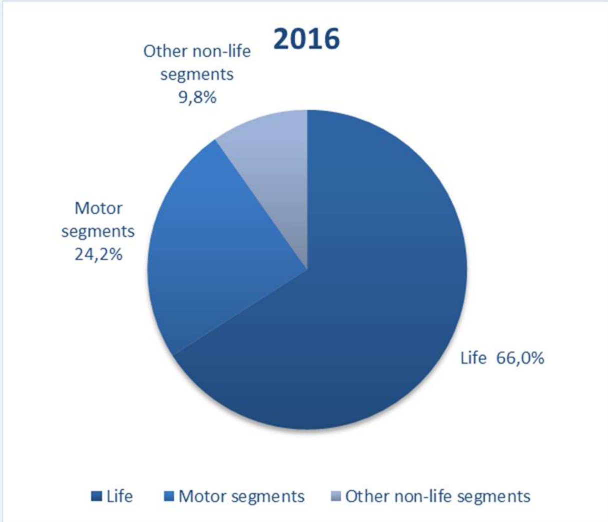
Lines of Business	Premiums written	Premiums earned	Claims	Variation of other technical provisions	Management Expenses	Underwriting Result
		(A)	(B)	(C)	(D)	E=A-B-C-D
Medical expense insurance	3.007	4.436	1.628	82	1.284	1.442
Income protection insurance	23.022	21.963	6.886	60	9.832	5.185
Motor vehicle liability insurance	232.074	230.278	176.771	0	52.560	947
Other motor insurance	34.481	32.267	19.487	34	10.795	1.951
Marine, aviation and transport insurance	2.144	2.114	1.209	5	630	270
Fire and other damage to property insurance	34.795	32.071	20.845	-12	13.040	-1.802
General liability insurance	23.246	22.499	12.935	0	9.044	520
Credit and suretyship insurance	11.602	9.488	3.583	0	2.624	3.281
Legal expenses insurance	247	90	27	0	-802	865
Assistance	1.337	1.616	768	0	-1.663	2.511
Miscellaneous financial loss	-262	667	1.889	0	-24	-1.198
Total Non Life	365.693	357.489	246.028	169	97.320	13.972
Health insurance	2	2	0	-3	0	5
Insurance with profit participation	934.284	934.284	467.050	540.521	19.803	-93.090
Index-linked and unit-linked insurance	79.377	79.377	34.731	10	992	43.644
Other life insurance	694	694	-3.728	-11.230	-1.796	17.448
Total Life	1.014.357	1.014.357	498.053	529.298	18.999	-31.993
Total	1.380.050	1.371.846	744.081	529.467	116.319	-18.021

Premiums written

Premiums written directly come to 1,409,794 thousand euros, up +33.3% on the 1,057,564 thousand euros of last year. The increase is influenced by the premiums deriving from the two companies that merged by acquisition: more specifically, the premiums written in relation to the CBA Vita line come to 507,723 thousand euros whilst the premiums written relative to the InChiaro Assicurazioni line, come to 14,765 thousand euros. Non-life premiums written, of 386,989 thousand euros, of which 1,045 thousand euros relative to the CBA Vita line and 14,765 thousand euros relative to the InChiaro Assicurazioni line, increase by 7.5% on the 359,940 thousand euros of the previous year. Life premiums issued, of 1,022,805

thousand euros, of which 506,678 thousand euros relative to the CBA Vita line increase by 46.6% on the 697,624 thousand euros of 2016.
Also by analysing the premiums written with respect to the budget for 2017, a positive result is recorded (+4.3%), in particular the life and non-life segments respectively record +6.7% and -1.6%.
Considering total life and non-life collections, results go against the market declining trend (-2.2%).
The percentage breakdown with respect to total premiums written, shows growth in the life segments from 66% in 2016 to 72.5% in 2017, whilst the non-life segments drop from 34% to 27.5%.





The Motor segment record 268,677 thousand euros and thus account for 69.4% of the total of non-life business (71.2% in 2016), which rise by 4.8% (12,252 thousand euros) on last year, while other non-life segments that come in at 118,312 thousand euros, accounting for 30.6% of the total of non-life segments (28.8% in 2016), growing by 14,797 thousand euros (+14.3%) on last year.

(amounts in thousand Euro)

Premiums written	2017		2016		Difference	
Direct Business	Amount	%	Amount	%	Amount	%
Motor vehicle liability insurance	233.050	16,53%	224.133	21,19%	8.917	3,98%
Other motor insurance	35.627	2,53%	32.292	3,05%	3.335	10,33%
Total Motor segments	268.677	19,06%	256.425	24,25%	12.252	4,78%
Medical expense insurance	3.182	0,23%	2.545	0,24%	637	25,03%
Income protection insurance	24.362	1,73%	19.368	1,83%	4.994	25,78%
Marine, aviation and transport insurance	2.252	0,16%	2.384	0,23%	-132	-5,54%
Fire and other damage to property insurance	36.551	2,59%	33.219	3,14%	3.332	10,03%
General liability insurance	24.504	1,74%	21.862	2,07%	2.642	12,08%
Credit and suretyship insurance	18.987	1,35%	17.130	1,62%	1.857	10,84%
Legal expenses insurance	2.402	0,17%	1.802	0,17%	600	33,30%
Assistance	6.334	0,45%	5.632	0,53%	702	12,46%
Miscellaneous financial loss	-262	-0,02%	-427	-0,04%	165	-38,64%
Total other non-life segments	118.312	8,39%	103.515	9,79%	14.797	14,29%
Total Non-Life	386.989	27,45%	359.940	34,03%	27.049	7,51%
Health insurance	8	0,00%	10	0,00%	-2	-20,00%
Insurance with profit participation	935.337	66,35%	657.208	62,14%	278.129	42,32%
Index-linked and unit-linked insurance	79.377	5,63%	38.214	3,61%	41.163	107,72%
Other life insurance	8.083	0,57%	2.192	0,21%	5.891	268,75%
Total life	1.022.805	72,55%	697.624	65,97%	325.181	46,61%
Total direct business	1.409.794	100,00%	1.057.564	100,00%	352.230	33,31%
Total indirect business	50		60		-10	-16,67%
Total written premiums	1.409.844		1.057.624		352.220	33,30%

Income from the Insurance motor vehicle third party liability segment, of 233,050 thousand euros, records an increase of 8,917 thousand euros (+4%), whilst that of Other motor insurance, of 35,627 thousand euros, records a rise of 3,335 thousand euros (+10.3%).

If we also consider the contribution made by InChiaro Assicurazioni, the increase in premiums written in motor insurance was mainly a result of the growth of average policies held in the portfolio (+5.3%), whilst the average premium was mainly in line with last year (-0.7%).

Under the scope of other non-life segments, the most significant increases regarding the Insurance income protection (+4,994 thousand euros), insurance against fire and other damages to property (+3,332 thousand euros), insurance for general third party liability (+2,642 thousand euros) and insurance for credit and suretyship (+1,857 thousand euros). The Miscellaneus financial loss, of which the Company is managing the run-off, highlights premiums written as negative for 262 thousand euros, due to the reimbursements of premiums made during the year.

Under the life business, the increase in premiums written, of 325,181 thousand euros, is mainly due to the income from premiums of the Insurance with profit partecipation, which came to 935,337 thousand euros and has grown by 42.3%. Premiums collected in connection with the index linked and unit linked insurance rises, going from 38,214 thousand euros in 2016 to 79,377 in 2017 (+107.7%). Finally, collections of the Other Life Insurance also increases, going from 2,192 thousand in 2016 to 8,083 thousand in 2017 (+268.8%).

New production amounted to 988,016 thousand euros, an increase of 45.3% compared to 2016. In particular the single and recurring premiums, at 985,372 thousand euros, rose by 45.7%, while annual premiums at 2,644 thousand euros fell by 29.7%.

Technical performance in claims and operating expenses

The technical performance of the non-life segments - direct business - reveals positive results and which are an improvement on the previous year, with reference to the combined ratio, which decreases from 95.80% in 2016 to 94.95% in 2017. An improvement is recorded with respect to the combined defined in the plan of 95.9%.

The total ratio of claims to premiums drops by 2.49 points, going from 69.62% to 67.13%, slightly down on that planned (67.5%).

The cost ratio instead rises from 26.18% to 27.82% (the plan estimated 28.38%).

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

Technical performance	2017	2016	change
Total C/P	67,13%	69,62%	-2,49
Cost ratio	27,82%	26,18%	1,64
Combined ratio	94,95%	95,80%	-0,85

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

(amounts in thousand Euro)

Claims of this period and previous periods/Earned premiums	2017			2016			Difference
Description	Claims pertaining to the period	Premiums pertaining to the period	Claims/ Premiums	Claims pertaining to the period	Premiums pertaining to the period	Claims/ Premiums	Claims/ Premiums
Medical expense insurance	1.761	4.631	38,03%	1.530	2.550	60,00%	(21,97)
Income protection insurance	7.447	23.454	31,75%	4.915	20.691	23,75%	8,00
Motor vehicle liability insurance	176.847	231.254	76,47%	175.575	223.634	78,51%	(2,04)
Other motor insurance	19.893	33.413	59,54%	15.134	30.066	50,34%	9,20
Marine, aviation and transport insurance	1.218	2.223	54,79%	1.588	2.492	63,72%	(8,93)
Fire and other damage to property insurance	22.038	33.827	65,15%	22.873	32.461	70,46%	(5,31)
General liability insurance	14.300	24.026	59,52%	13.769	21.075	65,33%	(5,81)
Credit and suretyship insurance	5.817	15.852	36,70%	5.085	13.789	36,88%	(0,18)
Legal expenses insurance	80	2.283	3.50%	1.049	1.817	57,73%	(54,23)
Assistance	2.391	6.185	38,66%	2.213	5.439	40,69%	(2,03)
Miscellaneous financial loss	1.907	749	254,61%	3.748	1.454	257,77%	(3,17)
Total	253.699	377.897	67,13%	247.479	355.468	69,62%	(2,49)

(amounts in thousand Euro)

Operating expenses incurred/Earned premiums	2017			2016			Difference
Description	Operating expenses incurred	Premiums pertaining to the period	Claims/ Premiums	Claims pertaining to the period	Premiums pertaining to the period	Claims/ Premiums	Claims/ Premiums
Medical expense insurance	1.308	4.631	28,24%	1.067	2.550	41,84%	(13,60)
Income protection insurance	10.014	23.454	42,70%	8.117	20.691	39,23%	3,47
Motor vehicle liability insurance	52.643	231.254	22,76%	47.216	223.634	21,11%	1,65
Other motor insurance	10.855	33.413	32,49%	9.171	30.066	30,50%	1,98
Marine, aviation and transport insurance	649	2.223	29,19%	561	2.492	22,51%	6,68
Fire and other damage to property insurance	13.146	33.827	38,86%	12.716	32.461	39,17%	(0,31)
General liability insurance	9.163	24.026	38,14%	8.320	21.075	39,48%	(1,34)
Credit and suretyship insurance	5.545	15.852	34,98%	4.365	13.789	31,66%	3,32
Legal expenses insurance	614	2.283	26,89%	456	1.817	25,10%	1,80
Assistance	1.204	6.185	19,47%	1.090	5.439	20,04%	(0,57)
Miscellaneous financial loss	-23	749	-3,07%	-15	1.454	-1,03%	(2,04)
Total	105.118	377.897	27,82%	93.064	355.468	26,18%	1,64

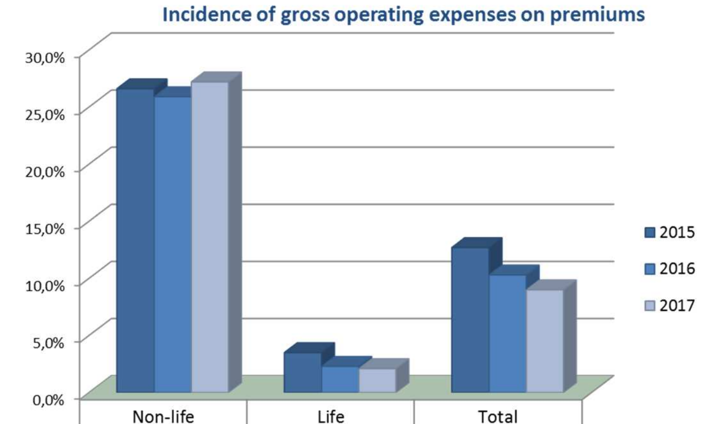
An analysis of the various line of business booked highlights appreciable technical indicators, with a single exception in the form of the line Miscellaneous financial loss, for which the total loss ratio is 254.61%. Please note that the portfolio relating to the guarantee of "job loss" offered to cover salary-backed loans and payment delegations as from 2009, is still in a run-off.

With reference to the most relevant booked segments in terms of premiums written, Motor third party liability insurance has decreased by 2 points in the total claims ratio (from 78.51% to 76.47%).

Direct management expenses overall amounted to 126,538 thousand euros (of which 105,118 for non-life and 21,420 for life) with an increase of 15.9% compared to 2016 in which they stood at 109,226 thousand euros (of which 93,046 non-life and 16,161 life). As a percentage of total premiums, as indicated in the table and graphs below, they fell from 10.3% to 9%; in non-life, the percentage rose by 1.3 points (from 25.9% to 27.2%) whilst in the life class they reduced by 0.2 points (from 2.3% to 2.1%).

(amounts in thousand Euro)

Expenses incurred	2017			2016			Variazione %		
	Non- life	Life	Total	Non- life	Life	Total	Non- life	Life	Total
Administrative expenses	13.578	5.811	19.389	12.437	4.794	17.231	+9,2%	+21,2%	12,52%
Acquisition expenses	50.065	2.987	53.052	45.177	1.940	47.117	+10,8%	+54,0%	12,60%
Overhead expenses	41.475	12.623	54.098	35.450	9.427	44.877	+17,0%	+33,9%	20,55%
Total operating expenses	105.118	21.421	126.539	93.064	16.161	109.225	13,0%	32,5%	15,9%
Expenses to premiums ratio	27,2%	2,1%	9,0%	25,9%	2,3%	10,3%	1,30	-0,20	-1,30
Investment management expenses	1.085	5.127	6.212	1.557	4.787	6.344	-30,3%	+7,1%	-2,08%
Claims management expenses	31.537	930	32.467	29.181	744	29.925	+8,1%	+25,0%	8,49%
Total expenses incurred	137.740	27.478	165.218	123.802	21.692	145.494	0,11	0,27	0,14



	Non-life	Life	Total
2015	26,6%	3,5%	12,7%
2016	25,9%	2,3%	10,3%
2017	27,2%	2,1%	9,0%

A.2.1 Substantial geographic areas and business areas

The Company only performed its business in Italy.

A.3 Investment results

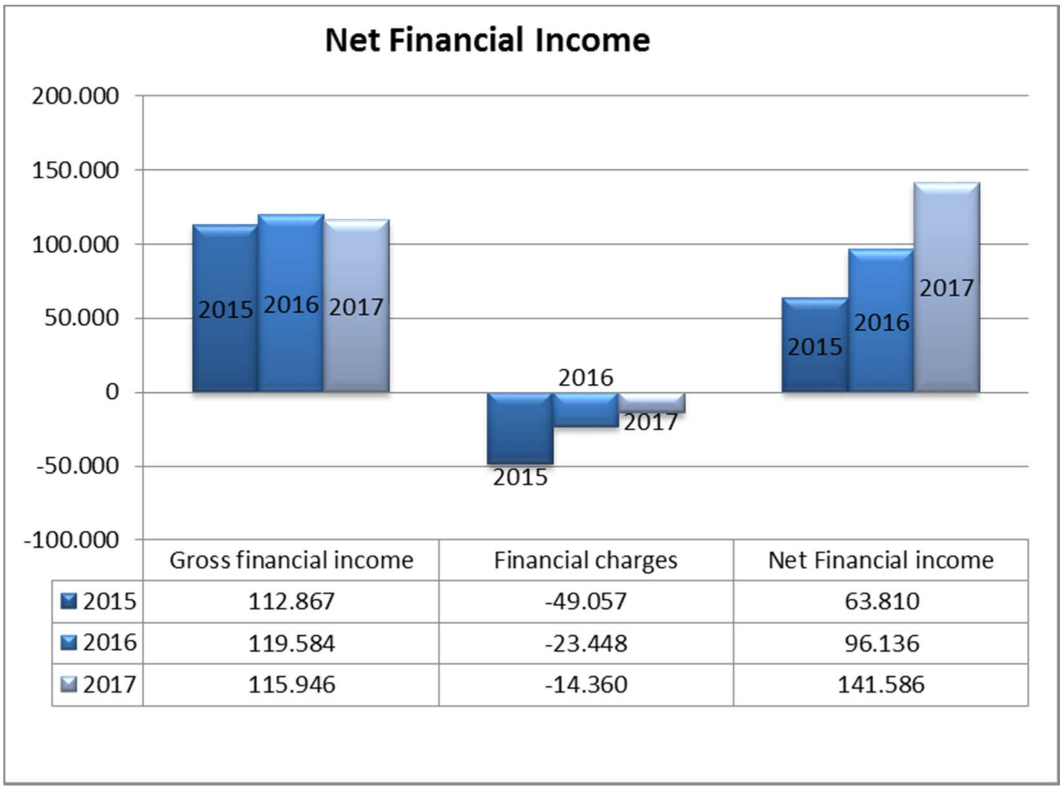
Investments

Investments, excluding Assets held for index-linked and unit-linked contracts, come to 5,383,915 thousand euros, up 1,425,200 thousand euros on the 3,958,715 thousand euros of 2016; the fair value measurement entailed a greater value in the Solvency II valuation with respect to the statutory financial statements of 263,221 thousand euros. Please note that in order to provide a representation of statutory data that is in line with the Solvency II booked values, accrued income on interest, which in the statutory financial statements, as prescribed by ISVAP Regulation No. 22 of 04 April 2008, are stated under item G. Accruals and deferrals, have been reclassified to investments.

(amounts in thousand Euro)

Investments	2017			2016		
	Solvency II value	Statutory accounts value	Difference	Solvency II value	Statutory accounts value	Difference
Property (other than for own use)	1.225	1.085	140	1.241	1.097	144
Holdings in related undertakings, including participations	95.290	82.707	12.583	150.826	141.533	9.293
Equities	**10.061**	**9.489**	**572**	**13.175**	**11.143**	**2.032**
Equities - listed	9.317	8.744	573	12.225	10.193	2.032
Equities - unlisted	744	744	0	950	950	0
Bonds	**5.072.245**	**4.823.288**	**248.957**	**3.755.063**	**3.510.440**	**244.623**
Government Bonds	2.625.666	2.478.824	146.842	1.940.158	1.795.823	144.335
Corporate Bonds	2.436.983	2.335.109	101.874	1.794.584	1.694.573	100.011
Structured notes	9.596	9.356	240	0	0	0
Collateralised securities	0	0	0	20.321	20.043	278
Investment funds	205.005	204.036	969	4.016	3.976	40
Derivatives	89	89	0	0	0	0
Deposits other than cash equivalents	0	0	0	0	0	0
Other investments	0	0	0	34.394	34.394	0
Investments (other than assets held for index-linked and unit-linked funds)	**5.383.915**	**5.120.694**	**263.221**	**3.958.715**	**3.702.582**	**256.133**
Assets held for index-linked and unit-linked funds	**327.111**	**327.111**	**0**	**220.777**	**220.777**	**0**

Net profit from investments at the end of the year amounted to 141,586 thousand euros, compared to 96,136 in 2016, an increase of 45,450 thousand euros (+47.3%). Net profits from investments in life segments come to 114,550 thousand euros (79,525 in 2016, up 35,025 thousand euros), whilst non-life segments record a positive result of 27,036 thousand euros (16,611 thousand euros in 2016, up 10,425 thousand euros).



More specifically, in 2017 greater net ordinary income was recorded on last year for 24,188 thousand euros, of which 23,536 thousand euros life and 652 non-life, greater net realised income for 12,646 thousand euros, of which 7,792 thousand euros life and 4,854 thousand euros non-life and greater income from net valuation for 8,617 thousand euros, of which 3,698 thousand euros life and 4,919 thousand euros non-life.

Extraordinary financial income net of charges shows a positive result of 327 thousand euros, of which 170 thousand life and 157 thousand non-life, 550 thousand euros up on the previous year, when a loss of 223 thousand euros was recorded, of which -298 thousand euros life and +75 thousand euros non-life.

(amounts in thousands Euros)

Income and charges on financial investments	2017			2016			Change		
	Life	Non-life	Total	Life	Non-life	Total	% Life	% Non-life	% Total
a) Income on equities	738	1.160	1.898	979	245	1.224	-24,6%	373,5%	55,1%
b) Income on other investments:									
land and buildings	152	0	152	155	6	161	-1,9%	-100,0%	-5,6%
debt securities and other fixed income securities	98.213	15.434	113.647	74.135	16.187	90.322	32,5%	-4,7%	25,8%
other income	270	368	638	229	343	572	17,9%	7,3%	11,5%
	98.635	15.802	114.437	74.519	16.536	91.055	32,4%	-4,4%	25,7%
c) Write-backs:									
equities	0	14	14	352	352	704	-100,0%	-96,0%	-98,0%
debt securities and other fixed income securities	1.910	0	1.910	2.271	3	2.274	-15,9%	-100,0%	-16,0%
other financial investments	32	334	366	6	1.181	1.187	433,3%	-71,7%	-69,2%
	1.942	348	2.290	2.629	1.536	4.165	-26,1%	-77,3%	-45,0%
d) Gains on the realisation of investments:									
equities	0	0	0	0	0	0	0,0%	0,0%	0,0%
debt securities and other fixed income securities	24.823	23	24.846	16.088	0	16.088	54,3%	0,0%	54,4%
other financial investments	401	12.074	12.475	351	6.700	0	14,2%	80,2%	0,0%
	25.224	12.097	37.321	16.439	6.700	23.139	53,4%	80,6%	61,3%
Total income (A)	126.539	29.407	155.946	94.566	25.017	119.583	33,8%	17,5%	30,4%
a) Management charges:									
equities	78	13	91	261	83	344	-70,1%	-84,3%	-73,5%
land and buildings	273	2	275	276	2	278	-1,1%	0,0%	-1,1%
other financial investments	255	0	255	0	0	0	0,0%	0,0%	0,0%
interest on deposits from reinsurers	857	2	859	846	0	846	1,3%	0,0%	1,5%
general expenses and amortisation	3.664	1.068	4.732	3.405	1.471	4.876	7,6%	-27,4%	-3,0%
	5.127	1.085	6.212	4.788	1.556	6.344	7,1%	-30,3%	-2,1%
b) Value adjustments:									
land and buildings	840	9	849	840	50	890	0,0%	-82,0%	-4,6%
equities	288	147	435	1.928	5.464	7.392	-85,1%	-97,3%	-94,1%
debt securities and other fixed income securities	1.018	570	1.588	4.108	1.319	5.427	-75,2%	-56,8%	-70,7%
other financial investments	358	0	358	13	0	13	2653,8%	0,0%	2653,8%
	2.504	726	3.230	6.889	6.833	13.722	-63,7%	-89,4%	-76,5%
d) Losses on the realisation of investments:									
equities	271	0	271	804	0	804	-66,3%	0,0%	-66,3%
debt securities and other fixed income securities	3.961	560	4.521	2.448	17	2.465	61,8%	3194,1%	83,4%
other financial investments	126	0	126	113	0	113	11,5%	0,0%	11,5%
	4.358	560	4.918	3.365	17	3.382	29,5%	3194,1%	45,4%
Total charges (B)	11.989	2.371	14.360	15.042	8.406	23.448	-20,3%	-71,8%	-38,8%
Net financial income (A-B)	**114.550**	**27.036**	**141.586**	**79.524**	**16.611**	**96.135**	**44,0%**	**62,8%**	**47,3%**
Extraordinary income (C)	170	157	327	698	75	773	-75,6%	109,3%	-57,7%
Extraordinary charges (D)	0	0	0	996	0	996	-100,0%	0,0%	-100,0%
Net extraordinary income (C-D)	170	157	327	-298	75	-223	-157,0%	109,3%	-246,6%
Total net income from investments	**114.720**	**27.193**	**141.913**	**79.226**	**16.686**	**95.912**	**44,8%**	**63,0%**	**48,0%**

Real estate management, limited to the building in Rome via Abruzzi 10, which is the Company's registered office and General Management office, and to the building in Rome via S. Angela Merici 90, reported a negative net result, arising due to amortisation/depreciation, general expenses and write-backs and adjustments of value, equal to -1,068 thousand euros, showing an improvement on 2016.

(amounts in thousands Euro)

Investment income by type of management	2017			2016			Variation		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Property	-1.071	3	-1.068	-1.163	-47	-1.210	92	50	142
Equities	2.574	1.023	3.597	-488	-4.946	-5.434	3.062	5.969	9.031
Bonds	113.684	25.986	139.670	81.561	21.603	103.164	32.123	4.383	36.506
Other investments	-637	24	-613	-386	1	-385	-251	23	-228
Total	**114.550**	**27.036**	**141.586**	**79.524**	**16.611**	**96.135**	**35.026**	**10.425**	**45.451**

The shareholding segment of securities management generated a positive result of 3,597 thousand euros (of which +1,456 thousand euros is the positive result from group societies), against a negative result of -5,434 thousand euros recorded in 2016 (of which +1,032 thousand euros from group societies).

The result of ordinary management of the bond segment generated a positive result of 139,670 thousand euros (of which 341 thousand euros arising from group companies), against a positive result of 103,164 thousand euros recorded in 2016 (of which 342 thousand euros from group companies). Finally, other investments generated a negative result of -613 thousand euros as compared with a negative -385 thousand euros recorded in 2016.

A.4 Other business results

Other revenues

(amounts in thousand Euro)

Other revenues	2017	2016	Variation
Income from Veneto Banca	-	7.264	-7.264
Withdrawal provision for risks on contractual agreements relative to Veneto Banca	9.043	-	9.043
Interest income from cash and cash equivalent	101	546	-445
Income from services	338	2.117	
Income from other insurance related services	431	418	13
Income from releases of other provision	689	983	-294
Other various income	302	144	158
Interest income from reicevables	183	1.386	-1.203
Currency gains	288	2.016	-1.728
Income form figurative rents	921	928	-7
Realized gains on land and buildings	-	4	-4
Extraordinary income for taxes	70	23	47
Non-technical contingent assets	788	364	424
Total	13.154	16.193	-1.260

Other revenues as at 31 December 2017 come to 13,154 thousand euros and are down 1,260 thousand euros on last year.

Other income recorded use of the provision for risks on contractual agreements relative to Veneto Banca, for a total amount of 9,043 thousand euros; the provision had been made as at 31 December 2016 against the risk connected with the failure of events to arise as envisaged in the contractual agreement, which would have resulted in the obligation of the bank to buy back the Veneto Banca shares, like the listing on the stock exchange or failure to renew the exclusive distribution agreement, an event that effectively took place on 31 December 2017. Interest on liquid funds comes to 101 thousand euros, down on the previous year during which it came to 546 thousand euros, as a result of the generalised reduction of interest rates. The use of funds included the withdrawal from the tax provision for 362 thousand euros, made from the provision for doubtful debt due form other intermediaries in the amount of 111 thousand euros, the provision for doubtful debt due from co-insurance companies for 45 thousand euros, the provision for managers' medical expenses for 128 thousand euros and the provision for seniority premium expenses for 43 thousand euros. Interest on loans, of 183 thousand euros, mainly refer to interest income accrued on the loan to agents for reversals. Exchange gains, which are fully realised, come to 288 thousand euros. Recoveries from other companies for foreign claim management competences come to 431 thousand euros. The figurative rent refers to the figurative revenue recorded by the life segments, deriving from the use of the property at via Abruzzi 10, used to manage life by employees of the Company working for non-life segments. Recoveries from third parties for administrative costs and expenses come to 338 thousand euros, of which 334 thousand euros towards group societies; in particular, 319 thousand euros refer to the recovery of the cost of seconded staff and revenues for administrative services provided to subsidiaries, as reported in the table below and 15 thousand euros to the portfolio run-off management service stipulated with the associate International Insurance Company of Hannover.

(amounts in thousand Euro)

Recovery of exepenses from Subsidiaries	2017	2016	Variation
InChiaro Life	15	-	15
InLinea S.p.A.	64	225	-161
HDI Immobiliare S.r.l.	240	251	-11
Total	319	476	-157

Other expenses

Other expenses come to 42,398 thousand euros and are up 24,991 thousand euros on last year. The table below provides details of other expenses compared with last year.

(amounts in thousands Euro)

Other expenses	2017	2016	Variation
Other taxes	447	1.127	-680
Specific allowance for receivables	26.175	98	26.077
Specific allowance for contractual agreement	-	9.043	-9.043
Amortisation of goodwill	3.118	-	3.118
Expenses from allocation of other reserves	18	362	-344
Expenses for services	574	2.203	-1.629
Expenses related to employees	58	-	58
Interest expenses on Subordinated liabilities	4.162	1.857	2.305
Interest expenses	104	242	-138
Credit losses	108	252	-144
Currency losses	4.519	601	3.918
IVASS Sanctions	136	85	51
Expenses from figurative rents	921	928	-7
Specific allowance for seniority bonus and managers' health i	1.211	394	817
Other expenses	48		48
Losses alienation of movable property	101	-	101
Devaluation intangible assets	439	-	439
Contingent liabilities for taxes	148	54	94
No technical Contingent liabilities	111	161	-50
Total	42.398	17.407	24.991

The allowances on receivables is 26,175 thousand euros, of which 26,000 thousand euros for the receivables due from Veneto Banca, subjected to compulsory administrative liquidation on 25 June 2017 and 175 thousand euros for receivables due from intermediaries.

Administrative expenses on behalf of third parties amount to 574 thousand euros and refer to expenses incurred for staff providing services for subsidiaries and third party societies and associates, for which foreign claims are managed; these consists of payroll costs for 522 thousand euros, general expenses for 26 thousand euros, the proportional share of amortisation/depreciation for 7 thousand euros and other expenses incurred on behalf of UCI for 19 thousand euros. Other tax and sanctions are 447 thousand euros. Exchange losses come to 4,519 thousand euros, of which 246 thousand euros realised and 4,273 thousand euros from valuation of securities in the portfolio held in US dollars. The figurative rent refers to the figurative cost recorded by the non-life business, deriving from the use of the property at via Abruzzi 10, used to manage life by employees of the Company working for non-life business. The allowance made for medical managers' expenses and the allowance for seniority premiums are 1,211 thousand euros. Interest expense comes to 4,162 thousand euros and respectively include 2,064 thousand euros and 2,098 thousand euros of interest expense accrued on subordinated loans stipulated by the Banca Sella Group and the shareholder Talanx International.

Finally, other expenses include 3,118 thousand euros of amortisation of goodwill deriving from the merger loss of CBA Vita. Impairment of intangible assets comes to 439 thousand euros and relates to the software formerly used by InChiaro Assicurazioni, which, with the migration of data to the technical systems of HDI Assicurazioni has recorded a permanent loss of value in respect of its lack of future use.

A.4.1 Significant leasing contracts

There are no significant leasing contracts.

A.5 Other information

Period income tax

Period income tax is divided up as shown in the table below:

(amounts in thousands Euro)

Taxes	2017	2016	Variation
IRAP	3.973	1.997	1.976
IRES	1.418	10.864	-9.446
Deferred taxes	8.040	1.203	6.837
Total	13.431	14.064	-633

With reference to IRES, the calculation of tax to be paid is 1,418 thousand euros, of which 5,466 thousand euros deriving from life management and 4,048 thousand euros from non-life; IRAP to be paid comes to 3,973 thousand euros, of which 2,411 deriving from non-life management and 1,562 from life.

Prepaid tax totals 8,040 thousand euros. More specifically prepaid tax assets deriving from increasing tax recoveries for IRES purposes come to 4,080 thousand euros and income for the use of deferred tax recorded in previous years, to 4 thousand euros. Expenses deriving from the use of prepaid tax recorded in previous years comes to 12,101 thousand euros, of which 11,984 thousand euros for IRES and 117 thousand euros for IRAP.

Deferred tax liabilities for the year for IRES purposes come to 19 thousand euros.

Proposed allocation of period result and updated breakdown of shareholders' equity

FY 2017 closes with a positive result of 19,755 thousand euros, of which 4,343 thousand euros for life and 15,412 thousand euros for non-life.

(amounts in thousands Euro)

Period result	Life	Non-Life	Total
Profit 2017	4.343	15.412	19.755

We propose allocating the net result for FY 2017 and making the changes to equity items as indicated below:

- Distribution of the profits of the life (1,400 thousand euros) and non-life (5,600 thousand euros) segments with assignment of a total dividend of 7,000 thousand euros, equal to 0.0072917 euros per share
- Allocation of residual profit of the life segment to non-distributable reserve for the value adjustment of equity investments of the life segments for 304 thousand euros and to the extraordinary reserve for the life segments for 2,639 thousand euros.
- Allocation of residual profits of the non-life segments to non-distributable reserve for the impairment of equity investments in non-life segments for 912 thousand euros and to the extraordinary reserve for 8,899 thousand euros.
- Allocation of the non-distributable reserve for exchange gains in life segments to the extraordinary reserve for life segments for 1,277 thousand euros.

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

(amounts in thousands Euro)

	Life segments			Non-Life segments		
Shareholders' equity	2017	Change	Final balance	2017	Change	Final balance
Share Capital	46.000	-	46.000	50.000	-	50.000
Legal Reserve	9.583	-	9.583	9.617	-	9.617
Non-distributable reserve	1.361	-973	388	265	912	1.177
Extraordinary reserve	63.204	3.917	67.121	34.460	8.899	43.359
Capital injection reserve	-	-	-	5.000	-	5.000
Operating result	4.343	-4.343	-	15.412	-15.412	-
Total	124.491	-1.399	123.092	114.754	-5.601	109.153

(amounts in thousands Euro)

	Total HDI Assicurazioni		
Shareholders' equity	2017	Change	Final balance
Share Capital	96.000	-	96.000
Legal Reserve	19.200	-	19.200
Non-distributable reserve	1.626	-61	1.565
Extraordinary reserve	97.664	12.816	110.480
Capital injection reserve	5.000	-	5.000
Operating result	19.755,00	-19.755	-
Total	239.245	-7.000	232.245

B

Governance system

SECTION B. GOVERNANCE SYSTEM

The section provides general information and an overall assessment of the Company's Governance System with respect to its risk profile. Here, a description is given of the roles and responsibilities of the corporate bodies and "key functions".

The section also provides general information on the remuneration policy and procedures intended for the administrative body and strategic persons, as well as in respect of the requirements of fit and proper defined by specific policies and applicable, according to a consolidated process, to those managing the business and playing essential roles.

An extensive disclosure is also given on the Company's Internal Control System and the Risk Management System.

Finally, as regards outsourced activities, the outsourcing policy adopted is described along with the Company's main suppliers carrying out essential or important activities.

B. Governance system

B.1 General information about the Governance System

The HDI Assicurazioni S.p.A. Corporate Governance System is structured according to the indications given by the Supervisory Authority IVASS and the Solvency II Directive, which require all insurance and reinsurance firms to have an effective system of governance that enables prudent business management.

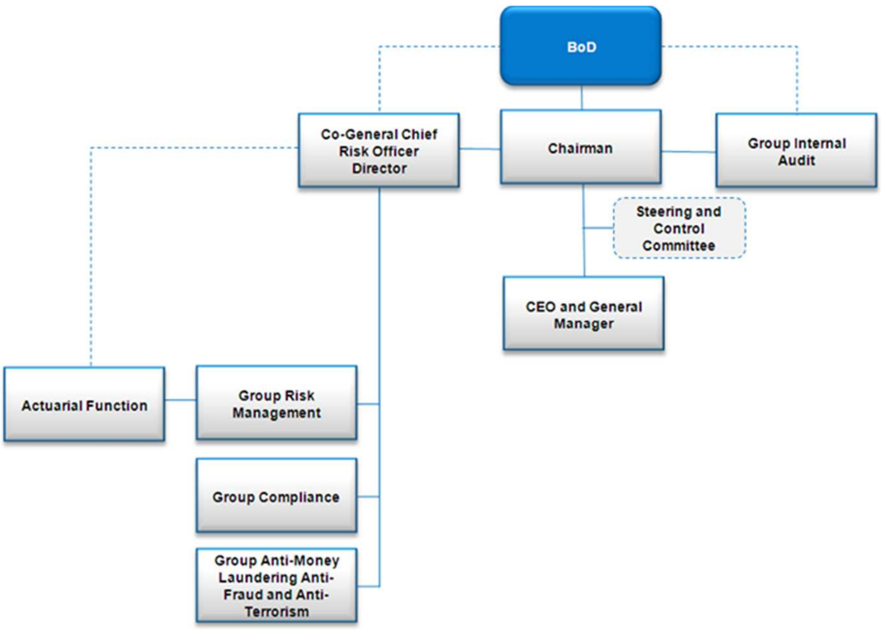
The Company adopts a traditional governance system according to the definition given by Italian legislation, and envisages:

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

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

As at 31.12.2017, the Company has an organisational structure consisting of a General Management and three Deputy General Managements, overseeing the whole of the operative area (technical, commercial, administrative, IT, services and resources) and a Joint General Management/Chief Risk Officer, who functionally oversees the whole area of level two controls and answers to the Board of Directors.

The figure below shows the main corporate functions involved in the Company's governance system.



B.1.1 Structure of the governance system

a) Decision-making bodies: Shareholders’ Meeting

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

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

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

b) Administrative bodies: Board of Directors

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

The Board of Directors in charge as at 31/12/2017, was appointed by the Shareholders' Meeting on 28 April 2015 for the three years 2015/2017. Originally numbering 8 members, it was supplemented and made up to 9 members in the meeting held on 16 December 2015. The Shareholders' Meeting held on 26 April 2018 will appoint the Company’s new Board of Directors.

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

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

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

The formal functional requirements are also defined in the Articles of Association under *Art. 18 Board of Directors: Meetings* and *Art. 19 Board of Directors: Quorum to hold session and pass resolutions*; in

short, it establishes that the Board is convened three days before the meeting; attendance may also be by telecommunications systems; and that resolutions are valid if half of its members in office, plus one, are in attendance and if the majority of attending members vote in favour.
As a matter of consolidated practice, and also in accordance with the practice adopted by the German group HDI VaG, to which the Company belongs, the Board is convened at least seven days prior to the meeting by means of a notice that details the topics to be discussed (agenda); documentation relevant to each topic is also sent within the same seven-day term (save for exceptions), both in English and Italian, so as to enable the directors to express their will at the Meeting, having been properly and adequately informed.
In the interim between Board meetings senior management and Directors frequently engage in direct talks, exchanges of documents and conference calls, including with the Statutory Auditors, free of formal procedural rules, allowing the Directors to be constantly in touch with the Company's day-to-day life; according, the Board's proceedings and resulting resolutions represent the final, formal outcome of an appropriate, careful decision-making process.

The Board convenes at least five times a year, based on a calendar decided by the same Board, usually in September of the year before; additional extraordinary meetings are convened by the Chairperson where required.
In summary, the Board adequately performs all of its functions and fulfils all of the duties with which it is tasked, especially as concerns the duties established by ISVAP Regulation No. 20 as subsequently amended and supplemented.

More specifically, the Board: approves the draft financial statements submitted for review by the Shareholders' meeting; approves the half-yearly economic and equity positions; defines the strategic guidance, the development and investment plans and annual budget; examines and approves operations of particularly great economic and equity importance, particularly if performed with related parties or characterised by potential conflict of interest and reports promptly - including through the Chairman or Managing Director - to the Board of Auditors on its work and these operations.

With specific reference to the business organisation, the Board of Directors also:

- approves the organisational structure of the company and the assignment of tasks and responsibilities to operative units, ensuring that they remain suitable over time, so as to be able to adapt them promptly to any changes to the strategic objectives and reference context in which it operates; the organisation is formalised in the chart of duties/company organisational chart, as in force each time;
- defines the directives regarding the internal control system, which, in order to adapt it to the evolution of company operations, it reviews at least once a year;
- ensures that it guarantees, by virtue of these formalisation, an appropriate segregation of duties;

- approves the system of delegated powers and responsibilities, avoiding excessive concentration of powers with one individual, and putting in place tools for checking the exercise of the delegated powers;
- verifies that the internal control and risk management system is consistent with the strategic guidelines and risk appetite established and is able to follow the evolution of corporate risks and interaction between them;
- in this regard, checks that Senior Management correctly implements the internal control and risk management system according to the directives issued and that they assess its functionality and adequacy;
- therefore asks to be regularly informed about the efficacy and adequacy of the internal control and risk management system and to be informed about the most critical matters in a timely manner;
- approve the current and prospective risk evaluation policy;
- determines the company's risk appetite;
- approves the risk management policy and, in line with it, the underwriting, reserving and reinsurance policies and other techniques used to mitigate risk as well as operational risk management;
- approves the reporting policy to the IVASS;
- approves the outsourcing policy;
- approves the policy for the assessment of the possession of requirements of suitability for the charge, in terms of fit and proper for subjects appointed to fulfil administrative, managerial and control duties as well as the managers of control functions or, if the latter should be outsourced, internal contact persons or parties responsible for the control of outsourced activities.

As at 31.12.2017, there were no Internal Committees (i.e., consisting solely of Directors) with delegated decision-making powers.
In line with the business culture that privileges teamwork and with the aim of achieving maximum organisational efficiency, there is a consolidated system of committees in place in the Company, dedicated to different activities and assigned different purposes and that, as applicable, are made up of Managers and Heads of Function. They generally operate on an advisory basis, making recommendations and suggestions.

It shall be noted, for completeness, that the following Committees do exist; all members of the first three are Managers:

1) Steering *and Control Committee:* brings together the Company's Senior Management, as envisaged by the regulations of the Insurance market Authority.

2) *Steering Committee:* chaired by the Managing Director/General Manager, it consists permanently of all Company Managers.

3) *Risks Committee:* constituted to implement an efficient and effective governance of corporate risks, with a view to the progressive strengthening of the structures in charge of the internal control and risk management system. The Risks Committee also performs the duties assigned to the Underwriting Committee, fulfilling the requirements as laid down by the current underwriting policy.

4) *Level II Control Functions Committee:* established to guarantee consistency in the control functions' activities, in order to achieve an effective and efficient system of interrelations and cooperation through the creation of synergies and the elimination of duplicate activities.

5) *Finance-ALM Committee:* assists the Managing Director/General Manager in the operational and tactical management of assets, supporting him in the choices of investment and disinvestment in securities and in the management of liquidity deriving from operative and financial cash flow.

6) *Guarantee Committee:* aims to implement the provisions of regulations, laws and corporate provisions regarding the management of relations with public entities/public administrations and/or private entities, with specific regard to the implementation of effective controls over the technical-underwriting business of the Credit and Guarantee Line of business.

c) Auditing bodies: Board of Statutory Auditors

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

The Board of Auditors was appointed on 28.04.2015 and numbers three standing members and two alternates appointed by the Shareholders' Meeting; they shall remain in office for three financial years, after which they may stand for re-election.

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

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

The Shareholders' Meeting held on 26 April 2018 will appoint the Company's new Board of Auditors.

d) The Senior Management

In compliance with the guidelines provided by the Board of Directors, the responsibility for implementing, maintaining and monitoring the internal control and risk management system lies with the Senior Management, consisting of the Managing Director, the General Manager, as well as all Senior Executives with supervisory roles.

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

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

B.1.2 Roles and responsibilities of the key functions

The Solvency II regulations, which came into force on 1 January 2016 and the related transposition regulations, require the Company to have a governance system able to guarantee healthy, prudent management. This governance system is based on a clear separation of responsibilities and must be proportional to the nature, scope and complexity of the Company.
Moreover, in accordance with the definitions given by legislation, the Company has also established four essential “key” functions: Group Internal Audit, Group Risk Management, Compliance and Actuarial Function.
Additionally, in accordance with ISVAP Regulation no. 41 of 15 May 2012, the Company has established an independent Anti-Money Laundering, Anti-Terrorism and Anti-Fraud Function.

Internal Audit

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

Group Risk Management

The **Group Risk Management** Function is functionally dependent on the Joint General Manager Chief Risk Officer. The Group Risk Management Function is divided into three organizational units: Qualitative and Reporting Risk Management, Quantitative Risk Management of Non-Life business and Quantitative Risk Management of Life and Finance business. The Group Risk Management Function defines and implements over time a suitable system for identifying, assessing and controlling risks pertaining to the Group’s activity that could jeopardize its solvency and/or compromise the achievement of objectives. It ensures protection for the operational risk management processes and the development of tools and methodologies for the quantification of risks, including methodologies relating to stress on the main risk factors, reporting the outcomes thereof to the Board of Directors and to the Senior Management. It supports the Board of Directors in defining and updating the Risk and Governance Policies, liaising closely with the competent functions, and in defining the operating limits concerning Non-Life, Life and Finance business, at the same time checking observance thereof and identifying any mitigation measures if they are exceeded. It is responsible for checking consistency between the operating limits and the risk appetite defined by the Board of Directors. It ensures adequate risk reporting to the Board of Directors, Senior Management and Risk Committee. It is responsible for quantifying capital requirements in line with the new Solvency II system, reporting to the Board of Directors the results. It is responsible for the assessment, in terms of impact on the Group’s solvency, of the launch of new products or of the opening to new market segments. It ensures the production and forwarding to the Authority the information required by the legislation on topics within its competence. It supports the Board of Directors in developing a culture of risk and control within the Company. From the point of view of risk, it assesses the business strategies defined in the plan and supports the Board of Directors in defining the Risk Strategy and the Risk Budget. It is the contact for the holding company Talanx and the parent company Talanx International AG for the monitoring and management of risks to which the Company is exposed in accordance with the group guidelines. It is responsible for coordinating the assessment and prospective capital adequacy activities of the Company by estimating capital requirements on the basis of business strategy and the ORSA process, preparing the related report to the Supervisory Authority and the Talanx Group. It is responsible for coordinating the activities aimed at preparing the Solvency II Budget and, in close collaboration with the competent functions, preparing the reports envisaged under Pillar III, both quantitative and qualitative, with regards to the National Supervisory Authority, the Talanx Group and the Market.

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

Actuarial Function

The main responsibility of the **Actuarial Function** is to coordinate the calculation of the Solvency II Technical Provisions, to guarantee the suitability of the underlying methods and models used and the hypothesis on which the calculation of the technical reserves is based and to express opinions, critical issues and recommendations in connection with the Underwriting Policy and the Reinsurance treaties. The Actuarial Function also helps effectively apply the Risk Management System.

Compliance Function

The **Compliance Function** is responsible for ongoing identification of the rules applicable to the Company and assesses their impact on company processes and procedures. It assesses the suitability and the effectiveness of the organizational measures adopted for the prevention of non-compliance risk and proposes procedural improvements to the affected functions and Organization in order to ensure adequate risk control. It assesses the effectiveness of the organizational adjustments resulting from the suggested changes. It prepares suitable information flows on the activities for which it is competent.

Group Anti-Money Laundering, Anti-Terrorism and Anti-Fraud Function

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

B.1.3 Communication flows and connections between the Control functions

In order to guarantee an effective, efficient system of interrelations and collaboration between the Control functions, by means of a suitable exchange of information flows, the Level II Control Functions

Committee has been established, which meets regularly, once a month, and is the place assigned for continuous interaction and functional integration of the various functions.

The continuous collaboration between the functions and the control bodies also takes place through:

- attendance of the Risks Committee meetings;
- the sharing of information in a dedicated network folder, to which all control function members have access, which acts as a repository for the documentation produced by the function.

Interactions between the various control functions and corporate bodies, albeit not entirely, take place through:

- attendance, as guest, of the Joint General Manager/Chief Risk Officer of the meetings of the Board of Directors;
- preparation by the Compliance Function of a half-yearly report for the Corporate Bodies and an annual report, providing a final presentation of the activities relating to the overseeing of the non-compliance risk; the Compliance department also makes the reports showing the results of the controls performed available to the company structures concerned, for their information;
- preparation by the Risk Management function of a specific standardised report on corporate risks for the Board of Directors, showing the result of the stress tests carried out, the respective underlying assumptions and the control of any overshoots of the limits established by the Board of Directors;
- the expression by the Actuarial Function of an opinion for the Board of Directors on the global underwriting policy, the reinsurance policy for Life and Non-life segments and the reliability and adequacy of the calculation of the Technical Provisions;
- preparation by the Group Anti-Money Laundering, Anti-Terrorism and Anti-Fraud Function of reports to the Corporate bodies (Board of Directors and Board of Auditors) and Senior Management (Guidance and Control Committee) on the results of the verifications/activities and their related reports;
- preparation by the Internal Audit Function for the Board of Directors (intervening directly in the meetings at least once every six months), with reports on the outcome of their activities, on which, moreover, they also provide to the Board of Auditors and Senior Management with due information. Should there be any particularly serious situations, or significant findings, an immediate report is made to the Board of Directors and the Board of Auditors.

B.1.4 Changes to the Governance System

In 2017, no substantial changes were made to the Company's governance system.

B.1.5 Remunerations Policy

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

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

The HDI Assicurazioni remuneration policy, defined annually by the Board of Directors, also ensures that the remuneration system is coherent with healthy, prudent risk management, avoiding incentives that may encourage the various company players to run risks that are not coherent with the long-term interests of the company. The alignment of the company’s remuneration policies with the long-term objectives also strengthens the protection of shareholders, insured parties and, more generally, all stakeholders.

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

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

whereby the sums credited can be returned when they are disbursed on the basis of non-permanent or ineffective results due to fraudulent conduct on the part of the employee assigned the objectives.

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

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

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

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

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

B.1.6 Substantial operations with stakeholders

In 2017, no substantial operations with stakeholders are recorded, apart from the distribution to the shareholder Talanx International AG of dividends from the Life segments for 6,600 thousand euros.

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

In line with the provisions of ISVAP Regulation no. 20, as subsequently amended and supplemented, the Company has prepared a framework policy on the suitability to office according to requirements of professionalism, honour and independence that the subjects effectively directing the company or who hold other essential offices, must meet. This policy aims to define suitable organisational and procedural measures by which to circumscribe and minimise the reputational risk. Its addressees are:

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

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

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

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

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

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

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

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

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

- *Subjects assigned key functions:*

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

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

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

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

- *Subjects assigned other functions:*

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

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

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

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

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

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

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

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

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

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

B.3.1 Risk Management System

The Company has the following priority objectives:

- to increase profitability and create value;
- to optimise the use of capital;
- to optimise the cost of capital;
- to safeguard customers;
- to make the most of strategic opportunities and, at the same time, to analyse and manage risks that may potentially affect the Company.

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

The HDI Assicurazioni "Risk Management Framework" policy approved by the Board of Directors and updated from time to time, defines a reference framework for the Risk Management System examining the risks intrinsic to the Company's business, there outlining strategies and objectives, analysis methods, controls, measurement and reporting systems.

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

The system objectives are defined in the business and risk strategies and are subject to continuous revision. The figure below defines and summarises all elements of the HDI Assicurazioni Risk Management System.

The risk strategy forms the starting point for the HDI Assicurazioni implementation of risk management and is an integral part of corporate action. It defines the meaning of the term risk used specifically for HDI Assicurazioni, establishes the strategic objectives relative to risks and provides a description of the instruments used to manage them.
The approach to risk taken by HDI Assicurazioni, in analogy with the Talanx Group, is holistic. This means that the term "risk" is used to refer to the entire range of positive and/or negative random events that may affect the Company's budget values or the expected results. In this vision, with reference to the Risk Management System, the negative random results are particularly important, which the Company interprets as a possibility of not being able to achieve over time, with serious, continuous repercussions, the implicit and explicit objectives established.
In these terms, the primary objective for the Risk Management System is to protect the economic capital of the Company and Group. This presupposes an aware management of risk according to criteria of materiality, considering the legal and regulatory reference framework and avoiding the assumption of risks that do not create value of the Company and the Talanx Group. The Risk Management System covers the minimum risks to be included in calculating the solvency capital requirement pursuant to Article 101 of the Solvency II Directive (solvency calculation) and the reputational and emerging risks that are completely or partially excluded from this calculation.

Careful management and continuous monitoring of potential risks are therefore essential to avoiding any creation of substantial losses that may risk the Company's continuity, at the same time making the most of any opportunities that may arise.
The strategic management of the Risk Management System is defined by the interaction of the *Business Strategy*, the *Risk Strategy* and the *Risk Bearing Capacity.* The strategy defines which risks are accepted under the scope of the business model reference framework and establishes the conditions for the organisational framework of risk management.

The ***Business Strategy*** document defines the guidelines regarding the HDI Assicurazioni approach to the Italian retail market on which the company operates, the guidelines to market approach, the strategy for winning new business and launching new products and the risk control strategy with which the Company's Business and Sales functions have to comply in devising the guidelines for commercial, technical and insurance policy and for identifying, monitoring and mitigating risks. Through the Business Strategy and consequent strategic planning, the Board of Directors outlines the future approach for the Company, whose strategic objective is to create long-term value, to be achieved through continuity of business, financial solidity and sustainable, profitable growth.

The ***Risk Strategy*** derives from the Business Strategy and in the specific policy the Company defines the reference framework for evaluating strategic decisions, considering aspects and risk assessments associated with the business. The main aim is to safeguard compliance with strategic objectives, considering the potential intrinsic risk positions.

The ***Risk Bearing Capacity*** describes the capacity of the Company to bear losses deriving from the risks identified. In compliance with the HDI Assicurazioni Risk Management Framework, the risk bearing capacity is the capital eligible to hedge risks or "eligible own funds".
Considering that the risk strategy defines the Company's strategic risk objectives, reflecting the risk tolerance established by the Board of Directors, imposing risk tolerance, the Board of Directors implicitly defines the minimum share of the risk bearing capacity that must be available to hedge risks, so as to avoid compromising on business objectives.

Compliance with strategic objectives is guaranteed by defining operative risk measures. Under the scope of the operative limits relative to the Company's business management, the Board of Directors also defines the risks that the Company does not believe it will assume, just as under the scope of the Investments Policy, it establishes the operative limits linked to the assets.
The knowledge acquired through the Risk Management System defined by the Company ensure that at all times, we have an overview of the current and prospective risk situation. This information is therefore an important element in the decision-making process on all management levels and allows for a complete analysis of the opportunity and related risks.

The Risk Management Function, just like all other functions involved in the Risk Management System, uses appropriate models and processes that are based on recognised, advanced methods both in terms of the identification, quantification and control of risks and to determine the risk capital required. In line with that progressively defined by the Talanx Group and with current regulations, the scope of action and minimum standards for the Risk Management System are continuously implemented and improved. Moreover, the Internal Control System, regulated by specific Guidelines, aims to make risks and controls transparent in all business processes, managing them proactively.
The risk management processes are the basic component of the Company's Risk Management System, in line with the similar system of the parent company Talanx International AG, and are functional to their identification, analysis, assessment, treatment such as risk reporting. The structure of activities regarding these processes has been defined by the Risk Management Function in agreement with the other company functions involved in the system, in line with the provisions of Solvency II regulations, the current ISVAP Regulation no. 20, as subsequently amended and supplemented, and in compliance with the guidelines issued by the Talanx Group.The process underlying the HDI Assicurazioni Risk Management System is structured into the following phases:

- **Identification of risks**, which consists of the collection of the information necessary to identify and classify the significant risks for HDI Assicurazioni through a detailed analysis of internal and external factors that may negatively impact the capacity to achieve the objectives set. The identification of risks may involve the use of historic data, theoretical analyses and expert opinions. The risk identification process is carried out at least on an annual basis and is coordinated by the Risk Management Function. The results obtained and methods used are described in a specific document submitted to the attention of the Risks Committee, Senior Management and the Company's Board of Directors.

- **Risk analysis**, which consists of the process aiming to understand their nature and determine risk level. This analysis constitutes a basis for risk assessment and decisions regarding how they should be treated. Risk analysis also includes an estimate of risk.
- **Risk evaluation**, which consists of the development of methodologies aimed at measuring the impact that risks may have in terms of capital absorption, and it therefore presupposes that the potential loss has been quantified according to a confidence interval defined on an ex-ante basis. Risk evaluation assists the decision-making process regarding the method by which they should be treated. HDI Assicurazioni has established a process of quantification of risks inherent in the corporate business which which occurs quarterly. The method applied to date consists of the assessment of the capital requirement in terms of Solvency II, measured by means of the application of both the market-wide Standard Formula and the internal model of the Talanx Group, used for strategic purposes, as well as using Undertaking Specific Parameters to assess the Non-life underwriting risk. This therefore offers a complete overview of the Company's solvency position. The assessment is conducted on the basis of a “Value at Risk” (VaR) with a confidence level of 0.5%, equivalent to a ruinous event every 200 years. This means that there is a 99.5% probability that the possible loss estimated by applying this model will not be exceeded. The studies carried out are aimed at monitoring the asset absorption of the risks borne by the Company. At every study done, assessments must be made with regard to:
  - ✓ capital requirements;
  - ✓ capital adequacy;
  - ✓ changes in capital requirements since the previous study; and
  - ✓ “what if” analysis of specific risk factors;
  - ✓ assessment of the sufficiency of the minimum capital requirements for the individual life and non-life managements.

For each risk factor, stress test analyses and reverse stress tests are carried out in order to quantify the impacts on the economic and equity situation of any adverse performance of certain exogenous risk factors which cannot be controlled by the Company. Stress tests are conducted periodically, at least annually, directly by the Risk Management Function, with the support of the competent operating units depending on the risk factor considered. The Risks Committee analyses the results of stress tests carried out, assessing whether there is any need to take corrective actions to lessen exposure to risks considered to be inconsistent with the policy adopted by the Company. The results of the stress tests performed are also submitted for the attention of the Board of Directors, highlighting details of the underlying hypotheses applied in the analyses and any mitigation actions proposed with respect to adverse trends of particular risk factors.

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

B.3.2 Own Risk and Solvency Assessment (ORSA)

The Company has a specific ORSA (Own Risk and Solvency Assessment) system in place, also in line with the requirements of the Talanx Group, the last step of which is the preparation of the specific Report envisaged.

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

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

The individual risks to which the Company is exposed can be calculated coherently with the following forecasting methods:

- Scaling;
- analytical.

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

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

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

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

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

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

- as the consequence of a merger/acquisition process;
- for significant external events, such as a significant change in the financial markets, insurance disasters, significant changes in the regulation and legislation;
- each time an event sparks an extraordinary planning of the business in the medium-term, such as, merely by way of example:
    - set-up of new business lines/divisions aperture to new market segments;

- significant changes in product and investment strategy;
- changes to the risk tolerance limits approved or reinsurance agreements;
- portfolio transfers;
- significant changes in asset allocation;
- changes that determine internal escalation mechanisms within the group;
- significant changes caused by financial markets and natural disasters;
- substantial legal changes.

B.3.2.1.1 Integration of the Risk Management System into the organisational structure and decision-making processes of the business

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

- the risk strategy, under the scope of which tolerance to risk and risk limits are also determined;
- the identification of risks, carried out through a risk self-assessment by the Risk Management Function, under the scope of which, amongst others, the following is considered:
  - core business;
  - the strategic plan in force with special attention paid to the internal and external scenario;
  - the results of the qualitative assessments performed for non-quantifiable risks
  - the results of controls and assessments performed by other level two and three functions;
  - equity forecasts and principles of capital allocation.

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

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

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

B.4 Internal control system

HDI Assicurazioni's internal control system, defined by the Board of Directors, consists of a set of rules, procedures and organizational units aimed at ensuring that the Company functions properly and performs well, as well as at ensuring the following, with a reasonable margin of safety:

- the efficiency and efficacy of company processes;
- adequate risk control;
- the reliability and integrity of accounting and management information;
- asset protection;
- the compliance of the company's activity with applicable legislation, directives and company procedures.

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

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

- compliance with legal, regulatory, supplementary, sector-specific, contractual and internal rule requirements;
- correct fulfilment of company business;
- protection of equity;
- protection of appropriate, reliable accounts;
- prevention of exposure to misappropriation;
- special attention to tangible risks;
- efficiency and effectiveness in the monitoring and prevention of risks or business processes;
- correctness in the viewing of activities, the financial position, profits and the risk situation.

The aim of the Internal Control System is to make the risks and controls transparent in all the key business processes and to manage them proactively. Its correct functioning prevents situations from arising in which the risk tolerance level is exceeded, thus ensuring the normal conduct of company operations.

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

- ✓ *level one controls*, which represent the first "line of defence"; these are carried out by individual users when going about the operative processes they are assigned, and by the managers of the operative structures. The managers of the operative structures are responsible for identifying, assessing, processing and monitoring the risks intrinsic to the business processes;

- ✓ *level two controls*, which represent the second "line of defence", comprising the functions that guarantee an adequate application of the system on a higher level and assist the operational functions; they include the Group Risk Management, Group Compliance, Group Anti-Money Laundering, Anti-Terrorism and Anti-Fraud and Actuarial Functions.
- ✓ *level three controls*, which constitute the third line of defence and, as independent and objective, head the Group's Internal Audit Function. Internal Audit observes the effectiveness and efficiency of the Internal Control System as a whole, and the Risk Management and Compliance process and system, using the related audit activities. Level three controls also include those performed by the Supervisory Body established in accordance with Italian Legislative Decree no. 231/2001.

The internal control system in HDI Assicurazioni

B.4.1 Compliance Function

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

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

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

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

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

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

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

- <u>Fundamental activities:</u>
  - continuous, evolutionary identification of the scope of regulations relevant to the company;
  - analysis of the sources of regulation included in said scope with reporting of requirements set out therein as regards needs and specific conduct expected, complete with evidence of the policies, procedures and company processes impacted;
  - assessment as regards the compliance of the current organisational structure and policies, procedures and processes in force by means of checks performed with a view to noting any misalignment or situations where binding regulatory requirements are not entirely implemented and to provide evidence of the level of risk connected with each *vulnus* noted;
  - simultaneous proposal of corrective interventions able to ensure an effective overseeing of the compliance risk noted;

- monitoring over time of the areas that are most sensitive in terms of exposure to compliance risk;
- follow-up checks with a view to checking the suitability, timeliness and effectiveness of any corrective action taken by the operative functions, in the implementation of recommendations made during compliance assessment;
- annual preparation of a document formalising the planning of activities to be carried out during the reference year and relative presentation to the corporate bodies, after communication to Senior Management;
- preparation and transmission of suitable flows of information to the corporate bodies and other company structures involved.

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

B.5 Internal Audit Function

The HDI Assicurazioni Internal Audit Function constantly monitors the system of internal controls, in order to assess their effectiveness and efficiency and the need for any updates. This activity includes supporting and advising other company functions.
The HDI Assicurazioni S.p.A. Organisational Chart assigns the Function the following objectives:
"*It defines a suitable audit programme, and ensures its implementation, to verify the adequacy and efficacy of the internal control system, the reliability and integrity of data and information, and compliance of practices with policies, plans, procedures, laws and regulations. It also draws up and proposes any necessary corrective and/or improvement measures, and checks that such measures are correctly implemented. It ensures adequate reporting to the Board of Directors, Board of Auditors and Senior Management, at least once every six months*
Internal Audit checks:

- management processes;
- organisational procedures;
- the regularity and efficiency of information flows between company sectors;

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

As at 31.12.2017, the Internal Audit Function consists of its Manager, Andrea De Gaetano, appointed by the Board of Directors on 30 September 2008 and two resources.

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

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

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

B.5.1 Independence and objectivity of the Internal Audit Function

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

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

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

B.6 Actuarial Function

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

Below is a summary of the tasks assigned to the Actuarial Function by the Board of Directors, as also described in the specific policy it approved on 27 July 2017, in compliance with regulatory and business requirements:

- Assessment of the sufficiency and quality of data used in the calculation of the Technical reserves (Art. 30-sexies, paragraph 1 c) of the Private Insurance Code);
- coordination of the calculation of the Technical reserves (Art. 30-sexies, paragraph 1 a) of the Private Insurance Code) and guarantee of suitability of the underlying methods and models used and the hypotheses underlying the calculation of the Technical Reserves (Art. 30-sexies, paragraph 1 b) of the Private Insurance Code);
- expression of an opinion on the company's underwriting policy (Art. 30-sexies, paragraph 1 g) of the Private Insurance Code), which provides an independent assessment, analysing the risk factors that may affect the Company's results, in line with the strategic objectives, based on continuity, financial solidity, sustainable, profitable growth, consequently focussing on the creation and increase of value over time;
- expression of an opinion on the suitability of the company's reinsurance agreements (Art. 30-sexies, paragraph 1 h) of the Private Insurance Code) in order to verify the suitability of the risk limitation and portfolio balance strategy;
- contribution towards the effective application of the Risk Management System, in particular with reference to the modelling of the risks behind the calculation of the solvency capital requirements and the internal risk and solvency assessment (ORSA) (Art. 30-sexies, paragraph 1 i) of the Private Insurance Code);
- monitoring of all risk areas that may affect the correct, effective management of risks in the scope of the mandate, even if not included in ordinary planning;
- follow-up audits on the process of calculating the Technical reserves, on the Underwriting policy and reinsurance agreements;
- requirements envisaged by IVASS Provision no. 53 of 06/12/2016, namely:
    - ➢ assessment of the adequacy of the technical reserves relative to life segments, according to the local standards and drafting of the related technical report;

- assessment of the adequacy of the technical reserves relative to the compulsory third party liability insurance of vehicles and boats, according to local standards and drafting of the related technical report.

The activities carried out by the Actuarial Function and related controls and results are documented in the Actuarial Function Report addressed to the Board of Directors (Art. 30-sexies, paragraph 1 e) of the Private Insurance Code) and sent, for their information, to the Risks Committee and Steering and Control Committee.

Please note that, by way of further assurance of the Function's independence, the reports for which the Actuarial Function is responsible are sent the Board of Directors directly through the Joint General Manager/Chief and not through the Risk Management Function.

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

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

Moreover, in connection with the calculation of the "Undertaking Specific Parameters" (USP), the Actuarial Function, in application of the standards pursuant to Article 30-sexies, paragraph 1, letter i) of the Code, contributes towards the assessments that result in the identification of the USPs and those relating to their determination (paragraph 5 of IVASS Regulation 11/2015) and the consistency checks of the input data used to calculate the USPs, which must be the same or in any case consistent with that used to calculate the technical provisions (paragraph 4, IVASS Regulation 11/2015).

B.7 Outsourcing

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

The term "outsourcing" means the agreement between the Company and a supplier, even if not authorised to carry out the insurance business, on which basis the supplier carries out a duty or activity that would otherwise be done by the Company itself. ISVAP Regulation no. 20 as subsequently amended and supplemented, identifies the activities to be outsourced into three specific areas:

a) Outsourcing of "essential, important" activities;
b) Outsourcing of the Internal Audit, Risk Management and Compliance Functions;
c) Other outsourcing.

No distinction is drawn between outsourcing assigned to companies within the Group or to companies external to the Group (defined as third parties).

On principle, any type of duty/activity can be outsourced, apart from risk assumption activities, as long as:

- the nature and quantity of the activities outsourced and the methods of assignment do not transform the assignor company into an empty box;
- the responsibilities assigned to the corporate bodies and Senior Management are not assigned to the supplier;
- the control and monitoring of the duties/activities outsourced are not also outsourced.

The company governance processes (e.g. strategic planning, management control, organisation, etc.) cannot be outsourced.

The choice to outsource functions/activities may only be made after having performed both a qualitative and economic assessment of the costs and benefits of outsourcing with respect to internal management.

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

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

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

The Risk Owner responsible for the duty/activity to be outsourced, checks that outsourcing is the best option with respect to internal management, assessing both economic aspects (cost/benefits analysis) and qualitative issues (level of service, flexibility, etc.).
More specifically, the Risk Owner documents its assessment of the overall situation of the risk connected with the outsourcing, identifying the potential associated risks, including operational risks.

The Risk Management Function assesses the effect generated by the outsourcing on the Company's risk profile, on the basis of the risk assessment documented and signed by the Risk Owner and provides the Risks Committee with a specific disclosure on this, so that they can take the appropriate action.

The Legal Business Support Function, with the assistance of the Organisation and Processes Function, offers support in classifying the activities to be outsourced according to the different types defined by the specific outsourcing policy. The Risk Owner and Legal Business Support and Risk Management Functions classify an activity as "essential and important".

If duties/activities are outsourced that are considered as essential/important or associated with tangible risks, the Risk Management Function sends an assessment of the effects of the outsourcing on the Company's risk profile to the Steering and Control Committee, which is the party ultimately responsible for the decision as to whether or not to outsource.

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

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

In the event of outsourcing, the Risk Owner selects the supplier according to that defined on the matter in the specific Policy and thereafter checks the requirements of honour, professionalism, reliability and financial solidity of the supplier chosen.

The Risk Owner constantly monitors and controls the activities outsourced in order to ensure the continuity of activities in the event of interruption or serious deterioration of the quality of service offered by the supplier. More specifically, the performance of the duties/activities outsourced, must be suitably monitored over time and must be integrated into the risk management system processes.

The regular, continuous assessment of the supplier is based on specific analyses and criteria, namely:

- reports of service indicators, showing the service levels supplied, indicating and explaining any discrepancies with respect to that established by contract;
- analysis of economic-equity indicators on the basis of annual and interim reports of the supplier;
- significant news on the supplier published in mass communication media.

The analyses and assessments of risk must be regularly updated to consider any changes and, where necessary, the outsourcing must be halted promptly. The Risk Owner is responsible for assessing the scope of changes occurring, defining any additional controls on the outsourcing.
As part of the verification of the suitability and effectiveness of the internal control system, the Internal Audit Function carries out specific audits by which to assess the suitability of the controls performed on the duties/activities outsourced.

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

Supplier name	Essential outsourcing or important outsourcing	Supplier's registered office
NEXI S.p.A	Administrative Service for the management of pension funds and use of Fondip - website for adhesions to the Pension Fund	Corso Europa 18 - - 20122 Milan
Almaviva SpA	Facility management services contract	Via di Casal Boccone 188/190 - 00137 Rome
Hitachi Systems CBT S.p.A.	Supply of IT services	Via Francesco Patrizio da Cherso, 30 – 00143 Rome
Bucap SpA	Deposit, storage, optical acquisition and hard copy materials management or warehouse management service	Via Innocenzo XI, 8 – 00165 Rome
Hitachi Systems CBT SpA	Dematerialisation service and storage of document flows between agencies and the management	Via Francesco Patrizio da Cherso, 30 – 00143 Rome
CSP SpA	Applications operational management contract	Centro Direzionale Isola G1 - 80143 – Napoli

B.8 Adequacy of the governance system

In light of that described in this document, the organisational measures adopted by the Company to oversee the risks to which it is exposed, are considered suitable.
The Risk Management System and internal control system, in their structure into roles, processes and activities are suitable to guaranteeing the prevention and mitigation of risks that can be verified, so as to safeguard the Company. This is, moreover, backed up by the results of the activities carried out by the control functions during FY 2017.
More specifically, in light of the foregoing activities, we note that, as a whole, the Company has a fair level of awareness as regards the correct management of the risks to which it is exposed.

C

Risk profile

SECTION C. RISK PROFILE

The following section of the report describes the substantial risks to which the Company is exposed, broken down according to risk modules.

The following information is supplied:

- a description of the measures used to assess said risks;
- any risk concentration;
- the mitigation techniques sued;
- the methods used, hypotheses formulated and results of the stress tests of analyses of sensitivity to risk.

C. Risk profile

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

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

With particular reference to the Non-Life risk module, the evaluation is made through the use of Undertaking Specific Parameters (USP), in accordance with art. 45-sexies of the CAP, for the following areas of activity:

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

The Company does not transfer risks to SPVs.

C.1 Underwriting risk

The HDI Assicurazioni Underwriting Policy defines the rules and standards with which the Company must comply under the scope of the underwriting of risks in the various insurance branches; it also includes the assumption limits for life and non-life, established by the Board of Directors, and lists the risks excluded (risks to be avoided).

Under the scope of the risk control process, once a month, the Risk Management Function monitors compliance with said limits and supports the Board of Directors in its definition/revision of such.

The Company's Actuarial Function gives its opinion in a written report, published at least once a year, depending on the obligations envisaged, formulating an opinion on the global underwriting policy considering the profitability analysis, and assesses the coherence of pricing and the assumption practice.

Life insurance technical risks

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

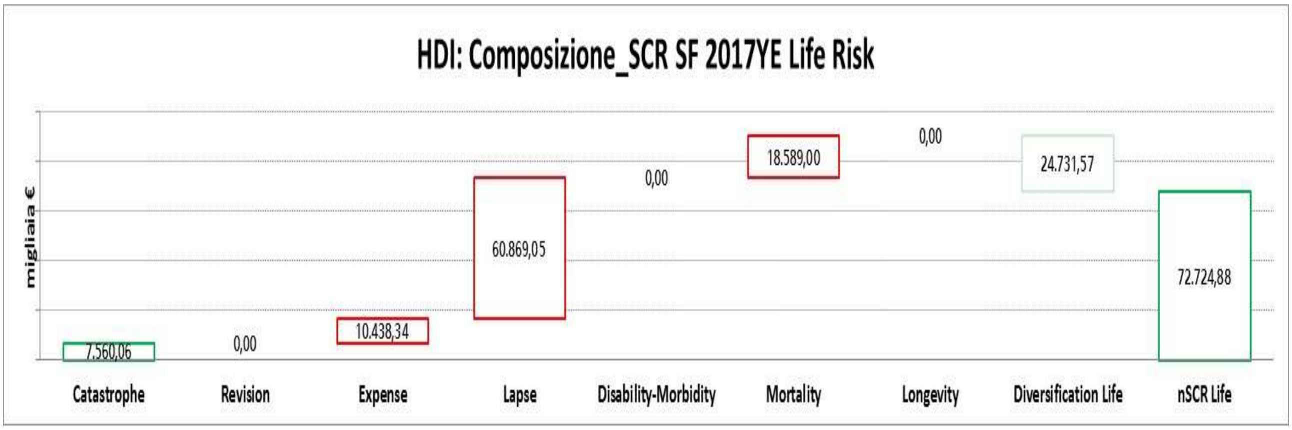
The Life technical risks in Solvency II terms, to which the Company is exposed, are:

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

In the Life business, the main aim is to protect and develop the standard of life of people at all stages of their individual and family growth. Therefore, the Company's offer focusses in particular on the marketing of traditional insurance products and those designed to cover mortgages and salary-backed loans, for the most part comprising re-evaluable products linked to the financial returns of segregated management.

Assessments are performed net of cessions under reinsurance.

The results obtained as at 31/12/2017 are shown in the graph below:



Exposure to the life underwriting risk as at 31/12/2017 is not particularly critical in terms of the basic capital requirements.

The main risk is the lapse risk, the SCR of which is 84% of the Life Insurance Technical Risk.

Risk concentration

There are no particular concentrations in terms of the Life underwriting risk.

Risk attenuation techniques

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

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

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

1. EXCESS (risk premium)
2. QUOTA (commercial premium)
3. QUOTA SHARING (risk premium).

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

Sensitivity analysis:

For the life underwriting risk, the Company has carried out sensitivity analysis on significant risks, deriving from the process of identifying risks on the consolidated data. Specifically, these sensitivity have been performed for the lapse risk in a scenario with an increase in the probability of redemption equal to 50%. The relative change in basic own funds is about 6.67%.

Non-life insurance technical risks

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

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

- Tariff and reservation risk: the risk of loss or unfavourable change in the value of the insurance liabilities, deriving from oscillations relating to the time of occurrence, the frequency and severity of the insured events and the time at which they take place and the amount of claim liquidations;
- Lapse risk: the risk of loss or unfavourable change in the value of the insurance liabilities, deriving from the use of options that may be exercised by the insured party, which have a significant impact on the contracted commitments;
- Catastrophe risk: the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of the assumptions in the determination of premiums and

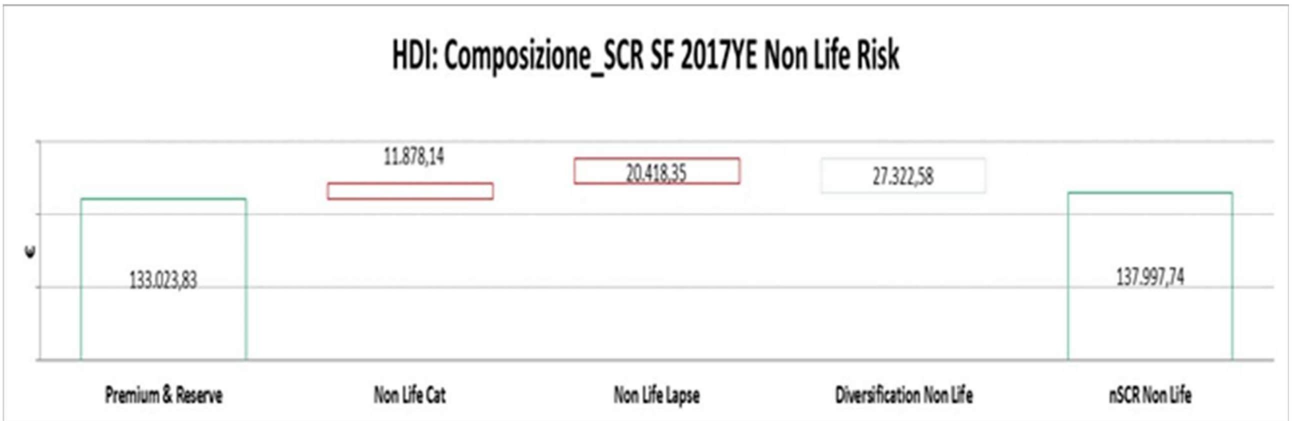
establishment of reserves related to extreme or exceptional events, as well as major epidemics or an unusual accumulation of risks seen in these extreme circumstances.

For the Company's non-life business, in line with the national context, the motor third-party sector is the main class, accounting for approximately 60,2% of the total volume of non-life class premiums (figures as at December 2017); the motor range is then completed by cover relative to miscellaneous auto risks ("CVT"), which account for approximately 9.2%.

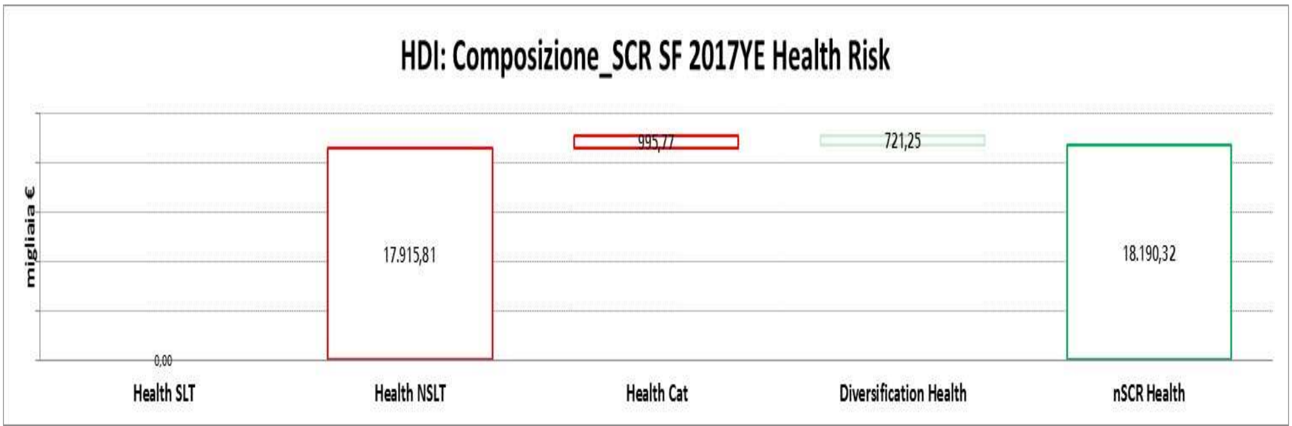
To complete the Non-life offering, the Company also proposes products meeting the personal insurance needs of professionals and small and medium sized enterprises, with lines dedicated to home and property protection and health.

Assessments are performed net of cessions under reinsurance.

Below are the results as at 31/12/2017 for the non-life underwriting risks:

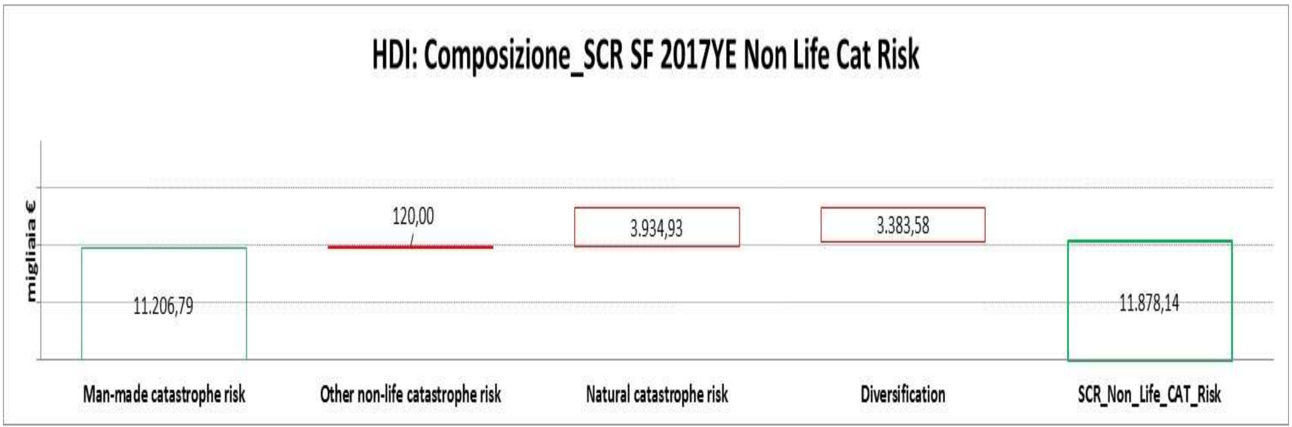


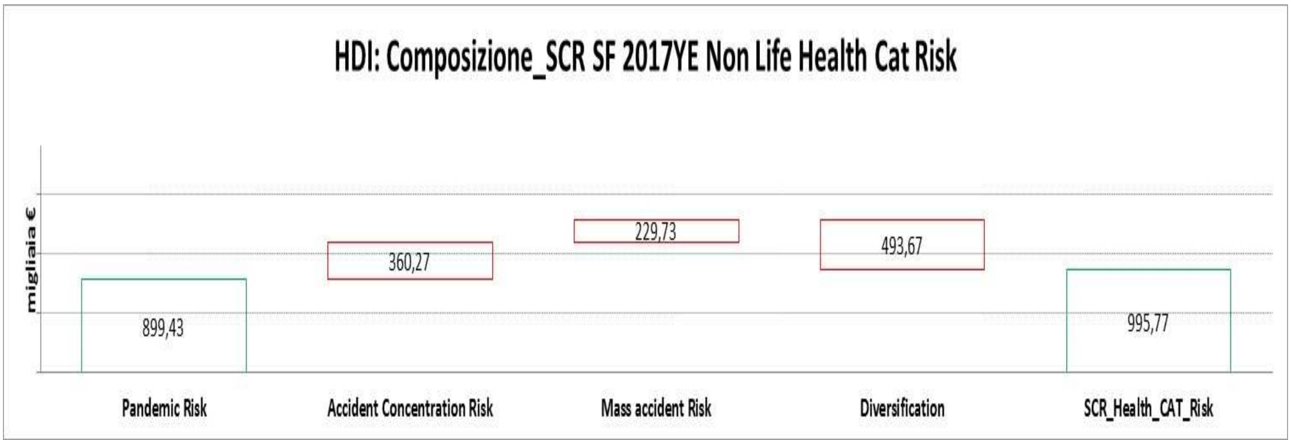
The results for health underwriting risks are instead given in the graph below:



Exposure to the non-life and health underwriting risk as at 31/12/2017 is not particularly critical in terms of the basic capital requirements.

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





Exposure to the catastrophe non-life and health risk as at 31/12/2017 is not particularly critical in terms of the basic capital requirements.

The main underwriting risk to which the Company is exposed is the tariff risk and damages reservation risk.

Risk concentration

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

Risk attenuation techniques

As regards the techniques used to attenuate the non-life and health risk, Senior Management is authorised to stipulate compulsory or optional traditional reinsurance contracts, both proportionally and non-proportionally, whilst non-traditional reinsurance and/or finance contracts are not provided for and future stipulation of such contracts is subject to prior approval by the Board of Directors.

With the exception of the Deposits, Legal Protection, Assistance segments and some specific forms of insurance connected with the Injury and Health segments, the cover that best suits the Company's need for balance tends to be non-proportional. Despite this, when non-life cover is connected to life cover or mortgages or other loans, proportional cover is also sought.

Sensitivity analysis:

For the Non life and Health underwriting risk, the Company carried out sensitivity analysis on significant risks, deriving from the process of identifying risks on the consolidated data.

In particular, the scenario was tested with and without the application of specific parameters (USP) to the MVL, OMI, FODP and GLI line of business.

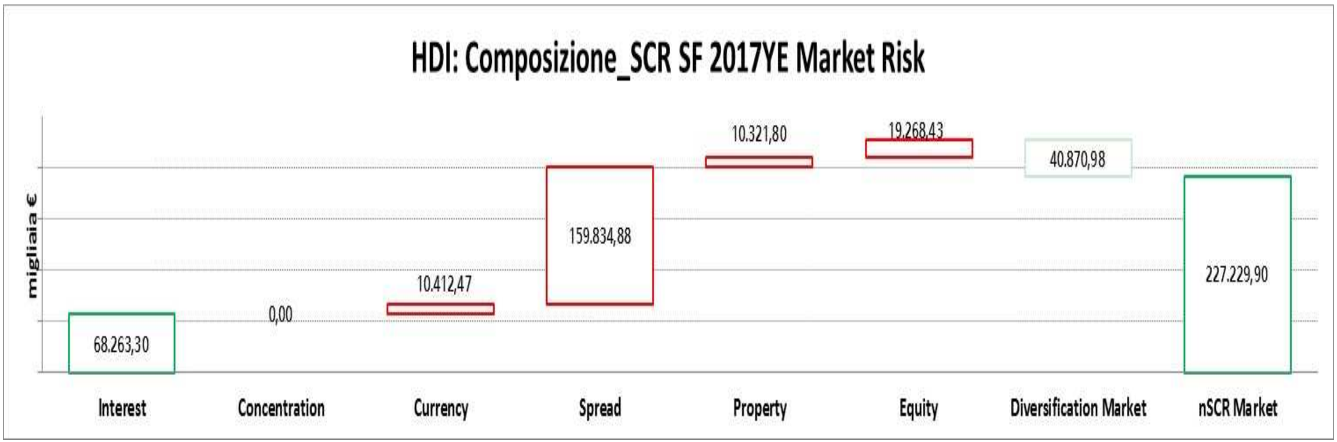
In this context, without the application of the USPs there was an deterioration in the Solvency Ratio around 21 points (from 174.5% to 153.8%). The relative change in basic own funds is about -2.16%.

C.2 Market risk

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

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

The results obtained using the Standard Formula as at 31/12/2017 are shown in the graph below:



The main risk is the spread risk, the SCR of which is 70% of the market risk.

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

Risk concentration

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

Risk attenuation techniques

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

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

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

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

Sensitivity analyses

For the market risk, the Company carried out a sensitivity analysis on the significant risks deriving from the risk identification process. Specifically, the analyzes concerned the main market risks. The following table shows the impact on own funds:

Risk	Sensitivities	% Variation on Own Funds
Equity	30%	-2,03%
Equity	-30%	-2,20%
Interest	50 bp	1,47%
Interest	-50 bp	-8,06%
Interest	100 bp	2,95%
Interest	-100 bp	-17,67%
Spread	100 bp	-19,92%
No Volatility	-4 bp	-3,05%
USP		0,00%
Lapse	50%	-8,83%

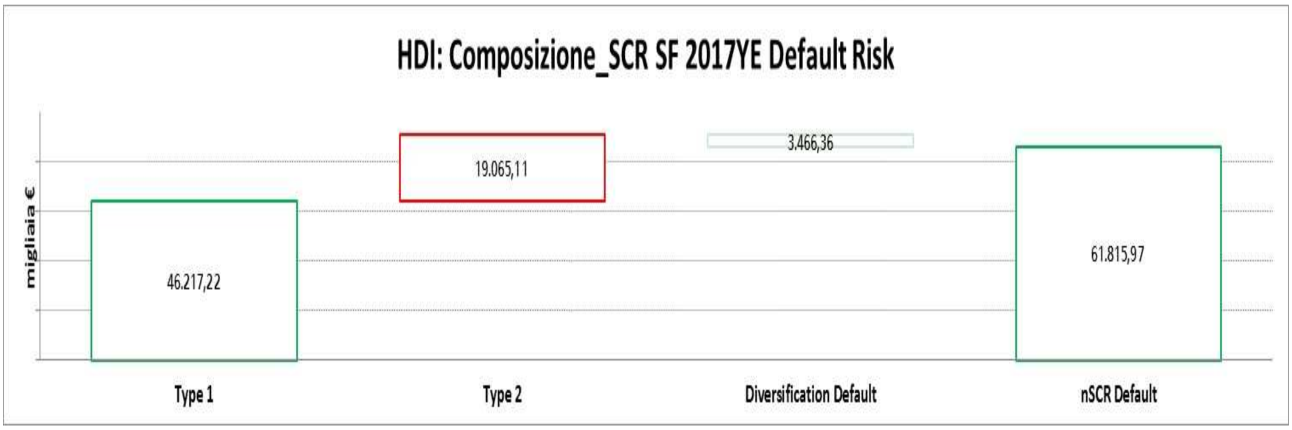
Specifically, the impact of the sensibility 'No Volatility' shows a deterioration in the Solvency Ratio from 174.5% (with Volatility Adjustment) to 173.1% (without Volatility Adjustment).

C.3 Credit risk

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

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

Below is the value of the Solvency Capital Requirement relative to the Credit Risk as at the competence of 31/12/2017.



Risk concentration

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

Risk attenuation techniques

An initial measure taken to mitigate this risk is the partner selection process, mainly based on assessing credit rating and diversification.
More specifically, in order to select reinsurance partners, specific limits and conditions are resolved and set out in the Outward Reinsurance Guidelines approved by the Board of Directors, in line with the provisions of 2005 ISVAP Circular no. 574/D.
The verification of the consistency of the risk mitigation achieved through the reinsurance strategies defined and criteria used to select reinsurers is an integral part of the Company's "risk management system", for which the ultimate party responsible is the Board of Directors in terms of completeness, function and effectiveness.
The Risk Management team annually monitors the limits approved.
The Actuarial Function expresses an opinion at least once a year, in the form of a written report, by virtue of the obligations envisaged, formulating an opinion on the adequacy of the reinsurance agreements.

C.4 Liquidity risk

The term "liquidity risk" is used to mean the risk the Company may incur when it needs to meet cash commitments (envisaged or unexpected) and available funds do not suffice.
The onset of these conditions may generate costs both due to the forced realisation of capital losses, given the need to dispose of investments, and the access to the credit market at unfavourable conditions.
Timeliness and adequacy in dealing with economic commitments must be assured both in conditions of ordinary administration and in stress tests.

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

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

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

Once a month, in compliance with 2016 IVASS Regulation no. 24, the Company also checks respect of the limits set out in the Investment Guidelines for the liquid funds held, applied to all assets without distinguishing between portfolios.

- The results are then submitted to the examination of the Board of Directors, which, if necessary, can take further corrective actions or actions to mitigate the risk.

Please note that in 2017, no particular critical issues were revealed.

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

Risk concentration

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

C.5 Operational risk.

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

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

No significant concentrations are seen on this risk.

As at 31/12/2017, the SCR relative to operational risk is 52,481 thousand euros.

C.6 Other substantial risks

Substantial risks not specified in the paragraphs above include the concentration risk and "other risks". The Company has defined in a specific "Group Risk Concentration Policy", approved by the Board of Directors, the methods for identifying and assessing the concentration risk as well as the relative limits of operation.

In this policy, the concentration risk categories identified regard the following direct and indirect exposures:

1. Outsourcing;
2. Contagion or membership of a group;
3. Receivables due from individual counterparties or reinsurers and retrocessionaires;
4. Market risks;
5. Natural disasters.

"Other risks" are instead described in the "Other Risk Policy" approved by the Board of Directors, which can be summarised as follows:

- *strategic risks*, defined under the scope of European regulations as the current or potential risk of an impact on revenues or capital deriving from incorrect business decisions, improper implementation of said decisions or poor reactivity to changes in the reference sector;
- *reputational risks*, defined as risks that are connected with possible damages to the reputation of a business, as the consequence of a negative public perception (e.g. amongst customers, business partners, shareholders, authorities, etc.) deriving, amongst others from the increase in conflicts with insured parties, also due to the poor quality of services offered, the placement of inadequate policies or conduct by the sales network;
- *emerging risks*, which represent the new future risks for which there is no certainty as to the scope and effects and which therefore may be difficult to assess, such as, for example, risks connected with nanotechnology, genetically modified organisms or climate change;
- *non-compliance risk*, which represents the risk of incurring judicial or administrative sanctions, of incurring losses as a result of non-compliance with laws, regulations or provisions of the Supervisory Authority or self-regulatory provisions. To protect this potential risk, since 2008 the Company has structured a specific function (Group Compliance).
- *risks connected with outsourced activities*, which are considered in the internal control and risk management system: to this end, the Board of Directors has defined a specific outsourcing policy in line with current legislation.

The evaluation of this type of risk is mainly linked to the suitability of their monitoring and their detection is part of the standard risk identification process.
For some of these, as it is not possible to determine a quantitative assessment, they must be assessed in qualitative terms, through the opinion of experts who, where possible, evaluate the probability of onset and the relevant impact in qualitative terms, as far as possible.
According to our assessments, these risks do not increase the solvency requirements prospectively.

C.7 Other information

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

Company solvency assessment

SECTION D. SOLVENCY ASSESSMENTS

This section provides information on the assessment of the assets, technical provisions and other liabilities, as reported in the Solvency II financial statements. For each item, a comparison is given between the assessments used on the statutory financial statements (in compliance with national standards) and the Solvency II financial statements.

A quantitative and qualitative explanation is then given of any material differences between the bases, the methods and the main hypotheses used for Solvency II assessment and those used for the assessment of the balance sheet on the annual financial statements.

D. Company solvency assessment

D.1 Valuation of assets

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

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

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

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

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

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

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

(Amounts in thousands of EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Goodwill		24.947	-24.947
Deferred acquisition costs		0	0
Intangible assets	0	13.695	-13.695
Deferred tax assets	0	45.207	-45.207
Pension benefit surplus	0	0	0
Property, plant & equipment held for own use	38.587	31.431	7.156
Investments (other than assets held for index-linked and unit-linked contracts)	**5.383.915**	**5.120.694**	**263.221**
Property (other than for own use)	1.225	1.085	140
Holdings in related undertakings, including participations	95.290	82.707	12.583
Equities	**10.061**	**9.488**	**573**
Equities - listed	9.317	8.744	573
Equities - unlisted	744	744	0
Bonds	**5.072.245**	**4.823.289**	**248.956**
Government Bonds	2.625.666	2.478.824	146.842
Corporate Bonds	2.436.983	2.335.109	101.874
Structured notes	9.596	9.356	240
Collateralised securities	0	0	0
Collective Investments Undertakings	205.005	204.036	969
Derivatives	89	89	0
Deposits other than cash equivalents	0	0	0
Other investments	0	0	0
Assets held for index-linked and unit-linked contracts	327.111	327.111	0
Loans and mortgages	**10.062**	**9.488**	**574**
Loans on policies	0	0	0
Loans and mortgages to individuals	8.535	7.961	574
Other loans and mortgages	1.527	1.527	0
Reinsurance recoverables from:, Reinsurance recoverables from (ECB Reclassification adjustments column)	**54.767**	**71.685**	**-16.918**
Non-life and health similar to non-life	**31.160**	**40.306**	**-9.146**
Non-life excluding health	30.393	38.186	-7.793
Health similar to non-life	767	2.120	-1.353
Life and health similar to life, excluding health and index-linked and unit-linked	**22.577**	**31.379**	**-8.802**
Health similar to life	168	168	0
Life excluding health and index-linked and unit-linked	22.409	31.211	-8.802
Life index-linked and unit-linked	1.030	0	1.030
Deposits to cedants	0	0	0
Insurance and intermediaries receivables	78.242	78.242	0
Reinsurance receivables	3.446	3.446	0
Receivables (trade, not insurance)	87.936	87.936	0
Own shares (held directly)	0	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	0
Cash and cash equivalents	359.062	359.062	0
Any other assets, not elsewhere shown	1.805	1.805	0
Total assets	**6.344.933**	**6.174.749**	**170.184**

Total assets on the Solvency II financial statements amount to 6,344,933 thousand euros as compared with the 6,174,749 thousand euros on the statutory financial statements, thereby revealing a greater value of 170,184 thousand euros.

(Amounts in thousands EUR)

Liabilities	Solvency II value	Statutory accounts value	Difference
Technical provisions - non-life		868.015	0
Technical provisions - non-life (excluding health)	**781.439**	**830.138**	**-48.699**
TP calculated as a whole	0	0	
Best estimate	751.542	0	
Risk margin	29.897	0	
Technical provisions - health (similar to non-life)	**29.011**	**37.876**	**-8.865**
TP calculated as a whole	0		
Best estimate	28.467		
Risk margin	544		
TP - life (excluding index-linked and unit-linked)		4.522.628	
Technical provisions - health (similar to life)	**213**	**213**	**0**
TP calculated as a whole	0		
Best estimate	210		
Risk margin	3		
TP - life (excluding health and index-linked and unit-linked)	**4.488.147**	**4.522.415**	**-34.268**
TP calculated as a whole	0		
Best estimate	4.412.619		
Risk margin	75.528		
TP - index-linked and unit-linked	**320.174**	**327.111**	**-6.937**
TP calculated as a whole	0		0
Best estimate	309.555		309.555
Risk margin	10.619		10.619
Other technical provisions		0	0
Contingent liabilities	0	0	0
Provisions other than technical provisions	3.909	4.262	-353
Pension benefit obligations	7.339	7.113	226
Deposits from reinsurers	28.974	28.974	0
Deferred tax liabilities	47.988	0	47.988
Derivatives	0	0	0
Debts owed to credit institutions	**0**	**0**	**0**
Financial liabilities other than debts owed to credit institutions	**0**	**0**	**0**
debts owed to non-credit institutions	**0**	**0**	**0**
Insurance & intermediaries payables	70.509	70.509	0
Reinsurance payables	1.000	1.000	0
Payables (trade, not insurance)	19.406	19.406	0
Subordinated liabilities	**85.328**	**85.379**	**-51**
Subordinated liabilities not in BOF	0	0	0
Subordinated liabilities in BOF	85.328	85.379	-51
Any other liabilities, not elsewhere shown	1.108	1.108	0
Total liabilities	**5.884.545**	**5.935.504**	**-50.959**
Excess of assets over liabilities	**460.388**	**239.245**	**221.143**

Total liabilities on the Solvency II financial statements amount to 5.884.545 thousand euros as compared with the 5,935,504 thousand euros on the statutory financial statements, thereby revealing a lesser value of 50.959 thousand euros. In all, therefore, the surplus assets with respect to liabilities on the Solvency

II financial statements amount to 460.388 thousand euros as compared with the 239,245 thousand euros on the statutory financial statements, thereby revealing a greater value of 221.143 thousand euros.

D.1.1 Intangible assets

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Goodwill		24.947	-24.947
Deferred acquisition costs		0	0
Intangible assets	0	13.695	-13.695

In accordance with Art. 12 of Del. Reg. 2015/35, the companies record goodwill and intangible assets at zero. Intangible assets other than goodwill can be different to zero as long as the assets can be sold separately or the value can be shown of a similar asset. In line with the regulatory provisions, the Company values both goodwill and intangible assets at zero, as it is not possible to identify them and separate them out from the business context, nor indeed assign them a specific market value. On the statutory financial statements, the respective values are 24,947 and 13,695 thousand euros, thereby showing a valuation difference with respect to the Solvency II financial statements, of an equal amount.

D.1.2 Deferred tax assets

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Deferred tax assets	0	45.207	-45.207

(Amounts in thousands EUR)

Liabilities	Solvency II value	Statutory accounts value	Difference
Deferred tax liabilities	47.988	0	47.988

In accordance with Art. 15 of Del. Reg. 2015/35, deferred tax assets (or DTA) other than those deriving from tax losses or unused tax credits and deferred tax liabilities (or DTL) are calculated on the basis of the difference between the values of the assets and liabilities measured in compliance with the Solvency II standards and corresponding tax values.

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

Prepaid and deferred tax is measured separately for IRES and IRAP purposes, according to the tax rates expected to be applied in the year in which the temporary differences will be cancelled out. In accordance with IAS 12, criteria has been met to offset the deferred tax assets deriving from the application of the Solvency II standards against the statutory prepaid tax, which totals 45,207 thousand euros, of which 43,950 for IRES and 1,257 for IRAP. The table below shows the deferred tax assets and liabilities calculated on the Solvency II adjustments; the balance is shown in the case in point as deferred tax and amounts to a total of 93.195 thousand euros, of which 72.572 thousand euros for IRES recorded as reducing the corresponding DTA and 20.623 for IRAP, recorded net of the corresponding DTA in the DTL. We therefore have deferred tax liabilities on the Solvency II financial statements amount to 47.988 thousand euros.

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

(Amounts in thousands EUR)

Solvency II adjustments	Gross amount	Deferred tax	Net Amount
Intangible assets	-38.641	11.909	-26.732
Property	7.296	-2.248	5.048
Participations	12.582	-194	12.388
Investments	251.072	-77.380	173.692
Net Technical provisions – Non-Life	48.419	-14.923	33.496
Net Technical provisions – Life	33.432	-10.304	23.128
Subordinated liabilities	51	-16	35
Provisions other than technical provisions	353	-109	244
IAS 19	-226	70	-156
Total	**314.338**	**-93.195**	**221.143**

D.1.3 Property, plant and equipment for own use

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Property, plant & equipment held for own use	38.587	31.431	7.156

This item includes assets, plants, machinery and equipment, as well as the property used to go about the company's business. In the statutory financial statements, tangible fixed assets are entered at cost and systematically depreciated on a straight-line basis, according to their residual possible use, starting from when they are ready for use. In accordance with Solvency II standards, properties and other tangible fixed assets must instead be measured at fair value. More specifically, for property, the adjustment to fair value was calculated with reference to the appraisal prepared to determine the current value as at 31 December 2017, requested from a qualified professional in compliance with the criteria pursuant to Art. 20 of ISVAP Regulation no. 22 of 04 April 2008. The fair value of property is determined using two different appraisal procedures, according to the type of property to be valued: the market comparison approach (MCA) and discounted cash flow analysis (DCFA). For each property, the specific characteristics were considered, namely the type of property and architectonic features, intended purpose, size, position, type of use, possibility of leasing or sale, the type of occupation and all other factors significant in terms of the market segmentation and choice of the valuation method.

The difference between the Solvency II value of the properties (37,646 thousand euros) and the statutory value (30,490 thousand euros) is 7,156 thousand euros.

For other tangible fixed assets, the value stated on the statutory financial statements, of 941 thousand euros, was considered as representative of fair value.

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D.1.4 Properties (not for own use)

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Property (other than for own use)	1.225	1.085	140

This item includes properties held not for the business operation but rather by way of investment. In accordance with Solvency II, investment property must be measured at fair value. Adjustment to fair value, just as for property for own use, was calculated with reference to the appraisal prepared to determine the current value as at 31 December 2017, requested from a qualified professional in compliance with the criteria pursuant to Art. 20 of ISVAP Regulation no. 22 of 04 April 2008.

The difference between the Solvency II value (1,225 thousand euros) and the local value (1,085 thousand euros) is 140 thousand euros.

D.1.5 Equity investments

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

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

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

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

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

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

(Amounts in thousands EUR)

Holdings in related undertakings, including participations	Solvency II value	Statutory accounts value	Difference
HDI Immobiliare S.r.l.	74.434	63.857	10.577
InLinea S.p.A.	1.045	1.045	0
InChiaro Life Dac	19.811	17.805	2.006
Total participations Solvency II	**95.290**	**82.707**	**12.583**

D.1.6 Equity securities, bonds, mutual investment funds and other investments

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Equities	**10.061**	**9.488**	**573**
Equities - listed	9.317	8.744	573
Equities - unlisted	744	744	0
Bonds	**5.072.245**	**4.823.289**	**248.956**
Government Bonds	2.625.666	2.478.824	146.842
Corporate Bonds	2.436.983	2.335.109	101.874
Structured notes	9.596	9.356	240
Collateralised securities	0	0	0
Collective Investments Undertakings	205.005	204.036	969
Derivatives	89	89	0
Deposits other than cash equivalents	0	0	0
Other investments	0	0	0

A comparison of the Solvency II financial statements values and those given on the statutory financial statements reveals a greater value of 573 thousand euros with reference to equity instruments, 248,956 thousand euros for bonds and 969 thousand euros for mutual investment funds.

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

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

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

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

(Amounts in thousands EUR)

Investment	Level 1	Level 2	Level 3	Total
Equities - listed	9.317	0	0	9.317
Equities - unlisted	0	0	744	744
Government Bonds	1.936.605	689.061	0	2.625.666
Corporate Bonds	1.939.738	493.531	3.714	2.436.983
Structured notes	0	9.596	0	9.596
Collateralised securities	0	0	0	0
Investment funds	158.203	45.302	1.500	205.005
Derivatives	0	89	0	89
Deposits other than cash equivalents	0	0	0	0
Other investments	0	0	0	0
Assets held for index-linked and unit-linked funds	313.318	2.578	11.215	327.111
Mortgages and loans	0	6.971	1.564	8.535
Total	**4.357.181**	**1.247.128**	**18.737**	**5.614.511**

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

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Assets held for index-linked and unit-linked contracts	327.111	327.111	0

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

D.1.8 Loans and mortgages

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Loans and mortgages	**10.062**	**9.488**	**574**
Loans on policies	0	0	0
Loans and mortgages to individuals	8.535	7.961	574
Other loans and mortgages	1.527	1.527	0

The amount totals 10,062 thousand euros and consists of policy loans, totalling 1,527 thousand euros, in addition to interest receivable, for 125 thousand euros, and other loans and mortgages consisting of the debenture loan issued by the Germany holding company Talanx (coupon 3.125% maturing on 13/02/2023), and the subscription of the bond issued by the related company Magyar Posta Eletbiztosito, a subsidiary of Talanx International, which holds 66.9% of its shares (Hungarian Post holds the other 33.1%) with no fixed maturity and is repayable upon request with five years' notice, with a fixed annual coupon of 8.4% until 20 May 2024 and a floating quarterly coupon after that date indexed to the 3-month Euribor plus 8.90%. The two loans are valued at fair value and report a difference in value between the Solvency II financial statements and the statutory financial statements of 574 thousand euros

D.1.9 Reinsurers' share of technical provisions

(Amounts in thousands Euro)

Assets	Solvency II value	Statutory accounts value	Difference
Reinsurance recoverables	**54.767**	**71.685**	**-16.918**
Non-life and health similar to non-life	**31.160**	**40.306**	**-9.146**
Non-life excluding health	30.393	38.186	-7.793
Health similar to non-life	767	2.120	-1.353
Life and health similar to life, excluding health and index-linked and unit-linked	**22.577**	**31.379**	**-8.802**
Health similar to life	168	168	0
Life excluding health and index-linked and unit-linked	22.409	31.211	-8.802
Life index-linked and unit-linked	**1.030**	**0**	**1.030**

The reinsurers' share of technical provisions was valued using the criteria described below and resulted in a lesser value with respect to the figure on the statutory financial statements of 9,146 thousand euros with reference to the non-life provisions and 8,802 thousand euros with reference to the life provisions.

D.1.10 Adjustment of best estimates transferred reserve

The adjustment for losses due to counterparty default connected with the best estimates transferred is calculated in compliance with Article 61 of Del. Reg. (EU) 2015/35.
Considering the probability of default of said counterparty during the following 12 months, the amounts that can be recovered from the reinsurance contracts with said counterparty, i.e. the best estimates discounted at the base rate and the duration of said amounts.
In the Company's valuations, the adjustment is calculated per individual business line and not per individual counterparty.
To this end, the quantities involved in the calculation referring to a specific counterparty (the probability of default) are aggregated so as to consider all reinsurers with which contracts are stipulated for the following 12 months and the related ratings, which, in turn, coincides with a pre-established probability of default. Starting form this probability of default, the odds ratio is calculated for the rating.
The adjustment for counterparty default to be applied to the best estimate of the claims provision transferred for all non-life segments is 103 thousand euros, whilst the adjustment for counterparty default to be made to the best estimate of the premium provision transferred for all non-life segments is 25 thousand euros.

The adjustment for the counterparty default to consider the best estimate ceded for the total life business amounts to € 26.4 thousand and does not apply to health guarantees. Therefore the best estimate, excluding the health business, is equal to € 22,408 thousand.

D.1.11 Other asset items

(Amounts in thousands EUR)

Assets	Solvency II value	Statutory accounts value	Difference
Deposits to cedants	0	0	0
Insurance and intermediaries receivables	78.242	78.242	0
Reinsurance receivables	3.446	3.446	0
Receivables (trade, not insurance)	87.936	87.936	0
Own shares (held directly)	0	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0	0
Cash and cash equivalents	359.062	359.062	0
Any other assets, not elsewhere shown	1.805	1.805	0

The other asset items mainly refer to insurance and reinsurance receivables, other receivables (mainly comprising tax receivables for deposits on tax) and liquid funds.
These items are booked on the statutory financial statements according to their presumed realisation value or face value. On the Solvency II financial statements, the same amount is booked, considering the non-significant changes to fair value in view of expiries that tend to be close together.

D.2 Valuation of the technical provisions

According to Art. 76 of Directive 2009/138/EC, insurance companies are obliged to establish technical provisions for an amount corresponding to the current amount they would have to pay if they were to transfer their obligations immediately to another insurance or reinsurance undertaking.
Article 77 of the same Directive defines Technical Provisions as the sum of the Best Estimate and the Risk Margin.
The best estimate is therefore the current value expected from future cash flows, discounted using the risk-free rates curve as at the valuation date supplied by EIOPA. The cash flow forecast considers all incoming and outgoing flows (cash in and cash out) necessary to settle the insurance and reinsurance obligations for the entire duration of contracts. The calculation of the best estimate is based on realistic hypotheses applied to the information updated as at 31/12 of the valuation year. In compliance with the provisions of the Directive, the estimate is also prepared using suitable actuarial and statistical methods, which are applicable and pertinent. In compliance with the provisions of Art. 17 of Del. Reg. 2015/35 *et seq.* and IVASS Regulation no. 18 of 15 March 2016, to calculate the best estimate and risk margin of the technical provisions, an insurance or reinsurance obligation is booked on the date on which the undertaking becomes party to the contract giving rise to the obligation or, if earlier, as at the date on which insurance or reinsurance cover began.
For the purpose of valuation, only obligations falling within the contract limits shall be considered, derecognising an insurance or reinsurance obligation only if it has been extinguished, fulfilled, cancelled or has expired.
In accordance with Article 77-ter of the Directive, the Risk Margin is calculated by determining the cost of establishing an amount of admissible own funds, equal to the solvency capital requirement necessary to meet the insurance and reinsurance obligations for their entire life span.
The risk margin is such as to guarantee that the value of the technical reserves is equivalent to the amount required to assume and honour the insurance and reinsurance obligations. In other words, it is the component of the technical provisions that covers the uncertainty intrinsic to the calculation of the best estimate.
The risk margin applies to the following risk modules:

1. Technical risks;
2. Counterparty default risk;;
3. Operational risk.

D.2.1 Non-life technical provisions

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

D.2.1.1 Calculation method and main hypotheses

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

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

Cash in relative to the claims provision is instead represented by the estimate of the amounts recovered, for which the best estimate is valued separately. Therefore, the claim provision is obtained as the algebraic sum of the best estimate of the claims provision net of ULAE, the best estimate of the ULAE, the best estimate of collections and the best estimate of investment management expenses.

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

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

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

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

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

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

In the valuations relative to 31/12/2017, there was no unbundling of the contracts in the portfolio and the adjustment measures were not applied for volatility or fairness pursuant to Article 30-bis, paragraph 6, letters a), b) and c) of the Private Insurance Code (Italian Legislative Decree no. 74 of 12 May 2015 – CAP and subsequent modifications).

D.2.1.2 Input data

In order to estimate the claim provision, so as to perform an appropriate actuarial analysis, historic data was considered, aggregated into triangular matrices (run-off triangles), in which the rows represent the

years when the loss event occurred (year of occurrence) and the columns represent the years when the claim was paid or reserved (year of development).
As regards the premium provision, the input data used was obtained partly from the Company's plan and suitably aggregated into homogeneous risk classes, according to the classification in lines of business (LoB) pursuant to annex 1 to Del. Reg. 2015/35.
The statutory lines of business "Accidents" and "Healthcare" have been reclassified by Solvency II line of business in view of the risks insured.
In the case of the MTPL (Motor Third Party Liability) LoB, when identifying homogeneous groups of risks, CARD and non-CARD claims were considered separately, as indicated by the Supervisory Authority in IVASS Regulation No. 18 of 15 March 2016.

D.2.1.3 Settlement costs

Settlement costs are divided up into two macro categories: expenses relating to individual claims (ALAE) and expenses not relating to individual claims (ULAE).

D.2.1.4 Claims provision

As described in the paragraphs above, the amount of the claims provision consists of the algebraic sum of the individual components of cash in and cash out.
The valuations are performed by the Company by means of the software ResQ.

- Best Estimate claims provision (BEL) – direct business

For the valuation of the claims provision, HDI Assicurazioni uses the chain ladder method on the triangles of paid amounts, gross of ALAE expenses only.
The result obtained from the forecast is the ultimate cost of claims, from which the undiscounted best estimate of liabilities (UBEL) can be obtained.

Gross of cessions under reinsurance, the BEL, for each LoB, is obtained by discounting the expected future payments of gross UBEL with the interest rate curve.
Discounting hypothesises that payments will be made midway through the year.

Valuations are prepared separately for each LoB.

The UBEL value of the claims provision (net of ULAE expenses) for all non-life segments comes to 633,709 thousand euros, whilst the corresponding discounted value is 613,923 thousand euros.

D.2.1.4.1 Best Estimate ULAE

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

The UBEL and ULAE value for all non-life segments comes to 10,468 thousand euros, whilst the corresponding discounted value is 10,283 thousand euros.

D.2.1.4.2 Best estimate of collections

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

The BEL of collections, for each LoB, is calculated by discounting the expected future payments of UBEL with the interest rate curves.
The UBEL value of collections for all non-life segments comes to 11,748 thousand euros, whilst the corresponding discounted value is 11,416 thousand euros.

D.2.1.4.3 Best Estimate – Business accepted

The BEL of the claims provision of risks accepted under reinsurance, for each LoB, is calculated by discounting the expected future payments of UBEL, measured in the local GAAP financial statements, with the interest rate curves.
As, as at that date, the General Liability Insurance LoB alone was involved by said business, the undiscounted best estimate is 317 thousand euros and the discounted best estimate is 272 thousand euros.

D.2.1.4.4 Claims provision - Business transferred

The BEL of cessions under reinsurance of the claims provision, for each LoB, is calculated by discounting the expected future payments of the UBEL transferred, with the interest rate curves. The operating procedure used to determine and discount cash flows transferred is similar to that of direct business.
The level of granularity used to calculate the technical provisions corresponds to the lines of business.
The UBEL of the claims provision transferred for all non-life segments comes to 25,588 thousand euros whilst the corresponding discounted value is 25,260 thousand euros.

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

D.2.1.5 Premium provision - Direct business

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

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

a. claims component that can be estimated by applying the estimated prospective loss ratio to the UPR (Unearned Premium Reserve) and the PVFP (Present Value Future Premium);
b. expense component obtained by applying the estimate of the indicators of the prospective plan relative to costs (acquisition cost ratio and expense ratio) to the UPR and PVFP.

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

The UBEL value of the premium provision for all non-life segments comes to 170,110 thousand euros, whilst the corresponding discounted value is 164,749 thousand euros.

D.2.1.5.1 Present Value Future Premium

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

The value of future premiums for all non-life segments comes to 44,978 thousand euros, whilst the corresponding discounted value (PVFP) is 45,028 thousand euros.

There is a higher value of the PVFPs than the FPs due to the component represented by policies with an annual duration, to which a negative discounting rate with is applied.

D.2.1.5.2 Premium provision - Risks assumed

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

As at that date, only the General liability insurance LoB was involved by this business. The undiscounted best estimate is 18 thousand euros and the discounted best estimate comes in at 16 thousand euros.

D.2.1.5.3 Premium provision - Risks transferred

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

The UBEL of the premium provision transferred for all non-life segments comes to 6,257 thousand euros whilst the corresponding discounted value is 6,028 thousand euros.

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

D.2.1.6 Investment management expenses

The total UBEL value of investment management expenses comes to 2,296 thousand euros, whilst the corresponding discounted value is 2,181 thousand euros.

D.2.1.7 Discounting

The best estimate is the current value expected of future cash flows discounted using the relevant structure by maturity of risk-free interest rates without volatility adjustment, supplied by EIOPA.

D.2.1.8 Risk margin

For the valuation YE 2017, method 2 was applied, described in annex 4 to 2016 IVASS Regulation no. 18. The risk margin of all non-life segments is 30.441 thousand euros.

D.2.1.9 Summary of technical provisions

The table below shows the technical provision of the non-life business relative to the valuation YE 2017:

(Amounts in thousands EUR)

	Solvency II value
Technical provisions - non-life	**810.449**
Technical provisions - non-life (excluding health)	**781.439**
TP calculated as a whole	0
Best estimate	751.542
Risk margin	29.897
Technical provisions - health (similar to non-life)	**29.011**
TP calculated as a whole	0
Best estimate	28.467
Risk margin	544

Tabella 1: Technical Provisions non-life YE 2017

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

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

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

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

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

D.2.1.10 Comparison with the statutory financial statements

In order to allow for a comparison between the statutory provisions as at 31.12.2017 and the related Solvency II technical provisions, the results are summarised in the table below:

(Amounts in thousands EUR)

	Solvency II value	Statutory accounts value	Difference
Technical provisions - non-life	**810.449**	**868.015**	**-57.566**
Technical provisions - non-life (excluding health)	**781.439**	**830.138**	**-48.699**
TP calculated as a whole	0		
Best estimate	751.542		
Risk margin	29.897		
Technical provisions - health (similar to non-life)	**29.011**	**37.876**	**-8.865**
TP calculated as a whole	0		
Best estimate	28.467		
Risk margin	544		

Tabella 2: Technical Provisions non life - Gross Business

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

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

D.2.2 Life technical provisions

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

D.2.2.1 Calculation method and main hypotheses

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

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

D.2.2.2 Best estimate hypotheses

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

D.2.2.2.1 Market hypotheses

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

D.2.2.3 Best estimate

The Best Estimate is calculated based on updated, credible information on realistic hypotheses and is developed using actuarial and statistical methods.
The best estimate is the market value of the future commitments with regards to insured parties. The forecast of cash flows used in calculating the Best Estimate, considers all incoming and outgoing cash necessary to settle the insurance and reinsurance obligations for the entire contractual term.

- Cash in flow:

  Future premiums: additional single premiums, recurring single premiums, constant and re-evaluable annual premiums;
- Cash out flow:

  Benefits: payment made upon expiry of the contract; amount paid in the event of the death of the insured party; amount paid in the event of policy redemption.

  Acquisition commissions: commission on initial premiums, as envisaged by the mandate;

  Renewal commissions: commission relative to recurring single premiums and annual premiums; management fee for single premiums.

  Initial and recurring expenses: expenses incurred by the Company attributed to each policy.

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

D.2.2.3.1 Reinsurance

The amounts that can be recovered from the reinsurance contracts come to approximately 0.5% of the total gross best estimates. Reinsurance recoverables are calculated as the difference between the Gross and Net BELs and corrected with a factor that considers the reinsurer's probability of default.

D.2.2.4 Risk margin

In calculating the risk margin, it is assumed that the Insurance Company transfers the whole of its portfolio to a reference undertaking (RU). This fictitious company does not have any insurance contracts nor own funds, and should therefore be considered as "empty".
The Risk Margin can be interpreted and calculated as the cost of establishing an amount of admissible own funds, equal to the solvency capital requirement necessary to meet the insurance and reinsurance obligations for their entire life span.
The approach used to calculate the risk margin is cost of capital (CoC).
The risk margin of all life segments is 86,151 thousand euros.

D.2.2.5 Details by individual line of business

D.2.2.5.1 Insurance with profit participation

The Insurance with profit participation LoB includes products belonging to segregated management. In these contracts, the investment risk is borne by the Company, which in turn rebates part of the return to the insured parties. In calculating the Solvency II technical provisions, consideration is given of the impact of the general market conditions and management decisions.
The value of the best estimates calculated using volatility adjustment is 4,319,489 thousand euros (without using volatility adjustment it is 4,326,138 thousand euros).

D.2.2.5.2 Index-linked and unit-linked insurance

The Index-linked and unit-linked insurance LoB includes the Company's Open Pension Fund and the unit-linked and index-linked products.. The investment risk in this type of products is borne by the insured parties. The product offers the possibility of investing the contributions paid by the subscriber and, if envisaged, by the employer, in four different investment lines, on the basis of the insured party's risk

profile. The equivalent value of the amounts paid is linked to the performance of units or NAVs of the segment in which the choice has been made to invest. One of the four Company investment lines envisages a guaranteed return of at least the amount paid in.
The value of the best estimates calculated using volatility adjustment is 309,555 thousand euros (without using volatility adjustment it is 309,599 thousand euros).

D.2.2.5.3 Other life insurance

The Other life insurance LoB includes temporary case of death policies and CPI products. Part of the business relating to these products is reinsured through excess treaties or excess units.
The value of the best estimates calculated using volatility adjustment is 93,129 thousand euros (without using volatility adjustment it is 93,323 thousand euros).

D.2.2.5.4 Health insurance

The Health insurance LoB includes long term care contracts. Approximately 80% of the reserves for this product are subject to reinsurance treaties. The best estimate value calculated is 210 thousand euros.

D.2.2.6 Comparison with the statutory financial statements

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

(Amounts in thousands EUR)

	Solvency II value	Statutory accounts value	Difference
TP - life (excluding index-linked and unit-linked)	**4.488.360**	**4.522.628**	**-34.268**
Technical provisions - health (similar to life)	**213**	**213**	**0**
TP calculated as a whole	0		
Best estimate	210		
Risk margin	4		
TP - life (excluding health and index-linked and unit-linked)	**4.488.147**	**4.522.415**	**-34.268**
TP calculated as a whole	0		
Best estimate	4.412.619		
Risk margin	75.528		
TP - index-linked and unit-linked	**320.175**	**327.111**	**-6.936**
TP calculated as a whole	0		
Best estimate	309.555		
Risk margin	10.620		

No differences are noted for the Health insurance LoB. Instead, with reference to the Insurance with profit participation LoB and Other life insurance LoB, the change to Solvency II involves an increase of approximately 0.76% of the technical provisions with respect to those on the financial statements. This difference is given by the future cash flow discounting process and the performance revaluation mechanism, connected with foreseeable returns, calculated from the forecasting model. Finally, in the

Index-linked and unit-linked insurance LoB, the move to Solvency II brings about a reduction of approximately 2.12% due to the commission withheld by the Company with respect to the statutory technical provisions, given that the fund units are already at market value.

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

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

D.2.2.7 Long-term guarantee measures (volatility adjustment)

Of all long-term guarantee measures available, the Company only uses volatility adjustment (VA), which adjusts the discount rate reference curve used to calculate the best estimate of insurance liabilities (BEL) for volatility, so as to attenuate the impact deriving from short-term volatility on the financial markets. Volatility adjustment applies to all insurance liabilities in the Company’s Life segment portfolio. As at 31/12/2017, the Company's VA is 4bp, as is that of the market. In compliance with Art. 30-bis, paragraph 5 of the Private Insurance Code, the Company has prepared a liquidity plan, with forecast incoming and outgoing cash flows relative to the assets and liabilities subject to volatility adjustment; this can provide:

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

The figure below shows the data of the QRT S.22.01.21 regarding the impact of the long-term guarantee measures on the Company’s main economic variables. Data is composite, i.e. refer to the Company’s total business (life + non-life). The zeroing of the VA increases the technical provisions of the life segments by 0.14% and own funds of the Company drop by 0.9%. The solvency capital requirement drops by 0.08%, whilst the solvency ratio goes from 174,5% to 173,1%. The Company therefore maintains good coverage of the SCR, even when the VA is zeroed.

	Amount with Long Term Guarantee measures and transitionals	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero
	C0010	C0060	C0070
Technical provisions	5.618.984	5.625.871	6.887
Basic own funds	538.716	533.957	-4.759
Excess of assets over liabilities	460.388	455.629	-4.759
Restricted own funds due to ring-fencing and matching portfolio	0	0	0
Eligible own funds to meet Solvency Capital Requirement	538.716	533.957	-4.759
Tier I	453.388	448.629	-4.759
Tier II	85.328	85.328	0
Tier III	0	0	0
Solvency Capital Requirement	308.748	308.411	-337
Eligible own funds to meet Minimum Capital Requirement	481.175	476.386	-4.789
Minimum Capital Requirement	138.937	138.785	-152

D.3 Valuation of other liabilities

In accordance with Art. 11 and Art. 14 of Del. Reg. 2015/35, valuation of the specific liabilities and potential liabilities takes place in accordance with the international accounting standards adopted by the European Commission in accordance with Regulation (EC) no. 1606/2002 (IAS/IFRS) and no adjustment is made to consider variations in the credit rating of the insurance or reinsurance undertaking after initial recognition. Potential liabilities, which are normally not booked in accordance with international accounting standards, in compliance with the Solvency II standards are instead valued if they are relevant, i.e. if information relating to current or potential values or the nature of said liabilities could affect the decisions or opinion of the envisaged user of said information, including the supervisory authorities. The value of the potential liabilities is equal to the current value expected of future cash flows required to settle potential liabilities for the entire duration of said potential liabilities, calculated using the structure by expiry of the basic risk-free interest rates.

D.3.1 Other technical provisions and potential liabilities

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

D.3.2 Non-technical provisions

(Amounts in thousands EUR)

Liabilities	Solvency II value	Statutory accounts value	Difference
Provisions other than technical provisions	3.909	4.262	-353

This item comprises provisions made for tax and other non-technical provisions, such as, for example, those made to the benefit of employees.

The difference between the statutory financial statements and the Solvency II financial statements, equal to 353 thousand euros, is due to the provision made for policies prescribed that for lack of a specific legal obligation has been reversed, as is the case for the financial statements drawn up in accordance with international accounting standards.

D.3.3 Pension benefit obligations

(Amounts in thousands EUR)

Liabilities	Solvency II value	Statutory accounts value	Difference
Pension benefit obligations	7.339	7.113	226

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

D.3.4 Deposits received from reinsurers

(Amounts in thousands EUR)

Liabilities	Solvency II value	Statutory accounts value	Difference
Deposits from reinsurers	28.974	28.974	0

This item includes deposits received from reinsurers, which amount to 28,974 thousand euros and refer to the associate Hannover Rückversicherungs. There are no value differences between the Solvency II financial statements and the statutory financial statements.

D.3.5 Deferred tax liabilities

As specified above in paragraph D.1.2 - Deferred tax assets, to which we would refer you, prepaid and deferred tax is measured separately for IRES and IRAP purposes, according to the tax rates expected to be applied in the year in which the temporary differences will be cancelled out. Deferred tax liabilities on the Solvency II financial statements amount to 47.988 thousand euros.

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

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

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

(Amounts in thousands EUR)

Liabilities	Solvency II value	Statutory accounts value	Difference
Insurance & intermediaries payables	70.509	70.509	0
Reinsurance payables	1.000	1.000	0
Payables (trade, not insurance)	19.406	19.406	0
Any other liabilities, not elsewhere shown	1.108	1.108	0

Payables total 90,915 thousand euros and consist of payables due to insured parties, intermediaries and other payables deriving from direct insurance operations for 70,509 thousand euro s(of which 28,637 are represented by reserves for amounts payable on life segments, which in accordance with Solvency standards are reclassified as payables), payables deriving from reinsurance operations for 1,000 thousand euros and other non-insurance payables for 19,406 thousand. Other liabilities comes to 1,108 thousand euros and includes all liabilities not included in other items on the financial statements, such as, for example, accrued liabilities and deferred income.

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

D.3.8 Subordinated liabilities

(Amounts in thousands EUR)

Liabilities	Solvency II value	Statutory accounts value	Difference
Subordinated liabilities not in BOF	0	0	0
Subordinated liabilities in BOF	85.328	85.379	-51

Subordinated liabilities total 85,328 thousand euros and consist of three subordinated loans, of which one subscribed by the parent company Talanx International for 43,146 thousand euros and two by Banca Sella for a total value of 42,182 thousand euros.

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

D.4 Alternative valuation methods

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

The three valuation techniques used are:

1. market method, which uses the prices and other pertinent information from market transactions involving assets, liabilities or a group of assets and liabilities that are identical or similar;
2. income method, which converts future amounts, like cash flows or income and costs, into a single current amount; the fair value reflects the current market expectations surrounding said future amounts;
3. cost method or current cost of replacement, which reflects the amount that would currently be required to replace the service capacity of an asset. From the viewpoint of a market seller, the price he would receive for the asset is based on the cost that a market buyer would need to pay to purchase or construct a replacement asset of comparable quality, adjusted to consider obsolescence.

D.5 Other information

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

Capital management

SECTION E. CAPITAL MANAGEMENT

This section gives information on the own funds held by the Company and the funds eligible to cover the solvency capital requirement (SCR) and minimum capital requirement (MCR).

The report also gives information on the solvency capital requirement and minimum capital requirement in terms of:

- amount and allocation of such by risk category;
- material changes made during the period.

E. Capital management

Before proceeding to analyse the classification criteria of the elements given in the chapter on Capital management, some considerations are necessary regarding the quantitative elements included in this section. More specifically, the elements characterising the solvency ratio in the Solvency II Directive are:

- the elements of own funds;
- the solvency capital requirement.

The calculation of the solvency ratio is based on the determination of the market value balance sheet, which enables, on the one hand, the determination of the eligible capital value, defined as the difference between assets and liabilities and, on the other, the identification of the measures to be subjected to stress testing in order to calculate the capital requirement.

The solvency ratio is the ratio of own funds and the solvency capital requirement (SCR).

According to Directive 2009/138/EC, Art. 87, own funds are divided up into basic funds and accessory funds.

Basic own funds comprise the surplus assets over liabilities, plus any subordinated liabilities.

Accessory own funds consist of elements of capital other than basic own funds, which can be called-up to absorb losses.

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

The capital requirement covers all quantifiable risks to which the Company is exposed, in connection with the risk profile, existing assets and new assets expected in the next 12 months, classified and modelled according to nature.

The solvency capital requirement corresponds to the risk value of basic own funds of the company, subject to a confidence level of 99.5% over a period of one year; it includes the risks indicated in Art. 45-ter of the Private Insurance Code and the sub-modules of risk explained in Art. 45-septies.

With regard to the non life technical risks, the Company availed of the possibility of substituting a subset of market wide parameters with specific parameters of the company (USP), as defined by Article 45-sexies paragraph 7.

Group Risk Management is responsible for determining the capital requirement, in line with the Solvency II solvency system, according to the specifications envisaged by the standard formula.

E.1 Own funds

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

Basic own funds and accessory own funds are classified into 3 tiers according to the capacity to absorb losses over time. Level one rules (Art. 93 of Directive 2009/138/EC) establish the characteristics that funds must be have to be classified in the best qualitative levels (tier 1 and tier 2).

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

Basic own funds (Art. 88 Dir. 2009/138/EC or Art. 69 of the Delegated Regulation 2015/35) consist of:

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

Accessory own funds (Art. 89 Dir. 2009/138/EC or Art. 74 of the Delegated Regulation 2015/35) consist of elements other than basic own funds, which can be recalled to absorb losses and whose use to cover the Solvency Capital Requirement (SCR) is subject to specific authorisation by the Supervisory Authority. The following may be included in this category:

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

These elements, inclusion of which is subject to the approval of the Supervisory Authority, cannot be included in tier 1 and are not eligible to cover the Minimum Capital Requirement (MRC).

The MCR is the minimum capital requirement regulated by Art. 129 Directive 2009/138/EC and Art. 252 of Del. Reg. 2015/35 corresponding to an amount of eligible basic own funds available to the Company, below which the contracting parties and beneficiaries would be exposed to an unacceptable risk level, if the insurance and reinsurance undertaking were allowed to continue trading.

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

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

E.1.1 Own funds used to cover the SCR and MCR

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

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

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

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

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

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

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

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

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

Following the assessments performed and in consideration of that defined by solvency legislation, the diagram below shows the structure and amount of own funds used to cover the SCR and MCR, determined for 2017 for HDI Assicurazioni S.p.A.

The quality of own funds is expressed by means of the details given by tier level:

Own funds eligible and available to cover the SCR and MCR

(dati in migliaia di Euro)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total available own funds to meet the SCR	538.716	453.388	0	85.328	0
Total available own funds to meet the MCR	538.716	453.388	0	85.328	
Total eligible own funds to meet the SCR	538.716	453.388	0	85.328	0
Total eligible own funds to meet the MCR	481.175	453.388	0	27.787	
SCR	308.748				
MCR	138.937				
Ratio of Eligible own funds to SCR	174,48%				
Ratio of Eligible own funds to MCR	346,33%				

E.1.2 Available own funds

In order to provide more detailed, more complete information, the table below (extracted form QRT S.23.01.01) identifies the main components and the method for determining the own funds on a Company level, with the indication of the breakdown of tier 1 and tier 2, equal to 538.716 thousand euros, as there are no tier 3 own funds.

There are no accessory own funds on the HDI Assicurazioni Solvency II financial statements as at 31/12/2017.

Basic own funds

(dati in migliaia di Euro)

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	96.000	96.000			
Share premium account related to ordinary share capital					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings					
Subordinated mutual member accounts					
Surplus funds					
Preference shares					
Share premium account related to preference shares					
Reconciliation reserve	357.388	357.388			
Subordinated liabilities	85.328			85.328	
An amount equal to the value of net deferred tax assets					
Other own fund items approved by the supervisory authority as basic own funds not specified above					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Deductions					
Deductions for participations in financial and credit institutions					
Total basic own funds after deductions	538.716	453.388	0	85.328	0

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

- subordinated loans (including in tier 2 own funds) used to finance the acquisition of CBA Vita, in addition to the subordinated loan that flowed into HDI Assicurazioni after the merger by acquisition of CBA Vita and InChiaro Assicurazioni issued by CBA Vita on 10.12.2010 and subscribed by Banca Sella; the cost of subordinated loans was considered net of the tax effects (potential recovery of interest expense) in order to determine the period profit/loss; these loans were exchanged at arm's length, upon authorisation by IVASS;
- reconciliation reserve.

As regards the reconciliation reserve, the table below shows the components used to determine it.

Reconciliation reserve

(dati in migliaia di Euro)

Reconciliation reserve	
Excess of assets over liabilities	**460.388**
Own shares (held directly and indirectly)	**0**
Foreseeable dividends, distributions and charges	7.000
Other basic own fund items	**96.000**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**0**
Reconciliation reserve	**357.388**
Expected profits	
Expected profits included in future premiums (EPIFP) - Life Business	48.222
Expected profits included in future premiums (EPIFP) - Non- life business	-1.854
Total Expected profits included in future premiums (EPIFP)	**46.368**

The reconciliation reserve, in accordance with Art. 70 of Del. Reg. 2015/35 comprises the shareholders' equity reserves not included in the items on share capital and share premium reserves; it also includes the sum of the differences in valuation emerging between the measurement principles adopted for the statutory financial statements and those applied for Solvency II financial statements. In algebraic terms, it therefore coincides with the total surplus of assets with respect to liabilities, net of the equity items already present in the financial statements according to the national accounting standards, less the value of own shares, dividends being distributed and basic own funds, apart from subordinated liabilities.

For HDI Assicurazioni, the surplus of assets with respect to liabilities measured according to Solvency II standards equal to 460.388 thousand euros, less the amount of the dividend to be distributed, of 7,000 thousand euros, and share capital of 96,000 thousand euros.

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement

Under the scope of the integrated risk management, the solvency capital requirement (SCR) and own funds eligible to cover this requirement, were calculated on data as at 31 December 2017. The calculation was performed using the standard formula with undertaking specific parameters for the Lob MVL, OMI, FODP e GLI for non life underwriting risk (premium and reserve) in accordance with Title III, Chapter IV-bis, Section II of the Private Insurance Code, and with the related implementing provisions adopted by the European Commission according to the indications given by IVASS in its Regulation.

The solvency capital requirement covers all quantifiable risks to which the Company is exposed, in connection with the risk profile, existing assets and new assets expected in the next 12 months, classified and modelled according to nature.

From a methodological viewpoint, the Solvency Capital Requirement has been determined as the algebraic sum of the basic solvency capital requirement, the capital requirement for operational risk and adjustment for the capacity to absorb losses of the technical provisions and deferred tax.

The adjustment for absorbing capacity of deferred taxes has been determined in accordance with the approach, standards and provisions of the Private Insurance Code, the Solvency II Directive and the related level two regulations (Delegated Regulation (EU) 2015/35), such as to regulate the treatment of deferred taxes in terms of determining the SCR.

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

In calculating the Solvency Capital Requirement, the company has not used risk mitigation techniques entailing a significant increase in the basic risk or the creation of other risks in the calculation of the SCR and applied the adjustment for volatility pursuant to Article 36-septies, assessing conformity with capital requirements, both considering and not considering the above adjustments. The impact on the use of the adjustment for volatility on the data YE 2017 is 4 bps.

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

(dati in migliaia di Euro)

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
	C0030	C0040	C0050
Market risk	227.230	432.914	0,00
Counterparty default risk	61.816	61.816	0,00
Life underwriting risk	72.725	190.648	0,00
Health underwriting risk	18.190	18.190	0,00
Non-life underwriting risk	137.998	137.998	0,00
Diversification	-164.192	-248.160	
Intangible asset risk	0	0	
Basic Solvency Capital Requirement	**353.767**	**593.407**	

Calculation of Solvency Capital Requirement

	C0100
Adjustment due to RFF/MAP nSCR aggregation	0
Total capital requirement for operational risk	52.481
Loss-absorbing capacity of technical provisions	-239.640
Loss-absorbing capacity of deferred taxes	-97.499
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency capital requirement excluding capital add-on	**308.748**
Capital add-on already set	0
Solvency capital requirement	**308.748**
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	
Total amount of Notional Solvency Capital Requirements for remaining part	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
Diversification effects due to RFF nSCR aggregation for article 304	0
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	4 - No adjustment
Net future discretionary benefits	386.104

The Company holds basic own funds eligible to cover the SCR of 538.716 thousand euros; therefore, the Company's solvency ratio is 174,48%.

E.2.2 Minimum Capital Requirement

The calculation of the Minimum Capital Requirement (MCR) and own funds eligible to cover this requirement have been determined on data as at 31 December 2017, in compliance with Art. 47-ter of the Private Insurance Code.

For commitments relating to non-life management, the total amount of the technical provisions, net of reinsurance, to determine the MCR is 748,849 thousand euros, whilst the volume of premiums booked, net of reinsurance is 365,953 thousand euros.

For commitments relating to Life management, the total amount of the technical provisions, net of reinsurance, to determine the MCR is 4,698,567 thousand euros whilst risk-based capital is 5,040,041 thousand euros.

The results obtained as at 31/12/2017 are shown in the table below:

(Amounts in thousands EUR)

MCR calculation Non Life	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	1.695	3.007	0	0
Income protection insurance and proportional reinsurance	26.005	23.022	0	0
Workers' compensation insurance and proportional reinsurance			0	0
Motor vehicle liability insurance and proportional reinsurance	528.374	232.074	0	0
Other motor insurance and proportional reinsurance	26.719	34.481	0	0
Marine, aviation and transport insurance and proportional reinsurance	6.447	2.144	0	0
Fire and other damage to property insurance and proportional reinsurance	57.375	34.795	0	0
General liability insurance and proportional reinsurance	68.843	23.246	0	0
Credit and suretyship insurance and proportional reinsurance	23.204	11.602	0	0
Legal expenses insurance and proportional reinsurance	1.861	247	0	0
Assistance and proportional reinsurance	687	1.337	0	0
Miscellaneous financial loss insurance and proportional reinsurance	7.641		0	0
Non-proportional health reinsurance			0	0
Non-proportional casualty reinsurance			0	0
Non-proportional marine, aviation and transport reinsurance			0	0
Non-proportional property reinsurance			0	0

MCR calculation Life	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	0		3.905.459	
Obligations with profit participation - future discretionary benefits	0		386.104	
Index-linked and unit-linked insurance obligations	0		308.525	
Other life (re)insurance and health (re)insurance obligations	0		98.688	
Total capital at risk for all life (re)insurance obligations		0		5.040.041

(Amounts in thousands EUR)

	Non-life activities	Life activities
Linear formula component for non-life insurance and reinsurance obligations	103.311	

	Non-life activities	Life activities
Linear formula component for life insurance and reinsurance obligations		132.185

The absolute minimum value considered in calculating the Minimum Capital Requirement is 7,400 thousand euros, i.e. the sum of the absolute minimum level for non-life insurance undertakings operating at least one of the segments from 10 to 15 listed in Art. 2 of the Private Insurance Code (3,700 thousand euros) and the absolute minimum level for life insurance undertakings (3,700 thousand euros). The linear Minimum Capital Requirement calculated as the sum of the linear MCR for the non-life insurance obligations and the linear MCR for life insurance obligations is 235,496 thousand euros, insofar as the component of the linear formula for life insurance obligations relative to the non-life insurance business and the component of the linear formula for non-life insurance obligations relative to the life insurance business, is zero.
The Minimum Capital Requirement is 138,937 thousand euros.

(Amounts in thousands EUR)

Linear MCR	**235.496**
SCR	308.748
MCR cap	**138.937**
MCR floor	**77.187**
Combined MCR	**138.937**
Absolute floor of the MCR	7.400
	C0130
Minimum Capital Requirement	**138.937**

The Company holds basic own funds eligible to cover the MCR of 48.175 thousand euros; therefore, the Company's MCR ratio is 346,33%.
In compliance with Art. 348, paragraph 2-bis of the Private Insurance Code and with reference to the joint exercise of the life and non-life segments, the undertaking has calculated a Notional Minimum Capital Requirement (NMCR) for life, with respect to the life insurance or reinsurance business, calculated as though the undertaking only carried out this business, and a Notional Minimum Capital Requirement for non-life with respect to the non-life insurance or reinsurance businesses, calculated as though the undertaking only carried out this business, as shown in the table below.

(Amounts in thousands EUR)

Notional non-life and life MCR calculation	Non-life activities	Life activities
	C0140	C0150
Notional linear MCR	103.311	132.185
Notional SCR excluding add-on (annual or latest calculation)	135.447	173.301
Notional MCR cap	60.951	77.986
Notional MCR floor	33.862	43.325
Notional Combined MCR	60.951	77.986
Absolute floor of the notional MCR	3.700	3.700
Notional MCR	60.951	77.986

Non-life management own funds relative to tier 1 and tier 2, eligible to cover the non-life NMCR come to 158.645 thousand euros; the NMCR ratio for non-life management is 260,28%.
Life management own funds are 306,784 thousand euros, all of which are tier 1 and tier 2, hence the NMCR ratio of life management is 393,39%.

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

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

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

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

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

In FY 2017, there are no non-compliances worthy of note committed by the Company in relation to the minimum capital requirement and the solvency capital requirement.

E.6 Other information

With reference to FY 2017, there is no further relevant information on the Company's capital management, worthy of note.

Annex 1 - Quantitative Reporting Templates related to the Solvency and Financial Condition Report

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

The figures are indicated in thousands of units.

The reporting currency is the Euro.

The templates below are:

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

HDI Assicurazioni

S.02.01.02 – Balance Sheet

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	38.587
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**5.383.915**
Property (other than for own use)	R0080	1.225
Holdings in related undertakings, including participations	R0090	95.290
Equities	*R0100*	*10.061*
Equities - listed	R0110	9.317
Equities - unlisted	R0120	744
Bonds	*R0130*	*5.072.245*
Government Bonds	R0140	2.625.666
Corporate Bonds	R0150	2.436.983
Structured notes	R0160	9.596
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	205.005
Derivatives	R0190	89
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	327.111
Loans and mortgages	**R0230**	**10.062**
Loans on policies	R0240	1.527
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	8.535
Reinsurance recoverables from:	**R0270**	**54.767**
Non-life and health similar to non-life	R0280	31.159
Non-life excluding health	R0290	30.393
Health similar to non-life	R0300	767
unit-linked	R0310	22.577
Health similar to life	R0320	168
Life excluding health and index-linked and unit-linked	R0330	22.409
Life index-linked and unit-linked	R0340	1.030
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	78.242
Reinsurance receivables	R0370	3.446
Receivables (trade, not insurance)	R0380	87.936
Own shares (held directly)	R0390	0
not yet paid in	R0400	0
Cash and cash equivalents	R0410	359.062
Any other assets, not elsewhere shown	R0420	1.805
Total assets	**R0500**	**6.344.932**

S.02.01.02 – Balance Sheet

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**810.449**
Technical provisions - non-life (excluding health)	**R0520**	**781.439**
TP calculated as a whole	R0530	0
Best estimate	R0540	751.542
Risk margin	R0550	29.897
Technical provisions - health (similar to non-life)	**R0560**	**29.011**
TP calculated as a whole	R0570	0
Best estimate	R0580	28.467
Risk margin	R0590	544
TP - life (excluding index-linked and unit-linked)	**R0600**	**4.488.360**
Technical provisions - health (similar to life)	**R0610**	**213**
TP calculated as a whole	R0620	0
Best estimate	R0630	210
Risk margin	R0640	4
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**4.488.147**
TP calculated as a whole	R0660	0
Best estimate	R0670	4.412.619
Risk margin	R0680	75.528
TP - index-linked and unit-linked	**R0690**	**320.175**
TP calculated as a whole	R0700	0
Best estimate	R0710	309.555
Risk margin	R0720	10.620
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	3.909
Pension benefit obligations	R0760	7.339
Deposits from reinsurers	R0770	28.974
Deferred tax liabilities	R0780	47.988
Derivatives	R0790	0
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	70.509
Reinsurance payables	R0830	1.000
Payables (trade, not insurance)	R0840	19.406
Subordinated liabilities	**R0850**	85.328
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	85.328
Any other liabilities, not elsewhere shown	R0880	1.108
Total liabilities	**R0900**	**5.884.544**

Excess of assets over liabilities	**R1000**	**460.388**

S.05.01.02 - Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	3.182	24.362	0	233.050	35.627	2.252	36.551	24.504	18.987	2.402	6.334	-262					386.989
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0	50	0	0	0	0					50
Gross - Non-proportional reinsurance accepted	R0130													0	0	0	0	0
Reinsurers' share	R0140	175	1.341	0	976	1.145	108	1.756	1.309	7.385	2.155	4.998	0	0	0	0	0	21.348
Net	**R0200**	**3.007**	**23.022**		**232.074**	**34.481**	**2.144**	**34.795**	**23.246**	**11.602**	**247**	**1.337**	**-262**					365.692
Premiums earned																		
Gross - Direct Business	R0210	4.631	23.454	0	231.254	33.413	2.223	33.827	24.026	15.852	2.283	6.185	749					377.897
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	54	0	0	0	0					54
Gross - Non-proportional reinsurance accepted	R0230													0	0	0	0	0
Reinsurers' share	R0240	195	1.491	0	976	1.145	108	1.756	1.582	6.364	2.193	4.569	82	0	0	0	0	20.463
Net	**R0300**	**4.436**	**21.963**		**230.278**	**32.267**	**2.114**	**32.071**	**22.499**	**9.488**	**90**	**1.616**	**667**					357.489
Claims incurred																		
Gross - Direct Business	R0310	1.611	6.815	0	156.998	17.795	897	18.497	12.894	5.047	60	1.357	191					222.162
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0	22	0	0	0	0					22
Gross - Non-proportional reinsurance accepted	R0330													0	0	0	0	0
Reinsurers' share	R0340	132	560	0	77	406	9	1.193	1.388	2.234	53	1.622	18	0	0	0	0	7.692
Net	**R0400**	**1.479**	**6.254**		**156.922**	**17.389**	**888**	**17.304**	**11.528**	**2.813**	**8**	**-266**	**173**					214.492
Changes in other technical provisions																		
Gross - Direct Business	R0410	82	32	0	0	34	5	-12	0	0	0	0	0					141
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0430													0	0	0	0	0
Reinsurers' share	R0440	0	-29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-29
Net	**R0500**	**82**	**60**			**34**	**5**	**-12**										169
Expenses incurred	**R0550**	**1.439**	**10.506**		**73.156**	**12.935**	**961**	**16.659**	**10.549**	**3.437**	**-780**	**-629**	**1.710**					129.942
Other expenses	R1200																	0
Total expenses	**R1300**																	129.942

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	8	935.337	79.377	8.083	0	0	0	0	1.022.805
Reinsurers' share	R1420	5	1.053	0	7.389	0	0	0	0	8.448
Net	**R1500**	**2**	**934.284**	**79.377**	**694**					1.014.357
Premiums earned										
Gross	R1510	8	935.337	79.377	8.083	0	0	0	0	1.022.805
Reinsurers' share	R1520	5	1.053	0	7.389	0	0	0	0	8.448
Net	**R1600**	**2**	**934.284**	**79.377**	**694**					1.014.357
Claims incurred										
Gross	R1610	0	466.210	34.671	1.172	0	0	0	0	502.053
Reinsurers' share	R1620	0	28	0	4.902	0	0	0	0	4.930
Net	**R1700**		**466.181**	**34.671**	**-3.730**					497.123
Changes in other technical provisions										
Gross	R1710	1	540.758	10	-11.601	0	0	0	0	529.168
Reinsurers' share	R1720	5	237	0	-371	0	0	0	0	-130
Net	**R1800**	**-3**	**540.521**	**10**	**-11.230**					529.298
Expenses incurred	**R1900**	**0**	**25.754**	**1.052**	**-1.750**					25.057
Other expenses	**R2500**									
Total expenses	**R2600**									25.057

S.12.01.02 - Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health	Accepted reinsurance	**Total (Lifeother thanhealth insur-ance, includingUnit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**	0	0			0			0		**0**	0			0	0	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	0	0			0			0		**0**	0			0	0	**0**
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	4.319.490		309.555	0		93.129	0	0		**4.722.174**		210	0	0	0	**210**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	27.925		1.030	0		-5.516	0	0		**23.439**		168	0	0	0	**168**
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	**4.291.565**		**308.525**			**98.645**				**4.698.735**		**42**				**42**
Risk Margin	**R0100**	69.717	10.620			**5.811**			**0**		**86.147**	4			0	0	**4**
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110	0	0			0			0	0	**0**	0			0	0	**0**
Best estimate	R0120	0		0	0		0	0	0	0	**0**		0	0	0	0	**0**
Risk margin	R0130	0	0			0			0	0	**0**	0			0	0	**0**
Technical provisions - total	**R0200**	**4.389.207**	**320.175**			**98.940**					**4.808.321**	**213**					**213**

S.17.01.02 - Non - life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance:				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**																	**0**
Technical Provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross - Total	R0060	**628**	**16.259**		**70.900**	**16.031**	**501**	**34.020**	**10.488**	**13.265**	**588**	**865**	**1.676**					**165.220**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	1	39	0	0	0	0	0	26	5.030	223	683	0	0	0	0	0	**6.003**
Net Best Estimate of Premium Provisions	R0150	**628**	**16.220**		**70.900**	**16.031**	**501**	**34.020**	**10.462**	**8.234**	**365**	**181**	**1.676**					**159.218**
Claims provisions																		
Gross - Total	R0160	**1.194**	**10.386**		**461.628**	**11.100**	**6.004**	**26.504**	**66.047**	**21.973**	**3.067**	**921**	**5.965**					**614.788**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	126	601	0	4.154	412	58	3.149	7.666	7.004	1.571	416	0	0	0	0	0	**25.157**
Net Best Estimate of Claims Provisions	R0250	**1.067**	**9.785**		**457.474**	**10.688**	**5.946**	**23.354**	**58.381**	**14.969**	**1.496**	**505**	**5.965**					**589.631**
Total Best estimate - gross	**R0260**	**1.822**	**26.645**		**532.528**	**27.131**	**6.504**	**60.524**	**76.535**	**35.238**	**3.655**	**1.786**	**7.641**					**780.009**
Total Best estimate - net	**R0270**	**1.695**	**26.005**		**528.374**	**26.719**	**6.447**	**57.375**	**68.843**	**23.204**	**1.861**	**687**	**7.641**					**748.849**
Risk margin	**R0280**	53	490	0	23.592	550	302	1.186	3.091	783	71	25	298	0	0	0	0	**30.441**
Amount of the transitional on Technical Provisions																		
TP as a whole	R0290																	**0**
Best estimate	R0300																	**0**
Risk margin	R0310																	**0**
Technical provisions - total																		
Technical provisions - total	**R0320**	**1.875**	**27.135**		**556.120**	**27.680**	**6.806**	**61.710**	**79.626**	**36.021**	**3.726**	**1.811**	**7.938**					**810.449**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**127**	**640**		**4.154**	**412**	**58**	**3.149**	**7.692**	**12.035**	**1.794**	**1.099**						**31.159**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**1.748**	**26.495**		**551.966**	**27.269**	**6.748**	**58.560**	**71.933**	**23.987**	**1.932**	**712**	**7.938**					**779.290**

S.19.01.21 - Non-life Insurance Claims Information

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
Prior	R0100											2.589	2.589	586.651
2008	R0160	64.731	52.970	15.673	7.699	6.797	2.845	3.938	3.482	2.202	1.826		1.826	162.163
2009	R0170	69.283	53.866	15.474	6.507	4.127	3.297	3.031	2.649	1.511			1.511	159.744
2010	R0180	70.823	61.013	16.621	5.893	5.361	2.841	4.723	2.552				2.552	169.827
2011	R0190	67.886	56.194	19.242	5.933	6.412	5.253	4.842					4.842	165.764
2012	R0200	65.175	51.646	15.804	8.415	4.850	3.882						3.882	149.772
2013	R0210	65.195	52.289	17.336	6.786	4.435							4.435	146.041
2014	R0220	62.674	55.564	20.354	7.911								7.911	146.503
2015	R0230	72.676	57.818	18.983									18.983	149.478
2016	R0240	76.843	73.432										73.432	150.275
2017	R0250	84.599											84.599	84.599
Total	R0260												**206.563**	**2.070.817**

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
Prior	R0100											60.070	36.383
2008	R0160	0	0	0	0	0	0	0	0	11.812	10.789		10.151
2009	R0170	0	0	0	0	0	0	0	17.009	14.563			13.787
2010	R0180	0	0	0	0	0	0	25.806	20.915				19.958
2011	R0190	0	0	0	0	0	34.231	23.672					22.658
2012	R0200	0	0	0	0	45.791	38.234						36.702
2013	R0210	0	0	0	69.154	57.715							55.593
2014	R0220	0	0	83.878	71.486								69.103
2015	R0230	0	110.043	84.291									81.910
2016	R0240	172.787	109.269										106.719
2017	R0250	163.986											161.825
Total	R0260												**614.788**

HDI Assicurazioni

S.22.01.21 - Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	5.618.984			6.887	
Basic own funds	R0020	538.716	0		-4.759	
Eligible own funds to meet Solvency Capital Requir	R0050	538.716	0		-4.759	
Solvency Capital Requirement	R0090	308.748	0		-337	
Eligible own funds to meet Minimum Capital Require	R0100	481.175	0		-4.789	
Minimum Capital Requirement	R0110	138.937	0		-152	

S.23.01.01 - Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	96.000	96.000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	357.388	357.388			
Subordinated liabilities	R0140	85.328			85.328	
An amount equal to the value of net deferred tax assets	R0160					
above	R0180					
reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	538.716	453.388		85.328	

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	538.716	453.388		85.328	
Total available own funds to meet the MCR	**R0510**	538.716	453.388		85.328	
Total eligible own funds to meet the SCR	**R0540**	538.716	453.388		85.328	
Total eligible own funds to meet the MCR	**R0550**	481.175	453.388		27.787	
SCR	**R0580**	308.748				
MCR	**R0600**	138.937				
Ratio of Eligible own funds to SCR	**R0620**	174,48%				
Ratio of Eligible own funds to MCR	**R0640**	346,33%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	460.388
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	7.000
Other basic own fund items	R0730	96.000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	357.388
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	48.222
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	-1.854
Total Expected profits included in future premiums (EPIFP)	**R0790**	46.368

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	432.914		
Counterparty default risk	R0020	61.816		
Life underwriting risk	R0030	190.648		
Health underwriting risk	R0040	18.190		
Non-life underwriting risk	R0050	137.998		
Diversification	R0060	-248.160		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**593.407**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	52.481
Loss-absorbing capacity of technical provisions	R0140	-239.640
Loss-absorbing capacity of deferred taxes	R0150	-97.499
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	308.748
Capital add-on already set	**R0210**	**0**
Solvency capital requirement	R0220	308.748
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

S.28.02.01 - Minimum capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	103.311	

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	1.695	3.007	0	0
Income protection insurance and proportional reinsurance	R0030	26.005	23.022	0	0
Workers' compensation insurance and proportional reinsurance	R0040			0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	528.374	232.074	0	0
Other motor insurance and proportional reinsurance	R0060	26.719	34.481	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	6.447	2.144	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	57.375	34.795	0	0
General liability insurance and proportional reinsurance	R0090	68.843	23.246	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	23.204	11.602	0	0
Legal expenses insurance and proportional reinsurance	R0110	1.861	247	0	0
Assistance and proportional reinsurance	R0120	687	1.337	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	7.641		0	0
Non-proportional health reinsurance	R0140			0	0
Non-proportional casualty reinsurance	R0150			0	0
Non-proportional marine, aviation and transport reinsurance	R0160			0	0
Non-proportional property reinsurance	R0170			0	0

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	0		3.905.459	
Obligations with profit participation - future discretionary benefits	R0220	0		386.104	
Index-linked and unit-linked insurance obligations	R0230	0		308.525	
Other life (re)insurance and health (re)insurance obligations	R0240	0		98.688	
Total capital at risk for all life (re)insurance obligations	R0250		0		5.040.041

		Non-life activities	Life activities
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		132.185

Overall MCR calculation

		C0130
Linear MCR	R0300	235.496
SCR	R0310	308.748
MCR cap	R0320	138.937
MCR floor	R0330	77.187
Combined MCR	R0340	138.937
Absolute floor of the MCR	R0350	7.400

		C0130
Minimum Capital Requirement	R0400	138.937

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	103.311	132.185
Notional SCR excluding add-on (annual or latest calculation)	R0510	135.447	173.301
Notional MCR cap	R0520	60.951	77.986
Notional MCR floor	R0530	33.862	43.325
Notional Combined MCR	R0540	60.951	77.986
Absolute floor of the notional MCR	R0550	3.700	3.700
Notional MCR	R0560	60.951	77.986

Annex 2- Independent auditors' report pursuant to art. 47-septies, paragraph 7 of Legislative Decree. September 7, 2005, n. 209 e. 10 of the letter to the IVASS market of 7 December 2016

KPMG S.p.A.
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Relazione della società di revisione indipendente ai sensi dell'art. 47-septies, comma 7 del D.Lgs. 7 settembre 2005, n. 209 e del paragrafo 10 della lettera al mercato IVASS del 7 dicembre 2016

Al Consiglio di Amministrazione della HDI Assicurazioni S.p.A.

Giudizio

Abbiamo svolto la revisione contabile dei seguenti elementi della Relazione sulla Solvibilità e sulla Condizione Finanziaria (la "SFCR") della HDI Assicurazioni S.p.A. (nel seguito anche la "Società") per l'esercizio chiuso al 31 dicembre 2017, predisposta ai sensi dell'art. 47-septies del D.Lgs. 7 settembre 2005, n. 209:

— modelli "S.02.01.02 Stato Patrimoniale" e "S.23.01.01 Fondi propri" ("i modelli");

— sezioni "D. Valutazione a fini di solvibilità" e "E.1. Fondi propri" ("l'informativa").

Come previsto dai paragrafi n. 9 e n. 10 della lettera al mercato IVASS del 7 dicembre 2016, le nostre attività non hanno riguardato:

— le componenti delle riserve tecniche relative al margine di rischio (voci R0550, R0590, R0640, R0680 e R0720) del modello "S.02.01.02 Stato Patrimoniale";

— il Requisito patrimoniale di solvibilità (voce R0580) e il Requisito patrimoniale minimo (voce R0600) del modello "S.23.01.01 Fondi propri",

che pertanto sono esclusi dal nostro giudizio.

I modelli e l'informativa, con le esclusioni sopra riportate, costituiscono nel loro insieme "i modelli e la relativa informativa".

A nostro giudizio, i modelli e la relativa informativa inclusi nella SFCR della HDI Assicurazioni S.p.A. per l'esercizio chiuso al 31 dicembre 2017, sono stati redatti, in tutti gli aspetti significativi, in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISAs). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nel paragrafo "*Responsabilità della società di revisione per la revisione contabile dei modelli e della relativa informativa*" della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza del Code of Ethics for Professional Accountants (IESBA Code) emesso dall'International Ethics Standards Board for Accountants applicabili alla revisione contabile dei modelli e della relativa informativa. Riteniamo di aver acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio.

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

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

Altri aspetti

La Società ha redatto il bilancio d'esercizio al 31 dicembre 2017 in conformità alle norme italiane che ne disciplinano i criteri di redazione, che è stato da noi assoggettato a revisione contabile a seguito della quale abbiamo emesso la nostra relazione di revisione datata 10 aprile 2018.

Altre informazioni contenute nella SFCR

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

Le altre informazioni della SFCR sono costituite da:

— i modelli "S.05.01.02 Premi, sinistri e spese per area di attività", "S.12.01.02 Riserve tecniche per l'assicurazione vita e l'assicurazione malattia SLT", "S.17.01.02 Riserve tecniche per l'assicurazione non vita", "S.19.01.21 Sinistri nell'assicurazione non vita", "S.22.01.21 Impatto delle misure di garanzia a lungo termine e delle misure transitorie", "S.25.01.21 Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard", "S.28.02.01 Requisito patrimoniale minimo (MCR) - Sia attività di assicurazione vita che attività di assicurazione non vita";

— le sezioni "A. Attività e risultati", "B. Sistema di governance", "C. Profilo di rischio", "E.2. Requisito patrimoniale di solvibilità e requisito patrimoniale minimo", "E.3. Utilizzo del sottomodulo del rischio azionario basato sulla durata nel calcolo del requisito patrimoniale di solvibilità", "E.4. Differenze tra la formula standard e il modello interno utilizzato", "E.5. Inosservanza del Requisito patrimoniale minimo e inosservanza del requisito patrimoniale di solvibilità" e "E.6. Altre informazioni".

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

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

Responsabilità degli Amministratori e del Collegio Sindacale della HDI Assicurazioni S.p.A. per i modelli e la relativa informativa

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

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

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

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

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

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

- abbiamo identificato e valutato i rischi di errori significativi nei modelli e nella relativa informativa, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile dei modelli e della relativa informativa allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei criteri di redazione utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di un'incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento.

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

Roma, 7 maggio 2018

KPMG S.p.A.

Benedetto Gamucci
Socio

HDI Assicurazioni Spa
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