2021

Solvency and Financial Condition Report

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Introduction

As of 1 January 2016, the Solvency II regulations came into force.

In particular, Legislative Decree No. 74 of 12 May 2015, by amending the Private Insurance Code (Legislative Decree No. 209 of 7 September 2005), implements Directive 2009/138/EC of the European Parliament and of the Council, introducing into the Italian regulatory framework the new solvency regime (Solvency II) to which insurance and reinsurance undertakings are subject.

Solvency II is divided into three pillars: the first concerns the quantitative capital requirements and the quantification of risks; the second, the qualitative requirements, focusing in particular on the system of corporate governance within companies; the third, is dedicated to the rules of transparency and disclosure to the public and to the Supervisory Authority.

This document represents the Solvency and Financial Condition Report (in short SFCR) for HDI Italia, drawn up in order to meet the transparency obligations for the benefit of external parties and the market in its entirety within the framework of the Third Pillar of the Solvency II regulation.

The content of the Report is governed by the reference regulations in force, at European and national level, and in particular by:

Private Insurance Code (CAP), as amended by Legislative Decree no. 74 of 12 May 2015, implementing Directive 2009/138/EC (Solvency II);

- Directive No. 2009/138/EC of the European Parliament and of the Council (hereinafter the Directive);
- Commission Delegated Regulation (EU) 2015/35 of 10 October 2014;
- Implementing Regulation (EU) 2015/2452;
- IVASS Regulation No. 33 of 6 December 2016.

As required by the Implementing Regulation (EU) No 2015/2452, quantitative schedules (QRTs) are attached to this report.

This SFCR Report, pursuant to Article 47-septies, paragraph 7 of the CAP and in accordance with IVASS Regulation 42/2018, setting out provisions on the external audit of public disclosures, is also accompanied by the report of the appointed auditing firm.

The independent auditing firm appointed to carry out the above is PricewaterhouseCooper S.p.A., with registered office in Piazza Tre Torri 2, 20145 Milan.

PricewaterhouseCooper S.p.A. has audited the following sections (including the quantitative reference schedules) on an individual basis:

- Section D "Valuation for solvency purposes" (model S.02.01.02);
- Subsection E.1 "Own funds" (Model S.23.01.01);
- Sub-section E.2 "Solvency Capital Requirement and Minimum Capital Requirement" (Models S.25.01.21 and S.28.01.01).

Furthermore, in accordance with Article 2 of EU Regulation 2015/2452, in this SFCR Report, figures expressing monetary amounts are shown in thousands of euro units.

The reporting period of this report is the financial year from 1 January to 31 December 2021.

Pursuant to art. 47-decies of the CAP, this "Report on solvency and financial condition" of HDI Italia S.p.A. was approved by the Board of Directors on 15 March 2022.

Pursuant to the regulations, this SFCR must be published, together with the QRTs and the auditors' report, on the Company's website (http://www.hdiitalia.it/).

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Summary

Summary of contents

The structure of the document is divided into sections, the main contents of which are summarised below:

A. Business and Performance

Section A describes the corporate information, the main areas of activity and the results achieved in 2021 by the Company.

On 1 April 2021, HDI Assicurazioni S.p.A. acquired 100% of the share capital of the Company HDI Italia S.p.A. (formerly Amissima Assicurazioni S.p.A.), which consequently became part of the HDI Assicurazioni Insurance Group registered in the IVASS Register of Insurance Groups under order number "015". HDI Assicurazioni belongs to the German Talanx Group, the third largest insurance group in Germany operating in 150 countries worldwide.

On 14 February 2022, Amissima Assicurazioni S.p.A. changed its name to HDI Italia S.p.A.

HDI Italia, an insurance company operating in the non-life business, throughout Italy, maintains its focus on products dedicated to the needs of individuals and families, with particular attention to maintaining good technical profitability.

As per the values expressed in the last approved 2021 balance sheet, HDI Italia's portfolio is made up of approximately 54% of the Motor line of business (third party motor liability + third party liability for sea, lake and river vehicles + CVT), with a significant increase in the CVT share, and the remainder (approximately 46%) of the elementary lines of business.

The 2021 balance sheet of HDI Italia closed with a net loss of 35,289 thousand euros, down 46,357 thousand euros on the previous year.

Premiums written amounted to euro 276,976 thousand, down -0.5% compared to 278,336 thousand euros in the previous year.

The technical performance worsened compared to the previous year, with the combined ratio increasing from 87.41% in 2020 to 117.69% in 2021 (+30.28 percentage points). The loss ratio increased by 8.05 percentage points from 57.37% to 65.42%, while the loss ratio increased by 31.75 percentage points from 52.82% to 84.57%. The cost ratio decreased slightly from 34.59% to 33.12% (-1.47 percentage points).

With reference to the effects of Covid-19, the Company did not record any significant impact.

B. System of Governance

In section B is provided a brief description of the Governance System, in order to acknowledge the organisational and control measures adopted by the Company in view of its own risk profile.

The Company's corporate governance model, as at the date of this Report, is based on the traditional model and is therefore characterised by the presence of a Board of Directors, the central body in the corporate governance system, which is entrusted with the management of the Company. Supervisory functions are entrusted to the Board of Statutory Auditors and auditing functions to the Independent Auditors.

In compliance with the provisions of IVASS Regulation no. 38 of 3 July 2018, as well as the IVASS Letter to the Market of 5 July 2018, the Company, during 2021, adopted a so-called "simplified" governance structure, albeit with the implementation of additional organisational safeguards, with the establishment, at Group level, of two endo-consiliar committees, namely the Internal Control and Risk Committee and the Remuneration Committee.

In continuity with previous years, the Company's governance structure is structured as follows:

- Shareholders' Meeting;
- Board of Directors;

- Board of Auditors;
- Independent Auditors;

and the following organisational functions/components:

- Top Management;
- Committees within the organisational structure;
- Key functions;
- Supervisory Body pursuant to Legislative Decree 231/01;
- Other control figures, i.e. other persons/organisational units assigned control tasks over specific risks inherent in corporate processes.

Generally speaking, the corporate governance model, the organisational/operational structure and the internal control and risk management system outlined above have been designed in proportion to the nature, size, complexity and risk profile of the Company.

C. Risk profile

Section C describes the risk profile of the Company through the illustration of the capital requirement per single risk module of the Standard Formula.

With reference to the valuation as at 31/12/2021, the total amount of SCR is equal to about 125,066 thousand euros, while the MCR is equal to 44,744 thousand euros. Within the Basic Solvency Capital Requirement of HDI Italia the most significant pre-diversification risk modules are Non Life underwriting risk (58%), counterparty default risk and market risk (21%).

D. Valuations for solvency purposes

Section D provides an explanation of the Solvency II and statutory balance sheet, together with an explanation of any significant differences and further details on the criteria and methods used to measure assets and liabilities.

Total assets in the Solvency II balance sheet amount to eur 1,021,256 thousand and are 47,320 thousand euros lower than the 1,068,576 thousand euros in the statutory balance sheet.

Total liabilities in the Solvency II financial balance sheet to 821,589 thousand euros, down € 51,577 thousand euros on the 873,166 thousand euros reported in the statutory balance sheet.

Overall, the surplus of assets over liabilities in the Solvency II balance sheet amounted to 199,667 thousand euros and compared to 195,410 thousand euros in the statutory balance sheet, an increase of 4,257 thousand euros.

E. Capital Management

Section E describes the structure and nature of the Own Funds, the Solvency Capital Requirement and the Minimum Capital Requirement.

The Solvency Requirement is calculated using the Standard Formula.

The Solvency Ratio as at 31.12.21 of HDI Italia is 135% and is the result of the ratio between the Eligible Own Funds of 168,615 thousand euros and the Solvency Capital Requirement (SCR) of 125,066 thousand euros.

Eligible Own Funds are made up of Tier 1 elements for 106,083 thousand euros, Tier 2 elements for 46,148 thousand euros (Subordinated liabilities) and Tier 3 elements for 16,385 thousand euros.

The Company adopted the Volatility Adjustment in line with EIOPA provisions, equal to 3 basis points to be applied to the discount rate for the best estimate valuation of insurance contracts.

The impact of the application of the LTG (Long Term Guarantees[1]) measures on the solvency ratio is shown in the following table:

	LTG	no LTG	Impact in % points
SCR ratio	134,82%	134,55%	0,27

[1] LTG measures, which include Volatility Adjustment, are conventional mechanisms designed to mitigate the market value principle, given the exceptional short-term volatility that financial markets can experience. The aim is to allow insurers to continue offering products with long-term guarantees.

A. Business and Performance

A. Business and Performance

A.1 Activities

Information on the Company

The Company HDI Italia S.p.A. (hereinafter also "the Company" or “HDI Italia”) with registered office and general management at Viale Certosa 222, 20156 Milan, carries out non-life insurance activities (Decree of the Ministry of Industry, Commerce and Crafts of 27. 3.63, G.U. of 06/04/63 no. 93), is registered in Section I of the Register of Insurance Companies set up by IVASS under no. 1.00031 and is subject to the management and coordination of the Parent Company HDI Assicurazioni S.p.A..

On 1 April 2021, HDI Assicurazioni S.p.A. acquired 100% of the share capital of the Company HDI Italia S.p.A., which, consequently, became part of the HDI Assicurazioni Insurance Group registered in the Register of Insurance Groups of IVASS under order number "015".

As at 31 December 2021, the following Companies belong to the Group:

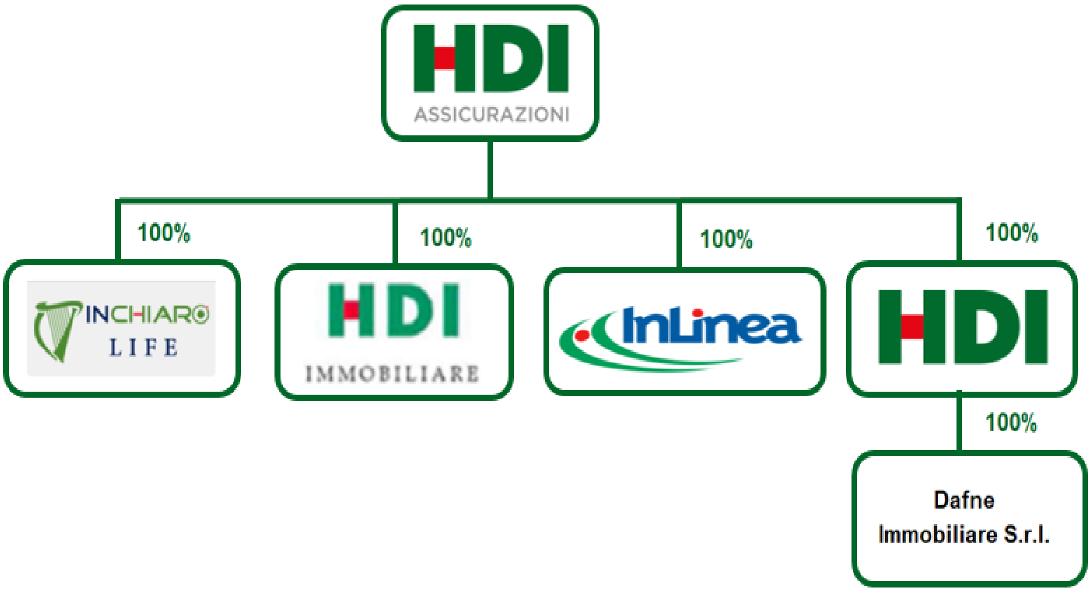
- HDI Assicurazioni S.p.A. (Parent Company), with registered office in Rome, Piazza Guglielmo Marconi, 25,
- HDI Italia S.p.A., with registered office at Viale Certosa 222, Milan, a non-life insurance company wholly owned by HDI Assicurazioni S.p.A.,
- HDI Immobiliare S.r.l., with registered office in Rome, Piazza Guglielmo Marconi, 25, a property management company wholly owned by HDI Assicurazioni S.p.A.;
- InLinea S.p.A., with registered office at Piazza Guglielmo Marconi, 25, Rome, a financial and insurance brokerage company wholly owned by HDI Assicurazioni S.p.A.;
- InChiaro Life dac, an Irish insurance company, with registered office in Dublin, engaged in life insurance business, 100% owned by HDI Assicurazioni S.p.A.
- Dafne S.r.l., with registered office in Milan, Viale Certosa 222, a property management company 100% owned by HDI Italia S.p.A.;

The Parent Company is part of a large German insurance company present in over 150 countries worldwide, given that the controlling shareholder - as holder of 88.58% of the share capital - is HDI International AG whose share capital is wholly owned by Talanx AG.

It should be noted that the holder of the remaining 11.42% of the share capital is HINT Europa Beteiligungs AG & Co. KG, which in turn is controlled by HDI International AG.

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

The following is a graphical representation of the HDI Insurance Group as at 31/12/2021:



HDI Italia S.p.A. is subject to the supervision of IVASS - Istituto per la Vigilanza sulle Assicurazioni, with registered office in Rome.

The independent audit of the Company is entrusted to PricewaterhouseCooper S.p.A., with registered office in Italy at Piazza Tre Torri 2, 20145 Milan.

The Company is characterised by the following features:

- national, sized on the whole national territory through sales networks (agency channel and banking channel) managed by personnel (e.g. insurance agents) in possession of the necessary requisites for registration in the Single Register of Insurance Intermediaries
- retail, focusing on the segments of households, small and medium-sized enterprises, artisans, traders and local public bodies;
- multi-channel, relying on a distribution system consisting of various integrated channels (agencies - bank branches - brokers).

HDI Italia considers its reputation and credibility to be an essential resource to be maintained and developed in relation to stakeholders, i.e. those who contribute or who have an interest in the achievement of the Company's mission, as well as individuals, organisations and institutions, whose interests may be influenced, to a greater or lesser extent, by the Company's operations: shareholders, clients, suppliers, collaborators, political and trade union organisations, public administrations and, in general, the socio-economic environment.

HDI Italia takes care to comply with the regulations in force and the ethical principles shared by the community, also in order to consolidate the mutual relationship of trust with its stakeholders.

Therefore, within the scope of each person's responsibilities, the activity of those who act for the insurance company - Employees (Managers and non-managers), Agents and Collaborators - must contribute to the pursuit of the corporate Mission in compliance not only with the laws in force (regional, state, local and foreign, where applicable), but also with the instructions issued by the supervisory and control bodies, as well as with internal regulations.

The key principles on which to base its conduct are always legality, correctness and transparency. Therefore, outside the cases expressly regulated, employees will act in compliance with them and will justify their choices, so as to ensure the traceability of the relevant ex post administrative process.

The Company also undertakes to ensure the feasibility, specificity and concreteness of corporate objectives, so as to avoid any risk of fraudulent activities or falsifications.

Situation and performance of the companies

The 2021 balance sheet of HDI Italia, prepared in accordance with Italian Local accounting principles, closed with a net loss of EUR 35,289 thousand, a decrease of46,357 thousand euros compared to the previous year, which closed with a net profit of 11,687 thousand euros. The following table shows the result for the year, compared with the previous year:

(amounts in EUR thousand)

Net Result	2021	2020	change
Non-life	-35,289	11,068	-46,357
Total	-35,289	11,068	-46,357

The main components of the result can be summarised as follows (amounts in thousands euros), compared with the previous year's results:

(amounts in EUR thousand)

Profit and loss account	2021	2020	Variazione
Earned premiums	274,855	278,475	-3,620
Operating expenses	-91,033	-96,299	5,266
Claims expenses	-232,356	-147,067	-85,289
Other technical items	-7,728	-2,268	-5,460
Share of investment income transferred from the non-technical account	0	0	0
Gross technical balance	-56,262	32,841	-89,103
Reinsurance result	23,881	-14,042	37,923
Technical balance	-32,381	18,799	-51,180
Financial income and expenses	-1,449	-3,866	2,417
Other income and charges	-4,473	160	-4,633
Result from ordinary activities	-38,303	15,093	-53,396
Result from extraordinary activities	-7,529	1,707	-9,236
Result before taxes	-45,832	16,800	-62,632
Taxes	10,544	-5,732	16,276
Net result	-35,288	11,068	-46,356

Direct insurance **premiums written** amounted to 276,976 thousand euros, down 0.5% on the 278,336 thousand euros of the previous year.

The percentage breakdown compared to total premiums written is in line with the previous year.

Motor lines of business, with 149,539 thousand euros, accounted for 54% of total non-life lines of business (55.1% in 2020) and compared with the previous year recorded a decrease of -2.8%, equal to -4,289 thousand euros, while other non-life lines of business, with 127,437 thousand euros, accounted for 46% of total non-life lines of business (44.9% in 2020) and compared with the previous year grew by 2,929 thousand euros (+2.4%).

The **technical performance** - direct business - worsened compared to the previous year, with the combined ratio increasing from 87.41% in 2020 to 117.69% in 2021 (+30.28 percentage points). The loss ratio increased by 8.05 percentage points from 57.37% to 65.42%, while the loss ratio increased by 31.75 percentage points from 52.82% to 84.57%. The cost ratio, on the other hand, decreased slightly from 34.59% to 33.12% (-1.47 percentage points).

Total direct **operating expense**s amounted to 91,033 thousand euros, down 5.5% on 2020, when they amounted to 96,299 thousand euros. The ratio to total premiums decreased to 32.9% (-1.7% compared to 34.6% in 2020).

Outwards reinsurance closed with a positive technical result of 23,881 thousand euros.

Net investment income improved by 2,417 thousand euros (-62.5%) compared to 2020.

Taxes (+10,544 thousand euros), calculated on the theoretical income as at 31 December 2021, represent a net deferred tax income arising from the difference between new deferred tax assets allocated during the year and the reversal of those recognised in previous years.

Significant events

As of 1 April 2021, HDI Italia S.p.A. has become part of the HDI Assicurazioni Group, through the acquisition of the share capital by the company HDI Assicurazioni S.p.A.

The latter belongs to the German Talanx group, the third largest insurance company in Germany operating in 150 countries worldwide.

On 27 December 2021, the Extraordinary Shareholders' Meeting of HDI Italia S.p.A. resolved to amend the articles of association concerning article 1 - "Denomination" to change the company name from Amissima assicurazioni S.p.A. to HDI Italia S.p.A. On 14 January 2022, IVASS issued its authorisation for the change requested by HDI Italia S.p.A. in its application of 29 December 2021 with protocol no. 0008347/22. The change of company name officially took effect on 14 February 2022.

A.2 Underwriting Performance

The underwriting result net of reinsurance by business line is shown in the following table. The net underwriting result differs from the net underwriting result in the statutory balance sheet prepared in accordance with Italian GAAP due to the absence of financial and other technical income and expenses. Claims expenses include settlement costs of 34,366 thousand euros. Non-life operating expenses include acquisition costs of 50,090 thousand euros, administration costs of -425 thousand euros and general expenses of 23,791 thousand euros.

RESULT OF UNDERWRITING ACTIVITIES (NET OF REINSURANCE) (amounts in EUR thousand)

Areas of activity - lines of business	Premiums written	Premiums earned (A)	Claims expenses (B)	Change in other technical (C)	Operating expenses (D)	Underwriting result E=A-B-C-D
Medical expense insurance	9,602	2,732	1,454	249	364	665
Income protection insurance	30,350	25,979	8,758	-	9,027	8,194
Motor vehicle liability insurance	129,085	64,594	70,081	-	18,497	-23,984
Other motor insurance	20,455	16,760	8,103	-	4,649	4,008
Marine, aviation and transport insurance	7	6	-8	-	7	7
Fire and other damage to property insurance	40,779	36,705	17,255	-	15,370	4,080
General liability insurance	24,607	23,744	25,152	-	21,116	-22,524
Credit and suretyship insurance	5,646	4,544	881	-	1,436	2,227
Legal expenses insurance	4,698	449	2,860	-	-1,607	-804
Assistance	8,658	6,270	242	-	4,339	1,689
Miscellaneous financial loss	3,123	1,242	-556	-	258	1,540
Total	277,009	183,025	134,222	249	73,456	-24,902

Written Premiums

Premiums written in 2021 for direct business amounted to 276,976 thousand euros, a decrease of -0.5% compared to 278,336 thousand euros in the previous year, and are broken down by line of business as follows (amounts in thousands euros):

(amounts in EUR thousand)

Written Premiums	2021		2020		Change in	
Direct business	Amount	%	Amount	%	Amount	%
03 - Motor material damage	20,454	7.4%	19,433	7.0%	1,021	5.3%
10 - Motor TPL	128,494	46.4%	133,825	48.1%	-5,331	-4.0%
12 - Marine TPL, …	591	0.2%	570	0.0%	21	3.7%
Total Motor segments	149,539	54.0%	153,828	55.1%	-4,289	-2.8%
01 - Accidents	30,350	11.0%	29,666	10.7%	684	2.3%
02 - Health	9,602	3.5%	7,226	2.6%	2,376	32.9%
06 - Hull marine,…	7	0.0%	8	0.0%	-1	-12.5%
08 - Fire and natural hazards	21,460	7.7%	20,614	7.4%	846	4.1%
09 - Other damage to properties	19,319	7.0%	20,184	7.3%	-865	-4.3%
13 - General third-party liability	24,573	8.9%	25,817	9.3%	-1,244	-4.8%
15 - Surety	5,647	2.0%	5,264	1.9%	383	7.3%
16 - Pecuniary losses …	3,123	1.1%	2,939	1.1%	184	6.3%
17 - Legal protection	4,698	1.7%	4,574	1.6%	124	2.7%
18 - Assistance	8,658	3.1%	8,216	3.0%	442	5.4%
Total other non-life segments	127,437	46.0%	124,508	44.9%	2,929	2.4%
Total direct business	**276,976**	**100.0%**	**278,336**	**100.0%**	**-1,360**	**-0.5%**
Total indirect business	**33**		**96**		**-63**	**-65.6%**
Total written premiums	**277,009**		**278,432**		**-1,423**	**-0.5%**

The percentage breakdown with respect to total premiums written shows a situation in line with the previous year.

Motor lines of business, with 149,539 thousand euros, account for 54% of total non-life lines of business (55.1% in 2020) and, compared with the previous year, they decreased by -2.8%, equal to -4,289 thousand euros, while other non-life lines of business, with 127,437 thousand euros, account for 46% of total non-life lines of business (44.9% in 2020) and, compared with the previous year, they increased by 2,929 thousand euros (+2.4%).

In the motor lines of business, premiums written in class 10 - Motor TPL amounted to 128,494 thousand euros, down -5,331 thousand euros (-4.0%) on the 133,825 thousand euros of 2020, while premiums in class 03 - Land vehicles increased by 1,021 thousand euros (+5.3%), from 19,433 thousand euros to 20,454 thousand euros. In other non-life business, increases were recorded mainly in the following lines: 2 - Health for 2,376 thousand euros (+32.9%), 8 - Fire and natural events for 846 thousand euros (+4.1%) and 15 - Bonds for 383 thousand euros (+7.3%), partly offset by a decrease of 1,244 thousand euros (-4.8%) in premiums from line 13 - General third party liability.

The geographical distribution of the premium portfolio at 31 December 2021 remained more or less stable compared to 2020. Breakdown by line of business (amounts in thousands euros):

Premiums written for line of Business (amount in EUR thousand)

HDI Italia Spa	North	South	Centre and islands
Motor vehicle and marine liability	35,744	18,777	74,563
Motor vehicle hull	9,171	2,315	8,968
Assistenza	3,101	1,110	4,447
Accidents	17,516	3,995	8,839
Health	8,702	573	328
Fire	14,639	3,385	3,437
Other damage to property	12,882	2,938	3,499
General liability	12,983	5,271	6,319
Financial losses	2,628	188	306
Other lines of business	2,886	4,157	3,309
Total General	120,251	42,709	114,016
distribution 2021	43.4%	15.4%	41.2%
distribution 2020	43.0%	15.9%	41.1%

The breakdown of premiums written in the year by Solvency II Line of Business (LoB) is as follows:

Premiums written for LoB

	PREMIUMS		Variation 2020 - 2021%	
HDI Italia Spa	2021	2020	Absolute	%
Medical expense insurance	9,602	7,226	2,376	32.9%
Income protection insurance	30,350	29,666	684	2.3%
Workers' compensation insurance	0	0	0	0.0%
Motor vehicle liability insurance	129,085	134,396	-5,311	-4.0%
Other motor insurance	20,454	19,433	1,021	5.3%
Marine, aviation and transport insurance	7	8	-1	-12.5%
Fire and other damage to property insurance	40,779	40,798	-19	0.0%
General liability insurance	24,573	25,817	-1,244	-4.8%
Credit and suretyship insurance	5,646	5,264	382	7.3%
Legal expenses insurance	4,698	4,574	124	2.7%
Assistance	8,658	8,216	442	5.4%
Miscellaneous financial loss	3,123	2,939	184	6.3%
Total General	276,975	278,337	- 1,362	-0.5%

As per the values expressed in the last approved 2021 balance sheet, HDI Italia's portfolio is made up of approximately 54% of the Motor line of business (third party motor liability + third party motor liability for sea, lake and river vehicles + CVT), with a significant increase in the CVT quota, while the remaining part (approximately 46%) of the elementary lines of business is made up as follows

- General liability (class 13) - 19%,
- Accident (class 1) - 24%,
- Fire and Natural Elements (class 8) - 17%,
- Other damage to property (class 9) - 15%.
- Other RE classes - 25%.

HDI Italia also operates in the Bonds line of business, whose premiums as a percentage of the total Elementary Lines of business are equal to approximately 4%.

Claims development and operating expenses

The technical performance of the non-life lines of business - direct business - worsened compared to the previous year, with reference to the combined ratio, which increased from 87.41% in 2020 to 117.69% in 2021 (+30.28 percentage points). The loss ratio increased by 8.05 percentage points from 57.37% to 65.42%, while the loss ratio increased by 31.75 percentage points from 52.82% to 84.57%. The cost ratio decreased slightly from 34.59% to 33.12% (-1.47 percentage points)

(amounts in EUR thousand)

Technical performance	2021	2020	variation
C/P at 31/12/2021	65,42%	57,37%	8,05
Total C/P	84,57%	52,82%	31,75
Cost ratio	33,12%	34,59%	-1,47
Combined ratio	117,69%	87,41%	30,28

The following tables show the ratio of total claims (claims of the year and previous years) / earned premiums and the ratio of operating expenses / earned premiums, by Solvency II line of business, compared with the previous year's data.

With reference to the most significant lines of business in terms of premiums written, Motor Third Party Liability Insurance shows an increase of 39.49 points in the total S/P ratio (from 63.06% to 100.56%).

Claims/Earned Premiums (amounts in EUR thousand)

Descriziption	2021			2020			Variazione
	Claims	Erned Premiums	Claims/ Premiums	Claims	Erned Premiums	Claims/ Premiums	Claims/ Premiums
Medical expense insurance	1,753	7,321	23.94%	1,986	5,833	34.05%	-10.10
Income protection insurance	8,509	30,162	28.21%	8,212	29,721	27.63%	0.58
Motor vehicle liability insurance	131,678	130,950	100.56%	85,772	136,010	63.06%	37.49
Other motor insurance	8,904	19,901	44.74%	8,179	18,815	43.47%	1.27
Marine, aviation and transport insurance	105	9	1166.67%	-911	7	>1000%	
Fire and other damage to property insurance	18,091	39,598	45.69%	21,539	40,434	53.27%	-7.58
General liability insurance	55,317	24,999	221.28%	18,046	26,610	67.82%	153.46
Credit and suretyship insurance	1,710	5,456	31.34%	3,781	5,198	72.74%	-41.40
Legal expenses insurance	4,164	4,668	89.20%	2,128	4,482	47.48%	41.72
Assistance	2,668	8,569	31.14%	1,664	8,031	20.72%	10.42
Miscellaneous financial loss	-543	3,222	-16.85%	-1,658	3,334	-49.73%	32.88
Total	232,356	274,855	84.54%	148,738	278,475	53.41%	31.13

Operating expenses incurred/Earned premiums (amounts in EUR thousand)

Descrizption	2021			2020			Variation
	Operating expenses incurred	Earned premiums	Operating expenses/ Primiums	Operating expenses incurred	Earned premiums	Operating expenses/ Primiums	Operating expenses/ Primiums
Medical expense insurance	4,295	7,321	58.67%	3,320	5,833	56.92%	1.75
Income protection insurance	11,963	30,162	39.66%	12,504	29,721	42.07%	-2.41
Motor vehicle liability insurance	31,501	130,950	24.06%	35,129	136,010	25.83%	-1.77
Other motor insurance	6,554	19,901	32.93%	6,556	18,815	34.84%	-1.91
Marine, aviation and transport insurance	7	9	77.78%	19	7	271.43%	-193.65
Fire and other damage to property insurance	16,635	39,598	42.01%	17,564	40,434	43.44%	-1.43
General liability insurance	10,044	24,999	40.18%	11,413	26,610	42.89%	-2.71
Credit and suretyship insurance	2,156	5,456	39.52%	2,141	5,198	41.19%	-1.67
Legal expenses insurance	1,850	4,668	39.63%	1,877	4,482	41.88%	-2.25
Assistance	4,339	8,569	50.64%	4,241	8,031	52.81%	-2.17
Miscellaneous financial loss	1,689	3,222	52.42%	1,535	3,334	46.04%	6.38
Total	91,033	274,855	33.12%	96,299	278,475	34.58%	-1.46

Total direct business operating expenses amounted to 91,033 thousand euros, down 5.5% on 2020, when they amounted to 96,299 thousand euros. The ratio to total premiums, as shown in the following table, decreased to 32.9% (-1.7% compared to 34.6% in 2020).

Operating expenses (amounts in EUR thousand)

	2021	2020	Variation %
Administrative expenses	17,152	24,617	-30.3%
Acquisition expenses	50,090	49,652	0.9%
Overhead expenses	23,791	22,030	8.0%
Total operating expenses	91,033	96,299	-5.5%
Expenses to premiums ratio	**32.9%**	**34.6%**	-17.00
Investment management expenses	2,570	-	0.0%
Claims management expenses	31,796	33,951	-6.3%
Total expenses incurred	**125,399**	**130,250**	-3.7%

A.3 Investment Performance

Characteristics of investments

Investment guidelines, defined by the current Investment Policy, take into account regulatory requirements and limits, the need to ensure safety, profitability and liquidity of investments, as well as the risk profile of liabilities held, in order to ensure an integrated management of assets and liabilities over time.

The definition of the strategic asset allocation as well as the selection and management of the assets is carried out taking into account the Solvency II capital absorption (Solvency Capital Requirement, or also "SCR") and the correlations between the different risk factors underlying the assets, also in relation to the liabilities and in coherence with the risk appetite of the Company, as well as the specific regulatory and accounting requirements of the Italian reality (for example the rules for the classification of securities in the balance sheet).

The strategic asset allocation is defined in order to consider the specific needs in terms of return and the relative constraints (e.g. if the portfolio is open or closed to new production, if the assets cannot be moved in the short term, such as real estate and fixed assets).

In the process of implementing the asset allocation strategy, the Company aims to maximise financial returns, within the constraints of limiting the capital absorption ("SCR") and prospective volatility of the investments held by the Company.

In accordance with the preceding point, investments relating to the portfolio of assets covering technical provisions or to free assets are identified among the eligible asset classes, within the qualitative and quantitative limits defined below. Investments must also have the characteristics and comply with the quantitative limits set out below:

- be consistent with the portfolio's short- and medium/long-term profitability objectives;
- be consistent with the short and medium/long-term profitability objectives of the portfolio; and remain in positions with a riskiness consistent with the indications expressed in the Company's multi-year business plan, drawn up jointly with the ORSA report, and with the strategic guidelines established by the Board of Directors;
- be mainly denominated in Euro and traded on regulated or active markets
- have an adequate level of liquidity, which is assessed on the basis of the so-called Illiquidity Index of the Portfolio;
- in the case of structured products, repayment at maturity of at least the nominal value invested;
- in the case of securitisations, they must have the highest priority in issuance and provide for redemption at maturity of at least the nominal value invested;
- the purchase of derivative financial instruments must take place in the manner and in compliance with the Investment Policy.

Permitted transactions on securities are represented by investments, divestments, adhesion to any extraordinary transactions such as public purchase and/or exchange offers, including the restructuring or renegotiation of contractual terms.

The Parent Company's Investment Committee is the managerial structure that implements investment strategies and financial guidelines on the basis of strategic guidelines formulated by the Board of Directors and is responsible for supporting Top Management and the Board of Directors in pursuing the objectives set out in the adopted Capital Management Policy.

Market transactions may be carried out through the trading desk of Banca Carige S.p.A.. The Company may also deal directly with qualified counterparties with investment grade ratings and professional requisites required by regulations, with whom it has opened or intends to open direct dealing lines.

The Company does not intend to directly invest part of its assets in financing as provided for by article 38, paragraph 2, of the Private Insurance Code.

The Company does not plan to pledge or lend assets, but may pledge or lend assets in accordance with applicable regulations and provided that the commitment does not significantly alter the Company's risk profile and ability to meet commitments arising from the liability structure.

Investments are not allowed for which the related risks cannot be identified, measured, monitored and managed.

There are no outsourcing contracts in place that restrict the reporting of external rating information and selected ECAIs in quantitative reporting models.

The investments in the portfolio have a short-term time horizon: the average duration of the portfolio as at 31 December 2021 was 3.66 years.

Financial income and expenses

Net investment income at the end of the year amounted to -1,449 thousand euros and compared to -3,866 thousand euros in 2020, it improved by 2,417 thousand euros (-62.5%).

Specifically, in 2021, income amounted to 7,178 thousand euros and recorded a decrease of -4,705 thousand euros, compared to the previous year. This decrease is mainly due to the reduction in income from shares and units (EUR -3,549 thousand). Expenses, amounting to 8,628 thousand euros, decreased by 45.2% compared to 2020, mainly as a result of lower value adjustments, which went from 12,911 thousand euros to 5,845 thousand euros:

(amounts in EUR thousand)

Income and charges on financial investment	2021	2020	variation
a) Income on equities	2,257	5,806	-3,549
b) Income on other investments	2,394	2,601	-207
c) Write-backs	0	243	-243
d) Gains on the realisation of investments	2,527	3,233	-706
Total income (A)	**7,178**	**11,883**	**-4,705**
a) Management charges	2,681	2,694	-13
b) Value adjustments	5,845	12,911	-7066
c) Losses on the realisation of investments	102	144	-42
Total charges (B)	**8,628**	**15,749**	**-7,121**
Net financial income (A-B)	**-1,449**	**-3,866**	**2,416**
Net extraordinary income (C-D)	**0**	**0**	**0**
Total net income from investments	**-1,449**	**-3,866**	**2,416**

The real estate management of the properties owned by the Company is entirely for third party use and generated a net loss of 2,396 thousand euros.

The result was determined by income from rents receivable and recovery of expenses of 1,781 thousand euros and expenses of -4,177 thousand euros, arising from value adjustments of 1,300 thousand euros, general expenses and IMU of 2,209 thousand euros and finally depreciation for the period of 668 thousand euros.

Securities management generated a positive result of 2,801 thousand euros in the equity segment (of which 1,558 thousand euros was the positive result from group companies), compared to a negative result of -7,123 thousand euros in 2020 (of which 1,930 thousand euros was the positive result from group companies). The result of the bond segment showed a negative result of -1,152 thousand euros, worsening compared to -287 thousand euros in 2020. Finally, other investments generated a negative result of 702 thousand euros, compared to a positive result of 3,876 thousand euros in the previous year.

(amounts in EUR thousand)

return on investment by type of segment	2021	2020	variation
Real estate segment	-2,396	-333	-2,063
Equity segment	2,801	-7,123	9,924
Bond segment	-1,152	-287	-865
Other investments	-702	3,877	-4,579
Total	**-1,449**	**-3,866**	**2,417**

A.4 Results of Other Activities

Other income and expenses

Other income and charges incurred by the company in the period under review are shown.

This item amounted to 17,762 thousand euros and increased slightly by 497 thousand euros compared to 17,265 thousand euros in the previous year. As of 31 December 2021 it is composed as follows:

(amounts in EUR thousand)

Other income	2021	2020	variation
Withdrawals from funds	15,731	13,376	2,355
Recoveries from third parties for administrative costs and charges	1,868	3,612	-1,744
Interest income	162	244	-82
Other income	1	33	-32
Total	**17,762**	**17,265**	**497**

This item amounted to 22,235 thousand euros compared to 17,104 thousand euros in the previous year. As of 31 December 2021 it is composed as follows:

(amounts in EUR thousand)

Other charges	2021	2020	variation
Provisions	4,562	6,319	-1,757
Losses on receivables	12,334	5,856	6,478
Administrative expenses	2,557	3,479	-922
Interest expenses	2,071	1,373	698
Taxes and penalties	711	77	634
Total	**22,235**	**17,104**	**5,131**

A.5 Any other information

Covid impact

As in the previous year, this year was characterised by the SARS - COV2 pandemic, better known as "Covid-19", with repercussions, albeit minor, on the global economy and financial markets.

Since the beginning of the Covid-19 pandemic, HDI Italia has promptly adapted its Business Continuity Plan to ensure business continuity and safeguard the health of its employees and collaborators.

The measures introduced by the Business Continuity Plan made it possible to maintain an efficient level of business operations, thus guaranteeing business continuity and the functionality of all services to policyholders.

The Company did not record any significant impact. In the non-life segment, premiums written remained essentially stable (-0.5% compared to 2020), with an increase in the elementary lines and a decrease in the motor lines. The latter is mainly due to the -4% contraction recorded by the motor TPL line, following a reduction in both the portfolio and average premium (-2.0%). Motor TPL business increased by 0.9 percentage points, due to the recovery of traffic compared to a 2020 impacted by the lockdow.

B. System of Governance

B. System of Governance

B.1 General Information on the System of Governance

The Corporate Governance system of HDI Italia S.p.A. is structured in line with the indications formulated by the IVASS Supervisory Authority and the Solvency II Directive.

In the self-assessment process identified in compliance with the provisions of IVASS Regulation no. 38 of 3 July 2018, as well as the IVASS Letter to the Market of 5 July 2018, the Company, during 2021, adopted a so-called "simplified" governance structure, albeit with the implementation of additional organisational safeguards, with the establishment, at Group level, of two endo-consiliar committees, namely the Internal Control and Risk Committee and the Remuneration Committee.

The Company adopts the traditional governance system as defined by Italian law, which provides for:

- Shareholders' Meeting which, in matters within its competence, expresses the will of the Shareholders through its resolutions;
- the Board of Directors, which is responsible for the strategic management of the Company;
- the Board of Statutory Auditors, which supervises compliance with the law and the Articles of Association.

Top Management is also an integral part of the corporate governance model and is responsible for implementing, maintaining and monitoring the policies and directives issued by the Board of Directors on the subject of the internal control system and risk management.

Structure of the governance system

Deliberative bodies Shareholders' Meeting

The Shareholders' Meeting is the body that expresses the will of the company through its resolutions. Resolutions passed in compliance with the law and the Articles of Association are binding on all shareholders, including absent or dissenting ones.

Ordinary and extraordinary shareholders' meetings are called by the Board of Directors in accordance with the law, at the Company's registered office or in another place indicated by the Board of Directors, provided it is in Italy.

The ordinary Shareholders' Meeting, in addition to establishing the remuneration payable to the bodies it appoints, approves the remuneration policies for corporate bodies and personnel, including remuneration plans based on financial instruments, where applicable.

Management Body: Board of Directors

Pursuant to Art. 10 of the Articles of Association, the Company is managed by a Board of Directors whose composition, from 3 to 7 directors, is determined by the Shareholders' Meeting; the directors remain in office for three years and may be re-elected. If the Shareholders' Meeting has not done so, the Board of Directors elects a Chairman and a Deputy Chairman from among its members; the Chairman is the Company's representative vis-à-vis third parties.

The Board of Directors in office as of 31 December 2021 was appointed by the Shareholders' Meeting on 1 April 2021 for the three-year period 2020/2022 and consists of 6 members.

It should be noted that an independent Director was co-opted by the Board of Directors on 14 July 2021, following the resignation of a Director, appointed on 01/04/2021.

The Shareholders' Meeting held on 1 April 2021 was constituted by the new shareholder HDI Assicurazioni S.p.A. which, as mentioned, acquired 100% of the Company's capital on the same date.

The role of the Board of Directors is defined by the Company's Articles of Association, which state in Art. 15: "The Board of Directors is vested with the broadest and unlimited powers for the ordinary and extraordinary management of the Company and, in particular, concurrent powers with the Shareholders' Meeting in relation to:

a) merger in the cases provided for in Articles 2505 and 2505 bis of the Italian Civil Code;
b) the establishment or closure of secondary offices;
c) the reduction of the share capital in cases of shareholder withdrawal and compulsory reduction pursuant to Article 2446, second paragraph, of the Italian Civil Code;
d) adjustments to the Articles of Association to comply with regulatory provisions and, more specifically, all powers that are not expressly reserved by law to the Shareholders' Meeting".

The Board of Directors reports quarterly to the Board of Statutory Auditors on the activities carried out and on the most important economic, financial and asset operations carried out by the Company or its subsidiaries and, in particular, on operations with a potential conflict of interest. The report is prepared by the Board of Directors and submitted to the Board of Statutory Auditors within 60 days of the end of each calendar quarter.

In addition to the powers that cannot be delegated by law, the Board of Directors, without prejudice to any power to delegate as provided for in the following paragraph, has exclusive jurisdiction over decisions concerning

1) the determination of general management policies, with particular reference to reinsurance policy and the Company's strategic choices, including - inter alia - the stipulation of general agreements with insurance companies, as well as the extension of business to new insurance classes or the renunciation of the management of insurance classes
2) the appointment of the General Manager
3) the conclusion or termination of reinsurance contracts;
4) the acquisition, increase, reduction and assignment of participations, as well as the appointment or nomination of representatives to the bodies of participating companies or entities
5) the acquisition, exchange and sale of immovable property;
6) the outsourcing of activities, as well as the possible termination of the relevant contracts
7) the merger in the cases provided for by Articles 2505 and 2505 bis of the Italian Civil Code
8) the establishment or termination of secondary offices;
9) the reduction of the share capital in cases of shareholder withdrawal and compulsory reduction pursuant to art. 2446, second paragraph, of the Italian Civil Code
10) adjustments of the Articles of Association to regulatory provisions.
11) The Board, in compliance with the provisions of the law and the Articles of Association, may:

a) set up from among its members an Executive Committee to which it delegates part of its powers, excluding those expressly reserved by law to its own competence, determining its composition, term of office and powers;
b) delegate to one or more Directors part of its own powers;
c) appoint a General Manager to execute the Company's resolutions and manage its business, establishing his duties and powers;
d) set up Board Committees, determining their composition, term of office and duties.

The Board of Directors may also appoint special attorneys or third party consultants for individual deeds or categories of deeds or for particular management, establishing their signature limits, powers and functions.

The delegated bodies must report to the Board of Directors and the Board of Statutory Auditors on the decisions taken within the scope of the powers conferred on them, on the general performance of operations and on the outlook, as well as on the most significant transactions, in terms of size or characteristics, carried out by the Company and its subsidiaries, in accordance with the procedures laid down by the Board of Directors and at least every three months.

Given its simplified structure, the Company does not have any Board Committees, but the Parent Company's Internal Control and Risk Committee and Remuneration Committee support the Board of Directors in defining guidelines for the internal control and risk management system, respectively, in the periodical verification of its adequacy and effective functioning and in the identification of the main corporate risks, playing a proactive and advisory role in this respect, and in the definition of the guidelines of the internal control system in terms of remuneration and in verifying the appropriateness of the overall remuneration scheme adopted by the Company, playing a proactive and advisory role.

The Committees operating within the organisational structure are listed below:

Risk Committee

The Risk Committee supports the Board of Directors and Top Management in assessing the consistency of the guidelines of the internal control and risk management system with the business model and risk appetite defined by the Board.

It is chaired by the Chief Risk Officer and meets on the invitation of its Chairman at least once a month.

The permanent members of the Risk Committee are as follows:

- the CFO Head of the Deputy General Management
- the COO Head of the Operations & IT Department;
- the Head of the Commercial Department;
- the Head of the Non-Life Business Unit
- the Head of the Claims Department

Parent Company Investment Committee

The Parent Company's Investment Committee is the managerial structure that implements investment strategies and financial guidelines on the basis of strategic guidelines formulated by the Board of Directors and is responsible for supporting Top Management and the Board of Directors in pursuing the objectives set out in the adopted Capital Management Policy.

Product Committee

The Products Committee supports the Board of Directors and Top Management in indicating the strategies to be followed in the development and management of products.

It is chaired by the Deputy General Sales Manager and meets on the latter's invitation at least once a quarter.

The following are also members of the Committee:

- the CFO in charge of the Deputy General Management
- the COO in charge of Operations& IT;
- the Head of the Marketing Department
- the head of the Non-Life Business Unit
- the head of the Risk Management Department
- the Head of the Financial Administration Department
- the Head of the Compliance Department
- the Head of the Motor Division
- the head of the Elementary Business Department.

Steering Committee

The Steering Committee is chaired by the Chief Executive Officer and is composed of all the Company's Managers on a permanent basis. If deemed necessary, the Committee may involve the heads of the various organisational units or any other internal or external professional figure in its work. The Committee meets when convened by its Chairman, at least once every three months, and in any case usually when the institutional budget planning and pre- and post-accounting activities are carried out.

Guarantee Committee

The Guarantee Committee implements the provisions of the law and company regulations concerning the management of relations with Public Bodies/Public Administrations and/or Private Bodies with regard to the implementation of effective control over the technical-assumption activities of the credit and guarantee classes.

It is chaired by the Non-Life Director and meets at least quarterly, convened by its Chairman.

The following are also members of the Bonds Committee:

- the Head of the Corporate Secretary's Office, who is also appointed Deputy Chairman
- the Head of the Elementary Business Department
- the Head of the Bonds Division
- the Head of the Compliance Department.

Board of Statutory Auditors.

The Board of Statutory Auditors is the body that supervises compliance with the law and the Articles of Association, as well as controlling management. In particular, the Board of Statutory Auditors monitors the adequacy of the Company's organisational structure and internal control system, as well as the suitability of the administrative-accounting system to correctly represent management events. In accordance with the regulatory provisions laid down by IVASS, the Board of Statutory Auditors

a) acquires, at the beginning of its mandate, knowledge of the company's organisational structure and examines the results of the work of the auditing firm to evaluate the system of internal controls and the administrative/accounting system

b) it verifies the suitability of the definition of delegations of authority and the adequacy of the organisational set-up, paying particular attention to the separation of responsibilities in tasks and functions

c) evaluate the efficiency and effectiveness of the internal control system, with particular regard to the work of the Internal Audit Function, whose autonomy, independence and functionality it must verify;

d) maintains an adequate liaison with the Internal Audit Function;

e) ensure the timely exchange with the external auditors of data and information relevant to the performance of their duties, also reviewing the periodic reports of the external auditors;

f) notifies the Management Body of any anomalies or weaknesses in the organisational set-up and internal control system, indicating and requesting suitable corrective measures; during the term of office, it plans and carries out, also in coordination with the independent auditors, periodic supervisory actions aimed at ascertaining whether the deficiencies or anomalies reported have been overcome and whether, compared to what was verified at the beginning of the term of office, significant changes have occurred in the Company's operations that require an adjustment of the organisational set-up and the internal control system;

g) ensures functional and information links with the Board of Statutory Auditors of Group companies;

h) keeps adequate evidence of the observations and proposals made and of the subsequent verification of the implementation of any corrective measures.

The Board of Statutory Auditors of HDI Italia S.p.A was appointed by the Shareholders' Meeting of the newly incorporated company (HDI Assicurazioni S.p.A.) on 01/04/2021.

Top Management has the task of defining the Group's organisational structure, the tasks and responsibilities of the individual operating units and their staff, as well as the decision-making processes in accordance with the directives issued by the Administrative Bodies, implementing, in this context, the appropriate separation of tasks, both between individual persons and between functions, so as to avoid, as far as possible, the emergence of conflicts of interest.

The Independent Auditors PricewaterhouseCoopers S.p.A. - an entity external to the companies appointed by the newly constituted Ordinary Shareholders' Meeting on 28 April 2021 for a nine-year term (after revocation for just cause with the previous company E&Y) - is entrusted with the legal audit of the accounts and certification of the balance sheet. Its main task is to obtain all the information necessary to determine whether the balance sheet are materially misstated and if they are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, as well as assessing the appropriateness and correctness of the accounting policies used and the reasonableness of the estimates made by the directors. The auditing firm also verifies, by means of sample checks, the regularity of the company's accounts and the correct recording of management events in the accounting records and signs the tax declarations.

Supervisory Body pursuant to Legislative Decree 231/01

The Supervisory Board is responsible for supervising the operation of and compliance with the Organisational Model 231/2001 and the Code of Ethics adopted by the Company, and for keeping them updated. It checks that the Company's behavioural methods are consistent with the Organisational Model 231/2001 and Code of Ethics updated on 30 June 2021 by the Board of Directors on 14 July 2021.

Key functions

The organisational structure of the Key Functions envisages the establishment of individual Functions at the Insurance Parent Company and the Group Insurance Companies.

The Heads of the Internal Audit, Compliance and Risk Management Key Functions, who are internal resources of the Group's organisational structure, work for the Company's Key Functions through partial secondment to the latter. The Actuarial Function, on the other hand, has been outsourced to Studio De Angelis-Savelli e Associati, following authorisation from the Supervisory Authority.

The Fundamental Functions report directly to the Board of Directors, through appropriate reporting procedures.

Within the scope of their responsibilities, the heads of the Fundamental Functions attend meetings of the Group Internal Control and Risk Committee, when deemed appropriate.

All Fundamental Functions provide Top Management and internal management committees with information on request on specific issues.

The Fundamental Functions, the Independent Auditors, the Supervisory Board pursuant to Legislative Decree 231/01 and any other body or function assigned a specific control function shall cooperate with each other to perform their respective duties. These bodies and Functions shall ensure adequate cooperation, including information, with the control body, for the performance of the tasks assigned to it.

The Fundamental Functions have free access to the Group's activities, corporate structures and all relevant information, including information useful for verifying the adequacy of the controls carried out on outsourced functions.

Internal Audit Function

The Internal Audit Function is responsible for monitoring and assessing the effectiveness and efficiency of the Internal Control System and any need to adjust it, by verifying the set of rules, procedures and organisational structures as well as their application, in order to ensure the proper functioning and good performance of the Company, in compliance with the law.

The Internal Audit Function provides the Board of Directors, on an annual basis, with a report containing all the checks carried out, the results that have emerged, the weaknesses or shortcomings detected, the recommendations made for their removal, indicating the corrective action to be taken, the persons and/or functions designated to remove the critical issues, the action plans drawn up by management on the basis of the corrective actions shared; all this without prejudice to the timely reporting of particularly serious situations and/or information of a substantial nature.

The activities, responsibilities and objectives of the Internal Audit Function, in addition to those established by IVASS with specific regulatory provisions, are defined by the Board of Directors in the "Internal Audit Function Policy".

Risk Management Function

The Risk Management Department oversees risk management activities relating to the identification, assessment, monitoring and possible development of risks to which the Company is exposed, contributing to the definition of management policies and criteria for the assessment, management, measurement, monitoring and communication of all risks (both current and prospective), in accordance with the strategies and guidelines established by the Board and the operating limits defined by it.

This function contributes to the definition of the risk management policy and defines the criteria and relative methodologies for measuring risks, as well as the results of the assessments which it transmits to the Administrative Body; it contributes to the definition of the operational limits assigned to the operational structures and defines the procedures for the timely verification of these limits; it validates the information flows necessary to ensure the timely control of risk exposures; it contributes to the definition of the risk and solvency assessment policy, to the choice of the methodologies, criteria and assumptions used for the assessments, it reports risks identified as significant and collaborates in the definition of staff economic incentive mechanisms.

Activities, responsibilities and objectives of the Risk Management function, in addition to those established by IVASS with specific regulatory provisions, are defined by the Management Body in the "Risk Management Function Policy".

Compliance Function

The Compliance Function reports functionally to the Board of Directors, reporting to the latter on the activities carried out, normally on a half-yearly basis.

The objective of the function is to monitor corporate activities which entail a risk of non-compliance with legal, supervisory and self-regulatory provisions, with particular attention to the profiles of pre-contractual and contractual transparency and correctness, consumer protection and reputational impact.

The Compliance function is responsible for verifying, in relation to the scope of the regulatory framework for which it is responsible, that internal procedures are consistent with the objective of preventing the violation of hetero- and self-regulatory rules applicable to the Company, as well as for proposing appropriate organisational and procedural changes and preparing the required information flows to corporate bodies and top management. The activities, responsibilities and objectives of the Compliance Function, in addition to those established by IVASS with specific regulatory provisions, are defined by the Board of Directors in the "Compliance Function Policy".

Actuarial Function

The objective of the function is to coordinate the calculation of technical provisions, ensuring the adequacy of the methodologies and models used and assessing the sufficiency and quality of the data used for the calculation. The Function advises on the underwriting policy and the adequacy of reinsurance agreements. It contributes to the application of the risk management system referred to in Article 44 of Directive 2009/138/EC, in particular with respect to the risk modelling underlying the calculation of the capital requirements referred to in Chapter VI, Sections 4 and 5 and with respect to the assessment referred to in Article 45 of the said Directive.

The Actuarial Function reports to the Board of Directors on the activities carried out, normally on a half-yearly basis.

Activities, responsibilities and objectives of the Actuarial Function, in addition to those established by IVASS with specific regulatory provisions, are defined by the Board of Directors in the "Actuarial Function Policy", "Non-life Reserving Policy", "Non-life Underwriting Policy", "Non-life Reinsurance Policy", "Asset Liability Management Policy".

Communication flows and links between control functions

Coordination between the Fundamental Functions (Risk Management, Internal Audit, Compliance and Actuarial Function), as well as between the latter and the Corporate Bodies, is carried out by means of periodic preventive and final information flows.

With regard to the annual planning of activities, each Fundamental Function defines the annual plan/programme of control activities to be carried out at Group level and for each Insurance Company, also with reference, where deemed appropriate, to the instrumental companies. In drawing up the aforesaid work programmes, the control functions shall coordinate to develop operational synergies in the performance of control and follow up activities, taking due account of the following aspects

- consistency with the objectives defined in strategic planning;
- results of risk assessment activities;
- significant changes in the organisational, operational and regulatory context in which the Group operates;
- results of the verification activities on the system of internal controls and risk management and on company operations carried out in previous years:
- verification requirements by the Corporate Bodies.

The work programmes of the Fundamental Functions are submitted in advance to the Administrative Body.

The Fundamental Functions adopt and develop homogeneous methodologies, in line with market best practices, in relation to the assessment of their respective areas of competence of the internal control system, with reference to the scheduling of verification and follow-up activities, and in the structure of reporting documents for the Corporate Bodies.

In this regard, the Board of Directors receives the following information from the Fundamental Functions:

- Annual work programme;
- Semi-annual report on the results of the checks carried out on Group companies, including the improvement measures identified and their progress;
- Actuarial report, at least on an annual basis.

so as to avoid asymmetries and/or information gaps that could be potentially harmful in the economy of internal controls.

The heads of the Fundamental Functions maintain organic links with the Board of Statutory Auditors and the Supervisory Board.

The Fundamental Functions maintain a link with the appointed Auditing Company in order to be informed about any violations of the regulations concerning Italian accounting and tax principles.

Remuneration policies

In compliance with IVASS Regulation No. 38/2018, Article 7 of the Articles of Association expressly attributes to the Ordinary Shareholders' Meeting the power to approve the remuneration policies in favour of the Corporate Bodies appointed by it and the Company's personnel, including remuneration plans based on financial instruments.

On 01 April 2021, the Company's Shareholders' Meeting approved the remuneration policies on the basis of a specific report submitted by the Board of Directors.

The Company's remuneration system, formalised in the Remuneration Policy, is aimed primarily at the persons indicated by IVASS Regulation no. 38/2018. In particular, it addresses Directors, Statutory Auditors, Internal Control Functions, Relevant Personnel, Intermediaries and Outsourcers.

With regard to Relevant Personnel (or Risk Taking Staff), the Company Remuneration System regulates the incentive aspects linked to objectives, integrating a so-called Management by Objectives (MBO) system.

With regard to the other category of remuneration measures, known as promotions or intuitu personae, commonly represented by promotions in rank, ad personam and one-off measures, the Company Remuneration System defines the guidelines for both Relevant Personnel and other categories of Personnel; in particular:

[a.] Personnel not relevant for the purposes of Regulation 38/2018, i.e. executives and direct reports of the Chief Executive Officer or General Manager;

[b.] Other white-collar Personnel.

The incentive system, in order to contribute positively to the sustainability of the results over time, uses the following aspects in determining the bonus:

- quantitative performance parameters that may refer to traditional economic and equity indicators (consolidated net profit of the Companies), to economic and equity indicators that take into account the assessment of risk (SCR Target/RORAC) and efficiency (Combined ratio), as well as, for the Relevant Personnel, to objectives assigned to the superintendence structures, appropriately adjusted and weighted to current or future risks related to the pre-set results
- qualitative parameters resulting from a judgement by the Board of Directors, as regards the General Manager, and by the Top Management for the persons included in the Relevant Personnel. This judgement takes into account not only the economic and financial performance of individuals, but also other parameters such as, for example, the implementation of strategic projects envisaged by the industrial plan, adherence to corporate values and professional development. These aspects contribute positively to the sustainability of results over time.

The incentive scheme will only be recognised if at the time of actual disbursement the following conditions are verified

- capital soundness (in terms of Solvency II ratio target) in terms of current and prospective adequacy (based on ORSA assessments), according to the levels of risk appetite and tolerance set by the Management Body;
- capital soundness even in the presence of adverse market scenarios;

– income efficiency (the Company have a net profit, including normalised net profit, in line with budget expectations and consistent with the conditions of the previous point - normalised net profit means the result sterilised by any effect or extraordinary component not foreseeable at the time of defining the budget, for example: significant changes in rules/legislation/regulations, substantial changes in the tax system, capital gains/losses deriving from extraordinary transactions, etc.).

The main guidelines adopted in the Remuneration system, as formalised in the relevant policy, are described below, with regard to the fixed and variable components and the methods of payment, broken down by recipient.

Remuneration of Directors

It is up to the Shareholders' Meeting to define the remuneration of the Board of Directors; in addition to the remuneration established by the Shareholders' Meeting, the Board of Directors, having consulted the Board of Statutory Auditors, determines the remuneration to be attributed to Directors who are assigned specific duties (such as, for example, participation in endo-consiliar committees), for which the Shareholders' Meeting proceeds with subsequent ratification or with the prior determination of an overall amount.

Directors are also entitled to reimbursement of expenses incurred in the performance of their duties.

Remuneration of the Executive Committee

As regards the members of the Executive Committee, the Management Body, with subsequent ratification by the Shareholders' Meeting, grants the Chairman of the Executive Committee an incentive plan or variable remuneration components based on individual performance.

Remuneration of the Control Body

The remuneration of the Controlling Body is established by the Shareholders' Meeting and the current remuneration scheme for the Controlling Body does not include a variable emolument or compensation based on financial instruments. In addition, they are reimbursed for expenses incurred in the exercise of their office and there are attendance fees for attending meetings of the Corporate Bodies.

Remuneration of Fundamental Functions

The remuneration of managers and personnel of the Fundamental Functions is set according to the level of responsibility and commitment associated with the role. For these Functions, variable remuneration or remuneration based on financial instruments is avoided, unless it is linked to objectives related to the performance of the function's activities consistently with the tasks assigned, independent of the results achieved by the operating units under their control and linked to the achievement of objectives related to the effectiveness and quality of control action, provided that they are not a source of conflicts of interest.

Remuneration of the General Manager (if any)

With regard to the remuneration of the top management figure of the General Manager, if any, the annual "target bonus" (i.e. corresponding to 100% of the objectives) corresponds to a maximum of 50% of the gross annual remuneration with a deferral percentage equal to 50% of the "target bonus" to be paid in the year following the achievement of the objective and in any case upon confirmation of the fulfilment of the requirements as outlined above, the remaining 50% after the approval of the Company's balance sheet of the second year following the year of accrual.

The extent to which the bonus is paid coincides with the level of performance expressed in percentage terms, ranging from a minimum of 75% to a maximum of 170%

Remuneration of Key Personnel

Relevant Personnel, known as risk taking staff, are made up of organisational positions which, due to their role, hierarchical level, duties and responsibilities, are assigned to activities with a significant impact on the company's risk profile, or by persons whose size of the fixed and variable remuneration component is such as to take on a certain significance in absolute terms in terms of income and/or when in the weighted terms of the remuneration mix the variable component exceeds at least the threshold of 30% of the total remuneration elements.

The annual "target bonus" (i.e. corresponding to 100% of the objectives) may correspond to a maximum of 56% of the gross annual remuneration with a deferment percentage equal to 50% of the "target bonus" to be paid in the year following the achievement of the objective and, in any case, upon confirmation of the fulfilment of the requirements as outlined above, the remaining 50% after the approval of the Company's balance sheet of the second year following the year of accrual.

In the event of personnel being seconded to the Company from other Companies of the same Insurance Group, the relevant remuneration shall be defined and paid by the seconding Company in compliance with the applicable industry regulations. In the case of resources belonging to synergic functions and in the presence of concurrent objectives in different companies, the remuneration component shall be paid by the seconding company and the cost shall be borne by the company receiving the performance related to the objective, in full compliance with the rules of the Remuneration Policies in force. The remuneration of seconded staff is in any case subject to the guidelines issued by the Parent Company on Remuneration Policies.

Remuneration of Executives

Without prejudice to the general principles and methods of disbursement of the incentive system outlined in the previous paragraph, for the remaining Executives, the bonus is defined on the basis of the achievement of the objectives that the Board of Directors identifies from year to year and communicates in writing to the persons concerned, in the terms indicatively set out below by way of example and not exhaustively, in addition to a qualitative judgement expressed by the Board of Directors and Senior Management.

Characteristics of pension or early retirement schemes

HDI Italia's executives are given the opportunity to access one of the Pension Funds set up by the Parent Company HDI Assicurazioni S.p.A. providing for the allocation of the Severance Pay and the company contribution, as provided for in the Company Regulation of 03 May 2021. HDI Assicurazioni's Pension Funds have the characteristics set out in Legislative Decree 252/2005, and provide for the possibility of partial redemption only in the cases envisaged by current legislation, while, at the end of the employment relationship due to retirement, the manager, based on length of service, may choose between the redemption of the supplementary pension position and payment in the form of a periodic pension. In both cases due taxation applies.

As regards non-executive staff, the regulatory sources are the CCNL, which applies the provisions of Legislative Decree 252/2005, and the Supplementary Agreement, which regulates the employer's contribution. The supplementary pension scheme is implemented through the internal pension fund known as the "Cassa di Previdenza Aziendale dei Dipendenti della HDI Italia S.P.A. e della Amissima Vita S.P.A. - Fondo Pensione" (Company Pension Fund for Employees of HDI Italia S.P.A. and Amissima Vita S.P.A. - Pension Fund), which all non-executive personnel can join freely.

Remuneration of employees

In accordance with the provisions defined by the Parent Company Insurance Company, with a view to internal fairness and consistency/competitiveness with respect to the external market, promotional measures aimed at all categories of employees shall be inspired by the general principle of prudent cost management in compliance with the following valid guidelines:

a) Promotional parameters: they must take into account the budget requirements for the reference financial year, the strategies of the approved industrial plans, responding to the logic of turnover management, resource development and coverage of relevant organisational roles with a view to back-up and motivational leverage. They must be harmonised with what has been formalised by the Parent Company and with the national collective and supplementary company agreements in force;
b) Reporting/detection tools: a formalised PMS (performance measurement system) has been set up, on the basis of which managers (executives and top management) use a standardised form, specific to each grade, to assess their human resources. The assessment includes two perimeters, one focused on the performance of the function and the other on value-based skills (professional and behavioural), with a maximum scoring level of 5 assessment parameters, and expresses the relative score on a scale of 6 values, where score 1 represents the minimum level of satisfaction and score 6 represents the maximum level of satisfaction;
c) Periodicity: annual.

B.2 Fit, proper and independence requirements

The persons performing administrative, management and control functions in the Companies of the HDI Assicurazioni S.p.A. Group must meet the requirements of professionalism, fit and propert and independence established by regulation adopted by the Ministry of Economic Development, after hearing the opinion of IVASS.

The procedures for assessing the requirements of professionalism, fit and propert and independence

The procedure for assessing whether the persons concerned meet the requirements of suitability for office is differentiated according to the category of the persons assessed:

Persons in charge of administration, management and control functions:

The members of the Board of Directors and the Board of Statutory Auditors declare their status in writing with reference to the requirements; this documentation is issued at the time of appointment, with the obligation to promptly notify any changes in status; the Board of Directors, on the basis of the aforementioned documentation, assesses the existence of the requirements at least once a year, or whenever it receives notification of a change in status.

In this sense, once the appointment is approved, the Board of Directors shall verify the existence of the requirements. The Parent Company's Corporate Affairs and Shareholdings Office is responsible for managing the documentation, filing it and forwarding the relevant information to the competent Authorities, in accordance with current legislation.

The Board of Directors is responsible for verifying that all members of the Board of Directors meet the requirements in question, without prejudice to their commitment to inform the Board of any situations that prevent them from holding office. This verification is carried out on an annual basis through the self-assessment process and, with reference to the professional requirements, both at a personal level and at a collective level. In this regard, the Company's Board of Directors has adopted a specific Regulation for the conduct of the self-assessment process; the Company Secretariat, possibly with the help of external consultants appointed for this purpose, manages the self-assessment carried out by the Board of Directors as well as the documentation provided and received by the assessors.

With regard to the Board of Statutory Auditors, without prejudice to the commitment of its members to inform the Board of any situations that prevent them from holding office, the Corporate Affairs and Shareholdings Office of the Parent Company verifies on an annual basis that its members continue to meet the requirements, requesting them to confirm what they declared at the time of their new appointment, informing the Board of Directors of any critical situations that arise.

During 2021, no situations emerged in which members of the Board of Directors or Board of Statutory Auditors lost their requisites or became incompatible with their office.

A situation of incompatibility with the office held by a member of the Board of Directors has emerged, who has resigned for this purpose..

Relevant persons and holders of settlement units in the Claims Department

The Board of Directors, with the support of the Human Resources Department, assesses the eligibility of persons belonging to the Relevant Personnel to hold office on an annual basis.

In the event of the appointment of new persons holding key functions, an ad hoc assessment will be carried out before the appointment. In such cases, the candidate must be asked to provide a detailed curriculum vitae containing the following information for each position held during his or her professional career: name of the position, beginning and end of the activity in that position, office name of the company in which he or she worked and type of business model of the company in which that position was held, place where that position was held.

The assessment of the candidate will take place on the basis of a profile, drawn up by the Human Resources Department, which will include the minimum requirements as well as any specific requirements for the position to be held. If the candidate does not fully meet the requirements of the profile, immediate countermeasures should be taken to allow the gaps to be filled before the appointment takes place (e.g. implementation of specific training courses). If, at the time of the assessment, there are no significant changes in the characteristics of the person holding one of the identified roles (e.g. new information concerning the person's specialised qualifications or new knowledge concerning the person's integrity and honesty) or in the elements characterising the role (e.g. expansion of the scope of responsibilities related to the position or change in the professional requirements necessary to adequately cover the position), the Board of Directors may decide to consider the last assessment made as valid. Similarly, the Board of Directors will carry out ad hoc evaluations in the event of significant changes in personal characteristics or in the role that, in the opinion of the Administrative Body, require an in-depth examination of the existence of the requisites of professionalism and honourableness of the person concerned by such changes.

The Administrative Body as a whole must possess adequate technical skills for the proper performance of its function. To this end, it is necessary that this Body at a collective level (i.e. not referring to each individual member of it) possesses the following skills

- knowledge of the insurance market in terms of products, business characteristics, distribution networks;
- knowledge of the roles, responsibilities and decision-making powers constituting the corporate governance system;
- knowledge of business models in terms of organisation and commercial strategies;
- ability to use conclusions drawn from actuarial and financial analyses;
- knowledge of primary and secondary legislation and its impact on company activities;
- knowledge of the Internal Control System adopted by the Company.

The Administrative Body, on the basis of a report compiled by each member, carries out an annual self-assessment of suitability.

The requirement of honourableness guarantees the integrity and correctness that must characterise all the above-mentioned subjects. The persons in charge of administration, management and control functions must meet the honourability requirements prescribed from time to time by current legislation, currently identifiable in Article 5 of Ministerial Decree 220/11 and in ISVAP Circular no. 140 of 1990. Failure to meet these requirements will result in ineligibility/denial of office.

Situations entailing a reassessment of the requirements of integrity, professionalism and independence

Pursuant to Article 7 of Ministerial Decree no. 220/2011, failure to meet the requirements of professionalism, honourableness and independence (as set out in Articles 3, 4, 5 and 6 of the same decree) of Directors and Statutory Auditors entails forfeiture of office.

Article 4 of the Ministerial Decree focuses on the situations that prevent them from holding office. In particular, persons who, in particular in the three years prior to their appointment, have been Directors, General Managers, Statutory Auditors or liquidators of companies subject to extraordinary administration, bankruptcy, compulsory administrative liquidation or similar procedures may not hold the office of Director, Statutory Auditor or offices involving the exercise of equivalent functions.

The Board of Directors shall carry out ad hoc evaluations in the event of significant changes in personal characteristics or in the role that make it necessary to examine the existence of the requirements of professionalism, honourableness and independence of the person concerned by such changes. Situations involving a reassessment of the requirements include cases where:

- a person may induce the company to act contrary to applicable regulations;

- a person may increase the risk of financial crimes being committed;
- a person may jeopardise the sound and prudent management of the company.

Whatever the event requiring assessment, the latter is formalised in a document which, once finalised, is brought to the attention of the Board of Directors for evaluation and approval.

All communications to the Supervisory Authorities required by current implementation provisions are handled by the Parent Company's Corporate Affairs and Shareholdings Office.

With specific reference to persons performing administrative, management and control functions, as well as persons holding key positions, the Company, through the Corporate Affairs and Shareholdings Office of the Parent Company, shall notify IVASS, promptly and in any case no later than thirty days from the adoption of the relevant deed or the occurrence of the relevant event, of the assignment, renewal and any resignation, lapse, suspension and revocation, as well as any element that may affect the assessment of eligibility for the office.

Moreover, the Company, again through the Corporate Affairs and Shareholdings Office of the Parent Company, informs IVASS of the assessments made by the Management Body by transmitting, within 30 days of their adoption, the related resolution, with adequate reasons. In the case of appointment or renewal, this communication certifies that it has verified the existence of the requirements and the absence of impeding situations, providing adequate reasons for the assessment made.

B.3 Risk management system, including the own risk and solvency assessment

Risk Governance

The corporate organisational model involves the company functions according to the following Roles and Responsibilities.

The Company's governance system is adequate in relation to the nature, extent and complexity of the risks inherent in its business.

The main tasks and responsibilities of the corporate bodies and functions involved in the risk management and assessment process are listed below:

- Board of Directors: defines and approves the general lines of the process, ensures its timely adjustment in relation to significant changes in the strategic guidelines, organisational structure, and operational context of reference, and promotes the full use of ORSA findings for strategic purposes and business decisions. It decides on the reconciliation between total capital and regulatory capital and approves the ORSA report;Top Management: oversees the strategic planning and capital management process, ensuring that it is in line with the strategic guidelines and general lines defined by the Board of Directors;
- Investment Office: proposes the economic scenario and is also responsible for the ALM assessment and for providing the elements of financial assets useful for the calculation of the market risk and counterparty risk requirement (SCR Market Risk, SCR Default Risk, SCR Default Risk);
- Actuarial Statistics Office: is responsible for the assessment of central and post-shock BELs and Reinsurance recoverables, which are useful for the determination of the Underwriting Capital Requirement (SCR Non Life and SCR Health). Provides policy portfolio elements for the calculation of the SCR Default Risk. Provides the elements useful for the calculation of the operational risk capital requirement (SCR Operational Risk);

- Legal Department: prepares for the General Manager the evaluations required in relation to legal actions taken or to be taken; assists the General Manager in identifying and selecting any external professionals and prepares the assignment of tasks to lawyers and the transmission of supporting documentation for requests for opinions and/or disputes or legal actions to be taken and/or already in progress; keeps the General Manager informed of the evolution of ongoing legal disputes, expressing evaluations in this regard, in particular with regard to any settlement possibilities;
- Risk Management Function: is responsible for identifying and assessing/measuring risks and linking the risk profile, risk tolerance limits, regulatory capital requirement and overall solvency needs. It calculates the capital requirements of the risk sub-modules, the BSCR and determines the Solvency Capital Requirement. It is responsible for determining the deferred tax absorption capacity of Solvency II Own Funds and its tiering. It then determines the Solvency Ratio. Defines and evaluates the results of stress tests; provides support in identifying potential/critical issues in the internal capital adequacy determination process. It coordinates the implementation of process activities, the preparation/formalisation of the related documents - of an operational, organisational and methodological nature - and the drafting of the Report to be sent to IVASS;
- Actuarial function: within the framework of assessments for ORSA purposes, it monitors the procedures and methods for calculating technical provisions, the adequacy of the methodologies, the underlying models and the assumptions on which the calculation of technical provisions is based. It assesses the quality of the data used to calculate technical provisions and reports any significant deviation between actual experience and best estimate. Provides advice (current and prospective) on underwriting policies and the adequacy of reinsurance arrangements, including an assessment of the effectiveness of reinsurance cover under stress scenarios. It verifies the consistency between the amounts of technical provisions calculated on the basis of the valuation criteria applicable to the statutory balance sheet and the calculations resulting from the application of the Solvency II criteria;
- Financial - Administrative - Strategic Planning Department (CFO): is responsible for determining the Balance sheet, defines and evaluates the elements constituting capital, and is responsible for the correct management of reports to the Supervisory Authorities. Within the framework of strategic planning, it is responsible for monitoring economic, financial and commercial objectives. It prepares reports on the strategic plan, capital plan and reconciliation with capital requirements;
- Internal Audit Function: is responsible for the internal audit of the ORSA process, identifying any gaps in application and following up on corrective actions. It provides support in the formulation of reporting on ORSA-related control systems;
- Organisational units: collaborate in identifying and measuring/assessing risks.

Assessment of the Risk Profile

For the assessment of the risk profile, HDI Italia has defined its own taxonomy of risks which is declined in the Risk Management Policy.

The Risk Categories are those listed in Art. 19 of IVASS Regulation no. 38/2018 and include both those identified directly in Art. 101 of the Directive (Calculation of the Solvency Capital Requirement) and those considered in Art. 45 of the Solvency II Directive (Internal Risk and Solvency Assessment - ORSA)

RISK CATEGORY	IVASS	EIOPA
Market risk	art.19	SCR
Credit risk	art.19	SCR
Liquidity Risk	art.19	ORSA
ALM Risk	art.1	ORSA
Underwriting Risk	art.19	SCR
Operational Risk	art.19	SCR
Concentration Risk	art.19	ORSA
Non-Compliance Risk	art.19	ORSA
Strategic risk	art.19	ORSA
Reputational risk	art.19	ORSA

Each category is then broken down into sub-categories of risk in order to capture all risks that may threaten solvency, to provide adequate organisational safeguards, and to define specific methodologies and techniques for measuring, controlling and managing each type of risk.

The Company periodically identifies and maps them and has assigned ownership.

The company defines the risk categories, according to the nature, extent and complexity of the risks inherent to the activity carried out, in a current and prospective perspective, as well as the indirect effects related to "significant risks".

By "significant risks", we mean the risks referred to in Article 4, paragraph 3, of IVASS Regulation No. 32/2016; specifically, the Company considers all the risks inherent to its activity by identifying the "significant" ones, meaning those risks whose consequences may undermine the solvency of the company or constitute a serious obstacle to the achievement of the company's objectives, and determines the corresponding capital requirements (Article 2 of IVASS Regulation No. 38/2018).

"Significant risks" are identified in the context of the Company's risk appetite and tolerance, i.e. all those risks that impact by causing "Breach" (overruns) on the coverage levels of the regulatory capital requirement and on the overall Solvency requirement defined within the Risk Appetite Framework as: target solvency, solvency limits (hard &soft) are considered "significant".

The Risk Management function analyses and verifies the risk assessment with a qualitative/quantitative evaluation that leads to formulating a judgement on each risk factor on the basis of an assessment scale that makes it possible to identify the most significant risks, those that have already been measured and those for which the activation of controls is envisaged.

The qualitative/quantitative assessment is based on strategic risk indicators, such as change in value of assets and/or liabilities, SCRs, operational indicators, stress tests, reverse stress tests, sensitivity and scenario analysis, declined in the policies dedicated to the single risk categories.

The Company's risk profile is assessed on the current situation at the date of the assessment and, from a prospective perspective, considering the strategies deliberated by the Administrative Bodies, reflected in the strategic/business plan over a medium-long term (at least three years).

Risk Management performs a qualitative-quantitative analysis aimed at assessing the business strategy and capital planning, identifying the risk drivers that may have a negative impact on the solvency ratio, the return on capital and funding objectives. This analysis does not translate into the determination of a capital add-on, but rather into the identification of weaknesses in strategic plans and the formulation of contingency plans.

In particular, the risk assessment is structured as follows:

Market Risk

With reference to the sub-categories included in the standard formula:

- Interest rate risk is assessed by considering the impact of interest rate shocks on both the value of assets exposed to risk and the value of liabilities.
- With respect to equity risk, real estate risk, foreign exchange risk and counterparty concentration risk, the capital requirement is measured according to the metrics and parameters of the standard formula.

With respect to sub-categories not included in the standard formula, the following steps are taken:

– Market liquidity risk: this is assessed with reference to the financial assets in the portfolio by calculating the impact of a possible divestment in conditions of low market liquidity. The risk assessment considers the possibility of having to resort to divestment in illiquid market conditions in order to meet expected payment obligations (claims payments, surrender dates, overheads, taxes). To the extent that expected payments for various reasons are covered by current account liquidity or money market instruments, the risk is considered not significant and the solvency requirement is zero.
– Inflation risk: this is assessed by reference to financial assets indexed to inflation and the increased cost of settlements due to unanticipated inflationary assumptions.
– Basis risk of derivatives: the basis risk of derivative financial instruments in the portfolio is assessed; for derivatives used for hedging purposes, their effectiveness is assessed on the basis of retrospective and prospective effectiveness tests in accordance with IAS 39.
– Specific risks of financial assets characterised by implicit optionality: financial assets in the portfolio with implicit optionality are considered (securities with coupons indexed to long-term swap rates (CMS/CMT), possibly with caps and/or floors on the coupons, callable securities that provide the issuer with the right to redeem the security early, convertible bonds, equity-linked bonds, i.e. with performance indexed to share indices, etc.). The implicit optionality described above is taken into account in the pricing of securities carried out with the calculation tools in use (Sofia and Bloomberg); in particular, with reference to callable securities in the calculation of spread risk, the duration is calculated as a function of the expectations of recall of the securities.

The identification and mapping of the risks implicit in these financial assets is carried out with a look-through approach aimed at breaking down each instrument into its essential constituent elements.

With regard to securities linked to securitisations, CDOs and mortgages, the specific characteristics of these assets are analysed.

Where there is no or insignificant exposure to specific risks related to embedded optionality not captured by the standard formula, capital requirements are calculated as a function of the capital requirements for interest rate risk, spread risk and equity risk.

Alternative Investments or Private Debt/Equity: the Company invests in these asset classes through investment vehicles for which the identification and mapping of the risks implicit in these financial assets are carried out with a look-through approach aimed at breaking down each instrument into its essential constituent elements.

Concentration risk by product sector: not considered in the standard formula, it is managed within investment limits that set maximum exposure thresholds, differentiated by sector. To the extent that the portfolio is well diversified across commodity sectors other than sovereign, liquidity and property, no capital requirement is calculated for this risk factor.

Credit/Counterparty Default Risk

For balance sheet items that fall under Type 1 or Type 2, as declined in the EIOPA Technical Specification, the standard formula is applied.

With respect to corporate bonds of Italian issuers, it is assessed whether the capital requirement for spread risk, calculated using the standard formula in the context of market risk, is adequate.

The Solvency II Directive has established new requirements for investments as described in Article 132 of Directive 2009/138/EC, Article 37-ter of the Private Insurance Code (CAP), and IVASS Regulation No. 24/2016.

The Directive therefore establishes qualitative criteria for investments, i.e. insurance and reinsurance undertakings must invest all their assets in accordance with the prudent person principle, only in assets and instruments whose risks they can identify, measure, monitor, manage, control and report appropriately, taking them into account when assessing overall solvency needs.

Through its Subsidiaries, the Company invests in so-called "illiquid" assets, i.e. financial instruments that by their nature are unrated and not traded on regulated markets. Among the instruments included in the financial asset allocation strategy, indirect investments (through ICAV funds with Multicredit strategy) are directed towards unrated private debt instruments.

By their nature, these debt instruments require a prudent approach in line with the PPP requirements of the Solvency II Directive, and an assessment of risk-based capital requirements using an expert judgement approach, which for insurance companies is reflected in the Delegated Acts in Article 2.

Liquidity Risk

Liquidity risk is assessed in relation to the risk that the Company is not able to meet its cash outflows (both expected and unexpected) in an economical manner, without jeopardising its daily operations or financial position, or the risk of not being able to dispose of a financial asset without incurring capital losses due to the lack of liquidity of the reference market or inefficiencies of the same. The exposure to risk is mitigated by the liquidity reserve set up at the level of the individual company. The interest rate and spread risk of money market instruments used in liquidity management is considered in the market risk. Default risk of banking counterparties is considered in credit/counterparty risk.

ALM Risk

ALM risk is assessed in relation to the mismatching level of the cashflows belonging to the assets and liabilities medium/long term portfolios.

Technical Insurance Risks

The underwriting risks considered material are premium and reserve risks of the Non-Life and Health portfolios and catastrophe risks.

These risks are all assessed according to the Solvency II standard formula.

Operational Risk

Operational risk is assessed using a standard formula based on the volume of premiums and their growth rate and technical provisions. The amount of the capital requirement evolves over time according to the assumptions of new business and the dismantling of the existing policy portfolio, as formulated in the budget/strategic plan.

Based on self risk assessment and loss data collection, it is assessed whether the requirement set for operational risks based on the standard formula is adequate to cover also reputational, legal and non-compliance risks. If not, the adequacy of the company's capital is measured.

Concentration Risk

It takes the form of contagion risk or the risk of conflicts of interest.

The risk of conflict of interest is regulated by the Guidelines for the Discipline of Intragroup Transactions that the Administrative Body, pursuant to IVASS Regulation no. 30/2016, approves and reviews annually.

Risk of non-compliance with standards

The risk of non-compliance with standards is evaluated qualitatively based on risk assessment analysis. To the extent that the requirement for operational risk based on the standard formula is adequate to cover also the risk of non-compliance with standards, capital requirements are not determined. If this is not the case, the adequacy of the company's assets is measured.

Strategic Risk

Strategic risk is evaluated qualitatively, based on the historical track record of the planning process, considering the degree of deviation of the final results compared to the forecasts.

Reputational Risk

Reputational risk is evaluated qualitatively based on self-risk assessment analyses. If the subsidiaries do not consider themselves adequate, it is assessed whether the requirement for operational risks based on the standard formula is adequate to also cover this risk; otherwise the adequacy of the company's assets is measured.

Legal Risk

The legal risk is monitored by all Organisational Units, each for its own functions and activities, which must be carried out in accordance with the regulations in force. The support function is the Legal Department, the specific control function is the Compliance Department.

It is qualitatively assessed on the basis of risk assessment analyses. If the controls in place are not considered adequate, it is assessed whether the requirement set aside for operational risks on the basis of the standard formula is adequate to also cover this risk; otherwise, the adequacy of the Company's capital is measured.

ORSA (Own Risk and Solvency Assessment) Activities and objectives

In accordance with the ORSA policy (policy of the Parent Company HDI Assicurazioni and then implemented by the Company), the Company conducts an annual risk and solvency assessment, both current and prospective, to monitor capital and financial sustainability, not only for regulatory compliance purposes but also for internal strategic purposes.

With this in mind, the objectives of:

- to assess the Company's risk profile in accordance with the assumptions of the strategic plan
- assess the overall solvency requirement for all risks including those not in the standard formula; and
- provide the results of the assessments carried out in order to evaluate the strategies regarding capital management, product development and design;
- promote a common risk culture embedded in business processes;
- to provide additional ORSA assessments if internal or external conditions change the Company's risk profile.

With specific reference to the prospective risk assessment, on the basis of the ORSA principles, the following phases of activities are carried out:

- analysis of the strategic plans, i.e. the balance sheet and income components resulting from the development strategy;

- Analysis of the projection of balance sheet and income items;
- risk analysis of the portfolio of financial assets and the policy portfolio and their development during the current financial year;
- projection of the portfolio of financial assets and the policy portfolio according to the financial management and product development strategy assumptions underlying the strategic plans;
- determination of own funds and assessment of the Company's capitalisation level;
- calculation of the regulatory requirement using Solvency II criteria;
- analysis of the risks to which the Company is exposed or could potentially be exposed in the current and two subsequent financial years;
- calculation of the prospective risk profile at the end of the current and the following two financial years for the Company

Based on the evidence obtained, the connections between the business plan and the capital management strategy with the risk profile and the overall solvency requirements were analysed. Assessments of the current and prospective risk profile over the planning horizon are used within the Company's main decision-making processes.

With particular reference to the link with the definition of the Strategic Plan, the prospective assessments are carried out in correspondence with the definition of the Strategic Plan allowing:

- to bring forward for approval a Business Plan on which the evolution of the risk profile has already been assessed;
- to update the figures for the budget year in line with the final balance, the funding/registration trend and the evolution of the financial markets.

In view of the full integration with the capital management strategies, the projections of the risk components together with those of the own funds allow the corporate functions to estimate the Company's capital needs and to optimise their use and allocation. It follows that the estimation of dividends, possible capital releases as well as the need for possible capital increases are directly derived from the planning processes.

The Company has put in place procedures to monitor and mitigate risks, in particular by identifying appropriate first and second level controls within the internal control system.

The results of the control activities and the proposal of risk containment strategies are brought to the attention of the specific committees (Investment and Capital, Risk).

In particular, the Risk Management function produces monthly monitoring reports (or when necessary) on the main risks and on the operational and management limits set out in the specific Policies.

The Company has implemented the ORSA process in order to obtain a prospective vision of the capital requirement, of the Solvency Ratio and of the risks to which the Company is exposed, considering all the substantial risks, regardless of whether these risks are considered or not in the calculation of the standard capital requirement and whether they are quantifiable or not.

The ORSA is the process that links the risk management system to the company's business strategy and decision-making processes and to this end it integrates, improves and completes the various elements that make-up the Solvency II framework.

The above process has been broken down into logical sub-processes on the basis of what has been built up to now: taking charge of business strategies, economic-financial scenarios, prospective calculations of Balance Sheet values, prospective calculations of Own Fund and SCR, the link with the risk management system (risk appetite, operational limits, risk assessment).

This process is divided into the following phases:

A. Forward Looking Solvency & Capital Position: calculation and assessment of the prospective solvency situation i.e. calculation and assessment of the capital requirement, own funds and Solvency Ratio, projected over the strategic planning time horizon consistent with the business assumptions underlying the strategic plan and capital management strategy;

B. Stress testing: calculation and assessment of the Company's prospective solvency situation in stress testing simulations to assess the resilience of the Company's economic-financial-equity balance following shocks or the occurrence of unfavourable conditions;
C. Self Assessment: risk assessment through the determination of the qualitative or quantitative value correlated both to a concrete situation and to a potential threat, as well as risk prioritisation through the definition of the most significant risks;
D. Reporting: reporting (internally and to the supervisory authority) of the ORSA process and of the assessment, from a prospective perspective, of the overall solvency needs.

The activities require the involvement of various competences, structures, corporate functions and corporate bodies, in particular: the Financial Administration Department, the Non-Life Business Department, the Risk Management Department and the control functions (Actuarial, Compliance and Internal Audit).

In accordance with the provisions of Article 30-ter of the Code and Article 4 of IVASS Regulation No. 32/2016, the Company carries out the ORSA, in a current and prospective perspective:

a) at least on an annual basis (so-called regular ORSA) with reference to the end of the financial year (31 December);
b) in any case, (so-called non-regular ORSA) an update of the solvency ratio projection whenever circumstances arise that could significantly change the risk profile, or in the event of a deviation of the Solvency Ratio that presents a reduction of more than 20 p.p. compared to the previous (quarterly) assessments, and/or in the event of a breach of the limits set by the Risk Appetite Framework for which the relative escalation process will be activated.
c) and, in any case (so-called non-regular ORSA), in the presence of extraordinary transactions or factors that lead to a substantial change in the risk profile of the Company (e.g. change in the economic-financial scenario). a change in the economic-financial scenario that requires a substantial revision of the financial strategy in terms of the risk/return profile a deviation in the evolution of the policy portfolio from what is foreseen in the business plan that requires a revision of the business strategy, investment in new asset classes or the implementation of occasional or non-recurring operations, such as the proposal of new tariffs/channels, which, on the basis of the analyses and assessments carried out, determine the emergence of significant risks).

If one of the above situations occurs, a new evaluation is initiated, carried out according to the defined processes and procedures.

Risk Appetite Framework

The Company has also adopted a reference framework that defines the risk propensity, the tolerance thresholds, the risk limits, the risk governance policies, the reference processes necessary to define and implement them, in accordance with the maximum assumed risk, the business model and the strategic plan (Risk Appetite Framework - RAF).

The RAF represents the overall framework within which corporate risk management is developed, it is defined on the horizon of the Strategic Plan and/or Budgets, on the basis of Risk Assessment and is divided into:

- General principles of risk appetite;
- Monitoring of the overall risk profile of the Company;
- Monitoring of the Main Specific Risks of the Company.

While the general principles of risk appetite are essentially qualitative, the controls of the overall risk profile and of the main specific risks of the Company are expressed in limits and mitigation actions.

Two types of limits are established, Hard and Soft, which differ in the escalation process triggered by a possible breach (intuitively, the process is more severe for Hard Limits).

These levels may be accompanied by Early Warning thresholds, beyond which monitoring is reinforced.

For some indicators, it is also possible not to set any limit but only Early Warning thresholds.

A "Target" threshold is established, which will represent the Solvency ratio level below which the company will not be able to distribute dividends or capital. This threshold constitutes an additional capital buffer, in line with the indications received from the Supervisory Authority.

B.4 Internal Control System

The internal control system is an integral part of operations and involves all company structures at all levels, which are called upon, each within its own sphere of competence, to guarantee constant monitoring of risks.

The system of internal controls and risk management consists of the set of rules, procedures, policies, internal operating procedures, regulatory provisions and the definition of roles and responsibilities assigned to the various Organisational Units aimed at ensuring the proper functioning and good performance of the Company and guaranteeing, with a reasonable margin of safety:

- l'efficienza e l'efficacia dei processi aziendali;
- l'identificazione, la valutazione anche prospettica, la gestione e l'adeguato controllo dei rischi, in coerenza con gli indirizzi strategici e la propensione al rischio anche in un'ottica di medio-lungo periodo;
- la tempestività del sistema di reporting delle informazioni aziendali;
- l'attendibilità e l'integrità delle informazioni contabili e gestionali;
- la salvaguardia del patrimonio anche in un'ottica di medio-lungo periodo;
- la conformità dell'attività della Compagnia alla normativa vigente, alle direttive e alle procedure aziendali.

The reference structure of the Internal Control System is outlined by the Board of Directors with the adoption, most recently, of the "Corporate Governance System Policy", adopted under the Guidelines issued by the Parent Company.

The structure of the internal control and risk management system is defined as follows:

Line controls (1st level), i.e. controls of a systematic nature carried out by the individual organisational units within the scope of their own business processes or sub-processes; these control activities are delegated to the primary responsibility of the management and are considered an integral part of each business process;

Risk management control (2nd level), i.e. controls entrusted to organisational units other than operational units. The organisational units in charge of systematic risk control are:

- Risk Management Department, with the task of supervising risk management activities related to the identification, assessment and monitoring of specific risks to which the Company and the Group are exposed. This function contributes to the definition of the risk management policy and defines the criteria and relative methodologies for the measurement of risks, as well as the results of the evaluations which it transmits to the Administrative Body; it contributes to the definition of the operating limits assigned to the operating structures and defines the procedures for the timely verification of the limits themselves validates the information flows necessary to ensure the timely control of risk exposures; contributes to the definition of the risk and solvency assessment policy, to the choice of methodologies, criteria and assumptions used for assessments, reports risks identified as significant and collaborates in defining the economic incentive mechanisms for personnel.
- Compliance function, with the aim of monitoring the activities of the Company and the Group as a whole that entail a risk of non-compliance with the law, as well as with supervisory regulations and self-regulatory provisions. Particular attention is given to transparency and contractual fairness and protection of consumers and reputational risks.

- Actuarial Function with the task of coordinating the calculation of technical provisions, ensuring the adequacy of the methodologies and models used and assessing the sufficiency and quality of the data used for the calculation. The Function expresses an opinion on the underwriting policy and the adequacy of reinsurance agreements. It contributes to the application of the risk management system referred to in Article 44 of Directive 2009/138/EC, in particular with respect to the risk modelling underlying the calculation of the capital requirements referred to in Chapter VI, Sections 4 and 5 and with respect to the assessment referred to in Article 45 of the said Directive.

Internal audit controls (3rd level) i.e. controls, entrusted to the Internal Audit Function, in order to monitor and assess the adequacy, effectiveness and efficiency of the internal control system and of the other components of the corporate governance system and the need to adjust the same, also through support and advisory activities to other corporate functions. The internal audit function shall inform the Board of Directors of its findings and recommendations in relation to the activities carried out, indicating the corrective actions to be taken in the event of the detection of dysfunctions and critical issues.

The Board of Directors defines and formalises the links between the various functions to which control tasks are attributed, most recently with the approval of the Corporate Governance System Policy; in defining information flows, a common methodology is adopted and maintained within the Insurance Group and the internal control functions (Internal Audit, Risk Management, Compliance and the Actuarial Function) are required to report to the Board of Directors on the activities carried out on a defined basis.

B.5 Internal Audit function

The Internal Audit Function (Function) is a Fundamental Function (so-called "Key Functions": Internal Audit Function, Compliance Function, Risk Management Function and Actuarial Function), and is therefore considered an essential or important Function. The Function is located within the internal control system as a "third level" function, and, in line with the adopted corporate governance system, it is set up as a specific organisational unit, with a Head (currently appointed through the partial secondment of the Heads of Functions operating at HDI Assicurazioni (Parent Company)) who is separate from the other operational and control functions. The activities assigned to the Internal Audit Function are defined in the Policy, which also represents its Mandate.

The Board of Directors of HDI Italia is the competent body to:

- approve the appointment (and removal) of the Head of Internal Audit, after consulting the Board of Statutory Auditors, in accordance with the Policy on the requirements of integrity, professionalism and independence;
- approving the Policy defining the activities, responsibilities, objectives and principles governing the functioning of the Function;
- approve and adopt the annual Audit Plan of the Function;
- approve the Department's expenditure budget;
- periodically checking with Management and the Head of Internal Audit whether there are any organisational and operational limitations relating to the scope of coverage, field of action and resources and individual conflicts of interest, restrictions on access to company data and assets or financial constraints.

In order to guarantee the characteristics of independence, autonomy and objectivity of judgement, the Department depends on and reports hierarchically and directly to the Board of Directors, which guarantees the following:

- adequate qualitative and quantitative sizing with respect to the size and operational characteristics of the company. In order to ensure adequate qualitative dimensioning, special training and professional updating plans are foreseen for resources, through participation in specific internal and/or external courses;
- possession, on a continuous basis, of the requisites of suitability for office of the resources in terms of honourableness, professionalism and independence;
- the right to access the Company's activities, corporate structures and all relevant information, including information useful for verifying the adequacy of the controls carried out on outsourced functions.

The Internal Audit Function conforms its activities to commonly accepted national and international professional standards and must verify:

- the correctness of management, operational and commercial processes and the effectiveness and efficiency of organisational procedures;
- the regularity and functionality of information flows between corporate sectors;
- the adequacy of the information systems and their reliability so that the quality of the information on which top management bases its decisions is not impaired;
- the compliance of administrative-accounting processes with criteria of correctness and regular bookkeeping;
- the efficiency and effectiveness of the controls carried out on outsourced activities.

The Internal Audit Function supports the Board of Directors and the Board of Statutory Auditors in assessing and monitoring the effectiveness, efficiency and adequacy of the Internal Control System and the other components of the corporate governance system of the Companies belonging to the Group and the need for the relative adjustments, also through support and consultancy activities to the other corporate functions.

As part of the corporate governance system, the Internal Audit Function ensures the Company's compliance with applicable laws, regulations and administrative provisions and the effectiveness and efficiency of its operations in the light of the defined objectives, and guarantees the availability and reliability of financial and non-financial information.

The Internal Audit Function may perform, as indicated by Article 35 of IVASS Regulation No. 38/2018, not only an independent and objective assurance activity, but also an advisory activity to other corporate functions, aimed at adding value and improving the effectiveness and efficiency of the organisation's operational activities, in compliance with the principle of independence and avoiding potential conflicts of interest.

Main responsibilities of the holder and duties of the function

The Head of the Internal Audit Department submits the Audit Plan to the Board of Directors for approval on an annual basis, taking into account the activities of synergy and integration into the HDI Assicurazioni group which will start in 2021.

This Plan:

- is based on a methodical risk analysis (risk based) that takes into account all the activities and the entire corporate governance system (so-called audit universe), the expected developments of activities and innovations, as well as the Risk Self Assessment activities carried out by management at the instigation and coordination of Risk Management;
- includes all the planned verification activities on the internal control system and on the other components of the corporate governance system, including follow-up activities, verification activities of the information flow and of the IT system;
- describes the criteria on the basis of which the audits were selected, also taking into account any shortcomings found in previous audits, any new risks identified or risk/loss events formally notified to the Function;
- indicates the period of performance of the activities and the resources involved in the execution of the plan;
- the plan is defined in a sufficiently flexible manner, so as to be able to reasonably cope with possible unforeseen situations, and to reschedule the activities on the basis of new priorities.

Where necessary, audits not provided for in the Audit Plan may be carried out. In the event of significant changes to the plan or budget, the owner submits them to the Board of Directors for approval.

At the end of each audit, Internal Audit prepares a report detailing the activities carried out, the main findings, as well as proposals for resolutions aimed at removing the anomalies found in the internal control system, with evidence of the timeframe for adjustment and the bodies responsible for implementation. This report is sent to the Board of Directors, the Board of Statutory Auditors, the Top Management and the direct and indirect managers of the functions subject to audit. The audit report includes the action plans shared with the managers with an indication of the timeframe for the removal of the critical issues detected.

The Data Controller draws up, periodically (on a quarterly basis plus a six-monthly summary), an update report on the activities carried out. The document is forwarded to the Board of Directors. The report must describe all the audits carried out, the results that emerged, the weaknesses or shortcomings detected, the recommendations made for their removal, indicating the corrective action to be taken, the persons and/or functions designated to remove the critical issues, the action plans drawn up by management on the basis of the corrective actions shared, so that the Board, as a whole, can verify their adequacy and, if necessary, modify or supplement them (also pursuant to art. 30 quinquies of the CAP); the report must also include follow-up actions.

The Data Controller shall promptly notify the Board of Directors and the Board of Statutory Auditors of any particularly serious situations and/or substantial information.

The Data Controller collaborates with any other internal control function, or key function, exchanging any information useful for the performance of the tasks entrusted to them.

Internal audit activities

The Internal Audit activity, carried out in the context of the provisions issued by the Board of Directors, which approved the Internal Audit Policy, refers to the methodology, in synergy and integration within the HDI Group launched in 2021, based on the use of a control-based approach and oriented towards the risks inherent in the business processes, which allows the formulation of a subsequent opinion on the adequacy of the Internal Control System.

As regards the type of checks that can be carried out, the Internal Audit Function can implement the following types of intervention:

- Mandatory Activities/Mandatory activities, i.e. those relating to the fulfilment of obligations and verifications incumbent on the Department as required by the law, the Supervisory Board, the Board of Directors, the Board of Statutory Auditors and the Supervisory Board 231/2001. These activities are carried out within the timeframe defined by the provisions themselves.
- Management Activities, i.e. control activities, on the basis of the audit plans approved by the Board of Directors and/or according to specific needs, carried out in order to verify, with appropriate criteria and methods, the effectiveness and efficiency of the internal control system. Management activities include:
  - Operational audits: operational, compliance and IT audit activities;
  - Follow-up audits: activities aimed at detecting, after a period of time, the effectiveness of the corrective actions implemented and identified in the audits carried out previously

The Internal Audit Department carries out periodic monitoring of the progress of the planned measures to mitigate the anomalies detected during the audit and informs the Board of Directors thereof.

The Internal Audit Function monitors periodically the progress of the planned measures to mitigate the anomalies found during the audit and informs the Board of Directors.

The Company also guarantees an effective system of information cooperation between the Internal Audit Function and the Risk Committee through a periodic contribution on the audits carried out in the period under review and the main shortcomings detected, as well as monitoring the progress of the actions planned to mitigate the anomalies found during the audit and the trend of complaints.

Lastly, when appropriate, the Department also carries out consultancy activities aimed at adding value and improving the effectiveness and efficiency of the Company's operating activities, while maintaining objectivity and independence from Management at all times.

Independence and autonomy of the Function

Internal Audit must operate in conditions of independence from management, in order to be able to carry out its activities objectively and without conditioning. The internal auditing activity must be carried out according to the requirements of independence and objectivity of judgement, competence and professional diligence. Therefore, in the performance of their duties, the Proprietor and the staff making up the Internal Audit Function:

- do not assume operational responsibilities for other functions or take management decisions;
- they maintain independence, avoiding relationships and situations that might impair their objectivity. Any obstacles to objectivity shall be managed at individual auditor, engagement, functional and organisational level;
- adopt due competence and professional diligence, also through continuous professional updating. The Owner shall provide appropriate assistance and advice if the Internal Audit resources do not

possess the knowledge, skills or other competences necessary to perform all, or part, of the audit activities.

Information acquired in the performance of one's duties shall be treated in accordance with the principle of confidentiality and shall not be disclosed without authorisation, unless required to do so by legal or ethical reasons. In any case, the information obtained shall not be used either for personal gain or in ways that are contrary to the law or detrimental to the ethical and legitimate objectives of the organisation. The position assumed and the powers granted to the Department guarantee its independence, autonomy and objectivity of judgement with respect to the other corporate functions, including the Fundamental Functions.

B.6 Compliance Function

Organisational position

The Compliance Function is located within the internal control system as a "second level" function. The function is set up as a specific organisational unit, with a head who is separate from the other operational and control functions.

The position assumed and the powers granted to the Function guarantee its independence, autonomy and objectivity of judgement with respect to the other corporate functions, therefore the Function reports directly from a hierarchical and functional point of view to the Administrative Body, in the same way as the other Essential Functions.

The Compliance Function was established by resolution of the Board of Directors on 7 November 2008 with the Head currently appointed through the partial secondment of the Head of the Function established at the Parent Company HDI Assicurazioni.

The Department draws up an annual Activity Plan, which it submits to the Board of Directors for approval.

The Board of Directors is the competent body to:

- approve the appointment and dismissal of the Head of the Compliance Function (in accordance with the Policy on Honour, Professionalism and Independence Requirements), his assessments and remuneration;
- approve the Policy of the Compliance Function;
- approve the budget and the annual activity programme of the Function;
- carry out appropriate periodic reviews with management and the Compliance Officer to determine whether there are organisational and operational limitations relating to scope of coverage, scope of action and resources and individual conflicts of interest, restrictions on access to company data and assets, or financial constraints.

Activities, responsibilities and objectives of the Compliance Function

The Compliance function aims to prevent the "risk of non-compliance with rules", i.e. the risk of incurring judicial or administrative sanctions, suffering losses or reputational damage as a result of non-compliance with directly applicable laws, regulations and European standards or measures of the Supervisory Authorities or self-regulatory rules, such as statutes, codes of conduct or codes of self-governance, as well as the risk resulting from unfavourable changes in the regulatory framework or case law.

In identifying and assessing the risk of non-compliance with the rules, the Compliance Department pays attention to compliance with the rules on transparency and fairness of conduct towards policyholders and injured parties, pre-contractual and contractual information, the proper performance of contracts, with specific reference to the management of claims and, more generally, the protection of policyholders and others entitled to insurance benefits.

It also advises the Board of Directors on compliance with directly applicable laws, regulations and European standards, assesses the possible impact on the company's activities of changes in the regulatory framework and case law, and identifies and assesses the risk of non-compliance.

The Compliance Function assesses that the organisation and internal procedures of the company are adequate to achieve the objectives.

To this end, the Function:

- identifies the rules applicable to the company on an ongoing basis;

- assesses their impact on corporate processes and procedures, providing support and advice to corporate bodies and other corporate functions on matters where the risk of non-compliance is relevant, with particular reference to product design;
- assesses the adequacy and effectiveness of the organisational measures taken to prevent the risk of non-compliance with standards and proposes organisational and procedural changes to ensure adequate risk control;
- assesses the effectiveness of organisational adjustments resulting from the suggested changes;
- arranges adequate information flows to the corporate bodies of the company and to the other structures involved.

Compliance carries out both ex ante and ex post activities:

- the main activities of the Function are first and foremost preventive and proactive, as they are aimed at preventing the occurrence of regulatory misalignments in the company, through an ex ante and prospective assessment of the legal compliance and adequacy of internal processes and procedures, also contributing to the dissemination and strategic consolidation of the culture of legality;
- the Function also carries out ex-post, remote and on-site audits, with reference to some specific issues and areas considered particularly sensitive, with the aim of verifying the status of some specific risks of non-compliance and the effectiveness and adequacy of the related measures adopted.

B.7 Actuarial Function

Organisational position

The Actuarial Function is outsourced to Studio De Angelis-Savelli e Associati and Professor Nino Savelli has been the holder of the same since the 3rd quarter of 2018.

The internal contact person for the outsourced Actuarial Function is Dr Fausta Docimo who holds the Actuarial Function within the Parent Company HDI Assicurazioni.

In particular, the internal contact person for the outsourced Actuarial Function checks that the outsourcer performs all the tasks envisaged by the contract stipulated with the Company.

The corporate location of the Function, with direct reporting to the Board of Directors, is adequate to respect the independent nature of the Function itself. Moreover, the persons who perform this function have sufficiently diversified skills, capable of ensuring quality standards suitable for the performance of activities.

Activities carried out by the Actuarial Function

The main tasks carried out by the Actuarial Function are governed by Article 48 of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 (as transposed by Article 30-sexies of the Private Insurance Code), which defines its guidelines. Below, the main key points will be listed.

"Insurance and reinsurance undertakings shall provide for an effective Actuarial Function that:

a) coordinate the calculation of technical provisions;
b) ensure the adequacy of the underlying methodologies and models used and the assumptions made in the calculation of technical provisions;
c) assess the sufficiency and quality of the data used in the calculation of technical provisions;
d) compare best estimates with data drawn from experience;
e) inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
f) supervise the calculation of technical provisions;
g) give an opinion on the overall underwriting policy;
h) give an opinion on the adequacy of reinsurance arrangements;
i) contribute to the effective application of the risk management system referred to in Article 30a, in particular with regard to the risk modelling underlying the calculation of capital requirements under Title III, Chapter IVa, and the internal risk and solvency assessment referred to in Article 30b of the CAP.

The Actuarial Function is carried out by an actuary registered in the professional register referred to in Law no. 194 of 9 February 1942, or by persons who have:

I. knowledge of actuarial and financial mathematics, appropriate to the nature, extent and complexity of the risks inherent in the business;
II. proven professional experience in the subjects relevant to the performance of the assignment."

The work plan, present in the Actuarial Function Policy was carried out by the Actuarial Function as shown below:

a. <u>Coordination of activities on technical reserves</u>

In this context, the Actuarial Function has:

- supervised the process of calculating technical provisions by certifying their conformity and sufficiency;

- validated the assumptions of the actuarial models used by the Company to calculate its claims and premium reserves;
- determined the uncertainty and variability associated with claims and premium reserve estimates by applying appropriate models,
- carried out control activities with respect to the compliance of homogeneous risk groups for the calculation of Best Estimates;
- set up some back testing analyses to verify the compliance of the assumptions used for the reserve estimates;
- set up a reconciliation analysis between Local GAAP reserves and Best Estimate Solvency 2 in order to attribute the differences in impact that can be recorded in the application of accounting standards to the various assumptions.

The Actuarial Function assessed, on the basis of all data available to date, whether the methodologies and assumptions used in the calculation of technical provisions are appropriate considering the specificities of the Insurance Company. Continuous discussion and cooperation has helped the management of the various actuarial activities.

b. Data quality on the calculation of technical reserves

The Actuarial Function, through specific checks on insurance portfolios, has assessed:

- that the Company has available a minimum set of data for the calculation of technical provisions through actuarial methodologies and/or through case-by-case approximations
- that the quality of the internal data can be considered appropriate with respect to the assumptions used
- that the methodology used/chosen is consistent with the data available in the Company and with the size of the business;
- it has also developed appropriate indicators that will allow any criticalities to emerge.

With specific reference to the identification of any data deficiencies, as well as their adjustment, related suggestions and the use of external data, the Actuarial Function provided, where necessary, recommendations to the Board of Directors on the best procedures to increase the quality and quantity of the available data, proposing possible solutions and will document, in the Annual Report, any recommendations to improve the quality of data in the future.

The results of the checks carried out on the process of calculating the Technical Provisions as at 31 December 2021 did not reveal any critical issues overall. There were no significant issues with a significant impact on the reserve amounts reported in the documents available as at 31 December 2021.

c. Opinion on the global underwriting policy

The opinion on the global subscription has been provided by the Actuarial Function in the Annual Report that will be made available to the Board of Directors for the annual evaluation.

d. Opinion on reinsurance policy

The opinion on the adequacy of reinsurance arrangements has been provided by the Actuarial Function and will be expanded upon in the Annual Report made available to the Board of Directors scheduled for the annual assessment.

e. Other activities

In this context the Actuarial Function:

- interfaced with and provided the support requested by the other core functions in accordance with the principle of independence between them;
- drew up the work plan provided for and prepared the reports requested by the Board of Directors;
- contributed to the drafting of the Company's internal policies;

- collaboration between the Functions was facilitated by the organisation of periodic meetings to which the Actuarial Function punctually sent its evidence (e.g. Risk Committee).

Other activities provided by secondary legislation

ISVAP Regulation no. 22 of 4 April 2008 as amended by IVASS Measure no. 53 of 6 December 2016, provides for the Actuarial Function, when drawing up the balance sheet and with reference to the "statutory" technical provisions referred to in Article 90, paragraph 1, letter c) of the Code, additional tasks with respect to the primary regulations and further to those provided for in the IVASS Letter to the Market of 28 July 2015. For the purposes of this policy, in particular, the tasks envisaged are those referred to in Article 23-ter paragraphs 2 and 3, Annex no. 15 and Annex no. 15 ter.

Specifically, they include:

I. the assessment of the sufficiency of the technical provisions for the motor vehicle and craft liability classes, Italian direct business, "civil" (technical provisions referred to in article 90 (1) c) of the Code) with the drafting of the relevant technical report, in compliance with article 23 ter (2) and (3) of ISVAP Regulation n. 22 of 4 April 2008 as amended by IVASS measure n. 53 of 6 December 2016 and following the scheme in annex 15-ter of ISVAP Regulation n. 22 of 4 April 2008 as amended by IVASS measure n. 53 of 6 December 2016 and following the scheme in annex 15-ter of ISVAP Regulation n. 22 of 4 April 2008 as amended by IVASS measure n. 53 of 6 December 2016. ISVAP Regulation n. 22 of 4 April 2008 as amended by IVASS Order n. 53 of 6 December 2016 and following the scheme in annex 15-ter of ISVAP Regulation n. 22 of 4 April 2008 as amended by IVASS Order n. 53 of 6 December 2016.

II. the signing, together with the legal representative of the undertaking, of the report referred to in article 7 (4) of IVASS measure no. 18 of 5 August 2014 as amended by IVASS measure no. 43 of 4 March 2016.

These activities were presented by the Actuarial Function in the Annual Report already made available to the Board of Directors.

B.8 Outsourcing

The Company's outsourcing policy defines the methods for managing outsourcing, including the approval process of the same, in order to define the governance and organisational aspects of the management of the relative contracts, from the initial engagement of the supplier, to the request for approval where necessary by the Supervisory Body, to the stipulation of the contract, up to the effective date of the same and any modification, closure or deregulation following further screening, as established by the Supervisory Body.

Below are some useful indications on the process of managing outsourcing.

Criteria for the identification of the activities to outsource

Outsourcing contracts are allowed only if they do not lead to the emptying out of the company's activities and do not concern risk-taking activities [Art. 29(1) and (2)].

When choosing to outsource activities:

- the quality of the Company's governance must not be jeopardised;
- neither the financial results nor the stability of the company nor the continuity of its business must be jeopardised; and
- the company's ability to provide a continuous and satisfactory service to policyholders and injured parties must not be compromised; and
- there must be no unjustified increase in operational risk.

Pursuant to Article 15 of the Articles of Association, the Board of Directors is exclusively responsible for all decisions relating to any outsourcing of activities or functions or processes, defined as Essential or Important, as well as any termination of the related contracts.

Pursuant to Article 15, letter b), of the Bylaws, the Board of Directors has granted the Chief Executive Officer decision-making powers regarding the outsourcing of activities or functions or processes, qualified as outsourcing of "Other Activities", as well as any termination of the related contracts.

The assessment must take into account at least the following factors:

- the strategic relevance of the activity, area or service to be outsourced: this must be assessed according to the impact of the service in question and its consistency with the knowledge that the company has and plans to have at its disposal;
- the know-how of the individual areas of the company: the presence or absence within the company of resources, tools and skills capable of carrying out, managing and/or adequately implementing the activity under analysis must be verified;
- the cost/benefit ratio of outsourcing: the ratio between the costs to be incurred and the benefits deriving from outsourcing compared to maintaining or developing the area/activity/service within the company structure must be analysed in terms of both efficiency and cost-effectiveness;
- the risk deriving from the possible outsourcing: it must be assessed according to the complexity of the activity and the costs deriving from the outsourcing.

Examination of these factors may lead to a decision to outsource if, for example, the benefits of:

- make-up for the lack of certain required professional skills;
- focus attention and resources on activities considered strategic, freeing human resources from other activities;
- raise the quality of services;
- allow cost reduction in case of assignment to an external entity with technical specialisation and more favourable management conditions.

The evaluation process regarding the identification of activities to be outsourced and the results thereof must be adequately documented in order to allow the decisions taken to be monitored.

Criteria for selecting suppliers in terms of professionalism, good repute and financial capacity

In addition to the requirements that must normally characterise the choice of all suppliers, i.e. the quality of the service/product offered, cost-effectiveness, the relationship of trust with the supplier, compliance with delivery times, respect for the law and the principles enshrined in the Company's Code of Ethics, when outsourcing an activity, appropriate procedures must also be adopted to ensure that the requirements of integrity, professionalism, financial capacity and independence are verified when choosing suppliers.

Adoption of methods for assessing the supplier's level of performance (service level agreement).

The supplier is required to specify the parameters of the service offered, in order to enable the Company, over the reference time span, to manage and monitor the service provided on the basis of shared, objective and measurable indicators.

Depending on the subject of the outsourcing contract, the Organisational Unit responsible for and in charge of assessing the supplier's Performance Level is identified. The contacting and responsible Organisational Unit must produce specific reports on the evaluations carried out and transmit them annually to the Procurement Office, which prepares a special summary report: "Report on outsourced activities", to be submitted to the Board of Directors.

In order to effectively measure the services and assess the level of performance offered, together with the outsourcing contract and as an essential component of the contract itself, Service Level Agreements (SLAs) are defined and formalised, which identify the performance standards required of the supplier. These SLAs must be defined and agreed insofar as they are compatible with the following characteristics with respect to the service to be provided:

- measurability;
- meaningfulness;
- contractualisability;
- applicability of incentives/penalties.

Prior to identifying the expected level of service required, it is necessary to carry out activities aimed at:

- identify the characteristic aspects of the service on which to apply the type of SLA;
- identify the measurement methods.

Having defined the above, the service levels necessary to guarantee and verify the correct provision of the outsourced service must be identified, which may converge into one or more of the following types:

- level of efficiency, aimed at verifying the supplier's compliance with the execution times for services and/or delivery of goods. This level can be measured, by way of example, in relation to delivery times for the services requested, or with reference to the time taken to resolve anomalies and errors, etc.;
- quality level, aimed at ensuring an adequate level of goodness in the service provided by the supplier, in line with the contractual expectations of the customer. This level can be measured, by way of example, by identifying a standard threshold of non-tolerable error;
- quantity level, aimed at satisfying the need for adequacy of service connected to certain activities in which periodic quantitative production is the qualifying element. This level can be measured, by way of example, by identifying a certain minimum quantity of supply with respect to a given time frame;
- level of proactivity, aimed at highlighting the existence of situations of excellence in the provision of services. This level is identifiable when the conditions for the provision of the activity are better in terms of cost-effectiveness and/or profitability compared to the service levels envisaged in the

contract, or can be found in the activities developed by the supplier independently in order to obtain a service provision process that allows the customer to save and optimise costs and processing times in related business sectors;

- communication level, aimed at obtaining timely information from the supplier on possible interruptions (and relative causes) to the regular performance of services. This level can be measured, by way of example, in relation to the time taken to communicate anomalies (and subsequent time taken to resume regularity of services);
- particular level of service with respect to the activity provided, aimed at ensuring the successful performance of particular services where the application of the types of level described above is not considered exhaustive.

Preparation of emergency plans

Each reference Organisational Unit shall prepare analyses, prior to the signing of contracts, in order to guarantee a valid solution of continuity in the event of interruption or serious deterioration of the quality of the service provided by the supplier.

Each Organisational Unit formalises in appropriate documentation the appropriate solutions, including appropriate exit strategies, contingency plans, including possible plans for the return of the activity.

In the event of termination of the outsourcing relationship (e.g. due to failure to comply with the SLAs, inability of the supplier to guarantee the service, failure of the supplier to comply with the contractual agreements, request by the Supervisory Authority, etc.) the Company must have the right to decide whether to re-source the activity or to assign it to another supplier. Therefore, for each activity considered essential or important, an exit strategy must be envisaged on the basis of the following process:

- definition of possible alternative options;
- feasibility analysis of the chosen option;
- cost-benefit analysis;
- selection of the strategy to be implemented;
- activation of measures for timely implementation;
- periodic feasibility/opportunity check of the adopted strategy.

Control

The person in charge of control activities on outsourced activities is identified in writing in relation to the nature of the outsourced activity and may avail himself of the cooperation of the Internal Control System for checks on the supplier. The organisational units assigned to internal control functions are required to perform control activities on outsourced activities, guaranteeing standards similar to those that would be implemented if the activities were performed directly by the company.

Appropriate organisational and contractual controls must be adopted to allow constant monitoring of outsourced activities, their compliance with laws and regulations and with company directives and procedures, and compliance with operating limits and risk tolerance thresholds set by the company, and to intervene promptly if the supplier does not meet its commitments or the quality of the service provided is poor. The Company adopts appropriate measures to ensure business continuity in the event of interruption or serious deterioration in the quality of the service provided by the supplier, including adequate contingency or business recovery plans. Such measures shall be formalised and adequately documented, and shall be periodically verified by the person in charge of controlling the outsourced activities.

In particular, the monitoring of service levels is aimed at:

- assessing the methods and terms for carrying out the outsourced activity and the permanence of the requirements assured by the outsourcer contractually;

- periodically carry out checks directly on the services provided by suppliers, acquiring and analysing all relevant documentation and carrying out on-site checks;
- proposing any improvements and/or corrections to the service provided.

The Internal Control System must pay specific attention to the risk associated with the outsourcing of business activities, first and foremost those that are essential or important, in terms of direct and indirect costs or even hidden costs (related to organisational impact and control), dependence on third parties, protection of corporate know-how, potential discontinuities due to unexpected drops in the supplier's performance.

Appropriate organisational safeguards are adopted to ensure compliance with the reporting obligations to IVASS, in terms of the provisions of Articles 67, 68 and 69 of IVASS Regulation No. 38 of 3 July 2018. To this end, the person who holds the powers of signature and representation for the signing of the contract, on the basis of the proposal received from the person in charge/referring to the contract and taking into account the operating procedures established for the outsourcing of business activities, defines, also with the advice of the Legal and Risk Management Function, whether the outsourced activity is to be considered:

a) 'Essential or important' activity, subject to prior notification to IVASS, pursuant to article 67 of IVASS Regulation no. 38 of 3 July 2018;
b) Activities c.d. "Other activities".

Outsourcing contracts whose amount exceeds EUR 1 million are, in any case, considered "essential or important" outsourcing contracts.

This is without prejudice to the obligations to report on a quarterly basis to the Board of Directors and the Board of Statutory Auditors pursuant to Article 15 of the Articles of Association, on the activities carried out in the exercise of mandates and on those of greater economic and financial importance, and the further obligations relating to transactions with related parties and/or in conflict of interest, as defined by the Company Regulations in force. All the documentation supporting the above must be drawn up in written form (by means of paper or electronic documents) and must be kept in the company at the disposal of the Internal Control System functions and/or the Authority.

The essential or important operational functions or activities outsourced to HDI Italia are 13 (the details of the Essential (EI) and Non Essential (NEI) activities are set out below)).

Contract	Supplier name	Object	Qualification	Number of employees in charge
104	WINFLOW (ex PROGETTO LAVORO S.COOP.)	Gestione dell'attività di debt collection delle franchigie.	NEI	2
100	VAR GROUP S.p.A.	SAP in Cloud.	EI	20
95	VAR GROUP S.p.A.	Servizio di Virtual Machine, hosting e supporto nella gestione del Portale web.	NEI	20
81	TTYCREO S.r.l.	Servizio di Help Desk telefonico, richieste di informazioni provenienti dalle Controparti e riguardanti i sinistri, apertura denuncie e canalizzazione carrozzerie convenzionate	NEI	10
105	SIGMA DENTAL EUROPE SA	Gestione dei sinistri spese odontoiatriche.	EI	15
109	RGI S.p.A.	Manutenzione correttiva ed evolutiva, Help Desk e Servizi di supporto infrastrutturale (PASS).	EI	10
115	RGI S.p.A.	Gestione Archiviazione Sostitutiva registri contabili (libro giornale) e tecnici (premi emessi e premi incassati) e conservazione a norma PEC.	NEI	22
103	RE-SAFE S.r.l.	Gestione dell'attività di debt collection premi stragiudiziale e giudiziale (es.premi intermedi).	EI	4
108	QINSERVIZI (ex IN.SE.CO. INTERNATIONAL SERVICE CONSULTING S.r.l.)	Gestione e Liquidazione Sinistri Rischio Impiego.	EI	4
112	PRELIOS INTEGRA S.p.A.	Gestione tecnica, manutenzione del patrimonio immobiliare e gestione amministrativa dei contratti di locazione attivi.	NEI	12
84	LOGIDOC S.r.l.	Gestione magazzino stampati, Gestione Documentale, gestione Ufficio Posta.	NEI	4
5	INTEGRA DOCUMENT MANAGEMENT S.r.l.	Gestione in outsourcing della documentazione d'archivio in originale.	NEI	2
101	EUROP ASSISTANCE ITALIA S.p.A.	Gestione dei sinistri rimborso spese mediche ospedaliere.	EI	125
122	DIGITAL TECHNOLOGIES S.r.l.	Scansione ed Indicizzazione, Reg. 41, Privacy e Prodotti Tradizionali bancassicurazione	NEI	4
121	DATLAS S.r.l.	Attività di "running" al servizio di gestione disdette dei contratti (2019).	NEI	4
71	DATA STORAGE SECURITY SRL (già Data Bank SpA)	Servizio di prelievo, consegna e custodia supporti magnetici.	EI	7
97	CREDIT NETWORK & FINANCE S.r.l.	Gestione recupero crediti (rischio/impiego).	EI	3
98	CEDACRI S.p.A.	Facility Management.	EI	150
94	BUCAP S.p.A.	Scansione, inserimento dati ed indicizzazione documenti e ricerca.	NEI	7
106	AXA FRANCE IARD S.A. (già AXA PARTNERS e FINANCIAL INSURANCE COMPANY Ltd)	Gestione Sinistri Mutui e Prestiti/Perdite Pecuniarie – PPI (Contratto Service Genworth).	EI	12
119	ARMOUR RISK MANAGEMENT LTD	Gestione dei sinistri relativi a polizze run-off medical malpractice.	EI	11
121	HDI ASSICURAZIONI S.P.A.	Gestione investimenti ed Asset Management	EI	4
122	STUDIO ATTUARIALE DEANGELIS SAVELLI & ASSOCIATI	Funzione Attuariale	EI	7

B.9 Any other information

Generally speaking, the corporate governance and organisational/operational structure as well as the internal control and risk management system outlined for the Company are confirmed to be designed in proportion to the nature, scope, complexity and risk profile of the Company.

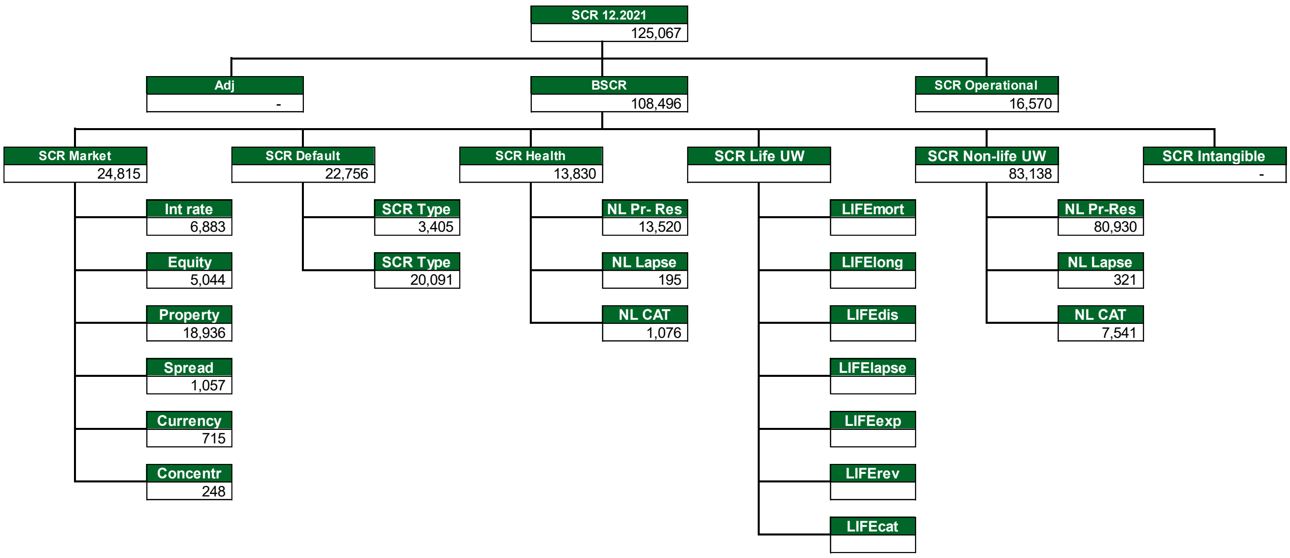
The governance system adopted and described in the previous paragraphs is considered adequate in relation to the nature, scope and complexity of the risks inherent to the Company's business.

The Company's Board of Directors has examined the adequacy of the corporate structure and on the basis of its findings has not identified any particular weaknesses in the system of internal controls and risk management during the financial year 2021.

C. Risk profile

C. Risk profile

The Solvency Capital Requirement of HDI Italia as at 31 December 2021 is structured as follows:



Below is a breakdown of the extent of capital absorption for each risk module:

C.1 Underwriting risk

Current measurement

The technical and insurance risks of HDI Italia's Non-Life and Health portfolios considered material are:

- Premium risk: the risk that the premiums generated by existing contracts are insufficient to cover the claims and expenses incurred and to be incurred arising from those contracts;
- Reserve risk: The risk that the amount of claims reserves is inadequately estimated and that, due to the stochastic nature of claims payments, claims may fluctuate around their statistical mean value;
- Cat risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty in pricing and reserving assumptions related to extreme or exceptional events.

These risks are all assessed according to the standard Solvency II formula.

The following summary tables show the reference values at the valuation date of 31 December 2021 in comparison with those at the valuation date of the previous year: the measures related to Capital Requirement Underwriting Risk increased due to both the strengthening of the BE Claims and, to a greater extent, the methodological alignment with HDI Assicurazioni in the determination of the exsisting Future Pmemiums and Future Future Premium in the calculation of the Premium Risk volume measure.

With regard to retained risk, the Company maintained a reinsurance structure in line with that of the previous year. The Company has maintained the XL reinsurance treaties, while the treaties linked to the 'multiline' previously in place, which provided for a 60% share cession on the rcg, fire, natural events and accident classes, have been eliminated. The ceded portion of lob 4 remains at 50%.

	12.2021	12.2020
Capital Requirement NL Underwriting Risk	**83,138**	**68,448**
Diversification effects	*-5,655*	*-5,193*
Sum of risk components	*88,793*	*73,641*
Premium and reserve risk	80,930	66,938
Lapse risk	321	1474
Catastrophe risk	7,541	5,229

	12.2021	12.2020
Capital Requirement Health Underwriting Risk	**13,830**	**9,645**
Diversification effects	*-768*	*-1,685*
Sum of risk components	*14,598*	*11,329*
Health SLT	0	0
Health Non-SLT	13,522	8,586
Health CAT	1,076	2,743

The data for the Non Life Premium and Reserve part for the years analysed vary only for the volume part as follows:

	12.2021	Componente Premium	Componente Reserve
Premium and Reserve Risk NL_UW Risk	**80,930**	**42,748**	**50,189**
Function of the standard deviation	0.00	0.00	0.00
Standard deviation	0.01%	0.01%	0.01%
Volume measure	451,882	240,795	211,087

	12.2020	Componente Premium	Componente Reserve
Premium and Reserve Risk NL_UW Risk	**66,938**	**30,816**	**45,567**
Function of the standard deviation	0.00	0.00	0.00
Standard deviation	0.01%	0.01%	0.01%
Volume measure	362,221	170,534	191,687

Regarding Cat Risk (catastrophic risk):

a. The identification process at the reporting date can be summarised as follows:
   I. NAT-CAT: all the insured capital relating to policies containing earthquake, flood and hail cover is identified by extracting the Company's portfolio, subdivided by crest zone; in very few cases this zone is approximate as the portfolio does not have complete cover for this information.
   II. Man MADE:
      i. Motor - The catastrophic value is identified by selecting the maximum amount underwritten on the entire motor liability portfolio;
      ii. Fire - the maximum capital underwritten on the entire portfolio is identified through the analysis of databases and the summation of exposures present on a single property unit;
      iii. Third party liability - The element necessary for the calculation is identified through an analysis of the product portfolio which subdivides the total value of the premiums issued for the different risk groups; this data is extracted from the accounting cube and subdivided for the different types of product where the guarantee is present, subsequently the percentage of value to be attributed to the different types of third party liability foreseen by the standard formula is defined for each product;

iv. Credit - The largest credit line contracts are identified from among all those in existence at the time of the valuation and their catastrophic value is reported; this data is produced directly by the relevant offices.

III. Health

i. Concentration - The identification was made from the complete portfolio of policies comprising the guarantees foreseen by the calculation and the policy with the highest concentration of persons at the same address was selected, this information is approximate as the actual number of heads at the time of the valuation is not always present in the IT systems;

ii. Pandemic - The identification was carried out by applying the average amount paid in the event of a pandemic to the entire portfolio exposed to permanent disability; also in this case the amount paid is estimated with a prudential assumption as the presence of the IPM guarantee is not always well highlighted by the systems especially with regard to policies migrated from the old 'NFEA' system to the new system through so-called container policies;

iii. Mass - this element was identified by summing the capitals of all the expected guarantees present in the portfolio; these capitals are approximated where the portfolio data was not updated or was absent.

Other types of contracts under CAT (e.g. contracts with storm coverage) are not present in the company's portfolio.

b. The reinsurance programme applied for each individual Lob is the latest one approved by the Board of Directors on 24/02/2021;

c. the calculations to impute the risk mitigation effect were made by applying the appropriate treaties to the Catastrophic risk calculated gross of reinsurance, the mitigation was considered net of any cost of reinstatements;

d. the methods used for the re-aggregation of the net losses for the calculation of the SCR NL CAT were those defined in the standard formula and in particular the changes set out in the EU_REGULATION DELEGATED (EU) 2019_981_MODIFICATION_ DELEGATED ACTS_Reg. Delegated 2015_35.

The results of the above calculations are set out in the following table, a comparison of which shows that the difference in capital requirement results compared to the previous year's valuation is attributable to a methodological alignment with HDI Assicurazioni in the calculation of SCR Nat CAt and Other:

12.2021	Lordo Riass
SCR Non-Life Catastrophe Risk	**57,766**
Sum of risk components	83,042
Natural catastrophe	40,482
Non-Proportional Reinsurance	-
Man Made catastrophe	41,186
Other catastrophe	1,374

12.2021	Netto Riass
SCR Non-Life Catastrophe Risk	**7,541**
Sum of risk components	11,796
Natural catastrophe	5,791
Non-Proportional Reinsurance	-
Man Made catastrophe	4,631
Other catastrophe	1,374

12.2020	Lordo Riass
SCR Non-Life Catastrophe Risk	**41,823**
Sum of risk components	50,804
Natural catastrophe	10,258
Non-Proportional Reinsurance	-
Man Made catastrophe	40,546
Other catastrophe	-

12.2020	Netto Riass
SCR Non-Life Catastrophe Risk	**5,229**
Sum of risk components	7,353
Natural catastrophe	3,282
Non-Proportional Reinsurance	-
Man Made catastrophe	4,071
Other catastrophe	-

SCR Cat Health Totale	12.2021	12.2020
SCR CAT Health gross	18,289	21,497
Mitigation	17,213	18,753
SCR CAT Health net	1,076	2,743

With regard to Lapse Risk, a comparison between the reference values at the valuation date of 31 December 2021 and those at the valuation date of the previous year, shows a decrease in the capital requirement for the redemption risk due to the methodological alignment with HDI insurances.

Risk Concentration and Monitoring

The Company assesses the concentration risk, taking into account the composition of its portfolio, with particular regard to the reserving risk.

In particular, the Company is exposed to the risks related to Lob Motor vehicle liability and Third-party liability, respectively for about 39% and 15% to the pricing risk and for 55% and 30% to the reserving risk, both represented through the respective measures of premium volume and claims reserves net of the effect of reinsurance.

	Premium Risk Volume Meausure	Quota %	Reserve Risk PCO net	Quota %
Motor vehicle liability	92,828	0.04%	114,927	0.05%
Motor, other classes	25,811	0.01%	2,787	0.00%
Marine, aviation, transport (MAT)	12	0.00%	690	0.00%
Fire and other property damage	67,291	0.03%	11,439	0.01%
Third-party liability	35,841	0.01%	62,272	0.03%
Credit and suretyship	6,482	0.00%	11,438	0.01%
Legal expenses	641	0.00%	6,754	0.00%
Assistance	9,275	0.00%	96	0.00%
Miscellaneous	2,614	0.00%	682	0.00%
Non-proportional reinsurance - property	-	0.00%	-	0.00%
Non-proportional reinsurance - casualty	-	0.00%	-	0.00%
Non-proportional reinsurance - MAT	-	0.00%	-	0.00%
Totale	**240,795**		**211,087**	

For catastrophe risk, the main exposures are those related to earthquake risk for the NatCAt module and those related to fire risk for the Cat ManMade module.

The Company continuously monitors its exposure to underwriting risk, by verifying compliance with the operating limits provided for by the underwriting policy and analysing the trend of premium income and performance indicators (Loss ratio, Combined ratio and Expense ratio) as well as the diversification of the portfolio in order to make it suitable for the business development objectives and adopts specific exposure mitigation techniques through the use of reinsurance, as described in paragraph C.7 "Other Information: Risk mitigation techniques" as well as continuously monitoring the overall level of risk exposure through the Risk Appetite Framework defined.

Sensitivity Analysis

The Company considers that the capital requirement for the underwriting risk, determined by applying the Solvency II standard formula, adequately represents the solvency needs in relation to the risks it considers, and therefore it is believed that the parameters and methodology of the standard formula lead to an adequate capital requirement with respect to the Company's risk profile.

The Company has set up the stress test analysis to identify any critical elements that may have an impact on the solvency situation, through the combination of the following shocks on the main LoB to which it is exposed (LoB 1 - Medical expense insurance; LoB 2 - Income protection insurance; LoB 4 - Motor vehicle liability insurance; LoB 5 - Other motor insurance; LoB 7 - Fire and other damage to property insurance; LoB 8 - General liability insurance):

- Stress on Premium Reserve: the increase in Best Estimated Premiums was determined by assuming a 15% deterioration in loss ratios (gross and ceded);

- Stress on Claims Reserve: the increase in the Best Estimates for Claims was determined by applying the stress percentage determined during the ORSA 2021 valuation.

The results in terms of solvency ratio for the Company are shown below.

Reporting date	FA 12.2021	SP + 15% 12.2021	Delta
Available capital	245,815	229,731	- 16,084
Eligible OF	168,616	147,047	- 21,569
SCR	125,067	128,428	3,361
Ratio of Eligible own funds to SCR	**135%**	**115%**	**-20%**
Capital Surplus / Deficit	43,549	18,619	- 24,930
Eligible OF for MCR Coverage	115,031	92,201	- 22,830
MCR	44,744	46,838	2,094
Ratio of Eligible own funds to MCR	**257%**	**197%**	**-60%**

There is a substantial decrease in the Solvency ratio compared to the baseline scenario (-20 p.p) due to the combined effect of the increase in SCR, as the increase in BE has an impact on all risk sub-modules, and the decrease in Eligible Own Funds to a greater extent than in Avialaible, due to the consequent increase in DTAs.

C.2 Market Risk

Current measurement

Market risk is the risk associated with the possibility of recording losses resulting from unfavourable changes in the value of a financial instrument or real estate due to unexpected changes in market parameters such as:

- interest rates;
- credit spreads;
- equity prices;
- exchange rates;
- real estate prices.

With reference to the sub-categories included in the standard formula, the capital requirement is measured according to the metrics and parameters of the standard formula.

With reference to the sub-categories not included in the standard formula, we proceed as follows:

- Market liquidity risk: this is assessed with reference to the financial assets in the portfolio by calculating the impact of a possible divestment in conditions of low market liquidity, in order to meet expected payment obligations (claims payments, surrender dates, overheads, taxes). To the extent that expected payments for various causes are covered by current account liquidity or money market instruments, the risk is considered not significant and the solvency requirement is zero.
- Inflation risk: this is assessed with respect to financial assets indexed to inflation and the increased cost of settlements due to unanticipated inflationary assumptions.
- Specific risks of financial assets with implicit optionality: financial assets in the portfolio with implicit optionality are considered (securities with coupons indexed to long-term swap rates (CMS/CMT), possibly with caps and/or floors on coupons, callable securities with the option for the issuer to redeem the security early, convertible bonds, equity-linked bonds, i.e. with performance indexed to equity indices, etc.). The implicit optionality described above is taken into account in the pricing of securities using the calculation tools in use (Bloomberg).

The identification and mapping of the risks implicit in these financial assets is performed using a look-through approach to break down each instrument into its essential constituent elements. To the extent that there is no or insignificant exposure to specific risks related to implicit optionality not captured by the standard formula, capital requirements are calculated based on the capital requirements for interest rate risk, spread risk, and equity risk.

For the calculation of SCR Market Risk, the effective duration is considered, which is automatically extracted from Bloomberg on a daily basis by the CAD management system.

The effective duration is then compared with the one recalculated internally, and in the event of significant deviations, the reason is analysed, and the most consistent duration is then used.

All positions held "directly" were subjected to SCR Market Risk, applying the relevant sub-module.

In the case of the ICAV Multi-Credit Strategy fund, SCR Market Risk was calculated using the full Look-Through of positions. All positions except Elios, the BAF Latam Fund and some exposures within the fund with a deteriorating credit rating were subject to SCR Market Risk, for which specific Counterparty Risk was applied.

Positions for which their nature and hedging effect is clear were considered as hedging derivatives within ICAVs.

The impact of the shocks foreseen by Articles 166 and 167 of the Delegated Acts has been quantified considering all assets and liabilities exposed to each risk factor.

	12.2021	12.2020
Capital requirement for Market risk	**24,815**	**28,561**
Diversification effects	8,068	7,105
Sum of risk components	32,882	35,666
Interest rate risk	6,883	4,370
Equity risk	5,044	3,581
Property risk	18,936	23,181
Spread risk	1,057	3,492
Currency risk	715	551
Concentration risk	248	492

The most significant changes compared to 2020 concern interest, equity, property and spread risk.

The interest rate risk was evaluated considering the impact of interest rate shocks both on the value of assets exposed to risk and on the value of liabilities: the change in BEL is determined by the change in the discount curve of future cash flows. For the valuation at 31/12/2021 a Volatility Adjustment of 3 bps was applied.

The most significant market risk is the Property risk, which represents 58% of the pre-diversification Market Risk and decreased by 4,244 thousand euros compared to 2020, due to the sale of the IH Roma investment (13,331 thousand euros) and write-downs of approximately 3,647 thousand euros (divided into 1,162 thousand euros in the Dafne investment and 2,485 thousand euros in the other properties).

SCR Spread Risk decreased from 3,492 thousand euros in 2020 to 1,057 thousand euros, in percentage terms the capital absorption for Spread Risk decreased from 6.6% in 2020 to 3.3%.

The decrease in SCR Spread Risk is due to the reduction in corporate exposures from 52,567 thousand euros to 31,783 thousand euros.

The main changes with respect to 2020 from a credit point of view concern (only for the component of assets subject to Spread Risk):

- unrated securities increased from 84% to 73% (down 20,663 thousand euros in market value) with an absorption percentage down from 6.8% to 3.3%;
- rated securities (equal to or greater than BBB) increased from 16.4% to 26.8% (stable market value) with an absorption percentage that went from 5.6% in 2020 to 3.3%

The equity stress shock increased from 3,581 thousand euros in 2020 to 5,044 thousand euros; this increase is due to an increase in equity exposures present mainly in the BAF Latam fund and in the ICAV MC fund following debt restructurings.

The SCR Currency Risk calculated as at 31/12/2021 was 715 thousand euros, relating to positions present in the ICAVs. As at 31.12.2020 this value was 551 thousand euros.

SCR Concentration decreased from 492 thousand euros in 2020 to 248 thousand euros. This improvement is due to the decrease in exposures subject to concentration risk.

Risk Concentrationande Monitoring

Given the composition of the asset portfolio and the above results, the Company is particularly exposed to Property, Interest and Equity risk, which contribute 58%, 21% and 15% respectively to the pre-diversification market requirement.

	12.2021	Quota %
SCR Interest	6,883	21%
SCR Equity	5,044	15%
SCR Property	18,936	58%
SCR Spread	1,057	3%
SCR Currency	715	2%
SCR Concentration	248	1%
SCR Market pre diversification	**32,882**	
SCR Market	**24,815**	

The Company periodically monitors the exposure to market risks verifying the compliance with the limits of the investment portfolio composition established by the adopted Investment Policy and aimed at keeping the market risk in line with the risk profile chosen by the Company.

With reference to the direct portfolio, the Company does not adopt risk mitigation techniques, such as the use of derivative instruments.

On the contrary, the currency risk exposure deriving from the investment in ICAV is mitigated through the presence within the funds of hedging derivatives (forwards).

Sensitivity analysis

The Company considers that the capital requirement for the Market risk, determined by applying the Solvency II standard formula, adequately represents the solvency needs in relation to the risks considered, and therefore it is believed that the parameters and methodology of the standard formula lead to an adequate capital requirement with respect to the Company's risk profile.

The Company has set up the following sensitivity analyses to market factors in order to identify any critical elements that may have an impact on the solvency situation:

1. Interesse di sensibilità -50bps
2. Interesse di sensibilità +50bps
3. Shock Spread +50bps
4. Shock Equity -30%

The methodological details, as well as the findings in terms of Solvency ratio impact, are provided below.

1) Sensitivity Interest -50bps: a sensitivity analysis of the own funds eligible to cover the capital requirement was conducted, which involves measuring the impact of a parallel shift on the EIOPA Risk-Free curve at 31 December 2021 of -50 bps on all sensitive assets and liabilities. In addition to the loss on Own Funds, the capital requirement was also recalculated.

   The results are as follows:

Reporting date	FA 12.2021	IR -50 bps 12.2021	Delta
Available capital	245,815	250,140	4,325
Eligible OF	168,616	173,434	4,818
SCR	125,067	126,053	987
Ratio of Eligible own funds to SCR	**135%**	**138%**	**3%**
Capital Surplus / Deficit	43,549	47,381	3,831
Eligible OF for MCR Coverage	115,031	119,426	4,395
MCR	44,744	45,094	351
Ratio of Eligible own funds to MCR	**257%**	**265%**	**8%**

The increase in the SCR is mainly due to the increase in the SCR No Life (+757 thousand euros pre-diversification) while the SCR Market is almost zero (+55 thousand euros pre-diversification).

The improvement in the Solvency Ratio is due to the increase in fair value of securities in the company's asset portfolio (+7,867 thousand euros), partly offset by the increase in net TP (+3,542 thousand euros).

Details are as follows:

Reporting date	FA 12.2021	IR -50 bps 12.2021	Delta
Government Bonds	280,191	286,081	5,890
Corporate Bonds	8,372	8,426	54
Equity	8	8	-
Fondi di investimento	166,781	168,705	1,923
Totale	**455,352**	**463,219**	**7,867**
Reinsurance recoverables from:	264,496	268,576	4,080
Non Life excluding health	255,268	259,222	3,954
Health similar to non Life	9,228	9,243	15
Technical provisions – non-life	570,763	578,385	7,622
Technical provisions – non-life (excluding health	541,020	548,533	7,513
TP calculated as a whole	-	-	-
Best Estimate	523,604	531,117	7,513
Risk margin	17,416	17,416	- 0
Technical provisions - health (similar to non-life)	29,743	29,852	109
TP calculated as a whole	-	-	-
Best Estimate	28,744	28,854	109
Risk margin	998	998	0

2) Sensitivity Interest +50bps: a sensitivity analysis of the own funds eligible to cover the capital requirement was conducted, which includes measuring the impact of a parallel shift on the EIOPA Risk-Free curve at 31 December 2021 of +50 bps on all sensitive assets and liabilities. In addition to the loss on Own Funds, the capital requirement was also recalculated.

The results are as follows:

Reporting date	FA 12.2021	IR +50 bps 12.2021	Delta
Available capital	245,815	241,366	- 4,449
Eligible OF	168,616	163,691	- 4,925
SCR	125,067	124,116	- 951
Ratio of Eligible own funds to SCR	**135%**	**132%**	**-3%**
Capital Surplus / Deficit	43,549	39,575	- 3,974
Eligible OF for MCR Coverage	115,031	110,514	- 4,517
MCR	44,744	44,406	- 338
Ratio of Eligible own funds to MCR	**257%**	**249%**	**-8%**

The reducing effect on the Solvency Ratio is due to the fair value loss considered (details below) on the government bonds in the Company's asset portfolio.

The results are mirroring those of the previous stress. Also in this case the weight of the change in the SCR is mainly due to the SCR No Life (-728 thousand euros pre-diversification) than to the SCR Market (-57 thousand euros pre-diversification).

The worsening effect on the Solvency Ratio is due to the reduction in the fair value of securities in the company's asset portfolio (-7,867 thousand euros), partly offset by the reduction in net TP (-3,418 thousand euros).

Details are as follows:

Reporting date	FA 12.2021	IR +50 bps 12.2021	Delta
Government Bonds	280,191	274,301	- 5,890
Corporate Bonds	8,372	8,317	- 54
Equity	8	8	-
Fondi di investimento	166,781	164,858	- 1,923
Totale	**455,352**	**447,485**	**- 7,867**
Reinsurance recoverables from:	264,496	260,566	- 3,930
Non Life excluding health	255,268	251,353	- 3,916
Health similar to non Life	9,228	9,213	- 15
Technical provisions – non-life	570,763	563,415	- 7,348
Technical provisions – non-life (excluding	541,020	533,779	- 7,241
TP calculated as a whole	-	-	-
Best Estimate	523,604	516,363	- 7,241
Risk margin	17,416	17,416	- 0
Technical provisions - health (similar to nc	29,743	29,636	- 107
TP calculated as a whole	-	-	-
Best Estimate	28,744	28,638	- 107
Risk margin	998	998	0

3) Shock Spread +50bps: a sensitivity analysis was conducted to measure the impact of a spread widening of +50 bps on all corporate bonds in the Company's direct and indirect portfolio. In addition to the loss on Own Funds, the capital requirement was also recalculated.

The results are as follows:

Reporting date	FA 12.2021	SP + 50% 12.2021	Delta
Available capital	245,815	245,629	- 186
Eligible OF	168,616	168,429	- 187
SCR	125,067	125,065	- 2
Ratio of Eligible own funds to SCR	**135%**	**135%**	**-0.15%**
Capital Surplus / Deficit	43,549	43,365	- 185
Eligible OF for MCR Coverage	115,031	114,846	- 186
MCR	44,744	44,744	-
Ratio of Eligible own funds to MCR	**257%**	**257%**	**-0.41%**

The relative impact on the Solvency Ratio is due to the small amount of corporate bonds held in the portfolio (both direct and indirect):

Reporting date	FA 12.2021	SP + 50% 12.2021	Delta
Government Bonds	280,191	280,191	-
Corporate Bonds	8,372	8,316	- 55
Equity	8	8	-
Fondi di investimento	166,781	166,651	- 131
Totale	**455,352**	**455,166**	**- 186**

4) Equity Shock -30%: a sensitivity analysis was conducted to measure the impact of a 30% loss on all equity securities in the Company's direct and indirect portfolio. In addition to the loss on Own Funds, the capital requirement was also recalculated.

The results for the Company are shown below:

Reporting date	FA 12.2021	Equity -30% 12.2021	Delta
Available capital	245,815	243,239	- 2,576
Eligible OF	168,616	165,751	- 2,865
SCR	125,067	124,488	- 579
Ratio of Eligible own funds to SCR	**135%**	**133%**	**-2%**
Capital Surplus / Deficit	43,549	41,263	- 2,286
Eligible OF for MCR Coverage	115,031	112,456	- 2,576
MCR	44,744	44,744	-
Ratio of Eligible own funds to MCR	**257%**	**251%**	**-6%**

The decrease in the SCR is caused by the decrease in the SCR Market (-1,158 thousand euros pre-diversification). This is due to the loss on equity securities of approximately 2,576 thousand euros:

Reporting date	FA 12.2021	Equity -30% 12.2021	Delta
Government Bonds	280,191	280,191	-
Corporate Bonds	8,372	8,372	-
Equity	8	6	- 3
Fondi di investimento	166,781	164,208	- 2,573
Totale	**455,352**	**452,776**	**- 2,576**

The prudent person principle

In accordance with the "Prudent Person Principle" provided for in Article 132 of the Solvency II Directive, it is required that investment management takes into account the regulatory requirements and limits set by each individual company, and ensures the security, profitability and liquidity of investments, as well as compliance with policyholder guarantees.

Investment management also takes into account the risk profile of the liabilities held, in order to ensure an integrated management of assets and liabilities over time.

In general, the definition of the strategic asset allocation, as well as the selection and management of the assets, is carried out taking into account the Solvency II capital absorption (Solvency Capital Requirement, or also "SCR") and correlations between the different risk factors underlying the assets also in relation to the liabilities and in coherence with the prefixed risk appetite, as well as the regulatory and accounting requirements.

In the process of implementing the target asset allocation strategy, the primary objective is to minimise the capital absorption ("SCR"), in the constant search for returns adequate to the needs of the non-life insurance business, and consistent with the contractual commitments to policyholders.

In achieving these objectives, particular attention must be paid to the diversification of investments and related risks with reference to the types of financial instruments, the issuers of the same and the related geographical areas and currencies of reference; in order to achieve these objectives more efficiently and effectively, the Company may resort to professional operators specialised in the management of investments which may also make use of complex assets.

It is required to manage assets and liabilities in the medium/long term from an integrated viewpoint, taking into due consideration the expected time evolution of cash flows, in order to guarantee their balance over time, considering the mismatching of cash flows and duration through the definition of operating limits and related tolerance thresholds consistent with the Company's risk appetite.

With regard to liquidity risk, the Company is required to adopt adequate methodologies, procedures and operating limits to ensure prudent management of liquidity risk in order to meet the needs that may arise in ordinary and extraordinary circumstances.

In compliance with the above, investments must:

- be consistent with the portfolio's medium/long-term profitability objectives, including prospective ones, taking into account the marginal profitability objectives of the capital absorbed;
- - maintain low risk positions, mainly referred to issuers of high credit standing belonging to the Euro area;
- be mainly denominated in Euro and traded on regulated or active markets;
- have an adequate level of liquidity, which is assessed on the basis of the so-called Illiquidity Index of the Portfolio;
- be identified mainly among government bonds or bonds issued by supranational entities belonging to the OECD area or issued by financial or industrial companies without subordination clauses.

The use of derivative financial instruments (including other financial instruments with similar characteristics and structured products in general) must be consistent with the principles of sound and prudent management. Derivative instruments may be used:

- for hedging purposes in order to reduce investment risk, i.e. to protect the value of individual assets or liabilities or of a pool of assets or liabilities, including through their correlation, from adverse changes in interest rates, exchange rates or market prices. The intention to hedge must be documented by internal evidence and evidenced by a high correlation between the financial characteristics of the hedged assets/liabilities and those of the derivative financial instruments;
- in order to achieve effective portfolio management. Transactions in pursuit of this objective are those that are undertaken for the purpose of achieving predefined investment objectives in a faster, easier, cheaper or more flexible manner than is possible by operating on the underlying assets. Such transactions must not result in a significant increase in investment risk and, in any event, such increase must be equivalent to that which would be achieved by trading directly in the underlying assets under a balanced and prudent portfolio management approach. The intent of effective management must be documented by internal evidence and be demonstrably linked to the financial instruments in the portfolio.

Transactions entered into solely for the purpose of acquiring financial instruments also fall into this category. The financial characteristics of the latter transactions must clearly show the intent pursued.

C.3 Credit risk

Current measurement

Credit risk is the risk related to the possibility of unexpected losses due to the deterioration of the creditworthiness, up to the extreme case of default, of a counterparty or issuer to which an exposure exists.

The main types of exposures falling into this category to which the Company is exposed relate to the exposure in current accounts, to reinsurers and for receivables from brokers and insureds, as well as on some financial instruments present within the ICAV funds.

The valuation of these risks is carried out with a standard formula, which is currently considered appropriate given the profile of the assets in question held by the Company, in line with the market. Within the evaluations carried out with this metric, particular attention is paid to the detail of the risk by type of exposure and for the single most important counterparties, monitoring the trend over time and evaluating case by case the opportunity of management actions aimed at limiting the risk.

For balance sheet items that fall under Type 1 or Type 2, as defined in the EIOPA Technical Specifications, the standard formula applies.

	12.2021	12.2020
Capital requirement for Counterparty default risk	**22,756**	**27,932**
Diversification effects	*-739*	*-1,432*
Sum of risk components	*23,496*	*29,364*
Type 1 exposure	3,405	7,509
Type 2 exposure	20,091	21,856

The capital requirement for counterparty default risk decreased compared to 2020 due to the reduction of liquidity exposures and methodological alignments with HDI Insurance.

Risk concentration and monitoring

Within credit risk, the concentration of risks is due to liquidity exposures to banks and exposures to reinsurers.

In particular:

- the cash exposure to banks with an average CQS of 1.65 totalled 10,760 thousand euros;
- Exposure to reinsurers with an average underwriting QS of 2.93 was 130,216 thousand euros.

The Company continuously monitors the level of concentration of bank deposits and, if a value is considered inadequate, defines specific management actions.

With regard to the ICAV Multi-Credit Strategy fund, it should be noted that positions in the Elios (100%) and BAF Latam (net of those converted into equity) sub-funds, as well as some exposures within the fund with deteriorating credit standing, are subject to specific Counterparty Risk.

Exposure to reinsurer default risk is managed and mitigated through appropriate selection of reinsurers as described in section C.7 'Other Information: Risk mitigation technique.

Sensitivity Analisys

The company performed a sensitivity analysis to assess its exposure to counterparty risk. In particular, the effect of the deterioration of the creditworthiness of the whole reinsurance business was assessed, i.e. it was assumed that the creditworthiness of reinsurers worsens by 1 notch in the credit quality step scale of the standard formula.

The solvency results, which remain almost stable compared to the baseline scenario, are as follows: SCR increases due to the increase in the SCR default and OF decreases due to the combined effect of the increase in the Risk Margin and the decrease in recoverable.

Reporting date	FA 12.2021	Downgrade Riass -30% 12.2021	Delta
Available capital	245,815	245,483	- 332
Eligible OF	168,616	168,606	- 10
SCR	125,067	126,006	939
Ratio of Eligible own funds to SCR	**135%**	**134%**	**-1%**
Capital Surplus / Deficit	43,549	42,600	- 950
Eligible OF for MCR Coverage	115,031	114,556	- 475
MCR	44,744	44,768	25
Ratio of Eligible own funds to MCR	**257%**	**256%**	**-1%**

C.4 Liquidity Risk

Risk Management

Liquidity risk is the risk that the Company may incur when it has to meet (expected or unanticipated) cash commitments and the available liquidity is insufficient.

The occurrence of such conditions could generate costs both for the forced realisation of capital losses, due to the need to divest investments, and for the access to the credit market at unfavourable conditions.

Timeliness and adequacy in meeting economic commitments must be ensured both in ordinary and stressed conditions.

The fundamental principles on which the liquidity risk management model is based can be summarised in the following points:

- Short-term liquidity management with the aim of maintaining a balance between short-term inflows and outflows and an adequate level of assets in bank deposits and readily liquid securities;
- Medium-term liquidity management in order to maintain a balance between assets and liabilities by optimising cash-flow matching under both best estimate and stress conditions.

In the short term, the liquidity risk arises from the ordinary management of the Company; the metric used to measure the liquidity risk with a short term time horizon is the Cash Flow ratio, defined as the ratio between the sum of the expected inflows and the cash in the portfolio and the expected outflows with a time horizon of the following month. This metric measures the Company's ability to cope with a negative financial result due to insufficient liquidity resources during the following month. If the ratio is lower than 100%, the company may not be able to meet the most immediate deadlines. Liquidity risk arises as a consequence of investments in financial assets made with the aim of achieving an adequate return on the commitments made to policyholders.

In the medium-long term, the liquidity risk is due to ALM mismatching: three prospective metrics with a medium term time horizon are illustrated below:

- Coverage rate of technical provisions, defined as the ratio between the value of eligible assets and the amount of technical provisions: it measures the ability of the Company to ensure compliance with the requirements on the coverage of technical provisions at the end of the time horizon. If the indicator is lower than 100%, the company may not be able to comply with the coverage requirement;
- Cash Flow ratio, defined as the ratio between the sum of expected inflows plus marketable assets and expected outflows: it measures the Company's ability to meet its obligations during the following year. If the ratio is less than 100%, the company may not be able to meet its maturities due to lack of liquidity;
- Investment liquidity ratio, defined as the ratio of marketable assets to technical provisions: it measures the coverage of technical provisions by marketable assets at the end of the valuation period. If the indicator is close to 0, it means that the company has exhausted its easily saleable assets during the reference period

The three indicators are calculated according to the open portfolio hypothesis and under different scenario assumptions.

The first scenario considered is the central scenario in which expected cash flows, assets and technical provisions are calculated according to the business and market assumptions of the business plan.

Stress factors are then added to the central scenario, which may affect both the amount of cash flows, the market price of marketable assets and the amount of technical provisions.

The scenarios combine endogenous and exogenous effects; in detail, in the case of endogenous stress, the cause of the stress is strictly related to the Company's activities and does not derive from external conditions. Stress, on the other hand, of an exogenous nature, is linked to economic market conditions and mainly affects the market value of assets.

The Risk Management function reviews and proposes updates to the scenarios according to changes in market conditions.

The following scenarios have been outlined:

- a scenario assuming a stress on the risk-free interest rate bond;
- a scenario that includes an increase in the frequency of claims paid for non-life business compared to the central scenario;
- a scenario that includes a decrease in premiums written in the new year compared to the Business Plan scenario.

Liquidity Risk is assessed as a strategic risk also at Risk Appetite Framework level, i.e. it represents a fundamental element of the Overall Risk Profile governed by the RAF as well as being regulated by specific Policies adopted by the Company.

In particular, in the context of the RAF Hard Limit and Soft Limit are defined for the following indicators:

- Soft Limit: Reserve Coverage Ratio >=105%
- Hard Limit: Reserve Coverage Ratio >=102%

The Reserve Coverage Ratio is defined as:

capital elements (valued at market value) in excess of coverage with respect to claims and premium reserves net of outwards reinsurance. In addition, limits are defined on the degree of liquidity of the portfolios covering technical provisions:

Hard Limit: Liquid Assets/Reserves >= 30%.

liquid assets are those defined according to the Liquidity Risk Policy, the denominator of the ratio is the total assets covering the claims and premiums reserves (ex IVASS Reg. 24/2016).

As at 31/12/2021 the RAF limits are respected, as follow:

C Liquidity

		31/12/2021	Threshold	
Hard Limit	Investment Liquidity Ratio	115%	min 30%	Ok
	Reserve Coverage Ratio	188%	min 102%	Ok
Soft Limit	Reserve Coverage Ratio	188%	min 105%	Ok

Liquidity risk mitigation

If any of the previously identified limits are exceeded, taking into account the seriousness of the situation, certain escalation processes are put in place to implement robust corrective actions.

Corrective actions

Corrective actions, to be taken in the event of a crisis, must be approved by the decision-making body (BoD), and must be accompanied by:

- a description of the critical issue that emerged and its impact on the Company's liquidity position;
- an estimate of the impact of the corrective actions on the liquidity position and therefore on their ability to respond effectively to the emerging risk;
- an estimate of the timeframe for the implementation of the corrective actions;
- an analysis of the possible consequences and implications of the proposed actions;
- a list of possible actions that should be considered by the competent bodies, depending on the severity of the scenario.

A partial list of possible actions that should be considered by the competent bodies, depending on the severity of the scenario, is given below.

- Increase the scope, frequency and granularity of liquidity risk reporting;
- Increase control and monitoring of liquidity risk (e.g. in monitoring investments);
- Establish a joint working group between the Finance department and the Risk Management and Actuarial departments on historical liquidity trends and causes of illiquidity;
- Access available credit lines;
- Suspension or reduction of dividend payments;
- Deferment or suspension of coupons on subordinated debt;
- Capital increase;
- Disposal of insurance portfolios or other assets;
- New debt issue.

The governing body, in order to intervene in a crisis situation, approves warning indicators for the activation of emergency plans.

Sensitivity analysis

On the basis of the monitoring and evolution of the Forecast Cash Flow, the Risk Management Function carries out the second level checks on the thresholds envisaged by the liquidity risk policies, both under standard and stressed conditions.

The table below shows the analysis carried out (with reference date 31/12/2021) for HDI Italia:

OPERATING LIMITS - 1 MONTH	Base	Premium Shock -50%	Claims Shock +30%	Int +100	Spread +100
Bank accounts and deposits max 15 days	4,289	4,289	4,289	4,289	4,289
Inflows within 1 month	27,840	14,055	27,840	27,840	27,840
Outflows within 1 month	- 26,484	- 24,589	- 29,437	- 26,484	- 26,484
RATIO 1 month	**121%**	**75%**	**109%**	**121%**	**121%**
Result	*Limit Respected*	Limit not respected	*Tolerance*	*Limit Respected*	*Limit Respected*
RATIO 1 month (no held to maturity)	**121%**	**75%**	**109%**	**121%**	**121%**
Result	*Limit Respected*	Limit not respected	*Tolerance*	*Limit Respected*	*Limit Respected*

Limit	**100%**
Risk Tolerance	**110%**
Threshold	**90%**

OPERATING LIMITS - 12 MONTHS	Base	Pr Shock -50%	Claims Shock +30%	Int +100	Spread +100
Bank accounts and deposits max 15 days	4,289	4,289	4,289	4,289	4,289
Available investments for sales segment	325,939	325,939	325,939	239,162	239,162
Inflows within 12 months	313,706	163,390	313,706	313,706	313,706
Outflows within 12 months	- 306,132	- 276,303	- 348,456	- 306,132	- 306,132
RATIO 1 year	**210%**	**179%**	**185%**	**182%**	**182%**
Result	*Limit Respected*	*Limit Respected*	*Limit Respected*	*Limit Respected*	*Limit*
RATIO 1 year (no held to maturity)	**210%**	**179%**	**185%**	**182%**	**182%**
Result	*Limit Respected*	*Limit Respected*	*Limit Respected*	*Limit Respected*	*Limit*

Limit	**100%**
Tolerance	**110%**
Threshold	**90%**

C.5 Operational Risk

Current measurement

Operational risk is defined as the risk of losses arising from:

- inadequacies, malfunctions or deficiencies in internal processes and/or management and control systems;
- inadequacy of the skills/competencies and/or incorrect or fraudulent behaviour of the human resources employed by the Company or external events.

Operational risk is assessed using a standard formula based on the volume of premiums and their growth rate and technical provisions.

	12.2021	12.2020
Capital requirement for Operational risk	**16,570**	**16,422**
Basic operational risk charge	16,570	16,422
Premium based risk component	8,246	8,354
Earned life gross premiums	-	-
Earned unit-linked life gross premiums	-	-
Earned non-life gross premiums	274,855	278,475
Earned life gross premiums (previous 12 months)	-	-
Earned unit-linked life gross premiums (previous 12 months)	-	-
Earned non-life gross premiums (previous 12 months)	278,475	296,626
Provisions based risk component	16,570	16,422
Life obligations technical provisions	-	-
Life obligations technical provisions - unit linked	-	-
Non-Life obligations technical provisions	552,349	547,387
Unit-linked annual expenses amount (12 months)	-	-
	-	-

Risk concentration and monitoring

In the calculation of the basic capital requirement for operational risk, the capital requirement for operational risks based on technical provisions prevails, which is almost stable compared to the previous year's assessment.

The main sources of operational risk are:

- internal/external fraud;
- process execution and management;
- system failires;
- customers, products and professional practice;
- damage to property;
- employment relationship and safety at work.

The Company adopts the following operational risk management and mitigation techniques:

- Risk and Control Self Assessment activities;
- Business Continuity Plan;
- Work on processes and/or implementation of new IT tools;
- Optimisation of the organisational structure;
- Ad hoc special assessment activities for specific criticalities;
- Disaster Recovery Plan.

Sensitivity analysis

On the basis of the risk assessment and the loss data collection, it is assessed whether the requirement set for operational risks on the basis of the standard formula is adequate to also cover reputational, legal and non-compliance risks. If not, the adequacy of the firm's capital is measured.

The SCR Operational is considered adequate in relation to the actual exposure to operational risks as it results from the analysis of the Loss Register (which also includes sanctions imposed on the Company).

C.6 Other material risks

Risks not included in the Standard Formula

ALM risk is assessed in relation to the level of mismatching of the cash flows of the portfolio of medium/long-term assets and liabilities. The risk of regulatory non-compliance is assessed qualitatively on the basis of risk assessment analyses. To the extent that the operational risk charge based on the standard formula is adequate to also cover the risk of regulatory non-compliance, no capital requirement is determined. If it is not, the adequacy of the company's capital is measured.

Strategic risk is assessed qualitatively on the basis of the historical track record of the planning process, considering the degree to which actual results deviate from forecasts.

Reputational risk is qualitatively assessed on the basis of risk assessment analyses. If the safeguards in place are not considered adequate, it is assessed whether the requirement set aside for operational risks on the basis of the standard formula is also adequate to cover this risk; otherwise, the adequacy of the Company's capital is measured.

Legal risk is monitored by all Organisational Units, each for its own functions and activities which must be carried out in compliance with current legislation. The support function is the Legal Department, the specific control function is the Compliance Department. It is qualitatively assessed on the basis of risk assessment analyses. If the controls in place are not considered adequate, it is assessed whether the requirement set aside for operational risks on the basis of the standard formula is adequate to cover this risk as well; otherwise, the adequacy of the Company's capital is measured.

Emerging risks

Emerging risks include:

- new future risks for which neither the magnitude nor the effects of the risk are known with certainty and therefore can be difficult to assess. Such risks evolve over time from 'weak signals' to clear trends with high risk potential. Therefore, it is important to identify, assess and manage these signals at an early stage;
- sustainability (or ESG) risks, defined as those environmental, social or governance events or conditions that, if they were to occur, could result in a direct or indirect, actual or potential negative impact:
  - on the value or performance of the investment;
  - on the other "traditional" risk categories;
  - on new risk categories, such as, for example, physical and/or transitional risks arising from climate change.

Among the emerging risks, particular attention is paid to sustainability risks, which today, also in the light of the profound transformation of the financial market, require priority consideration and gradual integration into HDI Assicurazioni's assessment and prioritisation system, the aim of which is to minimise the above-mentioned negative impacts, taking into consideration, by way of example:

- risks arising from climate change related to inefficient consumption of energy resources;
- risks arising from environmental non-compliance, such as being subject to sanctions or costs related to the clean-up or other remediation of environmental damage; and
- risks (especially reputational) arising from non-compliance with human rights or labour rights;
- corporate governance risks, where the absence of control procedures could give rise to cases of corruption with direct and indirect negative effects on company profits.

In the context of the increasing importance of emerging risks, a procedure has been implemented within the Talanx Group for all Group companies to identify, assess and control such risks. HDI Italia is in the process of aligning to these procedures.

C.7 Any other information

Risk mitigation techniques

The Company has implemented appropriate technical-insurance risk mitigation techniques, consisting of the use of reinsurance covers and exchange rate and interest rate risk covers within the ICAV investment funds.

Reinsurance coverage

XL (Excess Damage) multi-branch covers are in place for Fire, Theft, Accident and Health, Third Party Liability, General Liability, CVT, Bonds and proportional quota covers "LPT Medmal", "RCA/RCN Q/S", "CVT/Injury Q/S" "Technological Risks", "Bonds", "Assistance", "Legal Protection" "CPI", "Earthquake Civil Risks Q/S" "Dental Q/S", "Cyber Risk Q/S" "Sickness-Reimbursement of Medical Expenses Q/S".

The Plan of Cessions and the 2021 placement were carried out in accordance with the reinsurance guidelines and reinsurance policies approved by the Board of Directors, choosing types of reinsurance arrangements aimed at limiting risk and exposure according to the level of tolerance (risk appetite).

The policy thus determined led to the choice of mainly continental reinsurers, with good financial soundness (rating not lower than A- by Standard & Poor's or not lower than A- by A.M. Best) or alternatively that have set up a reinsurance company with a good financial standing. Best) or, alternatively, that have pledged collateral in the form of a deposit, pledge, surety, letter of credit, or equivalent instruments capable of guaranteeing commitments to the Company while minimising counterparty risk, with preference given to high quality reinsurers who demonstrate a prospective "capacity" to meet payments over time.

In the selection process, the reinsurer's management and technical knowledge were assessed, with a particular focus on leading reinsurers. The main external information resource, in addition to intra-annual counterparty disclosures, was based on Standard & Poor's ratings and, where not available, the A.M. Best index.

As in previous years, and always in accordance with the limits expressed by the guidelines on reinsurance and reinsurance policies, the concentration risk was mitigated by avoiding the presence of dominant positions capable of influencing the Company's underwriting policy, except for the LPT treaty of the medmal portfolio, 100% ceded to a single reinsurer, for which these constraints no longer apply since it is a "fully collateralised" contract for which the reinsurer provides guarantees to cover the commitments assumed towards the Company.

In addition, possible risk concentrations on reinsurers belonging to the same group were assessed.

Asset management coverage

The derivatives in the portfolio are hedging derivatives. In particular, in the ICAV Multi-Credit Strategy sub-fund, the hedge is for currency risk (forward hedges) and interest rate risk (interest rate futures). As at 31/12/2021, they amounted to approximately EUR -2,200 thousand.

Given that derivatives are hedging, complex derivatives management is not considered.

Intra-group transactions

"Intragroup Counterparties" are identified in accordance with Article 5 of IVASS Regulation no. 30 of 26 October 2016 (hereinafter "the Regulation") and with the international accounting standard concerning financial statement disclosures on related party transactions, adopted in accordance with the procedure set out in Article 6 of Regulation (EC) no. 2002/1606 (so-called related parties). The Group considers Infragroup Counterparties, in addition to the entities falling within the perimeter identified by the aforementioned regulations, to be those persons who hold significant positions within the Group.

Intra-group transactions" are understood to be all transfers of resources, services or obligations between one or more intra-group counterparties, regardless of whether or not a consideration is agreed upon. At Group level, Intragroup Transactions carried out through subsidiaries (so-called indirect transactions) are also relevant, as well as those carried out by the latter with the Group's Intragroup Counterparties as counterparties.

The Group adopts and annually updates the Policy on Intragroup Transactions, which formalises the methodology used to manage transactions with intra-group counterparties, in order to ensure compliance with current legislation on intra-group transactions. Intra-group transactions are classified in a differentiated manner on the basis of the various types, taking into account the characteristics of the transactions, their size, in relation to the possible impact on the solvency of the companies belonging to the Group or the latter, as well as current intra-group transactions.

Intra-group transactions are also defined on the basis of the different types of risks associated with intra-group transactions, also in relation to the different categories of counterparties. In the overall assessment of risks arising from Intra-group Transactions, specific attention is paid to the possible occurrence of risk concentration, contagion risk and conflict of interest risk.

Intra-group Transactions are considered significant or very significant if they significantly or very significantly affect the solvency or liquidity of the Group or one of the companies involved in such transactions.

In particular, they are identified:

- Very Significant Intragroup Transactions, those whose amount is equal to or greater than 5% of the Solvency Capital Requirement of the Company that intends to carry out the Transaction shall be preceded by an appraisal and fairness report drawn up by a third party expert, certifying the methods used to determine the economic conditions and the analysis and comparison with the prices applied by the market in similar transactions; these transactions shall be examined in advance by the Risk Committee and approved by the Board of Directors.
- Intra-group transactions carried out at conditions other than market conditions or other than the current intra-group policy. All intragroup transactions to be carried out at conditions other than market conditions or different from the current intragroup policy must be approved by the Board of Directors, after obtaining the opinion of the Risk Committee; the minutes of the Board meeting must adequately justify the convenience of the transaction and the substantial correctness of the related conditions. Significant intra-group transactions and transactions with related parties that have not been concluded at normal market conditions (pursuant to Article 2427 no. 22 bis of the Italian Civil Code) must be adequately explained in the notes to the balance sheet, for the purposes of complete and transparent disclosure to the public.
- Significant intra-group transactions are those whose amount is equal to or greater than 1% of the Company's Solvency Capital Requirement that the Company intends to implement; such transactions must be preceded by an appraisal and fairness report drawn up by a third party expert, certifying the methods used to determine the economic conditions and the analysis and comparison with the prices applied by the market in similar transactions.

  These transactions are authorised by the Chief Executive Officer of the Company.
- Non-significant group operations - considered as such pursuant to art. 9 paragraph 2 of IVASS Regulation no. 30, i.e. operations the amount of which is less than 1% of the Company's Solvency Capital Requirement - must be preceded by an appraisal and congruity report - drawn up by the Manager in charge of the operation - certifying the methods for determining the economic conditions and the analysis and comparison with the prices applied by the market in similar operations; the decision whether or not to carry out the operation lies solely with the Manager in charge.

In relation to the above, the Company has an intra-group relationship (**very significant** intra-group transactions) relating to a subordinated loan, issued by HDI Assicurazioni, for an amount of 20,000 thousand euros.

D. Valuation for Solvency purposes

D. Valuation for Solvency purposes

Assets and liabilities are valued on the basis of the going concern assumption, as indicated in art. 7 of Del. Reg. 2015/35. Moreover, according to art. 9 of the Regulation 2015/35, the valuation of assets and liabilities (excluding technical provisions) is carried out, unless otherwise provided for, in accordance with the international accounting standards adopted by the Commission in accordance with Regulation (EC) no. 1606/2002 (IAS/IFRS), when they provide for the valuation at Fair Value; this is considered a good approximation of the valuation principles provided for by the Solvency II Directive.

Where the valuation required by the international accounting standards is not at Fair Value, valuation principles have been applied in line with Article 75 of the Directive. As defined by Art. 10 of Del. Reg. 2015/35, the valuation of assets and liabilities has been carried out as follows:

- according to the mark-to-market approach, i.e. on the basis of prices quoted in an "active" market;
- where it is not possible to obtain market prices as defined in the previous point, prices recorded on active markets for similar assets and liabilities are used; the values thus identified are adjusted to take account of any differences; the definition of "active market" to be considered is that provided for by IAS/IFRS and approved by the European Commission, in accordance with Regulation (EC) No. 1606/2002 (IAS/IFRS);
- if the criteria identifying an active market, as defined in point 2, are not met, the Company shall use alternative valuation methods, provided they are consistent with the principles laid down in Article 75 of the Directive; the alternative valuation methods shall maximise the use of market data and limit as much as possible the use of Company-specific inputs.

The starting point for the determination of the Market Consistent Balance Sheet is the balance sheet prepared on the basis of local GAAP and the IAS/IFRS value adjustments.

The following tables show, for each category of assets and liabilities, the value determined according to Solvency II principles, the value determined according to national accounting principles and the difference in value

SOLVENCY II BALANCE SHEET (amounts in EUR thousand)

Assets	Solvency II Balance Sheet	Statutory Balance Sheet	Variation
Goodwill	0	0	0
Deferred acquisition costs	0	0	0
Intangible assets	0	5,227	-5,227
Deferred tax assets	93,584	96,934	-3,350
Pension benefit surplus	0	0	0
Property, plant & equipment held for own use	3,240	1,052	2,188
Investments (other than assets held for index-linked and unit-linked contracts)	**532,217**	**536,264**	**-4,047**
Property (other than for own use)	49,127	48,729	398
Holdings in related undertakings, including participations	27,738	30,998	-3,260
Equities	**8**	**8**	**0**
Equities - listed	0	0	0
Equities - unlisted	8	8	0
Bonds	**288,563**	**288,581**	**-18**
Government Bonds	280,191	280,504	-313
Corporate Bonds	8,372	8,077	295
Structured notes	0	0	0
Collateralised securities	0	0	0
Collective Investments Undertakings	166,781	167,948	-1,167
Derivatives	0	0	0
Deposits other than cash equivalents	0	0	0
Other investments	0	0	0
Assets held for index-linked and unit-linked contracts	0	0	0
Loans and mortgages	**957**	**957**	**0**
Loans and mortgages to individuals	0	0	0
Other loans and mortgages	957	957	0
Loans on policies	0	0	0
Reinsurance recoverables from:	**264,496**	**301,380**	**-36,884**
Non-life and health similar to non-life	**264,496**	**301,380**	**-36,884**
Non-life excluding health	255,268	290,999	-35,731
Health similar to non-life	9,228	10,381	-1,153
Life and health similar to life, excluding health and index-linked and unit-linked	**0**	**0**	**0**
Life index-linked and unit-linked	**0**	**0**	**0**
Deposits to cedants	0	0	0
Insurance and intermediaries receivables	62,385	62,385	0
Reinsurance receivables	9,992	9,992	0
Receivables (trade, not insurance)	44,980	44,980	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	4,292	4,292	0
Any other assets, not elsewhere shown	5,113	5,113	0
Total assets	**1,021,256**	**1,068,576**	**-47,320**

Total assets in the Solvency II balance sheet amounted to 1,021,256 thousand euros and were 47,320 thousand euros lower than the 1,068,576 thousand euros in the statutory Balance Sheet.

SOLVENCY II BALANCE SHEET (amounts in EUR thousand)

Liabilities	Solvency II Balance Sheet	Statutory Balance Sheet	Variation
Technical provisions - non-life	**570,762**	**624,629**	**-53,867**
Technical provisions - non-life (excluding health)	**541,020**	**587,668**	**-46,648**
TP calculated as a whole	0	0	
Best estimate	523,604	0	
Risk margin	17,416	0	
Technical provisions - health (similar to non-life)	**29,742**	**36,961**	**-7,219**
TP calculated as a whole	0	0	
Best estimate	28,744	0	
Risk margin	998	0	
TP - life (excluding index-linked and unit-linked)	**0**	**0**	**0**
TP - index-linked and unit-linked	**0**	**0**	**0**
Other Technical provisions	0	0	0
Contingent liabilities	0	0	0
Provisions other than technical provisions	10,049	10,049	0
Pension benefit obligations	1,189	1,114	75
Deposits from reinsurers	147,120	147,120	0
Deferred tax liabilities	0	0	0
Derivatives	0	0	0
Debts owed to credit institutions	**0**	**0**	**0**
Financial liabilities other than debts owed to credit institutions	**2,467**	**0**	**2,467**
Debts owed to non-credit institution	0	0	0
Insurance & intermediaries payables	10,518	10,518	0
Reinsurance payables	7,378	7,378	0
Payables (trade, not insurance)	13,463	13,463	0
Subordinated liabilities	**46,148**	**46,400**	**-252**
Subordinated liabilities not in BOF	0	0	0
Subordinated liabilities in BOF	46,148	46,400	-252
Any other liabilities, not elsewhere shown	12,495	12,495	0
Total liabilities	**821,589**	**873,166**	**-51,577**

Total liabilities in the Solvency II Balance Sheet amounted to 821,589 thousand euros, a decrease of 51,577 thousand euros compared to 873,166 thousand euros in the statutory Balance Sheet.

Overall, the surplus of assets over liabilities in the Solvency II Balance Sheet amounted to 199,667 thousand euros and compared to 195,410 thousand euros in the statutory Balance Sheet, an increase of 4,257 thousand euros.

D.1 Assets

Intangible assets

In line with regulatory provisions, the Company values intangible assets at zero, as it does not consider it possible to identify and separate them from the business context, nor to assign them a precise market value. In the statutory Balance Sheet, the value of intangible assets is equal to 5,227 thousand euros: therefore there is a valuation difference compared to the Solvency II Balance sheet of the same amount.

Deferred tax assets

Deferred tax assets (DTAs) other than those arising from unused tax losses and unused tax credits and deferred tax liabilities (DTLs) are calculated based on the differences between the values of assets and liabilities measured in accordance with Solvency II and their corresponding values for tax purposes.

DTAs are only recognised if it is probable that there will be a future taxable profit against which the deferred tax assets can be utilised, taking into account legal or regulatory requirements on the timing of the carry forward of unused tax losses or tax credits.

Deferred tax assets and liabilities are measured separately for IRES and IRAP purposes based on the tax rates that are expected to be applied in the year in which the temporary differences will reverse. According to IAS 12, the conditions have been met to offset the deferred tax assets arising from the application of Solvency II principles with the statutory deferred tax assets, which amount to 96,934 thousand euros, of which 96,414 thousand euros for IRES purposes and 520 thousand euros for IRAP purposes.

The following table shows the deferred tax assets and liabilities calculated on Solvency II adjustments; the balance is represented in this case by deferred taxes and amounts to a total of 3,350 thousand euros, of which 2,609 thousand euros for IRES purposes and 741 thousand euros for IRAP purposes recorded net of the corresponding DTAs in the DTLs. As a result, deferred tax assets in the Solvency II Balance Sheet amounted to 93,584 thousand euros.

The tax rate applied to value adjustments was 30.82%; in accordance with tax regulations, the tax rate applied to value adjustments on positive equity investments was 5% of the revaluation, while no deferred taxes were calculated on negative value adjustments, as the regulations do not apply to these capital losses for tax purposes.

SOLVENCY II ADJUSTMENTS (amounts in EUR thousand)

	Gross amount	Deferred taxes	Net amount
Intangible assets	-5,227	1,611	-3,616
property	398	-123	275
Investments	-1,185	365	-820
Technical provisions attributable to non-life rei	-36,884	11,368	-25,516
Non-Life technical provisions	53,866	-16,602	37,264
Subordinated liabilities	252	-78	174
IAS 19	-75	23	-52
IFRS 16	-279	87	-192
Adjustment partecipations	-3,260	-1	-3,261
Total	7,606	-3,350	4,256

Property, plant and equipment for own use

The item includes furniture, plant, machinery and equipment, buildings used for business operations as well as the recognition, in accordance with IFRS 16 - Leasing, of the right to use leased buildings. In the statutory balance sheet, property, plant and equipment are recorded at cost and systematically depreciated on a straight-line basis over their residual useful lives from the time they are ready for use. However, under Solvency II principles, property, plant and equipment must be measured at fair value.

The company has no items of real estate for own use recognised in its Solvency II balance sheet.

For other tangible fixed assets, the value indicated in the statutory balance sheet, amounting to 1,052 thousand euros, was considered representative of the Fair Value.

Finally, the item includes the value of the right of use of lease contracts, calculated in accordance with IFRS 16, amounting to 2,188 thousand euros.

Property (not for own use)

This item includes property used for business operations as well as the recognition, in accordance with IFRS 16 - Leasing, of the right to use leased real estate. In the statutory Balance Sheet, property, plant and equipment are recorded at cost and systematically depreciated on a straight-line basis over their residual useful lives from the time they are ready for use. Under Solvency II, real estate must be measured at Fair Value. In particular, the revaluation at Fair Value was calculated with reference to the appraisal for the determination of the current value as of 31 December 2021 requested to a qualified professional, in accordance with the criteria set out in Article 20 of ISVAP Regulation No. 22 of 4 April 2008. The Fair Value of the properties is determined using two different estimation procedures, depending on the type of property to be valued: the market comparison method, known as MCA (Market Comparison Approach) and the discounted cash flow method, known as DCFA (Discounted Cash Flow Analysis). For each property, specific characteristics are taken into account, such as building and architectural type, intended use, size, location, type of use, possibility of renting or selling, type of occupancy and all other factors that are significant for the segmentation of the market and the choice of the valuation method.

The difference between the Solvency II value of real estate (49,127 thousand euros) and the statutory value (48,729 thousand euros) is 399 thousand euros.

Participations

According to Art. 13 of Reg. Del. 2015/35, participations are valued according to the following hierarchy of methods:

- using quoted market prices in active markets;
- using the adjusted equity method;
- using quoted market prices in active markets for similar assets and liabilities with adjustments to reflect differences, provided that valuation in accordance with points (a) and (b) is not possible and the undertaking is not a subsidiary within the meaning of Article 212(2) of Directive 2009/138/EC.

As an exception to this hierarchy of methods, participations are valued at zero if they are excluded from the scope of group supervision because they are located in a third country where there are legal impediments to the transfer of the necessary information, or if they are deducted from the own funds eligible for group solvency (where the information necessary for the calculation of group solvency is not available to the supervisory authorities).

The adjusted equity method consists of valuing the participation on the basis of the participating undertaking's proportionate share of the assets over the liabilities of the related undertaking as valued in accordance with Solvency II principles.

Alternatively, the IFRS equity method may be used, if the valuation of individual assets and liabilities in accordance with Solvency II principles is not feasible, but in any case it is necessary to deduct from the value of the participation the value of goodwill and other intangible assets that would be valued at zero in application of art. 12 of Del. 2015/35.

The participations held by HDI Italia are all related to non-listed companies; the valuation was carried out on the basis of the adjusted equity method, and therefore on the basis of the share held of the investee's net equity determined according to Solvency II principles as provided for by Article 75 of the Directive.

HOLDINGS IN RELATED UNDERTAKINGS (amounts in EUR thousand)

	Solvency II Balance Sheet	Statutory Balance Sheet	Variation
Dafne Immobiliare S.r.l.	26,618	29,919	-3,301
Assi 90 S.r.l.	1,120	1,079	41
Total	**27,738**	**30,998**	**-3,260**

Equities, bonds, investment funds and other investments

In the statutory Balance Sheet, equity instruments, debt securities and investment funds are recorded on the basis of whether they belong to the long-term or short-term segment. Listed and unlisted long-term investment securities that are pledged as long-term commitments and that tend to remain in the company's assets until redemption are valued at purchase or contribution cost, adjusted for accrued issue and trading discounts and write-downs resulting from impairment losses. Listed and unlisted securities included in the non-durable segment are valued at the lower of their carrying amount, adjusted for accrued issue discounts, and market value, determined on the basis of the average trading price for the month of December, which is considered representative of their estimated realisable value. Securities for which the reasons for the write-downs no longer apply are reinstated at cost.

The valuation of investments in the Solvency balance sheet is carried out at Fair Value and, in case of unavailability of market prices observable on an active market (mark to market), following the valuation hierarchy established by Solvency II principles and reported in paragraph D.1 - Assets.

The comparison between Solvency II and statutory financial statement values shows a lower value of 19 thousand euros for bonds and 1,167 thousand euros for investment funds.

The following tables detail the assets and liabilities classified according to the fair value hierarchy, as required by IFRS 7 - Financial Instruments, which provides for the definition of three levels of fair value:

- level 1: quoted prices in active markets;
- level 2: input data other than the quoted prices referred to in level 1, which are observable for the asset or liability either directly (as in the case of prices) or indirectly (i.e. as derived from prices); this category includes fair value measured on the basis of valuation techniques that refer to parameters that are observable on the market, other than the quotations of the financial instrument on an active market;
- level 3: input data relating to the asset or liability that are not based on observable market data (unobservable data); this category includes fair value that, although starting from level 2 market data (i.e. other than quotations recorded on an active market), nevertheless requires a significant discretionary adjustment based on data that are not observable on the market.

INVESTMENTS - FAIR VALUE LEVELS (amounts in EUR thousand)

Assets	Level 1	Level 2	Level 3	Total
Property, plant & equipment held for own use	-	-	3,240	3,240
Investments (other than assets held for index-linked and unit-linked contracts)	381,188	-	151,030	532,217
Property (other than for own use)	-	-	49,127	49,127
Holdings in related undertakings, including participations	-	-	27,738	27,738
Equities	-	-	8	8
Equities - listed	-	-	-	-
Equities - unlisted	-	-	8	8
Bonds	288,563	-	-	288,563
Government Bonds	280,191	-	-	280,191
Corporate Bonds	8,372	-	-	8,372
Structured notes	-	-	-	-
Collateralised securities	-	-	-	-
Collective Investments Undertakings	92,625	-	74,157	166,781
Other investments	-	-	485,800	485,800
Total assets	381,188	-	640,070	1,021,257

Liabilities	Livello 1	Livello 2	Livello 3	Totale
Total Liabilities	-	-	821,590	821,590

Excess of assets over liabilities	381,188	-	-181,520	199,667

Mortgages and loans

This item totals 957,000 thousand euros and consists of loans to agents, employees and former employees. In the annual accounts this item is entered at nominal value. In the Solvency II Balance Sheet, the amount entered is the same, taking into account the insignificant changes in fair value due to generally shorter maturities.

Reinsurance recoverables

This item relates to Life, Non-Life and NSLT Health technical provisions ceded to reinsurers; these assets are measured at fair value and adjusted to take account of the risk of reinsurance counterparty default, as described in the paragraph on Technical provisions.

The reinsurers' share of technical provisions was valued using the criteria described below and resulted in a decrease of 36,884 thousand euros compared to the statutory balance sheet figure.

Other assets

Other assets mainly refer to insurance and reinsurance receivables, other receivables, mainly consisting of receivables from tax authorities for tax advances, and cash and cash equivalents.

These items are recognised in the statutory balance sheet at their estimated realisable value or at their nominal value. In the Solvency II balance sheet the amount recognised is the same, taking into account insignificant changes in fair value due to generally shorter maturities.

D.2 Technical provisions

In accordance with the Directive, the Technical Provisions are determined as the sum of the Best Estimate and the Risk Margin.

The Best Estimate represents the expected present value of future cash flows discounted using the risk-free rate curve at the valuation date provided by EIOPA. The Risk Margin is calculated by determining the cost of establishing an amount of eligible own funds equal to the Solvency Capital Requirement needed to meet the insurance and reinsurance obligations over their lifetime.

In detail:

Technical provisions - Non life and NSLT Health: The Solvency II valuation of the Non Life and Non Similar To Life Health Technical Provisions is carried out, as required by the regulations, by separately estimating the value of the Best Estimate of Premiums and Claims and of the Risk Margin; in particular, the quantification of the Best Estimate is separated into its Premiums and Claims components gross of reinsurance in order to arrive at the Best Estimate of Premiums and Claims respectively, which are net of reinsurance; the Risk Margin is then added to these values in order to obtain the final estimate of the Technical Provisions. The delta with respect to the Local Gaap valuation derives from the application of the fair value criterion used in Solvency II according to art. 75 of Directive 2009/138/EC.

Other technical provisions: other technical provisions are valued at 0 for Solvency II purposes (Directive 2009/138/EC does not require the presence of additional provisions containing prudential margins as they are already included in the calculation of BEL + RM), in the Statutory balance sheet other technical provisions are instead given by other statutory technical provisions.

The following is a summary of the methodological approach used to determine the Best Estimate Liabilities (hereinafter BEL) at the last annual closing.

Below is a breakdown by Lob of the value of the best estimate of the premium and claims reserves including the amounts recoverable from reinsurers (not including the adjustment for counterparty risk).

The estimated values at the last annual closing are as follows:

		31.12.2021					
LoB	LoB Description	*Claims*	BE Gross Reinsurance Claims	BE Claims Net Reinsurance	*Premium Reserve*	BE Premiums Gross Reinsurance	BE Premiums Net Reinsurance
1	Medical expense insurance	*2,116*	2,118	2,059	*15,222*	9,435	2,970
2	Income protection insurance	*11,686*	11,709	9,842	*13,310*	5,483	4,642
3	Workers' compensation insurance	-	-	-	-	-	-
4	Motor vehicle liability insurance	*235,429*	233,771	114,897	*44,599*	40,575	23,549
5	Other motor insurance	*3,351*	3,344	2,787	*8,282*	6,046	5,425
6	Marine, aviation and transport insurance	*1,891*	1,883	689	*4*	0	0
7	Fire and other damage to property insurance	*15,882*	15,842	11,439	*26,045*	16,596	16,407
8	General liability insurance	*169,779*	160,475	58,398	*11,344*	8,318	8,144
9	Credit and suretyship insurance	*19,795*	16,172	11,425	*6,404*	2,851	1,768
10	Legal expenses insurance	*9,175*	9,125	6,578	*1,837*	144	212
11	Assistance	*810*	810	88	*3,187*	359	371
12	Miscellaneous financial loss	*972*	864	682	*7,871*	6,429	1,353

Health	13,802	13,827	11,901	*28,532*	14,917	7,612
Non Life	457,083	442,286	206,985	*109,573*	81,318	57,229
Total	**470,886**	**456,113**	**218,886**	***138,105***	**96,236**	**64,841**

The corresponding values as at 31.12.2020 are as follows:

LoB	LoB Description	31.12.2020 Claims	BE Gross Reinsurance Claims	BE Claims Net Reinsurance	Premium Reserve	BE Premiums Gross Reinsurance	BE Premiums Net Reinsurance
1	Medical expense insurance	*2,451*	2,470	2,419	*11,158*	8,659	3,810
2	Income protection insurance	*13,460*	13,590	5,620	*9,484*	5,679	4,877
3	Workers' compensation insurance	-	-	-	-	-	-
4	Motor vehicle liability insurance	*227,745*	229,178	111,467	*41,027*	39,188	19,575
5	Other motor insurance	*3,928*	3,968	1,841	*6,166*	4,643	3,924
6	Marine, aviation and transport insurance	*2,032*	2,057	880	*6*	13	12
7	Fire and other damage to property insurance	*18,857*	18,974	11,428	*18,296*	18,960	17,841
8	General liability insurance	*159,237*	153,853	46,095	*8,574*	9,539	9,417
9	Credit and suretyship insurance	*19,970*	16,757	12,083	*7,588*	4,701	2,800
10	Legal expenses insurance	*7,308*	7,372	5,445	*1,306*	143	14
11	Assistance	*432*	434	102	*2,223*	784	574
12	Miscellaneous financial loss	*2,047*	1,834	1,601	*8,148*	4,592	2,168
	Health	15,911	16,060	8,040	*20,642*	14,338	8,687
	Non Life	441,556	434,426	190,941	*93,332*	82,562	56,324
	Total	**457,467**	**450,486**	**198,981**	***113,974***	**96,900**	**65,011**

The differences in the previous tables seen in 2020 and 2021 are not so much due to a change in the company's risk profile as they are due to the use of new estimation criteria that lead the company to converge towards what was done by HDI.

The following is a comparison of the balance sheet claims reserve and the BE claims gross at the last annual closing:

LoB SOLVENCY	LoB BALANCE-SHEET	DESCRIPTION	BALANCE SHEET RESERVE - CLAIMS	BE CLAIMS GROSS
1	**2**	**Medical expense insurance**	2,116	2,118
2	**1**	**Income protection insurance**	11,734	11,709
4	**10+12**	**Motor vehicle liability insurance**	257,422	233,771
5	**3**	**Other motor insurance**	3,790	3,344
6	**4 + 5 + 6 + 7 + 11**	**Marine, aviation and transport insurance**	1,891	1,883
7	**8 + 9**	**Fire and other damage to property insurance**	15,951	15,842
8	**13**	**General liability insurance**	180,461	160,475
9	**15**	**Credit and suretyship insurance**	19,795	16,172
10	**17**	**Legal expenses insurance**	10,175	9,125
11	**18**	**Assistance**	810	810
12	**16**	**Miscellaneous financial loss**	972	864
		Total	**505,117**	**456,113**

Technical bases and methodologies used in the claims BE

In accordance with the methodology used by HDI, the actuarial estimate used as input for the calculation of the claims BEs was performed by developing for the first time specific models for the main LoB (2, 4, 5, 7, 8, 10). These models are different from the models projected for reserve valuation purposes in the statutory balance sheet.

For the other LoBs, the actuarial model was used only to determine the pattern of disentanglement of payments required for the valuation of the BE claims. In these cases, the actuarial model is considered unreliable for reserve valuation purposes due to the small volume of reserves, the insignificance of the line of business or the particular nature of the line of business: in particular, LoB 11 (assistance), LoB 1 (medical expenses approximated to the ministerial class 2, sickness) and LoB 6 (marine) are characterised by a very small and insignificant reserve volume; LoB 12 (pecuniary loss) and LoB 9 (surety) are characterised by high variability in the amounts due respectively to run-off business and the peculiarity of claims settlement, aspects that lead to observe variable trends in the development of payment patterns.

The claims reserve valuation process involves a two-level data check: the first is carried out by the information systems and the second by the Statistical and Actuarial Office.

During the IT process leading to the processing of the analytical database, data consistency checks are carried out on the valuation or correct mapping of certain key variables (checks on the valuation of quarters, on the lines of business drawn, on dates).

The second level controls, on the other hand, qualitatively check the database prepared, i.e. they check the way in which the key variables are populated to determine the triangles (quarters, branches, segmentation, etc.) and check the values against the aggregate financial statement forms, for the main items on which the actuarial models are based: payments and reserves.

Actuarial estimation was carried out on data from the 2003-2021 generations (2007-2021 for RCA) as company data sources are available from 2003 onwards. No actuarial valuations are made for the 2002 and earlier generations and the liquidators' estimates are used as reference.

For the first time, valuations are based on input triangles of aggregated claims amounts by accident year and development year.

Unlike last year, the valuations were carried out using triangles of aggregate claims, thus including catastrophe claims. This approach was implemented during the year.

For LoB 4, the estimate is made separately for the managed components of the line of business: No Card and Card Management in order to take into account the management differences of the two components; no actuarial valuation was made for the generations prior to 2007 (the weight of these generations is equal to 2.6% of the technical reserve of the managed components; it was equal to 3.2% at 12 2020);

Chain Ladder Paid and Chain Ladder Incurred models have been developed for the valuation of the LoB 4 (RCA) claims reserve. These models estimate the ultimate cost by determining future payouts through the evolution of observed payments (or incurred amounts) by accident year and development quarter.

The methods involve determining the development coefficients that will be used to estimate payments (or amounts incurred) based on the observation of historical data and the selection of a development vector.

The average of the last 4 development factors was selected in order to take into account the evolution of payments and amounts incurred recorded in recent years. This selection has been kept unchanged for both models and for all anti-duration in order not to introduce additional discretionary elements in the estimates. Among the distributions proposed in the actuarial literature to be taken as a reference for estimating the evolution of claims that are closed over a very long period of time, the Weibull function was chosen, as it best represents the foreseeable development of claims.

For NC management, only three factors of the diagonal for the year 2020 were excluded for the Chain Ladder Paid. In the Chain Ladder Incurred model, a maximum factor in the terminal part of the triangle was excluded.

For all generations, the weighted average of the results of the Chain Ladder Paid and Chain Ladder Incurred methods was selected with weights of 75% and 25% respectively.

A few exclusions were also made in the CL Paid and Incurred models for the CARD Management whose valuation, however, was not actually used as it was less than the amount of the liquidators' reserve increased by the IBNR reserve.

For LoB 8, the estimate was made separately on claims managed by the Company and on claims managed directly by the reinsurer to which they are ceded 100%.

No actuarial valuation was carried out on the generations prior to 2003 (the weight of these generations is equal to 4.1% of the technical reserve, unchanged with respect to 12 2020);

For the externally managed segment only, it has been considered to estimate the segment reserve equal to the technical reserve, increased by the costs related to the reinsurance treaty, which have been allocated by the company since the beginning in the IBNR reserve.

The Chain Ladder Paid and Chain Ladder Incurred models were developed to evaluate the claims reserve of the business managed by the company. The average of the last 4 development factors was selected in order to take into account the evolution of payments in recent years. This selection was kept unchanged for both models and for all anti-duration in order not to introduce additional discretionary elements in the estimates. The weighted average of the results of the Chain Ladder Paid and Chain Ladder Incurred methods was selected for all generations with weights of 75% and 25% respectively.

For the calculation of the BE claims, the evaluation for each LOB of the % of recoveries is deducted, which derives from the average recovery % found in the historical series analysed with some corrections linked to particular situations on specific lobs.

To calculate the present value of the estimated items and therefore the claims BE, the formula is then applied

$$BEL_{LOB,0}^{RS} = \sum_t \frac{BEL_{LOB,t}^{RS}}{(1+i)^t} \text{ per t = 1...T}$$

Where:

- $BEL_{LOB,0}^{RS}$ s the discounted BE for the claims reserve of the generic LoB at time t=0
- $BEL_{LOB,t}^{RS}$ is the UBEL for the claims reserve for each LoB at time t, with t=1,...,T (where "T" is the year in which the full claims run-off is assumed);
- i is the reference rate for the maturity t.

The discounting is done by assuming that the payments will be made mid-year by applying the interest rates published on the EIOPA website at the time of the valuation.

On these rates the duration of the vector of future payments is also calculated, which is equal to:

$$D = \frac{1}{P(0)} \sum_{t=\tau}^{T} t \frac{c_t}{(1+r)^t}$$

P(0) = value at time 0 of the portfolio on which the duration is being calculated place = 1

c_t = the value of payments at year t

T = the years for which payments are expected.

r = the discount rate used.

Technical bases, calculation methodologies and main assumptions used in the estimation of BEs

According to Article 76 of Directive 2009/138/EC, insurance companies are obliged to establish technical provisions - hereinafter Technical Provisions - for an amount corresponding to the current amount that they would have to pay if they were to transfer their obligations immediately to another insurance company.

The methodologies adopted by HDI Italia for the estimation of the Technical Provisions of the non-life area according to the principles of the Solvency II regulation, governed by the aforementioned directive, are described here. Article 77 defines the Technical Provisions as the sum of the Best Estimate and the Risk

Margin. The Best Estimate represents the expected present value of future cash flows discounted using the risk-free rate curve at the valuation date provided by EIOPA. The cash flow projection takes into account all cash in and cash out required to settle the insurance and reinsurance obligations over the life of the contracts. The calculation of the best estimate is based on up-to-date and credible information and realistic assumptions. It is also estimated, as required by the Directive, using appropriate, applicable and relevant actuarial methods and statistics.

The risk margin is such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would need in order to assume and meet their insurance and reinsurance liabilities.

In accordance with the delegated acts in Article 17 et seq. and IVASS Regulation No 18 of 15 March 2016, for the calculation of the best estimate and the risk margin of technical provisions, an insurance or reinsurance obligation is recognised on the date on which the undertaking became a party to the contract from which the obligation arises or on the date on which the insurance or reinsurance cover started, whichever is the earlier. In addition, only obligations within the limits of the contract are considered, and an insurance or reinsurance obligation is derecognised only if it is extinguished, fulfilled, cancelled, or expired.

Best estimates of the claims reserve and of the premium reserve are made separately, as required by Article 36 of the EU Delegated Acts 2015/35.

Input data and main assumptions for defining BEs

For the estimation of the BE claims, the input data are represented by the results of the actuarial estimates described above and by the related disassembly patterns.

For the purpose of estimating BE premiums, the indicators of combined ratio, expense ratio and acquisition cost ratio during the run-off period of the premium reserve are derived from the models prepared by the corporate function "Planning and Management Control".

The present value of future premiums for the underlying obligations (to the extent that future premiums are within the contractual limits) is deduced from the installment file made available by EDWH;

The definition of unearned premium volume refers to all contracts that are alive at the time of valuation on which the pro-rata temporis value is determined.

The volume of premium refunds relates to the portion of unearned premium due to the early closure of the contract. These volumes are determined by calculating the % of refunds made during the year in relation to the premium reserve set aside the previous year. This % is then applied to the reserve calculated at the time of valuation to estimate the expected value of future repayments.

For both BEs, the data used for valuation purposes meet data quality requirements and are subject to appropriate controls, independently, by the business and control functions.

The input data are aggregated into homogeneous risk classes, according to the classification in lines of business described in Annex 1 of the Delegated Acts (EU) and indicated in the following table:

LOB N°	Lob	Tipo LOB
1	Medical expense insurance	Non -SLT Health
2	Income protection insurance	
3	Workers' compensation insurance	Non Life
4	Motor vehicle liability insurance	
5	Other motor insurance	
6	Marine, aviation and transport insurance	
7	Fire and other damage to property insurance	
8	General liability insurance	
9	Credit and suretyship insurance	
10	Legal expenses insurance	
11	Assistance insurance	
12	Miscellaneous financial losses insurance	

Due to IT limitations, which are currently being resolved, it was not possible to correctly assign risks and claims to LoB 1 and 2 and, as in the past, the entirety of Line 1 was assigned to LoB 2 and the entirety of Line 2 to LoB 1. The IT management is carrying out the necessary activities to correctly identify the LoB.

For LoB MTPL, when identifying the homogeneous risk groups, CARD and NO CARD claims were considered separately, in compliance with the indications of the Supervisory Authority in IVASS regulation no. 18 of 15 March 2016.

Finally, it should be noted that LoB Workers' compensation insurance is not included in the Company's business.

Technical bases and methodologies used in the premiums BE

Premium Provision - Business Direct

With regard to BE premiums, the simplified formula in Annex VI of IVASS Regulation no. 18 of 15 March 2016 is used, whereby the calculation of BE premiums gross of reinsurance is a function of the technical performance of the portfolio. For the determination of technical provisions under Solvency II. In this respect, the formulas previously applied have been modified as the merger process with HDI required an understandable convergence of the calculation methods.

The premium reserve is set aside to cover future claims and expenses related to existing contracts. The UBEL related to the premium reserve ($BEL_{LOB,0}^{PP}$) is calculated per individual LoB, through the sum of three components:

- Claims component: This can be estimated by applying the estimated prospective loss ratio to the UPR and Future Premiums:

$$BEL_{LOB}^{FB} = LR_{LOB} * UPR_{LOB} + (LR_{LOB} - 1) * FP_{LOB}$$

- Expenditure component: This is obtained by applying the estimated expenditure indicators of the perspective plan (acquisition cost ratio and expense ratio) to the UPR and Future Premiums:

$$BEL_{LOB}^{FE} = ER_{LOB} * UPR_{LOB} + (AC_{LOB} + ER_{LOB}) * FP_{LOB}$$

- Premium refund component.

As indicated in the application clarification, all premium measures used in the formula are to be considered gross of acquisition costs and in particular:

- the volume of unearned premiums (UPR) which corresponds to the gross premiums written pertaining to subsequent years;
- the value of future premiums (FP) where future premiums are identified within the limits of the existing contracts in the undertaking's portfolio;
- the volume of earned premiums taken as a reference for the calculation of the indicators used in the calculation (estimated combined ratio - CR, estimated acquisition cost ratio - AC, expense ratio, loss ratio to premiums);
- the volume of premium refunds (PR), calculated as the portion of unearned premium due to the early closure of the contract.

The formula foresees a specific addendum for the allocation of the acquisition costs referable to the Future Premiums, therefore the CR is calculated net of the acquisition costs, in order to avoid a double counting of the amount of the acquisition costs on the future business (referable to already existing contracts).

The formula for the calculation of the UBEL, relating to the premium reserve, at LoB level, is the following:

$$BEL_{LOB,0}^{PP} = CR_{LOB} * [UPR_{LOB}] + (CR_{LOB} - 1) * FP_{LOB} + AC_{LOB} * FP_{LOB} + PR_{LOB}$$

where:

- $BEL_{LOB,0}^{PP}$ è is the Undiscounted Best Estimate Liability for each LoB at time t = 0;
- UPR_{LOB} (unearned premium reserve) is the fractional premium reserve for each LoB;
- CR_{LOB} is the estimated prospective combined ratio for each LoB;
- AC_{LOB} is the estimate of the prospective acquisition cost ratio for each LoB;
- FP_{LOB} (future premiums) is the value of future premiums;
- PR_{LOB} (future premiums) is the value of future premiums; (reimbursement premium) is the estimated premium reimbursement.

The cash flow of the UBEL in the individual future years follows a different disentanglement according to the component considered: for the claims component the cash flow of the claims reserve is considered, while for the component relating to future premiums and expenses on future premiums the actual distribution of these premiums over the years is considered.

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 (each cash flow) with the reference rate curve.

In formulas:

$$BEL_{LOB,0}^{PP} = \sum_{t} \frac{BEL_{LOB,t}^{PP}}{(1+i)^{t}} \; per\ t = 1 \ldots T$$

The following table shows the results for each LoB of the UBEL and BEL of the Premium Provision, the latter discounted at the Base rate:

LoB	Premium Provision	
	Gross Undiscounted	Gross Discounted
Medical expense insurance	9,712	9,435
Income protection insurance	5,488	5,483
Workers' compensation insurance	-	-
Motor vehicle liability insurance	40,549	40,575
Other motor insurance	6,036	6,046
Marine, aviation and transport insurance	0	0
Fire and other damage to property insurance	16,798	16,596
General liability insurance	8,357	8,318
Credit and suretyship insurance	2,859	2,851
Legal expenses insurance	144	144
Assistance	358	359
Miscellaneous financial loss	6,635	6,429
Total	**96,936**	**96,236**

Present Value Future Premium – Business Direct

Future premiums are defined as premiums that the company expects to collect in the future based on the existing portfolio. The amount relates to future periods and is therefore reconciled to the monetary value at the valuation date using the prescribed volatility-adjusted risk-free interest rate term structure. As set out in Article 67(1) of IVASS Regulation No. 18 of 15 March 2016, in calculating the best estimate, future premiums cash flows are identified consistent with the limits of a contract at the valuation date and future premium cash flows after the valuation date are included in the liability calculation.

Only those policies in the portfolio that, at the valuation date, generated premium reserves to meet the future cost of claims for risks not settled at the valuation date are considered in determining future premiums. Policies with a single premium payment are excluded from the portfolio and are then divided into three different classes of policy:

- multi-year policies (by definition, policies with a term of more than 365 days or 366 days in the case of leap years);
- annual policies (by definition, policies with a duration of less than 365 days or 366 days in the case of leap years);
- posthumous policies (by definition, policies with a duration of less than 365 days or 366 days in the case of leap years); - posthumous policies (by definition, policies with a duration of less than 365 days or 366 days in the case of leap years).

In order to identify annual policies, it is ensured that the time interval between the contract maturity date and the effective date of the policy is less than or equal to 365 days, or 366 days in case of leap year. For these policies, the premium that the company expects to collect by the end of the year following the valuation year corresponds to the so-called supplementary reserve, better known as the balance sheet item "instalments due".

In order to identify multi-year policies, the time interval between the contract maturity date and the effective date of the policy is strictly more than 365 days, or 366 days in case of leap year. For these policies, the premium that the company expects to collect is the sum of all the premium instalments that the insured will pay until the natural end of the contract. In order to standardise the different fractioning of the policies in the portfolio, the variable "Premium" is introduced, defined as follows, to determine the premium for a full policy year:

Premium = Taxable premium*fractionation, where the fractionation takes the form {1, 2, 3, 4, 12} depending on the nature of the valuation {Annual, Half-yearly, Quarterly, Monthly}.

Therefore, indicating with N the year of analysis, in order to be able to schedule premiums in future years, the variable "duration" is defined as follows: duration = contract expiry year-policy effect year – 1, which on the basis of its realisation will allow future premiums to be spread over the year N+1, N+2, N+3 , etc.

For the valuation of the premium reserve, account is taken, in accordance with Article 73 of Regulation 18, of the uncertainty as to the behaviour of the policyholder who may exercise the option to cancel or terminate the contract before the contractually agreed term of cover. The table below shows, for each LoB, the value of the future premiums and present value future premiums discounted at the base rate, adjusted for volatility. These values already include the adjustment for any early termination of the contract.:

Table Future Premium and Present Value Future Premium Gross for LoB

	LoB	*Future Premium Gross*	*Present Value Future Premium Gross*
1	Medical expense insurance	904	*907*
2	Income protection insurance	2,723	*2,732*
3	Workers' compensation insurance	-	-
4	Motor vehicle liability insurance	19,685	*19,723*
5	Other motor insurance	2,480	*2,486*
6	Marine, aviation and transport insurance	0	-
7	Fire and other damage to property insurance	6,106	*6,113*
8	General liability insurance	1,972	*1,963*
9	Credit and suretyship insurance	82	*82*
10	Legal expenses insurance	606	*607*
11	Assistance	1,311	*1,315*
12	Miscellaneous financial loss	75	*75*
	Total	**35,943**	**36,004**

Methodology for calculating the churn rate for Unearned Premium Reserve and Future Premium components

In the context of Premium Provisions, a calculation methodology for the churn rate has been applied for the Unearned Premium Reserve (UPR) and Future Premiums (FP) components, described below.

For the UPR component, the churn rate was calculated by distinguishing between policies with a one-year term and those with a multi-year term; the latter were also distinguished on the basis of the split of the premium (single and split).

For each subgroup, the calculation was defined as follows:

- the numerator takes into account redemptions relating to premium reserve policies in year n-1 that were cancelled in year n;
- the denominator is the amount of premium reserve policies in year n-1

Lapse Rate UPR			
LoB	Annual	Fractional premium multi-years	Single premium multi-year
Medical expense insurance	0.76%	0.00%	4.72%
Income protection insurance	0.34%	0.00%	4.45%
Workers' compensation insurance	0.00%	0.00%	0.00%
Motor vehicle liability insurance	2.14%	0.00%	0.00%
Other motor insurance	1.48%	0.00%	0.00%
Marine, aviation and transport insurance	0.50%	0.00%	0.00%
Fire and other damage to property insurance	0.01%	0.00%	1.05%
General liability insurance	0.06%	0.00%	0.00%
Credit and suretyship insurance	0.00%	0.00%	0.00%
Legal expenses insurance	1.44%	0.00%	0.00%
Assistance	1.67%	0.00%	0.00%
Miscellaneous financial loss	3.97%	0.00%	7.73%

For the Future Premium component, the rate of abandonment was approximated, distinguishing between policies with one-year and multi-year durations, as follows

- at the numerator the amounts of unearned premiums issued in the valuation year were taken into account;
- on the denominator, the amounts of premiums written in the valuation year were taken into account

Lapse Rate Future Premium		
LoB	Annual	Multi-year
Medical expense insurance	0.07%	8.66%
Income protection insurance	0.08%	0.69%
Workers' compensation insurance	0.00%	0.00%
Motor vehicle liability insurance	0.73%	0.00%
Other motor insurance	0.55%	0.02%
Marine, aviation and transport insurance	2.17%	0.00%
Fire and other damage to property insurance	0.04%	1.45%
General liability insurance	1.00%	0.00%
Credit and suretyship insurance	0.74%	0.00%
Legal expenses insurance	0.63%	0.00%
Assistance	0.53%	0.00%
Miscellaneous financial loss	0.45%	27.10%

Premium Provision - Risks assumed in direct reinsurance

The premium provision for risks assumed in direct reinsurance is taken into account in the calculation of BE. The value of these items is particularly small and is represented at local level by a premium provision value of approximately 28 thousand euros.

Premium Provision - ceded risks

The UBEL of the Ceded Premium Reserve is valued in accordance with the provisions of Annex 6 of IVASS Regulation no.18 of 15 March 2016 and its annex "Application clarifications on IVASS Regulation no.18 of 15 March 2016 concerning the application rules for the determination of technical provisions in the Solvency II regime".

The calculation formula is therefore similar to that used for direct business:

$$BEL_{LOB,0}^{PP} = CR_{LOB} * [UPR_{LOB}]+(CR_{LOB}-1)*FP_{LOB} + AC_{LOB} * FP_{LOB}+PR_{LOB}$$

where:

- $BEL_{LOB,0}^{PP}$ is the Undiscounted Best Estimate Liability related to the business transferred for each LoB at time t = 0;
- UPR_{LOB} (unearned premium reserve) is the fractional premium reserve for the business ceded for each LoB;
- CR_{LOB} is the estimate of the prospective combined ratio for each LoB related to the ceded business;
- AC_{LOB} it is the estimate of the prospective acquisition cost ratio for each LoB;
- FP_{LOB} (future premiums) is the value of future premiums related to the divested business;
- PR_{LOB} (reimbursement premium) is the estimated premium reimbursement related to the ceded business;

The loss ratio and expense ratio values are those estimated in the Company's prospective plan for the year following the valuation year and relating to the business ceded to reinsurance.

For all LoBs, as provided for in Annex 7 of IVASS Regulation no. 18 of 15 March 2016 and its annex "Simplified calculation of amounts recoverable from reinsurance contracts and special purpose vehicles", with the Gross to Net simplification for the estimate of the Best Estimate ceded.

The table below shows the best estimate of the Premium Provision Ceded for each line of business:

LoB	Premium Provision Ceded Undiscounted	Premium Provision Ceded Discounted
Medical expense insurance	6,684	6,465
Income protection insurance	842	840
Workers' compensation insurance	-	-
Motor vehicle liability insurance	17,021	17,027
Other motor insurance	620	621
Marine, aviation and transport insurance	-	-
Fire and other damage to property insurance	192	189
General liability insurance	174	173
Credit and suretyship insurance	1,087	1,083
Legal expenses insurance	- 69	- 69
Assistance	- 12	- 12
Miscellaneous financial loss	5,258	5,076
Total	**31,798**	**31,394**

These best estimates are adjusted for the possible default of the reinsurers to whom the premium reserve is ceded. The calculation of this adjustment and the resulting ceded after adjustment best estimates are described in the relevant paragraph in this document.

Methodology for calculating the churn rate Premium Provision - Transferred business

The calculation of the ceded component of the Premium provision was carried out starting from the values of the direct business, appropriately valued net of the Lapse component.

Present Value Future Premium – Ceded business

The ceded component of the Present Value Future Premium was obtained by applying the gross to net percentage divided by LoB to the value of the Future Premiums valued gross of reinsurance.

The following table shows, for each LoB, the value of future premiums and present value future premiums ceded discounted at the base rate, adjusted for volatility. These values already include the adjustment for any early extinguishment of the contract:

Tabble Future Premium and Present Value Future Premium Ceded for LoB

	LoB	*Future Premium Ceded*	*Present Value Future Premium Ceded*
1	Medical expense insurance	752	*755*
2	Income protection insurance	592	*594*
3	Workers' compensation insurance	-	-
4	Motor vehicle liability insurance	9,842	*9,862*
5	Other motor insurance	316	*316*
6	Marine, aviation and transport insurance	-	-
7	Fire and other damage to property insurance	89	*89*
8	General liability insurance	51	*50*
9	Credit and suretyship insurance	40	*40*
10	Legal expenses insurance	545	*546*
11	Assistance	349	*350*
12	Miscellaneous financial loss	67	*67*
	Total	**12,644**	**12,670**

Counterparty risk adjustment

Article 61 of Delegated Regulation (EU) 2015/35 provides for the calculation of the adjustment for losses due to counterparty default as follows:

$$Adj_{CD} = -\max\left(0.5 \cdot \frac{PD}{1-PD} \cdot Dur_{mod} \cdot BE_{rec} ; 0\right)$$

where:

- PD is the probability of default by that counterparty over the next 12 months;
- Dur_{mod} Durmod is the modified duration of amounts recoverable from reinsurance contracts with that counterparty in relation to the homogenous risk group;
- BE_{rec} are the amounts recoverable from reinsurance contracts with that counterparty, i.e. the discounted Best Estimate at base rate.

The modified duration is determined from the duration of the ceded business associated with the unbundling pattern of the Be premiums and claims, for each line of business, adjusted for the internal rate of return.

In the valuations performed, the adjustment is not calculated per individual reinsurer but per individual LoB:

$$\mathrm{Adj}_{\mathrm{CD,LoB}} = -\max\left(0.5 \cdot ODDS_{lob} \cdot \mathrm{Dur}_{\mathrm{mod,LoB}} \cdot \mathrm{BE}_{\mathrm{rec,LoB}}; 0\right)$$

For this purpose, the quantities involved in the calculation that relate to a specific counterparty (the probabilities of default) are aggregated.

The aggregation technique is as follows: for a specific LoB, consider the set of reinsurers with whom contracts are signed for the next 12 months and their rating produced by the rating agency S&P. Each rating in turn corresponds to a probability of default. From this probability of default, the odds ratio per rating is calculated according to the following formula:

$$\mathrm{ODDS}_{\mathrm{r*}} = \frac{\mathrm{PD}_{\mathrm{r*}}}{1-\mathrm{PD}_{\mathrm{r*}}} \qquad r^* = A, A-, A+, \dots, CCC+, CCC, CCC-, NR$$

The ratio of the amount of BE ceded to reinsurers with an r* rating to the total amount ceded for the LoB in question gives the percentage of best estimate ceded to reinsurers with that rating class, indicated as follows

$$\%BE_{rec,r*,lob}.$$

The ODDS ratio of the LoB, aggregated across all rating classes, is obtained as follows:

$$ODDS_{lob} = \sum_{r*=A}^{NR} ODDS_{r*} * \%BE_{rec,r*,lob}$$

The adjustment for counterparty default is calculated separately for the BE of the assigned Premium Provision and for the BE of the assigned Claims Provision.

The following table shows the values of the adjustments and of the best estimate Claims Provision assigned after adjustment for LoB:

LoB	Adjustment Claim Provision	Best Estimate Claim Provision Ceded after adjustment
Medical expense insurance	- 0	59
Income protection insurance	- 0	1,867
Workers' compensation insurance	-	-
Motor vehicle liability insurance	- 30	118,844
Other motor insurance	- 0	557
Marine, aviation and transport insurance	- 0	1,193
Fire and other damage to property insurance	- 1	4,403
General liability insurance	- 3,874	98,203
Credit and suretyship insurance	- 13	4,734
Legal expenses insurance	- 176	2,371
Assistance	- 8	714
Miscellaneous financial loss	- 0	181
Total	- 4,102	233,125

The following table shows the values of the adjustments and the best estimate Premium Provision ceded after adjustment per Lob:

LoB	Adjustment Premium Provision	Best Estimate Premium Provision Ceded after adjustment
Medical expense insurance	- 3	6,462
Income protection insurance	- 0	840
Workers' compensation insurance	-	-
Motor vehicle liability insurance	- 7	17,020
Other motor insurance	-	621
Marine, aviation and transport insurance	-	-
Fire and other damage to property insurance	- 0	189
General liability insurance	- 0	173
Credit and suretyship insurance	- 3	1,080
Legal expenses insurance	- 7	- 76
Assistance	-	- 12
Miscellaneous financial loss	- 3	5,073
Total	**- 23**	**31,371**

Investment Management Expenses

According to Article 31 of the Delegated Acts, the expenses to be taken into account in the calculation of best estimates include investment management expenses. This amount is estimated separately for the Claims Reserve and for the Premium Provision and on a line-by-line basis.

The input data for the calculation are:

A. Estimated Investment Management Expenses;
B. Market value of investments (assets);
C. Net undiscounted best estimate (of the premium or claims reserve depending on the valuation);
D. Cash flow of the best estimate (of the premium or claims reserve depending on the valuation);

The undiscounted best estimate of investment management expenses is as follows:

$$IME = A * \frac{C}{B} * D$$

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

In formulas:

$$BEL_{\text{LoB},0}^{IME} = \sum_{t} \frac{UBEL_{LoB,t}^{IME}}{(1+i)^{t}} \; for\ t = 1, \ldots, T$$

The following tables show, for each LoB and separately for the Claims Provision and the Premium Provision, the values of undiscounted and discounted Investment Management Expenses at base rate:

Best estimate of Investment Management Expenses for Claims Provision for LoB		
Nome LoB	IME Claims Provision Undiscounted	IME Claims Provision Discounted
Medical expense insurance	0	0
Income protection insurance	1	1
Workers' compensation insurance	-	0
Motor vehicle liability insurance	24	24
Other motor insurance	0	0
Marine, aviation and transport insurance	0	0
Fire and other damage to property insurance	1	1
General liability insurance	19	19
Credit and suretyship insurance	3	3
Legal expenses insurance	2	2
Assistance	0	0
Miscellaneous financial loss	0	0
Total	50	50

Degree of uncertainty in the results

The adequacy of the methodologies adopted is supported by the fact that the standard formula provided for by the regulation is applied and shared with the Actuarial Function, which certifies its correct application in accordance with the extent and complexity of the Company's risks. The level of uncertainty associated with the amount of technical provisions basically depends on the intrinsic variability of the data considered in the analysis and the assumptions made on the calculations. Regarding the variability of the data, the triangular input data show some discontinuities on the diagonals due to changes in the liquidation policy (increased liquidation speed) and in the reserving policy (increased prudence in inventory valuation). There are also discontinuities between generations of occurrence due to changes in the portfolio mix.

As regards the assumptions made, those with the greatest sensitivity impact on the overall amount of the estimates are considered:

- as regards the BE claims, the application of recoveries calculated as the average of the historical series analysed is reported. This historical series shows that recoveries are made with a delay inversely proportional to the speed of settlement of the reference LoB (the less rapid the settlement, the more delayed the recovery);
- as regards the BE premiums, the application of the Combined Ratio derived from the business plan is reported, which, being prospective, could be different from the actual future situation.

In general, one can add to the uncertainty of the results the effect of the pandemic, which is in any case exhausting most of the socio-economic effects initially observed.

Impact of applying volatility adjustment

The impact of the application of the volatility adjustment on the amount of technical provisions is shown in the following table where the overall Gross TP delta percentage between the estimates with and without volatility adjustment (VA and NO VA) is approximately 0.66%.

The amounts recoverable from reinsurers do not include the adjustment for counterparty risk:

		31.12.2021					
		VA			NO VA		
LoB	LoB Description	Technical provisions gross	Technical provisions Ceded	Technical provisions Net	Technical provisions gross	Technical provisions Net	Technical provisions Net
1	Medical expense insurance	11,553	6,525	5,028	11,143	4,906	6,237
2	Income protection insurance	17,192	2,707	14,485	19,299	8,785	10,514
3	Workers' compensation insurance	-	-	-	-	-	-
4	Motor vehicle liability insurance	274,346	135,901	138,446	268,935	137,615	131,320
5	Other motor insurance	9,390	1,178	8,212	8,631	2,853	5,778
6	Marine, aviation and transport insurance	1,883	1,193	690	2,075	1,182	893
7	Fire and other damage to property insurance	32,438	4,593	27,846	37,996	8,678	29,318
8	General liability insurance	168,793	102,251	66,542	163,913	108,224	55,689
9	Credit and suretyship insurance	19,022	5,829	13,193	21,504	6,589	14,915
10	Legal expenses insurance	9,268	2,478	6,790	7,531	2,060	5,470
11	Assistance	1,170	710	460	1,219	542	676
12	Miscellaneous financial loss	7,293	5,257	2,035	6,436	2,661	3,775
	Health	28,744	9,232	19,513	30,442	13,692	16,750
	Non Life	523,604	259,390	264,214	518,240	270,405	247,835
	Total	**552,349**	**268,622**	**283,727**	**548,682**	**284,097**	**264,585**

Risk Margin

Pursuant to Article 37, paragraph 1 of Delegated Regulation (EU) 2015/35, the risk margin for the entire insurance and reinsurance obligations portfolio was calculated using the following formula:

$$RM = CoC * \sum_{t \geq 0} \frac{SCR_t}{(1 + r(t+1))^{t+1}}$$

in which:

(a) CoC is the rate of the cost of capital;

(b) the sum includes all the whole numbers including zero;

(c) 〖SCR〗_t is the Solvency Capital Requirement referred to in article 38, paragraph 2, after t years;

(d) r(t+1) is the basic risk-free interest rate for the maturity of t+1 years.

The basic risk-free interest rate r(t+1) is chosen based on the currency used for the balance sheet of the insurance or reinsurance company.

Pursuant to article 60 of the IVASS Regulation no. 18 of 15 March 2016, concerning the application rules for determining technical provisions, for the purposes of calculating the risk margin, the company assesses the need to carry out a full projection of all future solvency capital requirements in order to reflect in a proportionate manner the nature, extent and complexity of the risks underlying the obligations assumed by the company. If the lack of need referred to in paragraph 1 is evaluated, the company may use alternative methods for calculating the risk margin, as long as sufficiently able to detect the company's risk profile.

Article 61 of the aforementioned regulation states that, when choosing the level of the simplification hierarchy for the calculation of the risk margin, the company takes into account the hierarchy indicated in attachment 4, ensuring that the level of complexity is not excessive compared to the purpose of reflecting in a proportional manner the nature, extent and complexity of the risks underlying the commitments undertaken by the company of reference as per article 38 of the Delegated Acts.

The company chose to adopt the first method in order of hierarchy. The latter consists of generating approximations of the individual risks or sub-profiles within some or all of the modules and sub-modules to be used for calculating the future solvency capital requirements referred to in article 58, letter a), of the Delegated Acts (Annex 4, Regulation No 18/2016 IVASS).

For the purpose of calculating future solvency capital requirements, the capital requirements for Non-Life and Health business were disassembled in line with the disassembly of the respective BELs and the capital requirements for Default and Operational risks were disassembled in line with the disassembly of the overall BELs.

The risk margin broken down for the different Lobs is shown below:

		Risk Margin	
		31.12.2021	31.12.2020
1	Medical expense insurance	173	488
2	Income protection insurance	826	1,334
3	Workers' compensation insurance	-	-
4	Motor vehicle liability insurance	9,654	7,652
5	Other motor insurance	234	595
6	Marine, aviation and transport insurance	58	57
7	Fire and other damage to property insurance	960	1,703
8	General liability insurance	4,931	4,461
9	Credit and suretyship insurance	961	1,119
10	Legal expenses insurance	553	305
11	Assistance	7	215
12	Miscellaneous financial loss	57	263
		0	0
	Non-Life	**17,416**	**16,369**
	Health	**998**	**1,821**
	Total	**18,414**	**18,190**

Finally, it is reported that:

- there were no particular recommendations regarding the improvements to be made to internal procedures in relation to the data considered relevant, other than to bring forward the timing of their communication to the Actuarial Function
- there were no data deficiencies that led to particularly impactful simplifications;
- none of the technical provisions were calculated as a single element
- the valuations were carried out in light of EU_REGULATION DELEGATED (EU) 2019_981_MODIFICATION_REGULATION DELEGATED_REGULATIONS 2015_35.

D.3 Other liabilities

Specific liabilities and contingent liabilities are measured in accordance with International Accounting Standards adopted by the Commission under Regulation (EC) No 1606/2002 (IAS/IFRS) and no adjustment is made for changes in the insurance or reinsurance undertaking's own creditworthiness after initial recognition. Contingent liabilities, which are not normally recognised under IFRS, are measured under Solvency II if they are material, i.e. if information about the current or potential size or nature of those liabilities could influence the decisions or judgement of the intended user of that information, including supervisors. The value of contingent liabilities is equal to the expected present value of the future cash flows required to settle the contingent liability over the lifetime of that contingent liability, calculated using the basic risk-free interest rate term structure.

Other technical provisions and potential liabilities

The Company has no other technical provisions and contingent liabilities recognised in its Solvency II Balance Sheet.

Provisions other than technical provisions

The item includes provisions for risks and charges that represent liabilities of a given nature, certain or probable, with an undetermined date of occurrence or amount.

In detail, the item, amounting to 10,049 thousand euros, includes provisions for taxes and other non-technical provisions, such as those for pending litigation.

They are valued in accordance with Article 75 of Directive 2009/138/EC, and their value coincides with that of the statutory Balance Sheet.

Pension benefit obligations

The item includes provisions for the staff severance indemnity, the provision for seniority bonus and the provision for directors' health insurance, liabilities related to defined benefit plans for employees, which involve payments subsequent to the termination of the employment relationship and which, in accordance with IAS 19, are subject to actuarial valuation using the Project Unit Credit Method. According to this method, the liability is determined by taking into account a series of variables such as mortality, the forecast of future salary changes, the expected rate of inflation, the expected return on investments, etc. The liability recognised in the balance sheet represents the present value of the obligation. The liability recognised in the balance sheet represents the present value of the foreseeable obligation, net of any plan assets, adjusted for any unamortised actuarial gains or losses. The valuation in accordance with IAS 19 resulted in a liability value that was 75 thousand euros higher than that recognised in the statutory Balance Sheet.

Deposits received from reinsurers

The item includes deposits received from reinsurers, which amount to 147,120 thousand euros. There are no differences in value between the Solvency II and statutory Balance Sheet.

Deferred tax liabilities

As previously reported in section Deferred tax assets, to which reference should be made, deferred tax assets and deferred tax liabilities are measured separately for IRES and IRAP purposes based on the tax rates that are expected to be applied in the year in which the temporary differences will reverse. Deferred tax assets in the Solvency II Balance Sheet amount to 93,584 thousand euros.

Derivatives and Debts and Financial Liabilities to Credit Institutions

The Company has no derivative items and financial payables and liabilities to credit institutions recognised in its Solvency II balance sheet.

Financial liabilities other than amounts due to credit institutions

This item includes the recognition of financial liabilities for future rentals due under lease agreements accounted for in accordance with IFRS 16.

Other liabilities (Liabilities arising from insurance business and other liabilities, other liabilities)

Payables totalled 31,359 thousand euros and comprised payables to policyholders, intermediaries and other payables relating to direct insurance business of 10,518 thousand euros, payables relating to reinsurance business of 7,378 thousand euros and other non-insurance payables of 13,463 thousand euros.

Other liabilities amounted to 12,495 thousand euors and mainly consisted of the provision for agents' bonus policies on 2021 targets, already accrued and to be paid in 2022, and all liabilities not included in other balance sheet items, such as accrued expenses and deferred income.

Subordinated liabilities

Subordinated liabilities amount to a total of 46,148 thousand euros.

Subordinated liabilities, valued in accordance with Article 75 of Directive 2009/138/EC, have the necessary characteristics to be classified as core tier 2 capital elements under Solvency II. Details are given in paragraph E.1.

D.4 Alternative valuation methods

As mentioned in the introduction to this "Chapter D - Valuations for solvency purposes", if the criteria for the use of market prices quoted in active markets are not met, the Company, consistently with the provisions of Article 10, paragraph 7, of the Delegated Acts, has used valuation techniques that are appropriate to the circumstances and for which sufficient data are available for the purpose of measuring fair value, always maximising the use of observable inputs and minimising unobservable inputs.

There are no alternative valuation methods for assets and liabilities other than those indicated in the preceding paragraphs.

Based on past experience, there were no material deviations between the estimated valuation based on alternative valuation methods and the corresponding values resulting from, for example, subsequent market transactions involving such assets and liabilities.

D.5 Any other informations

It is considered that all material information on the valuation methodologies for assets and liabilities is already included in the preceding paragraphs. Therefore, there is no additional material information to be included in this paragraph.

E. Capital Management

E. Capital Management

Capital management aims to ensure an adequate level of capitalisation of the Company in accordance with the framework provisions, in terms of limits and risk tolerance levels, defined in the Risk Appetite Framework. Through careful capital management, the Company expects that the available capital will allow it to maintain an economic-equity balance over time, in consideration of the overall risk that the Company is willing to assume in order to achieve its development and value creation objectives.

While the risk management process implements the control, assessment and management of risks to keep the risk profile and liquidity requirements within the established limits, capital management is aimed at ensuring the availability of adequate equity, in terms of type and amount, to cover the risks assumed.

Risk management and capital management are two interrelated processes whose ultimate goal is to ensure a level of current and prospective capital adequacy consistent with the Risk Appetite Framework.

The Medium Term Capital Management Plan represents, in line with the Strategic Plan, a projection of the economic and financial situation of the Company and includes a detailed description of the development of the Own funds and of the SCR starting from the last data available until the end of the planning horizon.

The Medium Term Capital Management Plan is produced by the Administrative Finance Department at least once a year, and is analysed and shared with Risk Management before being submitted by the CEO and the Board of Directors for approval in the context of the Plan.

In case of extraordinary transactions foreseen in the planning horizon, their impact, both in available funds and capital requirements, is explained in the Capital Management Plan, together with any further details that may be available. In particular, the issuance of available funds must be explicitly included in the Capital Management Plan with a detailed description of the characteristics of the instrument and the underlying rationale for the hypothetical issuance.

SCR projections over the Plan horizon are made on the basis of the numerical evidence of forward-looking analyses and therefore in coherence and in an integrated logic with the ORSA process.

The capital elements that can be taken into consideration are all those allowed by the regulations in force, including the ancillary own funds referred to in Article 89 of the Directive, subject to prior authorisation by the supervisory authority pursuant to Article 90 of the Directive.

The funds eligible to cover the Solvency Capital Requirement are classified by tiers according to their characteristics. The total weight of each tier must respect the quantitative limits provided for by the regulations.

In the event of particular and/or unfavourable economic and financial scenarios, it is possible to resort to capital increases or possibly to the issue of subordinated loans, in order to re-establish the target solvency ratio at the valuation date and with reference to the planning horizon.

The description of the development of the Own Funds must also include the assumptions of repayment at maturity or early repayment of elements of the Own Funds (if any).

The Capital Management Plan takes into account the policy of distributing dividends, or other distributions from an own funds element, in the development of Own Funds over the Plan horizon. To this end, it is established, with a view to value creation, and in compliance with the limits and tolerance levels defined in the RAF, that the distribution of dividends or other distributions charged to an element of Own Funds must take into account in particular the compliance with the Target limits related to capital adequacy. Therefore, it is stipulated that the distribution of dividends is suspended if the forward-looking risk assessment (ORSA) shows that the distribution of dividends in the current financial year would lead to a solvency ratio below the Target in any of the following financial years within the planning horizon.

Any deviation must be explicitly described in the Capital Management Plan and approved by the administrative body, providing adequate reasons to support the decision.

Any distribution against own funds elements is, in any case, suspended if the distribution results in non-compliance with the limit of the Solvency Ratio Target (set at 140%) as defined in the RAF and in any case always higher than the Soft Limit. If the non-compliance with the limits concerns the Hard limit in this case, the Company identifies the applicable measures to restore the level of own funds eligible to cover the solvency requirement or to reduce the risk profile

E.1 Own Funds

Eligible Own Funds are the difference between the value of assets and liabilities measured according to the rules of each of the metrics considered, plus subordinated liabilities and other eligible ancillary own funds, net of eligible and regulatory adjustments. Eligible Own Funds to cover the capital requirement are obtained by starting with available capital and considering the Tiering of own funds elements and their eligibility to cover the capital requirement.

In particular, in the balance sheet prepared in accordance with Solvency II valuation principles, assets and liabilities are measured at fair value, in accordance with Article 75 of the Solvency II Directive.

To determine the value of available capital equal to the difference between the fair value of the assets and the fair value of the liabilities, it is then adjusted according to the adjustments provided for in Article 70 of the Delegated Acts.

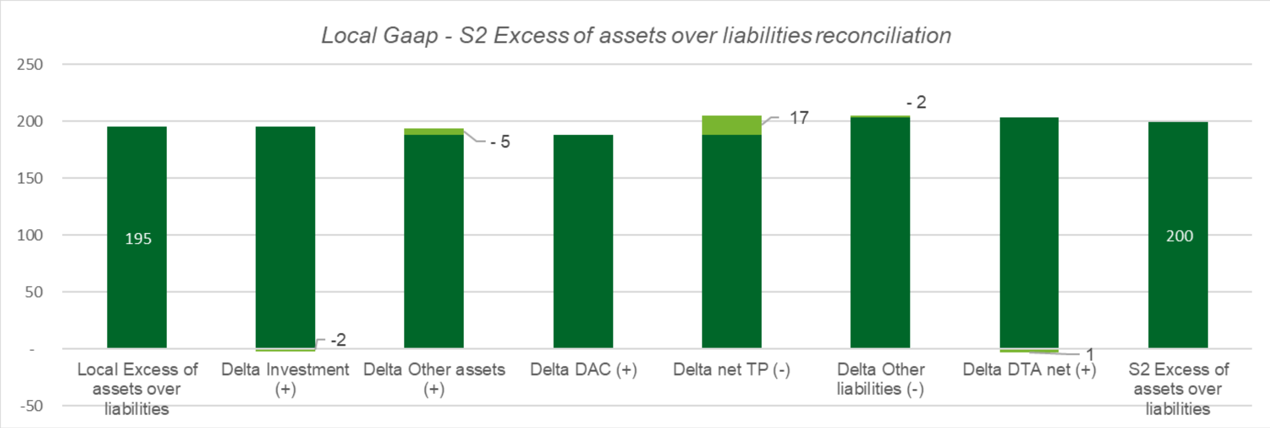
In particular, subordinated liabilities (art. 88 Solvency II Directive) and ancillary own funds (art. 90 Solvency II Directive) are added, while the amount of own shares held, dividends, distributions and foreseeable charges, the elements of restricted own funds referred to in point (e) of paragraph 1 of art. 70, the amount of participations in financial and credit institutions referred to in art. 92, paragraph 2 of Solvency II Directive are deducted.

Insurance liabilities with Solvency II metrics are valued both with and without a volatility adjustment. The amount of the adjustment is equal to the value determined monthly by EIOPA for Italy and referred to the valuation date.

The value of own funds measured under Solvency II differs from that obtained under statutory criteria as a direct result of the different valuation criteria applied to assets and liabilities in the balance sheet. The difference, a reconciliation reserve, contributes to the Solvency II capital value and is classified in Tier 1.

The valuation differences between the statutory Balalnce Sheet and the Solvency II Balance Sheet amounted to +4,256 thousand euros as at 31/12/2021, mainly explained by the fair value measurement of technical provisions and intangibles.

		12.2021	12.2020	Delta
	Local Excess of assets over liabilities	**195,410**	**230,699**	**- 35,289**
Reconciliation Reserve	Delta Investment + Property, plant & equipment held for own use (+	- 1,860	7,174	- 9,034
	Delta Intangeble asset + Other assets (+)	- 5,227	- 9,787	4,560
	Delta DAC (+)	-	-	-
	Delta net TP (-)	- 16,982	- 9,793	- 7,190
	Delta Other liabilities (-)	2,290	9,678	- 7,388
	Delta DTA net (+)	- 3,350	833	- 4,183
	S2 Excess of assets over liabilities	**199,667**	**229,034**	**- 29,367**
	Subordinated liabilities	**46,148**	**26,331**	**19,817**
	OF S2	**246,214**	**255,366**	**- 9,152**



As at 31 December 2021:

- Local Gaap shareholders' equity amounted to 195,410 thousand euros, of which 209,652 thousand euros ordinary capital, 7,508 thousand euros share premium reserve, -171,654 thousand euros losses carried forward and 149,903 thousand euros other reserves.
- Solvency II capital amounted to 245,815 thousand euros, of which 106,083 thousand euros in Tier 1 capital, 46,148 thousand euros in Tier 2 capital and 93,584 thousand euros in Net Deferred Tax Assets, therefore included in Tier 3 capital.

Solvency II own funds included in Tier 1 (unrestricted) amounted to 106,083 thousand, made up of ordinary capital for 209,652 thousand, the share premium reserve for 7,508 thousand euros and the reconciliation reserve which includes: losses carried forward (-171,654 thousand euros), other reserves (149. 903 thousand euros), the differences between Solvency II and statutory Excess of assets over liabilities (- 4,256 thousand euros) and the adjustment for Net Deferred Tax Assets (-93,584 thousand euros), therefore falling under Tier 3 funds in accordance with article 76 of the Delegated Regulation letter a), point iii).

Tier 2 capital consists of two Tier 2 subordinated bonds of 46,148 thousand euros (market value consistent with Article 75 of Directive 2009/138 / EC).

On 16 December 2021, HDI Italia issued a subordinated liability underwritten by HDI Assicurazioni for an amount of 20,000 thousand euros, with a duration of 10 years and at a rate that, in accordance with Talanx procedures, was defined two days before the issue date. The transaction is configured as an intra-group transaction.

The bond has the following characteristics:

- duration: 10 years;
- interest rate: 3.8016% determined two days before the issue date
- classification according to the Solvency II Directive: Basic Own Funds Tier 2, as it complies with the requirements of Article 73 of Delegated Regulation (EU) 2015/35.

Tier 3 capital of 93,584 thousand euros consists of the Net Deferred Tax Assets resulting from the MVBS.

For a detailed description of the Deferred Tax Assets and Liabilities please refer to paragraphs D.1 and D.3.

The contribution of Tier 3 to the EOF is reduced to 16,385 thousand euros, up to 15% of the SCR, against the quantitative limits provided for in Article 82 of Delegated Regulation (EU) 2015/35.

Therefore, against a reduction in Net Deferred Tax Assets recognisable in the balance sheet up to the limit of -77,199 thousand euros, there is no impact on the Company's Solvency ratio.

The decrease in shareholders' equity compared to 2020 (-9,550 thousand euros) is mainly attributable to the loss in 2021 (-35,289 thousand euros), the issue of the Tier 2 subordinated liabilities (+19,758 thousand euros) and the improvement in the reconciliation reserve (-5,921 thousand euros):

OWN FUNDS	12.2021 Solvency 2 value	12.2021 Statutory accounts value	12.2020 Solvency 2 value	12.2020 Statutory accounts value
Ordinary share capital (net of own shares)	209,652	209,652	209,652	209,652
Share premium account	7,508	7,508	7,508	7,508
Retained earnings including profits from the year net of foreseable dividends	-171,654	-171,654	-136,365	-136,365
Other reserves from accounting balance sheet	149,904	149,904	149,904	149,904
Adjustments to assets	*-47,320*	*0*	*-5,065*	*0*
Adjustments to technical provisions	*53,866*	-	*25,682*	*0*
less expected profit in future premiums		-	-	-
Adjustments to other liabilities	*-2,290*	-	*-22,282*	*0*
Expected Profit in Future Premiums		-	-	-
Preference shares		-	-	-
Subordinated liabilities	46,148	46,400,116	26,331	26,371
Other items not specified above	-	-	-	-
Own Funds	**245,815**	**46,595,526**	**255,365**	**257,069**

In order to be able to show compliance with the capital requirement, and thus compliance with the quantitative limits applicable to Tier 1, 2 and 3 own funds, as set out in Article 82 of Delegated Regulation (EU) 2015/35, the following is the tiering of OFs that contribute to the determination of Available and Eligible own funds.

The own funds elements eligible to cover the Solvency Capital Requirement:

– of Tier 1 correspond to 85% of the SCR

– of Tier 2 correspond to 37% of the SCR

– of Tier 3 correspond to 13% of the SCR

The own-fund items eligible to cover the Minimum Solvency Capital Requirement:

– of Tier 1 correspond to 237% of the SCR

– of Tier 2 correspond to 20% of the SCR

TIERING OWN FUNDS	12.2021 Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	209,652	209,652			
Share premium account related to ordinary share capital	7,508	7,508			
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 (solo)	- 111,078	- 111,078			
Subordinated liabilities	46,148			46,148	
An amount equal to the value of net deferred tax assets	93,584				93,584
Other items approved by supervisory authority as basic own funds not specified above					
Total Own Funds	**245,815**	**106,083**	**-**	**46,148**	**93,584**
SCR Eligible Own Funds	**168,616**	**106,083**	**-**	**46,148**	**16,385**
MCR Eligible Own Funds	**115,031**	**106,083**	**-**	**8,949**	**-**

TIERING OWN FUNDS	12.2020 Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ordinary share capital (gross of own shares)	209,652	209,652	-	-	-
Share premium account related to ordinary share capital	7,508	7,508	-	-	-
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 (solo)	- 75,349	- 75,349	-	-	-
Subordinated liabilities	26,331	-	-	26,331	-
An amount equal to the value of net deferred tax assets	87,223	-	-	-	87,223
Other items approved by supervisory authority as basic own funds not specified above	-	-	-	-	-
Total Own Funds	**255,365**	**141,811**	**-**	**26,331**	**87,223**
SCR Eligible Own Funds	**185,557**	**141,811**	**-**	**26,331**	**17,414**
MCR Eligible Own Funds	**149,549**	**141,811**	**-**	**7,737**	**-**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Current solvency position

The Solvency II situation as at 31 December 2021 is:

Reporting date	12.2021	12.2020
Available capital	245,815	255,365
Eligible OF	168,616	185,557
SCR	125,067	116,095
Ratio of Eligible own funds to SCR	**135%**	**160%**
Capital Surplus / Deficit	43,549	69,461
Eligible OF for MCR Coverage	115,031	149,549
MCR	44,744	38,685
Ratio of Eligible own funds to MCR	**257%**	**386.58%**
AdjDT	-	-
SCRop	16,570	16,422
BSCR	108,496	99,674
SCRmkt	24,815	28,561
SCRhealth	13,830	9,645
SCRdef	22,756	27,932
SCRlife	-	-
SCRnon-life	83,138	68,448
SCRintangibles	-	-
MKTint	6,883	4,370
MKTeq	5,044	3,581
MKTprop	18,936	23,181
MKTsp	1,057	3,492
MKTcurrency	715	551
MKTconc	248	492
NL Premium and reserve risk	80,930	66,938
NL Lapse risk	321	1,474
NL Catastrophe risk	7,541	5,229
NL-Health Premium and reserve risk	13,520	8,473
NL-Health Lapse risk	195	1,390
NL-Health Catastrophe risk	1,076	2,743
SCR Default_Type 1 exposure	3,405	7,509
SCR Default_Type 2 exposure	20,091	21,856

The Solvency Capital Requirement (SCR) represents the minimum capital required to protect the Company from losses with a confidence level of 99.5% within the time horizon of one year. Risks are assessed according to macro-categories and aggregated considering the impact of diversification among them. The Solvency Capital Requirement of HDI Italia is calculated on the basis of the standard formula.

The Minimum Capital Requirement (MCR) represents the capital necessary to ensure that the Company is able to meet all its obligations with a confidence interval of at least 85% over a one-year time frame. HDI Italia's Minimum Capital Requirement is calculated, as per the Standard Formula, using the following inputs: Technical Reserves retained and Gross Written Premiums, taking into account that the MCR must in any case be included between a lower limit ("floor") consisting of 25% of the SCR and an upper limit ("cap") equal to 45% of the SCR.

There is also a minimum limit below which the MCR cannot fall under any circumstances ("absolute floor" - AMCR).

Below are the inputs used for the calculation of the MCR and reported in QRT S.28.01.01:

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	5,032	3,504
Income protection insurance and proportional reinsurance	14,485	25,944
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	138,483	63,976
Other motor insurance and proportional reinsurance	8,212	17,255
Marine, aviation and transport insurance and proportional reinsurance	690	5
Fire and other damage to property insurance and proportional reinsurance	27,846	37,840
General liability insurance and proportional reinsurance	70,417	23,736
Credit and suretyship insurance and proportional reinsurance	13,209	3,234
Legal expenses insurance and proportional reinsurance	6,973	471
Assistance and proportional reinsurance	468	6,346
Miscellaneous financial loss insurance and proportional reinsurance	2,038	1,044
Non-proportional health reinsurance	-	-
Non-proportional casualty reinsurance	-	-
Non-proportional marine, aviation and transport reinsurance	-	--
Non-proportional property reinsurance	-	

	Overall MCR calculation
Linear MCR	44.744
SCR	125.067
MCR cap	56.280
MCR floor	31.267
Combined MCR	44.744
Absolute floor of the MCR	3.700
Minimum Capital Requirement	**44.744**

The current solvency situation shows an SCR ratio of 134.82% and an MCR ratio of 257%.

The most significant risk modules are Non-Life underwriting risk (58% of pre-diversification BSCR), credit risk and market risk.

	12.2021	Quota %
SCR Market	24,815	17%
SCR Health	13,830	10%
SCR Default	22,756	16%
SCR Life	0	0%
SCR Non Life	83,138	58%
SCR Intangibles	0	0%
BSCR pre diversification	**144,539**	
BSCR	**108,496**	

In light of the analysis carried out on the evolution of the company's risk profile, the Solvency Ratio worsened compared to the previous year, due to the combined effect of the increase in SCR (as described above in detail on the individual sub-modules) and the decrease in Own Funds.

Additional information on LAC DT

With specific reference to the adjustment for the loss-absorbing capacity of deferred taxes, Article 207 of Delegated Regulation (EU) 35/2015 states that this adjustment is equal to the change in the value of deferred taxes that would result from an instantaneous loss of an amount equal to the sum of:

- the Basic Solvency Requirement (BSCR, referred to in Art. 104(a) of the Directive),
- the Capital Requirement for Operational Risk (SCR_Op, referred to in Art. 107 of the Directive), and
- the adjustment for the loss-absorbing capacity of technical provisions (ADJ_TP, referred to in Art. 108 of the Directive and calculated in accordance with Art. 206 of the Delegated Regulation).

For the purposes of determining the notional deferred taxes arising from the above-mentioned instant loss (nDTA), HDI Italia used an analytical approach based on the determination of the impacts of the instant loss, as defined by Article 207 of EU Delegated Regulation 2015/35, by balance sheet item and by determining the relevant tax treatment for IRES purposes (24% of taxable income).

Since IRAP tax losses cannot be carried forward, no notional deferred taxes arising from this tax have been considered. For the purposes of assessing the eligibility of nDTAs for offsetting, the Company has assessed the recoverability emerging from deferred tax liabilities of the Solvency Capital Statement net of existing deferred tax assets, and from taxable income emerging from future profits over a 7-year time horizon, weighted according to the measures provided for in art. 13, paragraph 4 of IVASS Regulation no. 35:

Given the net deferred tax assets emerging from the Solvency Balance Sheet and the non-absorbency of taxable income emerging from future profits after coverage of deferred tax assets Local Gaap for past tax losses, the adjustment for the loss absorption capacity of deferred taxes for HDI Italia is equal to zero.

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

The company does not use the duration-based equity risk sub-module when calculating the Solvency Capital Requirement.

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

The Company uses the Standard Formula to calculate the SCR.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company is not reasonably exposed to the risk of non-compliance with the Minimum Capital Requirement and the Solvency Capital Requirement.

E.6 Any other information

There is no further information or evidence to point out.

Annex 1 - QRT

This attachment sets out, in line with the requirements of the European Commission's Implementing Regulation (EU) 2015/2452 of 2 December 2015, the models relating to the solvency and financial condition of HDI Italia S.p.A.
The figures are shown in thousands.
The reporting currency is the euro.
The templates shown below are:

- S.02.01.02 - Balance sheet;
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.17.01.02 - Technical provisions for non-life insurance
- S.19.01.21 - Non-life insurance claims
- S.22.01.21 - Impact of long-term guarantee and transitional measures
- S.23.01.01 - Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity.

S.02.01.02 – Balance Sheet

		Solvency II value
Assets		**C0010**
Intangible assets	R0030	0
Deferred tax assets	R0040	93,584
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	3,240
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**532,217**
Property (other than for own use)	R0080	49,127
Holdings in related undertakings, including participations	R0090	27,738
Equities	*R0100*	*8*
Equities - listed	R0110	0
Equities - unlisted	R0120	8
Bonds	*R0130*	*288,562*
Government Bonds	R0140	280,191
Corporate Bonds	R0150	8,372
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	166,781
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	**957**
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	957
Reinsurance recoverables from:	**R0270**	**264,496**
Non-life and health similar to non-life	R0280	264,496
Non-life excluding health	R0290	255,268
Health similar to non-life	R0300	9,228
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	62,385
Reinsurance receivables	R0370	9,992
Receivables (trade, not insurance)	R0380	44,980
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	4,292
Any other assets, not elsewhere shown	R0420	5,113
Total assets	**R0500**	**1,021,257**

S.02.01.02 – Balance Sheet

Liabilities		Solvency II value
		C0010
Technical provisions - non-life	**R0510**	**570,763**
Technical provisions - non-life (excluding health)	**R0520**	**541,020**
TP calculated as a whole	R0530	
Best estimate	R0540	523,604
Risk margin	R0550	17,416
Technical provisions - health (similar to non-life)	**R0560**	**29,743**
TP calculated as a whole	R0570	
Best estimate	R0580	28,744
Risk margin	R0590	998
TP - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	10,049
Pension benefit obligations	R0760	1,189
Deposits from reinsurers	R0770	147,120
Deferred tax liabilities	R0780	0
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	2,467
Insurance & intermediaries payables	R0820	10,518
Reinsurance payables	R0830	7,378
Payables (trade, not insurance)	R0840	13,463
Subordinated liabilities	**R0850**	46,148
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	46,148
Any other liabilities, not elsewhere shown	R0880	12,495
Total liabilities	**R0900**	**821,590**

Excess of assets over liabilities	**R1000**	**199,667**

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				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	9,602	30,350		129,085	20,454	7	40,779	24,606	5,646	4,698	8,658	3,123					237,057
Gross - Proportional reinsurance accepted	R0120																	0
Gross - Non-proportional reinsurance accepted	R0130																	0
Reinsurers' share	R0140	6,099	4,406		65,108	3,199	3	2,939	870	2,413	4,227	2,312	2,079					93,654
Net	**R0200**	**3,504**	**25,944**		**63,976**	**17,255**	**5**	**37,840**	**23,736**	**3,234**	**471**	**6,346**	**1,044**					**183,355**
Premiums earned																		
Gross - Direct Business	R0210	7,321	30,162		130,950	19,901	9	39,598	24,999	5,456	4,668	8,569	3,222					274,855
Gross - Proportional reinsurance accepted	R0220	0	0		0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0230																	0
Reinsurers' share	R0240	4,589	4,183		66,358	3,140	3	2,893	1,254	912	4,219	2,299	1,980					91,830
Net	**R0300**	**2,732**	**25,979**		**64,592**	**16,760**	**6**	**36,705**	**23,744**	**4,544**	**449**	**6,270**	**1,242**					**183,025**
Claims incurred																		
Gross - Direct Business	R0310	1,565	7,268		117,529	8,156	40	15,039	44,533	1,406	3,975	1,590	-541					200,560
Gross - Proportional reinsurance accepted	R0320	0	0		0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	R0330																	0
Reinsurers' share	R0340	300	-249		61,596	801	113	837	30,164	829	1,304	2,426	14					98,134
Net	**R0400**	**1,265**	**7,516**		**55,933**	**7,356**	**-73**	**14,202**	**14,369**	**577**	**2,671**	**-835**	**-555**					**102,426**
Changes in other technical provisions																		
Gross - Direct Business	R0410	249																249
Gross - Proportional reinsurance accepted	R0420																	0
Gross - Non-proportional reinsurance accepted	R0430																	0
Reinsurers' share	R0440																	0
Net	**R0500**	**249**																**249**
Expenses incurred	**R0550**	**621**	**10,418**		**33,821**	**5,475**	**77**	**18,682**	**32,481**	**1,888**	**-1,355**	**5,429**	**287**					**107,822**
Other expenses	R1200																	
Total expenses	**R1300**																	**107,822**

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	9,435	5,483		40,575	6,046	0	16,596	8,318	2,851	144	359	6,429					96,236
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	6,462	840		17,020	621	0	189	173	1,080	-76	-12	5,073					31,371
Net Best Estimate of Premium Provisions	R0150	2,973	4,643		23,556	5,425	0	16,407	8,145	1,771	219	371	1,355					64,865
Claims provisions																		
Gross - Total	R0160	2,118	11,709		233,771	3,344	1,883	15,842	160,475	16,172	9,125	810	864					456,113
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	59	1,867		118,844	557	1,193	4,403	98,203	4,734	2,371	714	181					233,125
Net Best Estimate of Claims Provisions	R0250	2,059	9,843		114,927	2,787	690	11,439	62,272	11,438	6,754	96	682					222,988
Total Best estimate - gross	**R0260**	11,553	17,192		274,346	9,390	1,883	32,438	168,793	19,022	9,268	1,170	7,293					552,349
Total Best estimate - net	**R0270**	5,032	14,485		138,483	8,212	690	27,846	70,417	13,209	6,973	468	2,038					287,853
Risk margin	**R0280**	173	826		9,654	234	58	960	4,931	961	553	7	57					18,414
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**	11,726	18,017		284,000	9,624	1,941	33,399	173,724	19,984	9,821	1,177	7,350					570,763
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	6,521	2,707		135,863	1,178	1,193	4,592	98,376	5,814	2,295	702	5,255					264,496
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	5,204	15,311		148,137	8,446	748	28,806	75,348	14,170	7,526	475	2,095					306,267

S.19.01.21 - Non-life Insurance Claims

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											5,337
2012	R0160	169,749	130,320	58,855	25,718	15,262	17,956	11,528	9,148	5,306	2,315	
2013	R0170	116,126	85,590	36,103	14,560	15,084	9,444	6,434	3,882	4,385		
2014	R0180	75,431	66,176	18,007	8,683	6,768	5,788	3,227	1,099			
2015	R0190	72,618	56,893	20,944	9,199	4,699	3,427	1,670				
2016	R0200	67,657	65,966	19,313	19,847	3,419	3,281					
2017	R0210	104,965	89,925	32,189	12,168	9,849						
2018	R0220	83,331	66,022	15,607	12,389							
2019	R0230	69,790	43,574	14,822								
2020	R0240	52,251	39,994									
2021	R0250	56,580										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	5,337	5,337
	R0160	2,315	446,158
	R0170	4,385	291,608
	R0180	1,099	185,179
	R0190	1,670	169,449
	R0200	3,281	179,483
	R0210	9,849	249,096
	R0220	12,389	177,349
	R0230	14,822	128,186
	R0240	39,994	92,245
	R0250	56,580	56,580
Total	R0260	**163,588**	**4,107,047**

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											19,981
2012	R0160	-	-	-	-	51,552	38,649	32,579	24,323	21,517	21,258	
2013	R0170	-	-	-	39,575	34,126	27,642	22,530	18,806	18,669		
2014	R0180	-	-	29,921	26,768	20,239	16,152	12,869	12,138			
2015	R0190	-	51,435	28,828	24,258	19,128	16,624	15,496				
2016	R0200	109,778	68,923	45,109	27,838	23,104	18,950					
2017	R0210	167,426	94,651	60,879	48,014	41,216						
2018	R0220	146,715	74,292	47,971	37,280							
2019	R0230	112,131	55,648	39,355								
2020	R0240	76,956	39,899									
2021	R0250	90,677										

		Year end (discounted
		C0360
	R0100	19,934
	R0160	21,228
	R0170	18,649
	R0180	12,120
	R0190	15,482
	R0200	18,939
	R0210	41,212
	R0220	37,278
	R0230	39,343
	R0240	39,912
	R0250	90,742
Total	R0260	**408,826**

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	570,763			575	
Basic own funds	R0020	245,815			-198	
Eligible own funds to meet Solvency Capital Requirement	R0050	168,616			-256	
Solvency Capital Requirement	R0090	125,067			59	
Eligible own funds to meet Minimum Capital Requirement	R0100	115,031			-280	
Minimum Capital Requirement	R0110	44,744			28	

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	209,652	209,652			
Share premium account related to ordinary share capital	R0030	7,508	7,508			
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	-111,078	-111,078			
Subordinated liabilities	R0140	46,148			46,148	
An amount equal to the value of net deferred tax assets	R0160	93,584				93,584
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**245,815**	**106,083**		**46,148**	**93,584**

		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**	**245,815**	**106,083**		**46,148**	**93,584**
Total available own funds to meet the MCR	**R0510**	**152,231**	**106,083**		**46,148**	
Total eligible own funds to meet the SCR	**R0540**	**168,616**	**106,083**		**46,148**	**16,385**
Total eligible own funds to meet the MCR	**R0550**	**115,031**	**106,083**		**8,949**	
SCR	**R0580**	**125,067**				
MCR	**R0600**	**44,744**				
Ratio of Eligible own funds to SCR	**R0620**	**134.82%**				
Ratio of Eligible own funds to MCR	**R0640**	**257.09%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	199,667
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	310,745
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**-111,078**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	24,815		
Counterparty default risk	R0020	22,756		
Life underwriting risk	R0030			
Health underwriting risk	R0040	13,830		
Non-life underwriting risk	R0050	83,138		
Diversification	R0060	-36,042		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**108,496**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	16,570
Loss-absorbing capacity of technical	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of	R0160	0
Solvency capital requirement excluding capital add-on	R0200	125,067
Capital add-on already set	**R0210**	**0**
Solvency capital requirement	R0220	125,067
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

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	3 - Not applicable as LAC DT is not used (in this case R0600 to R0690 are not applicable)

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	
tax liabilities	R0650	
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Background information: Non-life activities – Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Background information: Non-life activities – Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	5,032	3,504
Income protection insurance and proportional reinsurance	R0030	14,485	25,944
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	138,483	63,976
Other motor insurance and proportional reinsurance	R0060	8,212	17,255
Marine, aviation and transport insurance and proportional reinsurance	R0070	690	5
Fire and other damage to property insurance and proportional reinsurance	R0080	27,846	37,840
General liability insurance and proportional reinsurance	R0090	70,417	23,736
Credit and suretyship insurance and proportional reinsurance	R0100	13,209	3,234
Legal expenses insurance and proportional reinsurance	R0110	6,973	471
Assistance and proportional reinsurance	R0120	468	6,346
Miscellaneous financial loss insurance and proportional reinsurance	R0130	2,038	1,044
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities – Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities – Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

MCR components

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	**R0010**	44,744	
MCRL Result	**R0200**		

Overall MCR calculation

		C0070
Linear MCR	R0300	44,744
SCR	R0310	125,067
MCR cap	R0320	56,280
MCR floor	R0330	31,267
Combined MCR	R0340	44,744
Absolute floor of the MCR	R0350	3,700

		C0070
Minimum Capital Requirement	**R0400**	44,744

Annex 2 - Auditor's Report

HDI Italia SpA (già Amissima Assicurazioni SpA)

Relazione della società di revisione indipendente
ai sensi dell'articolo 47-septies, comma 7 del DLgs 7 settembre 2005, n° 209 e dell'articolo 4, comma 1, lettere a) e b), del Regolamento IVASS n° 42 del 2 agosto 2018

Modelli "S.02.01.02 - Stato Patrimoniale" e "S.23.01.01 - Fondi propri" e relativa informativa contenuti nella Relazione sulla Solvibilità e Condizione Finanziaria al 31 dicembre 2021

Relazione della società di revisione indipendente

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

Al Consiglio di Amministrazione di
HDI Italia SpA (già Amissima Assicurazioni SpA)

Modelli "S.02.01.02 - Stato Patrimoniale" e "S.23.01.01 - Fondi propri" e relativa informativa contenuti nella Relazione sulla Solvibilità e Condizione Finanziaria al 31 dicembre 2021

Giudizio

Abbiamo svolto la revisione contabile dei seguenti elementi dell'allegata Relazione sulla Solvibilità e Condizione Finanziaria (la "SFCR") di HDI Italia SpA (la "Società") per l'esercizio chiuso al 31 dicembre 2021, predisposta ai sensi dell'articolo 47-septies del DLgs 7 settembre 2005, n° 209:

- modelli "S.02.01.02 - Stato Patrimoniale" e "S.23.01.01 - Fondi propri" (i "modelli di MVBS e OF");
- sezioni "D. Valutazione ai fini di Solvibilità" e "E.1 Fondi Propri" (l'"informativa").

Le nostre attività non hanno riguardato:

- le componenti delle riserve tecniche relative al margine di rischio (voci 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 di MVBS e OF e l'informativa, con le esclusioni sopra riportate, costituiscono nel loro insieme i "modelli di MVBS e OF e la relativa informativa".

A nostro giudizio, i modelli di MVBS e OF e la relativa informativa inclusi nella SFCR di HDI Italia SpA per l'esercizio chiuso al 31 dicembre 2021, 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 nella sezione *Responsabilità della società di revisione per la revisione contabile dei modelli di MVBS e OF e della relativa informativa* della presente relazione.
Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza del Code of Ethics for Professional Accountants (IESBA Code) emesso dall'International Ethics Standards Board for Accountants applicabili alla revisione contabile dei modelli e della relativa informativa.

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

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

Richiamiamo l'attenzione alla sezione "D. Valutazione ai fini di Solvibilità" della SFCR che descrive i criteri di redazione. I modelli di MVBS e OF e la relativa informativa sono stati redatti, per le finalità di vigilanza sulla solvibilità, in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore, che costituiscono 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 2021 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 5 aprile 2022.

La Società ha redatto i modelli "S.25.01.21 - Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard" e "S.28.01.01 - Requisito patrimoniale minimo (MCR) - Attività di assicurazione e riassicurazione o solo vita o solo non vita" e la relativa informativa presentata nella sezione "E.2 Requisito patrimoniale di solvibilità e requisito patrimoniale minimo" dell'allegata SFCR in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore, che sono stati da noi assoggettati a revisione contabile limitata, secondo quanto previsto dall'articolo 4 comma 1 lett. c) del Regolamento IVASS n° 42 del 2 agosto 2018, a seguito della quale abbiamo emesso in data odierna una relazione di revisione limitata allegata alla SFCR.

I modelli di MVBS e OF e la relativa informativa inclusi nella SFCR di HDI Italia SpA per l'esercizio chiuso al 31 dicembre 2020 sono stati sottoposti a revisione contabile da parte di un altro revisore che, il 26 marzo 2021, ha espresso un giudizio senza modifica su tali modelli e relativa informativa.

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.17.01.02 - Riserve tecniche per l'assicurazione non vita", "S.19.01.21 - Sinistri nell'assicurazione non vita", "S.22.01.21 - Impatto delle misure di garanzia a lungo termine e delle misure transitorie", "S.25.01.21 - Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard" e "S.28.01.01 - Requisito patrimoniale minimo (MCR) - Attività di assicurazione e riassicurazione o solo vita o solo 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 sotto-modulo del rischio azionario basato sulla durata nel calcolo del requisito patrimoniale di solvibilità", "E.4 Differenze tra la Formula Standard e il Modello Interno", "E.5 Inosservanza del requisito patrimoniale minimo e inosservanza del requisito patrimoniale di solvibilità" e "E.6 Altre informazioni".

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

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

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

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

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

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

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

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

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

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

In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento.

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

Milano, 5 aprile 2022

PricewaterhouseCoopers SpA

Alberto Buscaglia
(Revisore legale)

HDI Italia SpA (già Amissima Assicurazioni SpA)

Relazione di revisione contabile limitata della società di revisione indipendente

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

Modelli "S.25.01.21 - Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard" e "S.28.01.01 - Requisito patrimoniale minimo (MCR) - Attività di assicurazione o riassicurazione solo vita o solo non vita" e relativa informativa contenuti nella Relazione sulla Solvibilità e Condizione Finanziaria al 31 dicembre 2021

Relazione di revisione contabile limitata della società di revisione indipendente

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

Al Consiglio di Amministrazione di
HDI Italia SpA (già Amissima Assicurazioni SpA)

Modelli "S.25.01.21 - Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard" e "S.28.01.01 - Requisito patrimoniale minimo (MCR) - Attività di assicurazione e riassicurazione o solo vita o solo non vita" e relativa informativa contenuti nella Relazione sulla Solvibilità e Condizione Finanziaria al 31 dicembre 2021

Introduzione

Abbiamo svolto la revisione contabile limitata dei modelli "S.25.01.21 - Requisito patrimoniale di solvibilità per le imprese che utilizzano la formula standard" e "S.28.01.01 - Requisito patrimoniale minimo (MCR) - Attività di assicurazione e riassicurazione o solo vita o solo non vita" (i "modelli di SCR e MCR") e dell'informativa presentata nella sezione "E.2 Requisito patrimoniale di solvibilità e requisito patrimoniale minimo" (l'"informativa" o la "relativa informativa") dell'allegata Relazione sulla Solvibilità e Condizione Finanziaria ("SFCR") di HDI Italia SpA (nel seguito anche la "Società") per l'esercizio chiuso al 31 dicembre 2021, predisposta ai sensi dell'articolo 47-septies del DLgs 7 settembre 2005, n° 209.

I modelli di SCR e MCR e la relativa informativa sono stati redatti dagli Amministratori sulla base delle disposizioni dell'Unione Europea direttamente applicabili e della normativa nazionale di settore.

Responsabilità degli Amministratori

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

PricewaterhouseCoopers SpA

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Responsabilità del revisore

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

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

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

Conclusione

Sulla base della revisione contabile limitata, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che i modelli di SCR e MCR e la relativa informativa inclusi nell'allegata SFCR di HDI Italia SpA per l'esercizio chiuso al 31 dicembre 2021, non siano stati redatti, in tutti gli aspetti significativi, in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore.

Criteri di redazione, finalità e limitazione all'utilizzo

Senza esprimere la nostra conclusione con modifica, richiamiamo l'attenzione alla sezione "E.2 Requisito patrimoniale di solvibilità e requisito patrimoniale minimo" della SFCR che descrive i criteri di redazione dei modelli di SCR e MCR. I modelli di SCR e MCR e la relativa informativa sono stati redatti, per le finalità di vigilanza sulla solvibilità, in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore, che costituiscono un quadro normativo con scopi specifici. Di conseguenza possono non essere adatti per altri scopi.

Milano, 5 aprile 2022

PricewaterhouseCoopers SpA

Alberto Buscaglia
(Revisore legale)

HDI Italia S.p.A.

(Società per azioni soggetta a direzione e coordinamento da parte di HDI Assicurazioni S.p.A. e appartenente al Gruppo Assicurativo "HDI Assicurazioni" iscritto all'Albo dei Gruppi Assicurativi al n. 015)

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