Solvency and Financial Condition Report

2022

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 2022.

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 14 March 2023.

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 Company's corporate information, main areas of activity and results for the financial year 2022.

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, as a result, 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 company name to HDI Italia S.p.A. (hereinafter HDI Italia).

On 04 October 2022, HDI Assicurazioni and HDI Italia submitted a joint application to IVASS to initiate the merger by incorporation process. From that date, IVASS initiated the process, which has a maximum term of 120 days. On 25 November 2022, IVASS notified the suspension of the proceedings in order to acquire further documentation, which was sent to IVASS on 20 December 2022. The merger authorisation was issued by IVASS with Order No. 0037363/23 of 15 February 2023.

HDI Italia, an insurance company operating in the Non-Life classes, 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 financial statements for the 2022 financial year, HDI Italia's portfolio is made up of approximately 54.5% of the Motor line of business (third-party motor liability + third-party watercraft liability + CVT), with a significant increase in the CVT share, and the remainder (approximately 45.5%) of the elementary lines of business.

The 2022 financial year closed with a net loss of 5,585 thousand euros recording a positive change of EUR 29,704,000 compared to the previous year.

Premiums written in 2022 for direct business amounted to 246,124 thousand euros, a decrease of -11.1% compared to 276,976 thousand euros in the previous year.

As far as the underwriting performance is concerned, the combined ratio improved compared to the previous year, decreasing from 117.69% in 2021 to 100.33% in 2022 (-17.36 percentage points). The claims-to-premiums ratio for the year increased by 2.34 percentage points, from 65.42% to 67.76%, while the claims-to-to-total premiums ratio decreased by -16.30 percentage points, from 84.57% to 68.27%. The cost ratio decreased slightly from 33.12% to 32.06% (-1.06 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 31/12/2022 valuation, the total SCR is about 120,336 thousand, while the MCR is 39,961 thousand. Within the Basic Solvency Capital Requirement of HDI Italia the most significant risk modules are Non-Life underwriting risk (54% of the pre-diversification BSCR), credit risk (18% of the pre-diversification BSCR) and market risk (13% of the pre-diversification BSCR).

D. Valuations for solvency purposes

Section D provides an illustration of the financial statements prepared in accordance with both Solvency II and statutory principles, together with an explanation of any significant differences and further details on the criteria and methodologies applied for the valuation of assets and liabilities.

Total assets in the Solvency II balance sheet amounted to 920,641 thousand euros and compared to 1,011,733 thousand euros in the statutory balance sheet, a decrease of 91,062 thousand euros.

Total liabilities in the Solvency II financial statements amounted to 723,028 thousand euros and, compared to 821,908 thousand euros in the statutory financial statements, showed a decrease of 98,880 thousand euros.

Therefore, the total surplus of assets over liabilities in the Solvency II financial statements amounted to 197,613 thousand euros and compared to 189,825 thousand euros in the statutory financial statements, showed a higher value of 7,788 thousand euros.

E. Capital Management

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

The Solvency Capital Requirement is calculated using the Standard Formula.

HDI Italia's SCR Ratio as at 31.12.22 is 132% and is the result of the ratio between the Eligible Own Funds of 158,747 thousand euros and the Solvency Capital Requirement (SCR) of 120,336 thousand euros.

MCR Ratio as at 31.12.22 of HDI Italia is 269% and is the result of the ratio between the Eligible Own Funds, amounting to 107,507 thousand euros, and the Minimum Solvency Capital Requirement (MCR) of 39,061 thousand euros

Eligible Capital for SCR consists of Tier 1 elements of 99,515 thousand euros, Tier 2 elements of 41,182 thousand euros (subordinated loans) and Tier 3 elements of 18,050 thousand euros.

Eligible capital for MCR consists of Tier 1 elements of 99,515 thousand euros and Tier 3 elements of 7,992 thousand euros:

(Thousand euros)

Eligible Own Funds and Solvency Capital Requirement	2022 YE
SCR Eligible Own Funds - Tier 1	99,515
SCR Eligible Own Funds - Tier 2	41,182
SCR Eligible Own Funds - Tier 3	18,050
SCR Eligible Own Funds (Total)	158,747
Solvency Capital Requirement	120,336
Capital Surplus / Deficit	38,411
Solvency ratio (SCR)	**132%**
MCR Eligible Own Funds - Tier 1	99,515
MCR Eligible Own Funds - Tier 3	7,992
MCR Eligible Own Funds (Total)	107,507
Minimum Solvency Capital Requirement	39,961
Capital Surplus / Deficit	67,546
Solvency ratio (MCR)	**269%**

The Company has adopted the Volatility Adjustment in line with EIOPA's requirements of 19 basis points to be applied to the discount rate for the best estimate valuation of insurance contracts.

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

	LTG	no LTG	impact in points%
SCR ratio	132%	130%	1.4%
MCR ratio	269%	265%	4.3%

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. (formerly Amissima assicurazioni 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 2022, the following Companies belong to the Group:

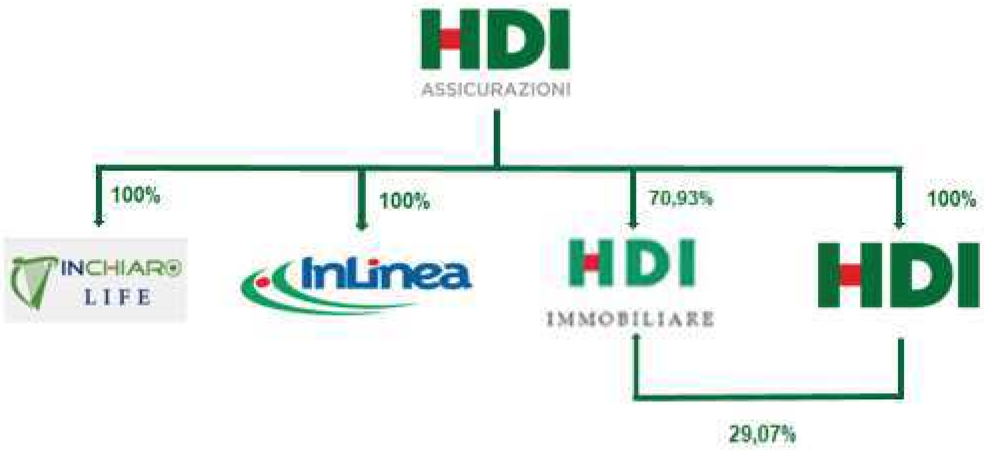
- HDI Assicurazioni S.p.A. (Parent Company), with registered office in Rome, Piazza Guglielmo Marconi, 25,
- HDI Italia S.p.A., with registered office at Viale Certosa 222, Milan, a non-life insurance company wholly owned by HDI Assicurazioni S.p.A.,
- HDI Immobiliare S.r.l., with registered office in Rome, Piazza Guglielmo Marconi, 25, a property management company 70.93% owned by HDI Assicurazioni S.p.A. and 29.07% by HDI Italia 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..

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 31/12/2022:



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 2022 Balance Sheet closed with a negative net result of 5,585 thousand euros, recording a positive change of 29,704 thousand euros compared to the previous year, which closed with a negative net result of 35,289 thousand euros. The following table shows the result for the year, compared with the previous year:

(amounts in EUR thousand)

Net Result	2022	2021	Variation
Non Life	-5,585	-35,289	29,704
Total	-5,585	-35,289	29,704

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	2022	2021	Variation
Earned premiums	254,700	274,855	-20,155
Operating expenses	-81,634	-91,033	9,399
Claims expenses	-173,786	-232,356	58,570
Other technical items	16	-7,728	7,744
Share of investment income transferred from the non-technical account	0	0	0
Gross technical balance	**-705**	**-56,262**	**55,557**
Reinsurance result	-3,126	23,881	-27,007
Technical balance	**-3,831**	**-32,381**	**28,550**
Financial income and expenses	-380	-1,449	1,069
Other income and charges	-3,565	-4,473	908
Result from ordinary activities	**-7,776**	**-38,303**	**30,527**
Result from extraordinary activities	330	-7,529	7,859
Result before taxes	**-7,446**	**-45,832**	**38,386**
Taxes	1,861	10,544	-8,683
Net result	**-5,585**	**-35,288**	**29,703**

Written Premiums for direct business came to 246,124 thousand euros, a decrease of -11.1% from the 276,976 thousand euros of the previous year.

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

Motor lines of business, with 134,052 thousand euros, represent 54.4% of total non-life lines of business (54% in 2021) and, compared to the previous year, decreased by -10.4%, or -15,487 thousand euros, while other non-life lines of business, with 112,072 thousand euros, represent 45.6% of total non-life lines of business (46% in 2021) and, compared to the previous year, decreased by -15,365 thousand euros (-12.1%).

As far as **technical performance** is concerned, the combined ratio improved compared to the previous year, decreasing from 117.69% in 2021 to 100.33% in 2022 (-17.36 percentage points). The claims-to-premiums ratio for the year increased by 2.34 percentage points, from 65.42% to 67.76%, while the claims-to-to-total premiums ratio decreased by -16.30 percentage points, from 84.57% to 68.27%. The cost ratio decreased slightly from 33.12% to 32.06% (-1.06 percentage points).

Total direct business **operating expenses** amounted to 81,634 thousand euros, a decrease of -10.3% compared to 2021, when they amounted to 91,033 thousand euros. The ratio to total premiums, as shown in the table below, increased slightly to 33.2% (+0.3 percentage points compared to 32.9% in 2021).

Outwards reinsurance closed with a negative underwriting result of - 3,126 thousand euros (+23,881 thousand euros in 2021).

The **net investment loss** at the end of the year amounted to -380 thousand euros and compared to -1,449 thousand euros in 2021, an improvement of 1,069 thousand euros (+73.8%).

Taxes (+ 1,861 thousand euros), calculated on the theoretical income as of 31 December 2022, represent net deferred tax assets arising from the difference between new deferred tax assets recognised in the year and the reversal of those recognised in prior 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.

During the year, the process of integrating HDI Italia into HDI Assicurazioni continued, a process that will see its completion with the merger by incorporation of the subsidiary, expected in 2023 following the issue of authorisation by IVASS. To this end, on 4 October 2022, HDI Assicurazioni and HDI Italia submitted a joint application to IVASS. From that date, IVASS initiated the proceedings, which have a maximum term of 120 days. On 25 November 2022, IVASS notified the suspension of the proceedings in order to acquire further documentation, which was sent to IVASS on 20 December 2022. The merger authorisation was issued by IVASS with Order No. 0037363/23 of 15 February 2023

As part of the process of convergence towards the target model of property management, which sees the associate HDI Immobiliare as the main player within the HDI Assicurazioni group, the merger by incorporation of Dafne Immobiliare S.r.l. into HDI Immobiliare S.r.l. took place during the year. The merger deed was drawn up by the Notary on 13 October 2022, with legal effect 20 October 2022 and with accounting and tax effect backdated to 1 January 2022. As a result of the merger, HDI Italia became a shareholder of HDI Immobiliare with a share of the share capital of EUR 31,977, or 29.07%, while HDI Assicurazioni's share of the share capital fell from EUR 110,000 to EUR 78,023, or 70.93%.

In addition, most of HDI Italia's real estate assets were sold to HDI Immobiliare.

The purpose of these purchase and sale transactions is to accelerate the integration process and convergence on the target property management model, benefiting from a more efficient management of real estate assets, which is thus unified in HDI Immobiliare, a dedicated Group company.

In relation to the turbulent situation in the financial markets during 2022, Decree Law No. 73 of 21 June 2022, setting forth urgent provisions on tax simplification and work release, state treasury and further financial and social provisions, converted with amendments by Law No. 122 of 4 August 2022, introduced the option for companies to use the real estate management model for their real estate assets. Law No. 122 of 4 August 2022, introduced the option for Italian insurance companies that prepare their financial statements and half-yearly report in accordance with Legislative Decree No. 173 of 26 May 1997, to temporarily and extraordinarily derogate from the rules set forth in the Italian Civil Code on the valuation of securities that are not intended to remain in the company's assets and, as such, are present in the portfolio for non-durable use.

The exemption allows insurance undertakings that have recorded capital losses on securities in the non-durable portfolio to value them at the value resulting from the duly approved annual financial statements or, for securities not held in the portfolio as at 31 December 2021, at acquisition cost. This option does not apply to impairment losses of a lasting nature.

Under IVASS Regulation No. 52 of 30 August 2022, specifically issued following the approval of the aforementioned Decree-Law, companies availing themselves of the option must provide IVASS with additional information, must allocate the profits arising from the exercise of the option to a non-distributable reserve and are subject to public disclosure requirements (management report and notes to the financial statements), with specific indication of the valuation criteria adopted and the amounts of the accounting items affected by the exercise of the option. The Regulation also provides for governance safeguards: the waiver is adopted by a resolution of the administrative body when approving the draft financial statements or the half-yearly report, which takes into account a specific report signed by the heads of the risk management and actuarial functions; for listed companies pursuant to Article 154-bis, paragraph 1, of Legislative Decree No. 58 of 24 February 1998, the report must be submitted to the manager proposed for the preparation of corporate accounting documents. For the purpose of determining any variable component of remuneration for the company's administrative, control and significant personnel functions, the income results prior to the exercise of the option shall be considered.

The exercise of this option has no consequences on the prudential ratios of the companies, including those subject to the regime set forth in IVASS Regulation No. 29/2016.

The legislator, with the so-called Aiuti quater Decree, intervened on the rule in question, inserting a reference to the criterion for calculating the unavailable reserve. In particular, it provided, for insurance companies only, the possibility of deducting from the amount of the unavailable reserve the portion, attributable to policyholders, of the non-depreciation of securities, referring to the financial year and up to five subsequent years (so-called shadow accounting). The amendment has the effect of tying up a smaller portion of the company's assets, potentially allowing a higher distribution of profits. IVASS has taken the regulatory change into account through appropriate amendments to Regulation 52.

For the purposes of preparing the 2022 financial statements, the Company decided to make use of the provisions of Regulation No. 52 of 30 August 2022 and thus make use of the option to depart from the normal valuation criteria for securities provided for by the Civil Code

A.2 Underwriting Performance

The underwriting result net of reinsurance, broken down by business line (Lines of Business), is shown in the following table. The net underwriting result differs from the net underwriting result in the statutory financial statements prepared in accordance with Italian GAAP due to the absence of financial income and expenses and other technical income and expenses. Claims expenses include settlement costs. Non-life operating expenses include acquisition costs, administrative expenses and overheads.

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 provisions (C)	Operating expenses (D)	Underwriting result E=A-B-C-D
Medical expense insurance	5,234	2,612	2,280	-429	734	27
Income protection insurance	29,444	25,776	8,522	-	9,544	7,710
Motor vehicle liability insurance	114,031	58,417	53,245	-	21,093	-15,921
Other motor insurance	20,021	16,995	8,019	-	5,375	3,601
Marine, aviation and transport insurance	6	-17	-127	-	24	86
Fire and other damage to property insurance	37,600	35,178	14,797	58	15,224	5,099
General liability insurance	23,521	22,216	17,436	-	9,477	-4,697
Credit and suretyship insurance	2,194	3,354	1,552	-	825	977
Legal expenses insurance	4,326	559	201	-	-1,406	1,764
Assistance	8,022	5,943	-2	-	4,053	1,892
Miscellaneous financial loss	1,821	757	788	-	265	-296
Total	246,220	171,790	106,711	-371	65,208	242

Written Premiums

Premiums written in 2022 for direct business amounted to 246,124 thousand euros, a decrease of -11.1% compared to 276,976 thousand euros in the previous year:

(amounts in EUR thousand)

Written Premiums	2022		2021		Change in	
Direct business	Amount	%	Amount	%	Amount	%
03 - Motor material damage	20,021	8.1%	20,454	7.4%	-433	-2.1%
10 - Motor TPL	113,422	46.1%	128,494	46.4%	-15,072	-11.7%
12 - Marine TPL, …	609	0.2%	591	0.2%	18	3.0%
Total Motor segments	134,052	54.4%	149,539	54.0%	-15,487	-10.4%
01 - Accidents	29,444	12.0%	30,350	11.0%	-906	-3.0%
02 - Health	5,234	2.1%	9,602	3.5%	-4,368	-45.5%
06 - Hull marine,…	6	0.0%	7	0.0%	-1	-14.3%
08 - Fire and natural hazards	19,358	7.9%	21,460	7.7%	-2,102	-9.8%
09 - Other damage to properties	18,242	7.4%	19,319	7.0%	-1,077	-5.6%
13 - General third-party liability	23,425	9.5%	24,573	8.9%	-1,148	-4.7%
15 - Surety	2,194	0.9%	5,647	2.0%	-3,453	-61.1%
16 - Pecuniary losses …	1,821	0.7%	3,123	1.1%	-1,302	-41.7%
17 - Legal protection	4,326	1.8%	4,698	1.7%	-372	-7.9%
18 - Assistance	8,022	3.3%	8,658	3.1%	-636	-7.3%
Total other non-life segments	112,072	45.6%	127,437	46.0%	-15,365	-12.1%
Total direct business	**246,124**	**100.0%**	**276,976**	**100.0%**	**-30,852**	**-11.1%**
Total indirect business	**96**		**33**		**63**	**190.9%**
Total written premiums	**246,220**		**277,009**		**-30,789**	**-11.1%**

The percentage breakdown with respect to total premiums written shows a situation in line with the previous year. Motor lines of business, with 134,052 thousand euros, represent 54.4% of total non-life lines of business (54% in 2021) and, compared to the previous year, decreased by -10.4%, or -15,487 thousand euros, while other non-life lines of business, with 112,072 thousand euros, represent 45.6% of total non-life lines of business (46% in 2021) and, compared to the previous year, decreased by -15,365 thousand euros (-12.1%).

Within the motor lines of business, premiums written in class 10 - Motor TPL amounted to 113,422 thousand euors, down by -15,072 thousand euros (-11.7%) compared to 128,494 thousand euros in 2021, while premiums in class 03 - Land vehicles decreased slightly by 433 thousand euros (-2.1%), from 20,454 thousand euros to 20,021 thousand euros. In other non-life business lines, decreases were mainly recorded in the following lines: 2 - Health for -4,368 thousand euros (-45.5%), 8 - Fire and Natural perils for -2,102 thousand euros (-9.8%) and 15 - Bonds for -3,453 thousand euros (-61.1%).

With regard to the geographical distribution of the premium portfolio issued as of 31/12/2022, this remained almost stable compared to the 2021 financial year. In detail by line of business (amounts in thousands euros):

Written Premiums for Lob (amounts in EUR thousand)

Hdi Italia Spa	North	Centre	South and Islands
Motor Vehicle and Marine liabilit	32,838	17,249	63,944
Motor Vehicle hull	9,082	2,266	8,673
Assestence	3,017	1,055	3,950
Accident	18,059	3,749	7,635
Health	4,642	331	261
Fire	12,666	3,476	3,216
Other damage to property	11,847	3,062	3,332
General Liability	12,482	4,923	6,020
Financial Losses	1,475	114	232
Other lines of business	2,459	1,740	2,327
General Total	108,569	37,965	99,590
Distribution 2022	**44.1%**	**15.4%**	**40.5%**
Distribution2021	**43.4%**	**15.4%**	**41.2%**

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

Written Premiums for Lob

HDI Italia Spa	2022	2021	Variazione 2021 - 2022 % Assoluta	%
Medical expense insurance	5,234	9,602	-4,368	-45.5%
Income protection insurance	29,444	30,350	-906	-3.0%
Workers' Compensation Insurance		0	0	0.0%
Motor vehicle liability insurance	114,031	129,085	-15,054	-11.7%
Other motor insurance	20,021	20,454	-433	-2.1%
Marine, aviation and transport insurance	6	7	-1	-9.4%
Fire and other damage to property insurance	37,600	40,779	-3,179	-7.8%
General liability insurance	23,425	24,573	-1,148	-4.7%
Credit and suretyship insurance	2,194	5,646	-3,452	-61.1%
Legal expenses insurance	4,326	4,698	-372	-7.9%
Assistance	8,022	8,658	-636	-7.3%
Miscellaneous financial loss	1,821	3,123	-1,302	-41.7%
General Total	246,124	276,975	- 30,851	-11.1%

As per the values expressed in the financial statements for the year 2022, HDI Italia's portfolio is made up of approximately 54.5% of the Motor line of business (third-party motor liability + third-party watercraft liability + CVT), with a significant increase in the CVT share, while the remaining part (approximately 45.5%) of the elementary lines of business is made up as follow:

- 26% - Accident (line 1)
- 21% - General Liability (line 13)
- 17% - Fire and Natural Elements (line 8)
- 16% - Other damage to property (class 9)
- 20% - Other RE classes.

The weight of the Surety line of business (2%) decreased significantly as new business in this line of business was fully transferred to HDI Assicurazioni.

Claims development and operating expenses

The technical performance of non-life business - direct business - improved compared to the previous year, with the combined ratio decreasing from 117.69% in 2021 to 100.33% in 2022 (-17.36 percentage points). The claims-to-premium ratio for the year increased by 2.34 percentage points, from 65.42% to 67.76%, while the claims-to-to-total premium ratio decreased by -16.30 percentage points, from 84.57% to 68.27%. The cost ratio, on the other hand, decreased slightly from 33.12% to 32.06% (-1.06 percentage points)

(amounts in EUR thousand)

Technical performance	2022	2021	variation
C/P at 31/12/2022	67.76%	65.42%	2.34
Total C/P	68.27%	84.57%	-16.30
Cost ratio	32.06%	33.12%	-1.06
Combined ratio	100.33%	117.69%	-17.36

The following tables show the ratios of claims for the year/premiums for the year and of previous years/premiums for the year, by line of business and compared with the previous year's figures (direct business).

(amounts in EUR thousand)

Claims for the year/Premiums earned		2022			2021			variation
Line of business	Description	Claims incurred in the year	Premiums earned in the year	Claims/ Premiums	Claims incurred in the year	Premiums earned in the year	Claims/ Premiums	Claims/ Premiums
1	Accident	11,334	29,779	38.06%	10,462	30,162	34.69%	3.37
2	Health	2,722	5,597	48.63%	2,285	7,321	31.21%	17.42
3	Motor vehicle hull	9,958	20,186	49.33%	9,953	19,901	50.01%	-0.68
6	Motor vehicle Marine	0	7	0.00%	0	9	0.00%	0.00
8	Fire	12,812	18,279	70.09%	6,007	19,946	30.12%	39.97
9	Other Damage to property	3,223	18,716	17.22%	11,613	19,652	59.09%	-41.87
10	Third party motor liability	111,679	117,654	94.92%	116,060	130,365	89.03%	5.89
12	Marine third party liability	400	598	66.89%	510	585	87.18%	-20.29
13	General third-party liability	15,269	23,978	63.68%	18,018	24,963	72.18%	-8.50
15	Surety	2,347	4,964	47.28%	1,734	5,456	31.78%	15.50
16	Pecuniary Losses	280	2,199	12.73%	159	3,222	4.93%	7.80
17	Legal Protection	1,025	4,440	23.09%	630	4,668	13.50%	9.59
18	Assistence	1,482	8,209	18.05%	2,366	8,569	27.61%	-9.56
Total		**172,531**	**254,606**	**67.76%**	**179,797**	**274,819**	**65.42%**	**2.34**

(amounts in EUR thousand)

Total Claims/Premiums		2022			2021			variation
Line of business	Description	Total Claims	Premiums in the year	Claims/ Premiums	Total Claims	Premiums in the year	Claims/ Premiums	Claims/ Premiums
1	Accident	9,745	29,779	32.72%	8,509	30,162	28.21%	4.51
2	Health	3,178	5,597	56.78%	1,753	7,321	23.94%	32.84
3	Motor vehicle hull	9,248	20,186	45.81%	8,901	19,901	44.73%	1.08
6	Motor vehicle Marine	177	7	2528.57%	129	9	1433.33%	1,095.24
7	Merci Trasportate	-316	0		-24	0		
8	Fire	12,217	18,279	66.84%	6,707	19,946	33.63%	33.21
9	Other Damage to property	2,334	18,716	12.47%	11,384	19,652	57.93%	-45.46
10	Third party motor liability	104,354	117,654	88.70%	130,690	130,365	100.25%	-11.55
12	Marine third party liability	648	598	108.36%	987	585	168.72%	-60.36
13	General third-party liability	26,853	23,978	111.99%	55,376	24,963	221.83%	-109.84
15	Surety	2,387	4,964	48.09%	1,709	5,456	31.32%	16.77
16	Pecuniary Losses	961	2,199	43.70%	-544	3,222	-16.88%	60.58
17	Legal Protection	922	4,440	20.77%	4,163	4,668	89.18%	-68.41
18	Assistence	1,100	8,209	13.40%	2,667	8,569	31.12%	-17.72
Total		173,808	254,606	68.27%	232,407	274,819	84.57%	-16.30

An analysis of the indicators of the most significant classes in terms of earned premiums shows an improvement in the total S/P ratio of classes 10 - Motor TPL (from 100.25% to 88.70%) and 13 - General TPL (from 221.83% to 111.99%), mainly due to the strengthening of reserves in the previous year.

The worsening of the S/P ratio for the financial year of class 8 - Fire is due to a realignment of the mapping of claims paid in the Company's technical systems between guarantees and classes 8 - Fire and 9 - Other damage to property, deriving in particular from the use, as from financial year 2022, of the new Giada claims management system, already in use at the parent company HDI Assicurazioni.

The following tables show the figures relating to the ratio Total claims (claims for the year and previous years) / earned premiums and the ratio Operating expenses / earned premiums, by Solvency II line of business compared with the previous year's figures.

With reference to the most relevant lines of business in terms of premiums written, Motor Third Party Liability Insurance shows a decrease of 11.76 points in the total S/P ratio (from 100.56% to 88.79%)

Claims/Earned Premiums (amounts in EUR thousand)

Descriziption	2022			2021			Variazione
	Claims	Erned Premiums	Claims/ Premiums	Claims	Erned Premiums	Claims/ Premiums	Claims/ Premiums
Medical expense insurance	3,178	5,597	56.78%	1,753	7,321	23.94%	32.84
Income protection insurance	9,745	29,779	32.72%	8,509	30,162	28.21%	4.51
Motor vehicle liability insurance	105,002	118,253	88.79%	131,678	130,950	100.56%	-11.76
Other motor insurance	9,248	20,186	45.81%	8,904	19,901	44.74%	1.07
Marine, aviation and transport insurance	-141	7	-2014%	105	9	1166.67%	
Fire and other damage to property insurance	14,551	36,996	39.33%	18,091	39,598	45.69%	-6.36
General liability insurance	26,838	24,070	111.50%	55,317	24,999	221.28%	-109.78
Credit and suretyship insurance	2,386	4,964	48.07%	1,710	5,456	31.34%	16.72
Legal expenses insurance	922	4,440	20.77%	4,164	4,668	89.20%	-68.44
Assistance	1,097	8,209	13.36%	2,668	8,569	31.14%	-17.77
Miscellaneous financial loss	961	2,199	43.70%	-543	3,222	-16.85%	60.55
Total	173,787	254,700	68.23%	232,356	274,855	84.54%	-16.31

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

Descrizption	2022			2021			Variation
	Operating expenses incurred	Earned premiums	Operating expenses/ Primiums	Operating expenses incurred	Earned premiums	Operating expenses/ Primiums	Operating expenses/ Primiums
Medical expense insurance	2,393	5,597	42.76%	4,295	7,321	58.67%	-15.91
Income protection insurance	11,759	29,780	39.49%	11,963	30,162	39.66%	-0.18
Motor vehicle liability insurance	28,333	118,253	23.96%	31,501	130,950	24.06%	-0.10
Other motor insurance	6,419	20,186	31.80%	6,554	19,901	32.93%	-1.13
Marine, aviation and transport insurance	24	7	342.86%	7	9	77.78%	265.08
Fire and other damage to property insurance	15,335	36,995	41.45%	16,635	39,598	42.01%	-0.56
General liability insurance	9,477	24,070	39.37%	10,044	24,999	40.18%	-0.80
Credit and suretyship insurance	1,075	4,964	21.66%	2,156	5,456	39.52%	-17.86
Legal expenses insurance	1,710	4,440	38.51%	1,850	4,668	39.63%	-1.12
Assistance	4,053	8,209	49.37%	4,339	8,569	50.64%	-1.26
Miscellaneous financial loss	1,056	2,199	48.02%	1,689	3,222	52.42%	-4.40
Total	**81,634**	**254,700**	**32.05%**	**91,033**	**274,855**	**33.12%**	**-1.07**

Total direct business operating expenses amounted to 81,634 thousand euros, a decrease of -10.3% compared to 2021, when they amounted to 91,033 thousand euros. The ratio to total premiums, as shown in the following table, increased slightly to 33.2% (+0.3 percentage points compared to 32.9% in 2021).

Operating expenses (amounts in EUR thousand)

	2022	2021	Variation %
Administrative expenses	17,758	17,152	3.5%
Acquisition expenses	44,449	50,090	-11.3%
Overhead expenses	19,427	23,791	-18.3%
Total operating expenses	81,634	91,033	-10.3%
Expenses to premiums ratio	**33.2%**	**32.9%**	3.00
Investment management expenses	2,673	2,570	4.0%
Claims management expenses	28,464	31,796	-10.5%
Total expenses incurred	**112,771**	**125,399**	-10.1%

A.3 Investment Performance

Characteristics of investments

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

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

Strategic asset allocation is defined in order to consider specific return requirements and related constraints (e.g., whether the portfolio is open or closed to new production, whether assets are not movable in the short term, such as real estate and investment securities).

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

In compliance with the previous point, investments related to the portfolio of assets covering technical reserves or free assets are identified among the eligible asset classes, within the qualitative-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- to long-term profitability objectives;
- be maintained on risk positions consistent with the indications expressed in the Company's multi-year industrial plan, prepared jointly with the ORSA report, and with the strategic guidelines established by the Administrative Body;
- be mainly denominated in euros and traded on regulated or active markets;
- present an adequate level of liquidity, the assessment of which is made on the basis of the so-called Portfolio Illiquidity Index;
- if they are structured products, there must be provision for repayment at maturity of at least the nominal value invested;
- f they are securitizations, they must have the highest priority in issuance, provide for repayment at maturity of at least the nominal value invested;
- the purchase of derivative financial instruments must be made in the manner and in accordance with the terms defined in the Investment Framework Resolution.

Permitted transactions in securities are represented by investments, divestments, adherence to any extraordinary transactions such as tender and/or exchange offers, including restructuring or renegotiation of contract terms.

The Parent Company's Investment Committee is the managerial structure that implements investment strategies and finance guidelines based on the strategic guidelines formulated by the Governing Body and is responsible for supporting senior management and the Board of Directors in pursuing the objectives set forth in the adopted Capital Management Policy.

Market transactions may be carried out through the trading desk of BPER Bank. The Enterprise may, in addition, trade directly with qualified counterparties, having investment grade ratings and the professional requirements of the regulations, with whom it has opened or intends to open direct dealing lines.

The Enterprise does not intend to directly invest part of its assets in financing provided for in Article 38(2) of the Private Insurance Code.

The Enterprise does not plan to pledge or lend assets, but may possibly pledge or lend assets in compliance with applicable regulations and provided that the commitment does not significantly change the risk profile of the Enterprise and the ability to meet commitments arising from the liability structure.

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

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

Portfolio investments have a short-term time horizon: the average duration of the portfolio as of 12/31/2022 was 3.57 years.

Financial income and expenses

The net loss from investments at the end of the year amounted to -380 thousand euros, and compared to -1,449 thousand euros in 2021, there was an improvement of 1,069 thousand euros (+73.8%).

Specifically, in 2022, income amounted to 7,858 thousand euros and increased by 678 thousand euros compared to the previous year. Expenses, amounting to 8,238 thousand euros, decreased by -4.5% compared to 2021, mainly due to lower value adjustments, which decreased from 5,845 thousand euros to 3,250 thousand euros:

(amounts in EUR thousand)

Income and charges on financial investment	2022	2021	variation
a) Income on equities	922	2,258	- 1,336
b) Income on other investments	3,525	2,395	1,130
c) Write-backs	0	0	-
d) Gains on the realisation of investments	3,411	2,527	884
Total income (A)	**7,858**	**7,180**	**678**
a) Management charges	2,781	2,681	100
b) Value adjustments	3,250	5,845	- 2,595
c) Losses on the realisation of investments	2,207	102	2,105
Total charges (B)	**8,238**	**8,628**	**- 390**
Net financial income (A-B)	**-380**	**-1,449**	**1,068**
Net extraordinary income (C-D)	**0**	**0**	**-**
Total net income from investments	**-380**	**-1,449**	**1,068**

The management of real estate owned by the Company, which is entirely used by third parties, generated a negative net result of -2,288 thousand euros and improved compared to 2021.

The result was determined by income from rental income and expense recovery in the amount of 1,225 thousand euros and expenses in the amount of -3,514 thousand euros, deriving from value adjustments in the amount of -368 thousand euros, general expenses and IMU in the amount of -2,543 thousand euros, and finally depreciation for the period in the amount of -604 thousand euros.

Securities management generated a positive result of 524 thousand euros in the equity segment (entirely deriving from group companies), compared to a positive result of 2,801 thousand euros in 2021 (of which 1,558 thousand euros was the positive result deriving from group companies). The result from the bond segment, showed a positive result of 2,257 thousand euros, an improvement compared to the -1,152 thousand euros in 2021. Finally, other investments generated a negative result of -873 thousand euros, compared to a negative result of -702 thousand euros in the previous year.

(amounts in EUR thousand)

return on investment by type of segment	2022	2021	variation
Real estate segment	-2,288	-2,396	108
Equity segment	524	2,801	-2,277
Bond segment	2,257	-1,152	3,409
Other investments	-873	-702	-171
Total	**-380**	**-1,449**	**1,069**

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.

Other income amounted to 13,644 thousand euros, a decrease of 4,118 thousand euros compared to 17,762 thousand euros the previous year. As at 31 December 2022, it was made up as follows:

(amounts in EUR thousand)

Other income	2022	2021	variation
Withdrawals from funds	9,846	15,731	-5,885
Recoveries from third parties for administrative costs and charges	3,676	1,868	1,808
Interest income	121	162	-41
Other income	1	1	0
Total	**13,644**	**17,762**	**-4,118**

Other expenses' amounted to 17,209 thousand euros and decreased by 4,691 thousand euros compared to 22,235 thousand euros in the previous year. As at 31 December 2022, it was made up as follows:

(amounts in EUR thousand)

Other changes	2022	2021	Variation
Provitions	2,472	4,562	-2,090
Lossese on receivables	2,404	12,334	-9,930
Administrative expenses	3,800	2,824	976
Oneri per indennità di buonuscita	5,841	0	5,841
Interest expenses	2,583	2,071	512
Taxes and penalities	109	444	-335
Total	**17,209**	**22,235**	**-5,026**

A.5 Any other information

Covid impact and russian-ukrainian conflict

With reference to the effects of Covid-19 and the Russian-Ukrainian armed conflict, the Company did not record any significant impacts that could be reasonably attributed to the effects of the pandemic that broke out in 2020 and the war between Russia and Ukraine.

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, as early as 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 Article 10 of the Articles of Association, the Company is administered by a Board of Directors whose composition, from 3 to 7 Directors, is determined by the Shareholders' Meeting; Directors hold office for three years and are eligible for re-election. The Board of Directors-if the Shareholders' Meeting has not done so-elects a Chairman and a Vice Chairman from among its members.

The President has the representation of the Company before third parties.

The Board of Directors in office as of 31 December 2022 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 appointed on April 1, 2021 resigned and was replaced by another independent director after being co-opted by the Board of Directors on 7/14/2021 and confirmed by the Shareholders' Meeting at its meeting on April 21, 2022.

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 Fundamental Functions of Internal Audit, Compliance, Risk Management and Actuarial Function, resources internal to the Group's organizational structure, work for the Company's Fundamental Functions through the institution of partial secondment to the latter.

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, periodically (at least quarterly), 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 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 in charge of verifying, in relation to the perimeter of regulatory disciplines for which it is responsible, that internal procedures are consistent with the objective of preventing the breach of hetero-regulatory and self-regulatory rules applicable to the Company, as well as of proposing the appropriate organisational and procedural changes and preparing the required information flows to the 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", "Investment framework resolution".

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 26 April 2022, 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.

The primary objective of remuneration policies is to ensure that remuneration meets the criterion of equity. Equity is defined as:

- External equity, which is the ratio of the individual's pay to the pay that the insurance market offers on average for similar positions. In this case, the insurance market is defined as that share of the overall market composed of companies with a premium income volume of Italian Direct Labor (LDI) comparable to that of HDI Assicurazioni.
- Internal equity, i.e., the ratio of the individual's pay to the pay that the company offers to employees with similar or equivalent duties in terms of skills, relevance, responsibility and complexity.
- Individual equity, i.e., the relationship between the individual's pay and his or her own skills.

HDI Italia's remuneration policy, which is defined annually by the Board of Directors, also ensures that the remuneration system is consistent with sound and prudent risk management, avoiding incentives that may encourage different corporate players to take risks that are inconsistent with the Company's long-term interests. The alignment of the company's remuneration policies with long-term objectives also contributes to the strengthening of shareholder protection, policyholders, and in general all stakeholders

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

For the purposes of the remuneration policy, the directors of HDI Italia are distinguished into executive directors, i.e., holders of operational proxies, and non-executive directors.

The exclusive purpose of the directors' remuneration policy is to provide the members of the Board of Directors with remuneration commensurate with their commitment and the powers delegated to them.

The determination of the remuneration of the directors of HDI Italia is defined by the shareholders' meeting when the board is appointed and for the entire period of their term in office. The determination of any further remuneration referred to the directors holding particular offices (whether executive or non-executive) is, as provided for by the Civil Code (Article 2389 of the Italian Civil Code) and by the company's bylaws, attributed to the Board of Directors which, having consulted the Board of Statutory Auditors, deliberates on the amount for the duration of their term in office.

The members of the Board of Directors and the Supervisory Board are not entitled to any termination payment. For this reason, nothing is due to them in the event of termination, early or otherwise, from office

Remuneration of the Control Body

The determination of the remuneration of the Board of Statutory Auditors is aimed exclusively at remunerating the professional services provided by the auditors.

The remuneration policy for the auditors of HDI Italia is defined by the shareholders' meeting at the time of the appointment of the Board and throughout its term of office.

Under no circumstances is there any provision for the payment of a variable component of remuneration for members of the Board of Statutory Auditors

Remuneration of Key Personnel

Relevant personnel are the owners and senior staff of core functions as well as all management personnel.

The remuneration policy for relevant personnel is based on the following principles:

- an appropriate balance of the fixed and variable component, with the latter being linked to predetermined and measurable performance indicators. In particular, the disbursement of the variable part of remuneration is linked to the achievement of specific objectives such as:
  - shared corporate objectives that reflect the Company's overall performance and are linked to performance indicators that take into account the risks associated with the results set and the related charges in terms of capital employed;
  - objectives based on non-financial criteria that contribute to the creation of value for the company, such as compliance with internal and external regulations and efficiency of customer service;
  - structure-based objectives.
- The setting of limits on the disbursement of the variable component: the amount payable as variable remuneration at the end of the period is predetermined and cannot exceed the allocated amount.
- Sustainability: at least 50 percent of the variable compensation of risk takers is linked to targets measured over a three-year period. The measurement of the three-year targets takes place at the end of the first, second and third year this is to verify the actual achievement and consolidation of results. In addition, the letters of assignment of objectives delivered to "risk taker" personnel contain both "malus" clauses and clauses that allow the company to demand full restitution of the credited sums if they have been disbursed on the basis of results that have turned out not to be lasting or not effective as a result of ascertained malicious conduct on the part of the employee assigned the objectives.

The purpose of the remuneration policy for holders and senior staff of core functions is to maintain internal, external and individual equity. With reference to these principles, the company takes steps to ensure that the remuneration of key function personnel is consistent with the degree of responsibility and commitments associated with the role held and in line with market standards.

Managers and senior staff in core functions are not paid any amount as variable remuneration.

Characteristics of pension or early retirement schemes

Personnel with executive status, in compliance with current national regulations on supplementary pension schemes and in addition to the provisions of the current CCNL, may join one of the Pension Funds established by the Parent Company HDI Assicurazioni.

The Supplementary Pension contribution that the Company allocates to each executive is equal to 15% of the Gross Annual Remuneration (RAL) or, if better, to the measure provided for by the current CCNL. This percentage is increased to 20% for the General Manager.

For personnel with officer or clerk status, The subject of Supplementary Pension, on the other hand, is regulated by Collective Agreements stipulated between the Company and the Trade Unions. In particular, for white-collar employees who join the social security forms set up by the Company, there is a contribution to be paid by the company equal to 5.65 percent of the RAL, raised to 6.25 percent for middle managers. On the other hand, for those who wish to join the Multifond or Previp Funds, the employer's contribution is 4.50 percent, regardless of the qualification of the member.

In addition, there is a mechanism aimed at recognizing a gross contribution to be paid by the company, as a one-time payment, linked to the net profit performance achieved by the company. This contribution is disbursed in May of the year following the reference year in favor of all employees who, as of December 31 of the reference year, are found to be members of the pension forms established by the Company and those who are members of the Multifond or Previp Funds. The contribution is recognized according to the qualification as it appears on December 31 of the budget year for which it is paid.

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.

Last May 2, 2022, the MISE published Decree No. 88 in the Official Gazette, which revised and expanded the requirements and criteria for eligibility to hold office of corporate officers and those who perform key functions under Article 76 of the CAP.

The decree applies as of November 1, 2022, and will apply to office renewals

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.

As for the Board of Statutory Auditors, the obligation remains for them to notify the Board of any preventative or critical situations that have arisen to hold office.

Verification of the existence of the requirements of the members of the Board of Statutory Auditors will be the responsibility of the Board of Statutory Auditors.

During 2022, no situations of loss of requirements or situations of incompatibility to the office taken by the members of the Board of Directors and the Board of Statutory Auditors emerged.

Relevant persons and holders of settlement units in the Claims Department

The assessment of the eligibility requirements for the office of the persons belonging to the Key Personnel is carried out by the Board of Directors on an annual basis and with the support of the Human Resources Department.

In the event of the appointment of new persons holding key functions, an ad hoc assessment will be carried out prior to the appointment. In such cases, it is necessary to ask the candidate for 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 Ministerial Decree 88/2022.

Failure to meet these requirements will result in ineligibility/denial of office.

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

Failure to meet the requirements of current regulations and lack of fitness for office (of Directors and Statutory Auditors) will result in disqualification from office.

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 Equity Investment Office of the Parent Company, notifies IVASS of the assessments of the Administrative Body and the Board of Statutory Auditors by transmitting, within 30 days of their adoption, the relevant resolution with adequate reasons. In the case of appointment or renewal, through this communication it certifies that it has carried out the checks on the existence of the requirements and the absence of impeding situations, providing adequate justification 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;
- 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:
  - Treasury and Investment Office proposes the economic scenario and is responsible, also, for providing the elements related to financial assets useful for calculating the requirement for market risk and counterparty risk (SCR Market Risk, SCR Default Risk);
  - Financial Statements and General Accounting Office is responsible for determining the statutory financial statements, defines and evaluates the constituent elements of capital and is responsible for the proper management of reports to the Supervisory Bodies;
  - Strategic Planning and Management Control, is responsible for monitoring economic-financial and business objectives. Prepares disclosures related to 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.

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 alter the risk profile (resulting from internal decisions or external factors), i.e. in the case of:

- deviation of the Solvency Ratio Index showing a reduction of more than 20 p.p. compared to previous (quarterly) assessments;
- of exceeding the Risk Appetite Framework limits for which the relevant escalation process will be activated;

and in any case in the presence, by way of example, of the following factors

- merger/acquisition processes (Merger & Acquisition);
- a significant change in the financial markets and catastrophic insurance events;
- a significant change in regulations and legislation;
- a significant event or change in the business environment that requires extraordinary medium-term business planning;
- an emergency situation with significant impact on the company's risk profileIf one of the above situations occurs, a new evaluation is initiated, carried out according to the defined processes and procedures.

When 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 Function annually submits for approval to the Board of Directors the Audit Plan prepared with the aim of making homogeneous and synergistic the audit issues addressed with a view to integration into the HDI Assicurazioni Group.

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.

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 (at least quarterly), 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 that approved the Internal Audit Policy, refers to the methodology based on the use of a controls-based approach oriented on the risks inherent in business processes, which allows the formulation of a subsequent judgment of the adequacy of the system of internal controls.

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 Company also ensures an effective system of information cooperation between the Internal Audit Function and the Risk Committee through a periodic (quarterly) contribution regarding the audits carried out during the period under review and the main shortcomings detected, as well as monitoring about the progress of the planned interventions placed to mitigate the anomalies found during the audit and the progress of complaints. Finally, the Function also carries out, when appropriate, advisory activities, aimed at adding value and improving the effectiveness and efficiency of the Company's operational activities, while maintaining at all times objectivity and independence from the Managemet.

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

As of July 1, 2022, the Actuarial Function, previously outsourced to the De Angelis-Savelli & Associati Actuarial Firm, in the person of Professor Nino Savelli as Head of the same function, was re-internalized by appointing as its holder Dr. Fausta Docimo, Head of the Actuarial Function of the Parent Company and on partial secondment to HDI Italia, who had previously held the position of internal contact person of the outsourced Actuarial Function.

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 II 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 2022 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 2022.

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;
III. the preparation, in consultation with the Risk Management function, of the report required by IVASS Regulation No. 52/2022 in which the controls and analyses on the portfolio carried out are reported and the consistency of the valuations of non-durable securities with the structure of the financial commitments in place and the maturities of the related disbursements are certified with particular regard to the insurance portfolio.

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 characterize the selection of all suppliers, namely the quality of the service/product offered, cost-effectiveness, a relationship of trust with the supplier, adherence to delivery schedules, compliance with the law and with the principles enshrined in the Company's Code of Ethics, in the context of the outsourcing or sub-outsourcing of an activity, appropriate procedures must also be adopted to ensure that the requirements of integrity, professionalism, independence and financial capacity are verified in the selection of suppliers in the case of outsourcing of essential or important functions or activities.

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 12 (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. (glà AXA PARTNERS e FINANCIAL INSURANCE COMPANY Ltd)	Gestione Sinistri Mutui e Prestiti/Perdite Pecuniarie – PPI (Contratto Service Genworth).	EI	12
123	PREMIA	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

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.

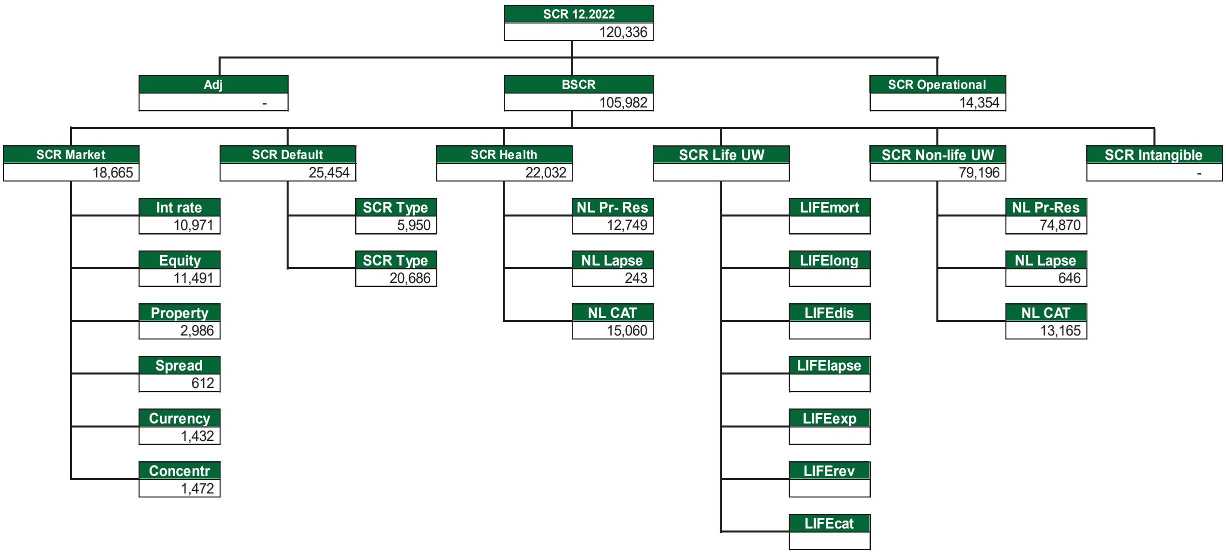
The governance system adopted and described in the previous paragraphs is considered adequate in relation to the nature, scope and complexity of the risks inherent to the Company's business.

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 2022.

C. Risk profile

C. Risk profile

The Solvency Capital Requirement of HDI Italia as at 31 December 2022 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 2022 in comparison with those at the previous year's valuation date: the Capital Requirement Underwriting Risk measures were reduced due to the run-off business, the latter following the merger process with HDI Assicurazioni. This process is reflected in the reduction compared to the previous valuation of the net BE in Reserve Risk and of the Future Premium in Premium Risk.

With regard to retained risk, the Company has adjusted the XL treaty structure to that of HDI Assicurazioni, while with regard to proportional treaties, only the quota share treaty on LoB MTPL remains active with a 50% cession share.

	12.2022	12.2021
Capital Requirement NL Underwriting Risk	**79,196**	**83,138**
Diversification effects	*-9,485*	*-5,655*
Sum of risk components	*88,681*	*88,793*
Premium and reserve risk	74,870	80,930
Lapse risk	646	321
Catastrophe risk	13,165	7,541

	12.2022	12.2021
Capital Requirement Health Underwriting Risk	**22,032**	**13,830**
Diversification effects	*-5,779*	*-768*
Sum of risk components	*27,811*	*14,598*
Health SLT	0	0
Health Non-SLT	12,752	13,522
Health CAT	15,060	1,076

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

	12.2022	Componente Premium	Componente Reserve
Premium and Reserve Risk NL_UW Risk	**74,870**	**39,734**	**46,089**
Function of the standard deviation	0.00	0.00	0.00
Standard deviation	0.01%	0.01%	0.01%
Volume measure	416,706	223,101	193,604

	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

Regarding Cat Risk (catastrophic risk):

a. The identification process at the reporting date can be summarised as follows:
   I. NAT-CAT: All insured sums relating to policies containing earthquake, flood and hail cover are identified by means of an extraction carried out on the Company's portfolio broken down by crest zone; in very few cases, this zone is approximated as there is no complete coverage on this information in the portfolio.
   II. Man MADE:
      i. Motor - Catastrophic value is identified by selecting the maximum amount underwritten on the entire RCA 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 by means of an analysis of the product portfolio that divides 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, then for each product the percentage of value to be attributed to the different types of liability provided by the standard formula is defined;

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;
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 an alignment of HDI Italia's reinsurance structure to that of HDI Assicurazioni (SCR pandemic) and to a generalised increase in the priority of XL treaties:

12.2022	Lordo Riass
SCR Non-Life Catastrophe Risk	**59,663**
Sum of risk components	85,762
Natural catastrophe	45,369
Non-Proportional Reinsurance	-
Man Made catastrophe	38,710
Other catastrophe	1,683

12.2022	Netto Riass
SCR Non-Life Catastrophe Risk	**13,165**
Sum of risk components	18,819
Natural catastrophe	12,008
Non-Proportional Reinsurance	-
Man Made catastrophe	5,128
Other catastrophe	1,683

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

SCR Cat Health Total	12.2022	12.2021
SCR CAT Health gross	16,606	18,289
Mitigation	1,546	17,213
SCR CAT Health net	15,060	1,076

With regard to Lapse, Risk a result in line with that of the previous evaluation is observed.

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, Fire and Third-party liability, respectively for about 41%, 27% and 11% to the pricing risk and for 54%, 5% 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	90,945	0.04%	106,008	0.05%
Motor, other classes	24,725	0.01%	2,926	0.00%
Marine, aviation, transport (MAT)	79	0.00%	1,215	0.00%
Fire and other property damage	59,995	0.03%	9,556	0.00%
Third-party liability	25,228	0.01%	57,478	0.03%
Credit and suretyship	4,602	0.00%	10,828	0.01%
Legal expenses	1,817	0.00%	5,923	0.00%
Assistance	8,636	0.00%	253	0.00%
Miscellaneous	7,073	0.00%	458	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	**223,101**		**194,643**	

For catastrophe risk, the largest exposures are those related to earthquake risk for the Nat Cat module and those related to fire risk for the Cat Man Made module.

The Company monitors its exposure to underwriting risk on an ongoing basis, 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 portfolio diversification in order to make it adequate to 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 constantly monitoring the overall level of risk exposure through the Risk Appetite Framework defined.

Sensitivity Analysis

The Company considers that the capital requirement for underwriting risk, determined by applying the Solvency II standard formula, adequately represents the solvency requirement for the risks it considers, and it is therefore 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 identify any critical elements that may have an impact on the solvency situation:

1. Sensityivity Loss Ratio (SP+15%);
2. Sensitivity Inflazione.

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

1. Sensityivity Loss Ratio (SP+15%); through the combination of the following shocks on the main LoBs 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) was assessed
   - the increase in Best Estimates Premiums using the ORSA 2022 stress % (Stress on Premium Reserve);
   - the increase in Best Estimates Claims using the stress percentage determined in the ORSA 2022 valuation (Stress on Claims Reserve).

The results in terms of Solvency ratio for the Company are shown below:

Reporting date	FA 12.2022	SP+15% 12.2022	Delta
Available capital	238,794	226,682	- 12,112
Eligible OF	158,747	141,557	- 17,189
SCR	120,336	122,459	2,123
Ratio of Eligible own funds to SCR	**132%**	**116%**	**-16%**
Capital Surplus / Deficit	38,411	19,098	- 19,312
Eligible OF for MCR Coverage	107,507	90,309	- 17,198
MCR	39,961	41,512	1,551
Ratio of Eligible own funds to MCR	**269%**	**218%**	**-51%**

There is a substantial decrease in the Solvency ratio compared to the base case (-16 p.p) due to the combined effect of:

– of the increase in SCR, as the increase in BE has an impact on all risk sub-modules,
– the decrease in Eligible Own Funds to a greater extent than Available, due to the resulting increase in DTAs

2. Inflation Sensitivity: the impact on the Best Estimate Premiums and Claims, of a worsening of inflation in 2023 and 2024 was assessed for all LoBs. In particular, a shock of 2.5% and 1.5% respectively (additional shocks to the explicit inflation assumptions in the base case) was applied to the 2023 and 2024 flows.

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

Reporting date	FA 12.2022	inflation 12.2022	Delta
Available capital	238,794	236,750	- 2,044
Eligible OF	158,747	155,877	- 2,870
SCR	120,336	120,904	568
Ratio of Eligible own funds to SCR	**132%**	**129%**	**-3%**
Capital Surplus / Deficit	38,411	34,973	- 3,438
Eligible OF for MCR Coverage	107,507	104,607	- 2,900
MCR	39,961	40,234	273
Ratio of Eligible own funds to MCR	**269%**	**260%**	**-9%**

There is a decrease in the Solvency ratio compared to the base case (-3 p.p) due to the combined effect of:

– of the increase in SCR, as the increase in BE has an impact on all risk sub-modules,
– the decrease in Eligible Own Funds to a greater extent than Available, due to the resulting 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.

	12.2022	12.2021
Capital requirement for Market risk	**18,665**	**24,815**
Diversification effects	10,298	8,068
Sum of risk components	28,963	32,882
Interest rate risk	10,971	6,883
Equity risk	11,491	5,044
Property risk	2,986	18,936
Spread risk	612	1,057
Currency risk	1,432	715
Concentration risk	1,472	248

The most significant changes compared to 2021 concern Interest, Equity and Property Risk.

Interest rate risk was assessed considering the impact of interest rate shocks on both the value of assets exposed to risk and the value of liabilities: the change in BEL is determined by the change in the discount curve of future cash flows. For the 31/12/2022 valuation, a Volatility Adjustment of 19 bps was applied.

The most significant Market Risk is Equity Risk, which represents 40% of the pre-diversification Market Risk and increased by 6,447 thousand euros compared to 2021, due to the inclusion in this risk module of the equity investment in HDI Immobiliare (aligning the calculation methodology of HDI Italia to that of HDI Assicurazioni).

SCR Spread Risk decreased from 1,057 thousand euros in 2021 to 0,612 thousand euros, in percentage terms the capital absorption for Spread Risk decreased from 3.3% in 2021 to 2.1%.

The decrease in SCR Spread Risk is due to the reduction in corporate exposures from 31,783 thousand euros to 15,551 thousand euros.

The main changes compared to 2021 from a credit perspective concern (for the asset component subject to Spread Risk only) the fact that only unrated exposures remained with a capital absorption of 3.9%

The Property stress shock decreased from 18,936 thousand euros in 2021 to 2,986 thousand euros; this reduction was due to the decrease of 37,185 thousand euros in the value of real estate as a result of the sale to HDI Immobiliare of most of HDI Italia's real estate and the transfer of the exposure to the HDI Immobiliare investment to the equity scr (methodological alignment to HDI Assicurazioni).

The SCR Currency Risk calculated as at 31/12/2022 was 1,432 thousand euros, relating to positions in the ICAV. As at 31/12/21 this value was 715 thousand euros.

The SCR Concentration increased from 248 thousand euros in 2021 to 1,472 thousand euros. This increase is due to the reduction in the total amount of investments, which produces an increase in the weight of exposures generating 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 10%, 38% and 40%, respectively, to the pre-market requirement.

	12.2022	Quota %
SCR Interest	10,971	38%
SCR Equity	11,491	40%
SCR Property	2,986	10%
SCR Spread	612	2%
SCR Currency	1,432	5%
SCR Concentration	1,472	5%
SCR Market pre diversification	**28,963**	
SCR Market	**18,665**	

The Company regularly monitors its exposure to market risks by verifying compliance with the investment portfolio composition limits established by the Investment Framework Resolution adopted 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 use derivative instruments.

The exposure to Currency risk deriving from the investment in ICAV is, instead, mitigated through the presence within the funds of hedging derivative instruments (forwards).

Sensitivity analysis

The Company considers that the capital requirement for market risk, determined by applying the Solvency II standard formula, adequately represents the solvency needs for 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.

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, measuring the impact of a parallel shift on the EIOPA Risk-Free curve as at 31 December 2022 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 12.2022	IR -50% 12.2022	Delta
Available capital	238,794	240,441	1,647
Eligible OF	158,747	161,274	2,527
SCR	120,336	121,313	977
Ratio of Eligible own funds to SCR	**132%**	**133%**	**1%**
Capital Surplus / Deficit	38,411	39,961	1,550
Eligible OF for MCR Coverage	107,507	109,963	2,456
MCR	39,961	40,340	379
Ratio of Eligible own funds to MCR	**269%**	**273%**	**4%**

The increase in SCR is mainly due to the increase in SCR Non Life (+647 thousand euros pre-diversification) and SCR Market (+185.5 thousand euros pre-diversification).

The improving effect of the Solvency ratio is due to the increase in fair value on securities in the Company's asset portfolio (+6,551 thousand euros), partly offset by the increase in net Technical Provisions (+8,023 thousand euros).

Details are as follows:

	BASE	IR -50 bps	
Reporting date	12.2022	12.2022	Delta
Government Bonds	366,843	373,276	6,433
Corporate Bonds	-	-	-
Equity	8	8	-
Investment Funds	42,170	42,287	118
Total	409,021	415,572	6,551
Reinsurance recoverables from:	221,472	225,325	3,853
Non-life excluding health	215,528	219,213	3,686
Health similar to non-life	5,945	6,112	167
Technical provisions – non-life	496,296	504,319	8,023
Technical provisions – non-life (excluding health)	468,348	475,897	7,550
TP calculated as a whole	-	-	-
Best Estimate	451,418	458,781	7,363
Risk margin	16,930	17,116	187
Technical provisions - health (similar to non-life)	27,948	28,422	474
TP calculated as a whole	-	-	-
Best Estimate	27,035	27,499	463
Risk margin	913	923	10

2) Sensitivity Interest +50bps: a sensitivity analysis of the own funds eligible to cover the capital requirement was conducted, measuring the impact of a parallel shift on the EIOPA Risk-Free curve as at 31 December 2022 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 12.2022	IR +50% 12.2022	Delta
Available capital	238,794	237,044	- 1,751
Eligible OF	158,747	156,078	- 2,668
SCR	120,336	119,416	- 920
Ratio of Eligible own funds to SCR	**132%**	**131%**	**-1%**
Capital Surplus / Deficit	38,411	36,662	- 1,749
Eligible OF for MCR Coverage	107,507	104,903	- 2,604
MCR	39,961	39,595	- 366
Ratio of Eligible own funds to MCR	**269%**	**265%**	**-4%**

The lowering effect of 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 mirror those of the previous stress. Also in this case, the weight of the change in the SCR is mainly due to the SCR Non Life (-624 thousand euros pre-diversification) and SCR Market (-122 thousand euros pre-diversification).

The worsening effect of the Solvency ratio is due to the reduction in fair value on securities in the company's asset portfolio (-6,553 thousand euros), partly offset by the reduction in net TP (-7,733 thousand euros).

Details are as follows:

	BASE	IR +50 bps	
Reporting date	12.2022	12.2022	Delta
Government Bonds	366,843	360,408	- 6,435
Corporate Bonds	-	-	-
Equity	8	8	-
Investment Funds	42,170	42,052	- 118
Total	409,021	402,469	- 6,553
Reinsurance recoverables from:	221,472	217,762	- 3,711
Non-life excluding health	215,528	211,974	- 3,553
Health similar to non-life	5,945	5,787	- 157
Technical provisions – non-life	496,296	488,563	- 7,733
Technical provisions – non-life (excluding health)	468,348	461,066	- 7,282
TP calculated as a whole	-	-	-
Best Estimate	451,418	444,317	- 7,101
Risk margin	16,930	16,749	- 181
Technical provisions - health (similar to non-life)	27,948	27,497	- 451
TP calculated as a whole	-	-	-
Best Estimate	27,035	26,595	- 441
Risk margin	913	903	- 10

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 12.2022	SP + 50% 12.2022	Delta
Available capital	238,794	238,724	- 71
Eligible OF	158,747	158,644	- 103
SCR	120,336	120,333	- 3
Ratio of Eligible own funds to SCR	**132%**	**132%**	**0%**
Capital Surplus / Deficit	38,411	38,311	- 100
Eligible OF for MCR Coverage	107,507	107,405	- 102
MCR	39,961	39,961	-
Ratio of Eligible own funds to MCR	**269%**	**269%**	**0%**

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

	BASE	Spread +50 bps	
Reporting date	12.2022	12.2022	Delta
Government Bonds	366,843	366,843	-
Corporate Bonds	-	-	-
Equity	8	8	-
Investment Funds	42,170	42,068	- 102
Total	409,021	408,919	- 102

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.

	12.2022	12.2021
Capital requirement for Counterparty default risk	**25,454**	**22,756**
Diversification effects	*-1,181*	*-739*
Sum of risk components	*26,635*	*23,496*
Type 1 exposure	5,950	3,405
Type 2 exposure	20,686	20,091

The capital requirement for counterparty default risk decreased compared to 2021 due to the reduction of liquidity exposures..

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 2.72 totalled 28,309 thousand euros;
- Exposure to reinsurers with an average underwriting QS of 3.02 was 101,500 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 BAF Latam sub-funds (net of those converted to equity), as well as certain exposures within the fund with deteriorating credit ratings, were 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 12.2022	Downgrade Riass 12.2022	Delta
Available capital	238,794	238,676	- 118
Eligible OF	158,747	158,688	- 59
SCR	120,336	121,083	747
Ratio of Eligible own funds to SCR	**132%**	**131%**	**-1%**
Capital Surplus / Deficit	38,411	37,605	- 806
Eligible OF for MCR Coverage	107,507	107,336	- 171
MCR	39,961	39,961	-
Ratio of Eligible own funds to MCR	**269%**	**269%**	**0%**

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, liquidity risk arises from the Company's ordinary operations; the metric used to measure liquidity risk with a short-term time horizon is the cash flow ratio, defined as the ratio between the sum of expected inflows and cash in the portfolio and 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. In the event that the ratio is less than 100%, the Company may not be able to meet the most immediate maturities.

In the medium to long term, 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.

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

Given the nature of the business and the insignificant weight of liquidity risk, the Company considers that specific stress tests and sensitivity analyses are not necessary.

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.

	12.2022	12.2021
Capital requirement for Operational risk	**14,354**	**16,570**
Basic operational risk charge	14,354	16,570
Premium based risk component	7,641	8,246
Earned life gross premiums	-	-
Earned unit-linked life gross premiums	-	-
Earned non-life gross premiums	254,700	274,855
Earned life gross premiums (previous 12 months)	-	-
Earned unit-linked life gross premiums (previous 12 months)	-	-
Earned non-life gross premiums (previous 12 months)	274,855	278,475
Provisions based risk component	14,354	16,570
Life obligations technical provisions	-	-
Life obligations technical provisions - unit linked	-	-
Non-Life obligations technical provisions	478,454	552,349
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

Substantial risks not mentioned in the previous paragraphs include non-standard formula and Emerging 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. To monitor it, the company performs current and prospective analyses by assessing the effects that may negatively impact solvency.

The risk of non-compliance with regulations is the risk of incurring penalties, of suffering losses as a result of non-compliance with legal, supervisory and self-regulatory regulations. To guard against this potential risk, the Company has structured a specific function (Compliance Function). This risk is assessed qualitatively on the basis of risk assessment analyses. To the extent that the requirement set aside for operational risks on the basis of the standard formula is adequate to also cover the risk of non-compliance with regulations, no capital requirement is determined. If it is not, the adequacy of the company's capital is measured. Given the nature of the risk, the company does not perform specific stress tests and sensitivity analyses.

Strategic risk is the current or prospective risk of a decline in profits or capital resulting from changes in the operating environment or from erroneous business decisions, inadequate implementation of decisions, or lack of responsiveness to changes in the competitive environment, and 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, and on the basis of risk assessment analyses. If the safeguards in place are deemed inadequate, an assessment is made as to whether the requirement set aside for operational risks based on the standard formula is adequate to cover this risk as well; 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 the assessment and prioritisation system of the Parent Company HDI assicurazioni and consequently, by alignment, of HDI Italia, whose objective is to minimise the negative impacts mentioned above, 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", "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 2022 placement were carried out mainly by the broker Talanx Re in accordance with the 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 selection of mainly continental reinsurers with good capital and financial strength (rating of not less than A- by Standard & Poor's or not less than A- by A.M. Best) or alternatively reinsurers from the Talanx group or reinsurers that have established collateral in the form of a deposit, pledge, surety bond, letter of credit, or equivalent instruments suitable to guarantee commitments to the Company while minimizing counterparty risk, with preference given to high-quality reinsurers that prospectively demonstrate "capacity" to meet payments over time.

As in previous years, and always in accordance with the limits expressed by reinsurance policies, concentration risk has been mitigated by avoiding the presence of dominant positions capable of influencing the underwriting policy of the Company except for the LPT treaty of the medmal portfolio ceded 100% to a single reinsurer for which these constraints lapse since it is a "fully collateralized" contract with respect to which suitable guarantees are provided by the reinsurer to cover the commitments made to the Company, and to the reinsurers of the Talanx group for which the Company considers to set the maximum share assignable at no more than 85%.

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. Specifically, in the ICAV Multi-Credit Strategy sub-fund, hedging is for foreign exchange risk (forward hedges) and interest rate risk (interest rate futures). As of 12/31/2022 they amounted to approximately 1,056 thousand euros.

Taking into account that the derivatives are hedging, the management of complex derivatives 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 the following intra-group transactions (very significant intra-group transactions)

– subordinated loan, issued by HDI Assicurazioni, amounting to 20,000 thousand euros;
– sale of real estate to HDI Immobiliare amounting to 36,800 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	1,392	-1,392
Deferred tax assets	98,098	98,794	-696
Pension benefit surplus	0	0	0
Property, plant & equipment held for own use	1,287	478	809
Investments (other than assets held for index-linked and unit-linked contracts)	**458,115**	**492,168**	**-34,053**
Property (other than for own use)	11,942	11,855	87
Holdings in related undertakings, including participations	37,152	30,600	6,552
Equities	**8**	**8**	**0**
Equities - listed	0	0	0
Equities - unlisted	8	8	0
Bonds	**366,843**	**408,477**	**-41,634**
Government Bonds	366,843	408,477	-41,634
Corporate Bonds	0	0	0
Structured notes	0	0	0
Collateralised securities	0	0	0
Collective Investments Undertakings	42,170	41,228	942
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	**862**	**862**	**0**
Loans and mortgages to individuals	0	0	0
Other loans and mortgages	862	862	0
Loans on policies	0	0	0
Reinsurance recoverables from:	**221,472**	**277,233**	**-55,760**
Non-life and health similar to non-life	**221,472**	**277,233**	**-55,760**
Non-life excluding health	215,528	267,854	-52,326
Health similar to non-life	5,945	9,379	-3,434
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	58,648	58,648	0
Reinsurance receivables	8,576	8,576	0
Receivables (trade, not insurance)	49,892	49,892	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	18,567	18,567	0
Any other assets, not elsewhere shown	5,123	5,123	0
Total assets	**920,640**	**1,011,733**	**-91,093**

Total assets in the Solvency II balance sheet amounted to 920,640 thousand euros and compared to 1,011,733 thousand euros in the statutory balance sheet, a decrease of 91,093 thousand euros.

SOLVENCY II BALANCE SHEET (amounts in EUR thousand)

Liabilities	Solvency II Balance	Statutory Balance	Variation
Technical provisions - non-life	**496,295**	**590,659**	**-94,364**
Technical provisions - non-life (excluding health)	**468,347**	**554,598**	**-86,251**
TP calculated as a whole	0	0	
Best estimate	451,417	0	
Risk margin	16,930	0	
Technical provisions - health (similar to non-life)	**27,948**	**36,060**	**-8,112**
TP calculated as a whole	0	0	
Best estimate	27,035	0	
Risk margin	913	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	3,579	3,579	0
Pension benefit obligations	572	614	-42
Deposits from reinsurers	134,559	134,559	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	**743**	**0**	**743**
Debts owed to non-credit institution	0	0	0
Insurance & intermediaries payables	12,864	12,864	0
Reinsurance payables	9,058	9,058	0
Payables (trade, not insurance)	11,417	11,417	0
Subordinated liabilities	**41,182**	**46,400**	**-5,218**
Subordinated liabilities not in BOF	0	0	0
Subordinated liabilities in BOF	41,182	46,400	-5,218
Any other liabilities, not elsewhere shown	12,759	12,759	0
Total liabilities	**723,028**	**821,908**	**-98,880**
Excess of assets over liabilities	**197,612**	**189,825**	**7,788**

Total liabilities in the Solvency II financial statements amounted to 723,028 thousand euros and compared to 821,908 thousand euros in the statutory financial statements, showed a decrease of 98,880 thousand euros.

Therefore, the total surplus of assets over liabilities in the Solvency II financial statements amounted to 197,613 thousand euros and compared to 189,825 thousand euros in the statutory financial statements, showed a higher value of 7,788 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 1,392 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 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 the corresponding values for tax purposes.

DTLs 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 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. In accordance with IAS 12, the conditions have been met to offset the deferred tax assets arising from the application of the Solvency II standards with civil law deferred tax assets, which amount to 98,794 thousand euros, of which 98,343 thousand euros for IRES purposes and 451 thousand euros for IRAP purposes.

The following table shows 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 €696 thousand, of which 542 thousand euros for IRES purposes and 154 thousand euros for IRAP purposes, recorded net of the corresponding DTAs in the DTL. As a result, deferred tax assets in the Solvency II financial statements amounted to 98,098 thousand euros.

The rate applied on value adjustments is 30.82%; on positive value adjustments on participations, in application of tax regulations, the aforesaid rate was applied on 5% of the revaluation, while no deferred taxes were calculated on negative value adjustments, given that the regulations provide for the non-relevance for tax purposes of the aforesaid capital losses.

SOLVENCY II ADJUSTMENTS (amounts in EUR thousand)

	Gross amount	Deferred taxes	Net amount
Intangible assets	-1,392	429	-963
property	87	-27	60
Investments	-40,692	12,541	-28,151
Technical provisions attributable to non-life re	-55,761	17,185	-38,576
Non-Life technical provisions	94,363	-29,083	65,280
Subordinated liabilities	5,218	-1,608	3,610
IAS 19	42	-13	29
IFRS 16	67	-19	48
Adjustment partecipations	6,552	-101	6,451
Total	**8,484**	**-696**	**7,788**

Property, plant and equipment for own use

This item includes furniture, plant, machinery and equipment, real estate used in the operation of the business as well as the recognition, in accordance with IFRS 16 - Leases, of the right to use leased property. In the statutory financial statements, property, plant and equipment are recognised at cost and systematically depreciated on a straight-line basis over their remaining useful life from when they are ready for use. Under Solvency II principles, real estate and other tangible assets must instead be measured at fair value.

The Company has no items of real estate for its own use recognised in its Solvency II financial statements.

For other tangible fixed assets, the value indicated in the statutory financial statements, amounting to 478 thousand euros, was considered representative of Fair Value.

Lastly, the item includes the value of the right of use of passive leases, calculated in accordance with IFRS 16, amounting to 809 thousand euros.

Property (not for own use)

This item includes real estate used for business operations as well as the recognition, in accordance with IFRS 16 - Leases, of the right to use leased real estate. In the statutory financial statements, property, plant and equipment are recognised at cost and systematically depreciated on a straight-line basis over their remaining useful life from when they are ready for use. Under Solvency II principles, real estate must instead be measured at Fair Value. In particular, the revaluation to Fair Value was calculated by referring to the appraisal for the determination of the current value as of 31 December 2022 requested from a qualified professional, in accordance with the criteria set forth in Article 20 of ISVAP Regulation No. 22 of 4 April 2008. The Fair Value of real estate 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 property type and architecture, intended use, size, location, type of use, possibility of rental or sale, type of occupancy and all other factors that are significant for market segmentation and the choice of valuation method.

The difference between the Solvency II value of real estate (11,942 thousand euros) and the statutory value (11,855 thousand euros) is 87 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
Hdi Immobiliare Immobiliare S.r.l.	36,471	29,919	6,552
Assi 90 S.r.l.	681	681	-
Total	**37,152**	**30,600**	**6,552**

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.

A comparison between Solvency II and statutory financial statement values shows a lower value of €41,634 thousand with reference to bonds and €942 thousand with reference to mutual funds.

The following table details 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	-	-	1,287	1,287
Investments (other than assets held for index-linked and unit-linked contracts)	366,843	-	91,272	458,115
Property (other than for own use)	-	-	11,942	11,942
Holdings in related undertakings, including participations	-	-	37,152	37,152
Equities	-	-	8	8
Equities - listed	-	-	-	-
Equities - unlisted	-	-	8	8
Bonds	366,843	-	-	366,843
Government Bonds	366,843	-	-	366,843
Corporate Bonds	-	-	-	-
Structured notes	-	-	-	-
Collateralised securities	-	-	-	-
Collective Investments Undertakings	-	-	42,170	42,170
Other investments	-	-	461,238	461,238
Total assets	366,843	-	553,805	920,640

Liabilities	Livello 1	Livello 2	Livello 3	Totale
Total Liabilities	-	-	723,027	723,027

Excess of assets over liabilities	366,843	-	-169,222	197,613

Mortgages and loans

This item totalled 862 thousand euros and consisted of loans to agents, employees and former employees. In the annual financial statements, this item is stated at nominal value. In the solvency balance sheet, the amount recognised is the same, taking into account insignificant changes in fair value due to generally short maturities.

Reinsurance recoverables

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

The valuation of reinsurers' technical reserves was carried out using the criteria described below.

Adjustment Best Estimate Reserves ceded

The adjustment for losses due to counterparty default related to ceded Best Estimate is calculated in accordance with Article 61 of Reg. Del. (EU) 2015/35, taking into account the probability of default of such counterparty over the next 12 months, the amounts recoverable from reinsurance contracts with such counterparty, i.e. the Best Estimate discounted at the base rate, and the duration of such amounts.

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

To this end, the quantities involved in the calculation that refer to a specific counterparty (the probability of default) are aggregated so as to consider the set of reinsurers with whom contracts are underwritten for the next 12 months and their rating, which in turn corresponds to a predetermined probability of default. From this default probability, the odds ratio by rating is calculated.

The adjustment for counterparty default to be made to the Best Estimate of the Claims Provision ceded for total Non-Life business is equal to 1,765 thousand euros, while the adjustment for counterparty default to be made to the Best Estimate of the Premium Provision ceded for total Non-Life business is equal to €8 thousand.

Other assets

Other asset items mainly refer to insurance and reinsurance receivables, other receivables, mainly consisting of tax receivables for tax prepayments, and cash and cash equivalents.

These items are recognised in the statutory financial statements at their estimated realisable value or at their nominal value. In the Solvency II financial statements, 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 therefore 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 building up an amount of eligible own funds equal to the Solvency Capital Requirement needed to meet the insurance and reinsurance obligations over their lifetime, and thus such that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would need to assume and meet the insurance and reinsurance obligation.

Non-Life Technical Provisions

Best Estimate valuations of the claims reserve and the premium reserve are carried out separately, as stipulated in Article 36 of Reg. Del. 2015/35.

Calculation methods and main assumptions

For the Best Estimate of the claims reserve (hereafter Claims Provision), the Company applies the Chain Ladder method, after checking the assumptions underlying the method (test for calendar year effect, test for linear correlation).

In the valuation of the Claims Provision, all "cash outflows" related to incurred claims (including IBNRs) and related expenses are taken into account. In particular, settlement expenses not attributable to a single claim, so-called ULAE (Unallocated Loss Adjustment Expenses) are valued separately, as required by Article 68 of IVASS Regulation No. 18. In addition, as indicated in Article 31 of Regulation 2015/35, Investment Management Expenses are among the expenses to be taken into account in the calculation of the Best Estimate. On the other hand, the "cash in" relating to the Claims Provision is represented by the estimated amounts recovered, the Best Estimate of which is valued separately. Therefore, the Claims Provision is obtained as the algebraic sum of the Best Estimate of the claims reserve net of ALUs, the Best Estimate of recoveries and the Best Estimate of investment management expenses.

With reference to the premium reserve (hereinafter Premium Provision), the cash flow projections consider claims occurring after the valuation date and relating to contracts in force at the valuation date.

For its estimation, the simplification for the premium provision contained in Annex 6 of IVASS Regulation No. 18 is applied.

The "cash in" relating to the Premium Provision is represented by future premiums relating to annual, polyannual and posthumous policies held in the portfolio at the valuation date and recoveries considered in the ratios involved in the simplified calculation.

The calculation of the Premium Provision also includes the estimated Investment Management Expenses.

In accordance with Articles 77 and 81 of the Directive, the Best Estimate is calculated gross of amounts recoverable from reinsurance contracts, which are calculated separately. An adjustment is applied to these amounts to take account of possible default by reinsurers.

A separate valuation related to the risks assumed by the indirect insurance business (accepted proportional reinsurance business) is made for both Premium Provisions and Claims Provisions.

In the valuations as at 31 December 2022, no unbundling of contracts in the portfolio was performed.

The volatility adjustment measures were used, while the congruity measure referred to in Article 30-bis paragraph 6) letters a), b) and c) of the Code (Legislative Decree of 12 May 2015 No. 74 as amended and supplemented) was not applied.

Input Data

To estimate the Claims Provision, in order to perform an appropriate actuarial analysis, historical data aggregated in triangular matrices (run-off triangles) are considered, where the rows represent the years in which the claim occurred (accident year) and the columns represent the years in which the claim was paid or reserved (development year).

With regard to the Premium Provision, the input data used were taken, in part, from the Company's plan, and were appropriately aggregated into homogeneous risk classes, according to the Lines of Business (LoB) classification in Annex 1 of Del. Reg. 2015/35.

The statutory lines of business "Accident" and "Health" have been reclassified by Solvency II lines of business as follows for Branch ,1 is fully allocated to LoB 2 and Branch 2, is fully allocated to LoB 1.

For LoB MTPL (Motor Third Part Liability), in identifying the homogeneous risk groups, CARD and NO CARD claims were considered separately, in compliance with the Supervisory Authority's instructions in IVASS Regulation no. 18.

Settlement Expenses

Settlement expenses are divided into two macrocategories: expenses attributable to the individual claim 'Allocated Loss Adjustment Expenses' (ALAE) and expenses not attributable to the individual claim 'Unallocated Loss Adjustment Expenses' (ULAE).

Claims Provision

As described in the previous paragraphs, the amount of the Claims Provision is the algebraic sum of the individual components of cash out and cash in.

The valuations are carried out by the Company using the ResQ software

Best Estimate Claims Reserve (BEL) - direct business

For claims reserve valuations, HDI Italia uses the chain ladder method on the triangles of the paid gross of ALAE expenses only.

The result of the projection is the ultimate cost of claims from which the Best Estimate undiscounted claims reserve (UBEL) is derived.

The BEL before reinsurance cessions, for each LoB, is obtained by discounting the expected future payments of the gross UBEL with the reference rate curve.

The discounting assumes that payments will be made mid-year.

Valuations are made separately for each LoB.

The UBEL value of the claims reserve (net of ULAE expenses) for total non-life business is 400,995 thousand euros, while the corresponding discounted value is 359,598 thousand euros.

Best Estimate ULAE

In the same way as for the estimate of the Claims Provision gross of ALAE expenses only, the Chain Ladder method is used for the Best Estimate of ULAE expenses, following the same valuation steps.

The UBEL value of ULAE for total non-life business amounts to 19,243 thousand euros, while the corresponding discounted value is 17,221 thousand euros.

Best Estimate of Recoveries

The assessment of the Best Estimate of recoveries requires a preliminary analysis of the triangles of the recovered amounts, in order to assess the numerical consistency of the information needed to apply the actuarial method rather than the simpler statistical method.

The BEL of the recoveries, for each LoB, is calculated by discounting the expected future payments of the UBEL with the reference rate curve.

The UBEL of recoveries for total non-life business is 13,8512 thousand euros, while the corresponding discounted value is 12,332 thousand euros.

Best Estimate - Business Assumed

The BEL of the claims reserve for risks assumed in reinsurance, for each LoB, is calculated by discounting the expected future payments of the UBEL valued in the Local Gaap balance sheet, using the reference rate curve.

As only LoB General Liability Insurance was involved in this business at this date, the Best Estimate Undiscounted is equal to 500 thousand euros and the Best Estimate Discounted is equal to 437 thousand euros.

Claims Provision - Transferred Business

The BEL of the ceded claims provision, for each LoB, is calculated by discounting the expected future payments of the ceded UBEL with the reference rate curve. The operating method used to determine and discount the ceded cash flows is similar to that of direct business.

The level of granularity used to calculate the technical reserves corresponds to the Business Lines.

The UBEL value of the ceded claims reserve for total non-life business is 225,948 thousand euros, while the corresponding discounted value is 201,500 thousand euros.

An adjustment is applied to these Best Estimate reserves to take account of any reinsurer default, the amount of which is reported in the section "Adjustment of ceded Best Estimate reserves".

Premium Provision

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

Premium Provision - Direct Business

The Premium Provision is set aside to meet future claims and expenses related to existing contracts. The UBEL relating to the Premium Provision is calculated for each individual LoB, through the sum of three components:

- claims component which can be estimated by applying the estimated prospective Loss Ratio to the UPR (Unearned Premium Reserve) and FP (Future Premium);
- expense component, which is obtained by applying the estimates of the forward-looking plan indicators relating to expenses (acquisition cost ratio and Expense Ratio) to the UPR and FP;
- premium redemption component, relating to the portion of unearned premium due to the early closure of the contract.

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

The UBEL value of the Premium Provision for total non-life business is 85,339 thousand euros, while the corresponding discounted value is 74,168 thousand euros.

Present Value Future Premium - Direct Business

Only those policies in the portfolio which, at the valuation date, have generated premium reserves to meet the future cost of claims for risks not settled at the valuation date are considered in determining future premiums.

The value of Future Premium for total non-life business amounts to 32,152 thousand euros, while the corresponding discounted value is 31,347 thousand euros.

Premium Provision - Risks Assumed

The BEL of the premium provision for risks assumed, for each LoB, is calculated by discounting the expected future payments of the UBEL valued in the Local Gaap balance sheet with the reference rate curve.

At this date, only the LoB General Liability Insurance was affected by this business. The Best Estimate Undiscounted is equal to 33 thousand euros and the Best Estimate Discounted is equal to 29 thousand euros.

Premium Provision - Ceded Risks

The company values the UBEL of the ceded premium reserve by applying the same calculation method as for direct business.

The UBEL value of the ceded premium reserve for total non-life business amounts to 26,164 thousand euros, while the corresponding discounted value is 21,745 thousand euros.

An adjustment is applied to these Best Estimate reserves to take into account the possible default of reinsurers described in "Adjustment of ceded Best Estimate reserves".

Present Value Future Premium – Ceded Risks

Future premiums ceded were estimated based on the future premiums of the direct business.

At the valuation date, the value of Future Premiums Ceded for total non-life business was 10,476 thousand euros, while the corresponding discounted value was 10,275 thousand euros:

Investment Management Expenses

The total amount of UBELs of Investment Management Expenses is EUR 1201 thousand, while the corresponding discounted value is 108 thousand euros.

Discounting

The Best Estimate represents the expected present value of future cash flows discounted using the relevant risk free interest rate term structure with volatility adjustment provided by EIOPA. The volatility adjustment was used for the determination of the Technical provisions and was therefore taken into account in all values shown in the tables.

Risk Margin

Method 2 described in Annex 4 of IVASS Regulation no. 18 was applied for the YE 2022 valuation. The Risk Margin of the total Non-Life business is equal to 17,842 thousand euros.

Comparison with statutory financial statements

The table below shows the values of the non-life technical provisions calculated in accordance with Solvency II principles relating to the YE 2022 valuation, compared with the values of the statutory technical provisions:

Technical provisions - non-life (amounts in EUR thousand)

	Solvency II Balance Sheet	Statutory Balance Sheet	Variation
Technical provisions - non-life	**496,296**	**590,658**	**-94,362**
Technical provisions - non-life (excluding health)	**468,348**	**554,598**	**-86,250**
TP calculated as a whole		554,598	
Best estimate	451,418		
Risk margin	16,930		
Technical provisions - health (similar to non-life)	**27,948**	**36,060**	**-8,112**
TP calculated as a whole		**36,060**	
Best estimate	27,035		
Risk margin	913		

The difference between Solvency and Statutory reserves is mainly due

- to a different aggregation of risks by business lines;
- to a different aggregation of the input data provided separately in Local Gaap and Solvency II;
- to the actuarial reserving model used to calculate the Best Estimate of the claims reserves of the direct business;
- to the impossibility of considering, in the Local Gaap financial statements, the present value of the amount expected to be paid in the future for claims and to make other forms of deductions or discounts (Article 26 of ISVAP Regulation No. 16/2008)
- to the different criterion for calculating the Best Estimate of premium reserves, which, unlike local valuations, takes into account claims and expenses arising from existing contracts at the time of valuation, obtained from the plan indicators, and future premiums on existing contracts, as well as the lapse rate
- other technical provisions required by Local Gaap regulations, such as the reserve for unexpired risks, the equalisation reserve and the ageing reserve;
- the Best Estimate of recovered amounts provided for by Solvency II regulations;
- the Solvency II Risk Margin amount;
- the adjustment for counterparty default made to ceded reserves in Solvency II financial statements

Level of uncertainty associated with the value of technical provisions

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

With regard to claims provision, the enactment of new laws and regulations may influence the claim amounts. The mere deferral in the timing of claims payments, due, for example, to litigation, can create inflationary effects that lead to higher than estimated payments.

In the case of MTPL, an economic crisis may lower the claims frequency, or conversely, an economic recovery may raise it. Worsening weather conditions, with exceptional events, may lead to an increase in the claims frequency of the MTPL, MOD and Fire lines, and for the latter two the occurrence of catastrophic claims (not necessarily weather-related).

With regard to the Medical line of business, an increase in reimbursement for medical expenses would presumably lead to an increase in the number of reported claims.

With reference to Premium Provisions, the estimate takes into account the assumptions used in the Company's strategic planning as well as the characteristics of the portfolio of the individual lines of business in terms of contract durations and possible behaviour of policyholders

D.3 Other liabilities

Specific liabilities and contingent liabilities are measured in accordance with the International Accounting Standards adopted by the Commission pursuant to 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 supervisory authorities.

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 life 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

This item includes provisions for risks and charges that represent liabilities of a certain or probable nature, with an undetermined date of occurrence or amount.

In detail, the item, amounting to €3,579 thousand, includes provisions for taxes and other non-technical provisions, such as those for pending litigation.

They are measured in accordance with Article 75 of Directive 2009/138/EC, and their value coincides with that of the statutory Balance Sheet.

Pension benefit obligations

This item includes accruals to the provision for severance indemnity, the provision for seniority bonus and the provision for executive health insurance, liabilities connected with defined benefit plans in favour of employees, which involve payments subsequent to the termination of employment and which, in accordance with IAS 19, are subject to actuarial valuation using the so-called Project Unit Credit Method. According to this method, the liability is determined taking into account a series of variables such as mortality, the forecast of future salary changes, the expected inflation rate, the foreseeable return on investments, etc. 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 losses or gains. The valuation according to IAS 19 resulted in a liability value that was lower than the value recognised in the statutory Balance Sheet by 42 thousand euros.

Deposits received from reinsurers

The item includes deposits received from reinsurers, which amount to 134,559 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 98,098 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 33,339 thousand euros and comprised payables to policyholders, intermediaries and other payables relating to direct insurance business of 12,864 thousand euros, payables relating to reinsurance business of 9,058 thousand euros and other non-insurance payables of 11,417 thousand euros.

Other liabilities amounted to 12,759 thousand euors and mainly consisted of the provision for agents' bonus policies on 2022 targets, already accrued and to be paid in 2023, 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 41,182 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.

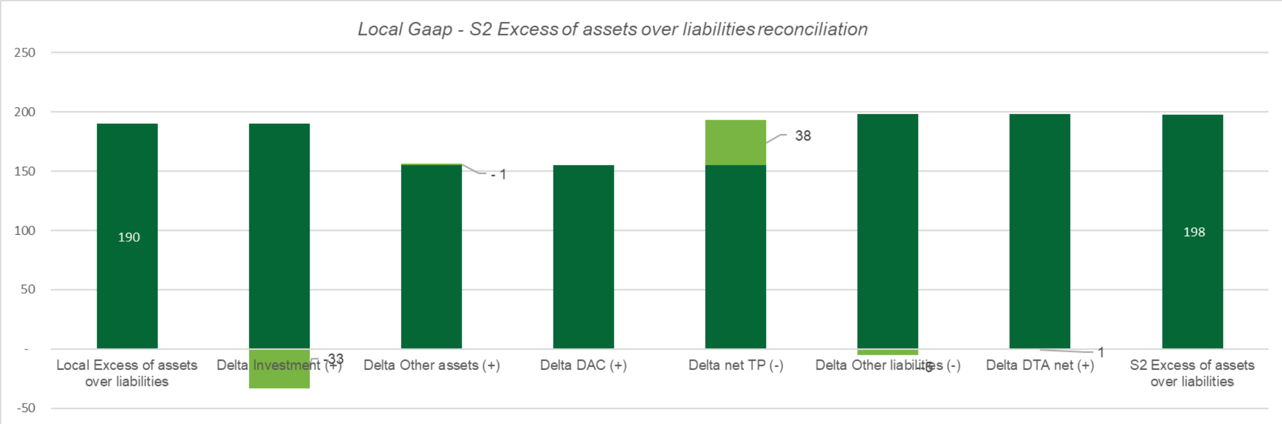
In particular, subordinated liabilities (art. 88 Solvency II Directive) and ancillary own funds (art. 90 Solvency II Directive) are added, while the amount of own shares held, dividends, distributions and foreseeable charges, the elements of restricted own funds referred to in point (e) of paragraph 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 financial statements and the Solvency II financial statements amounted to +7,787 thousand euros as at 31/12/2022, mainly explained by the fair value valuation of technical reserves and intangibles.

		12.2022	12.2021	Delta
	Local Excess of assets over liabilities	**189,825**	**195,410**	**- 5,585**
Reconciliation Reserve	Delta Investment + Property, plant & equipment held for own use (+)	- 33,244	- 1,860	- 31,385
	Delta Intangeble asset + Other assets (+)	- 1,392	- 5,227	3,835
	Delta DAC (+)	-	-	-
	Delta net TP (-)	- 38,602	- 16,982	- 21,620
	Delta Other liabilities (-)	- 4,518	2,290	- 6,808
	Delta DTA net (+)	- 696	- 3,350	2,653
	S2 Excess of assets over liabilities	**197,613**	**199,667**	**- 2,054**
	Subordinated liabilities	**41,182**	**46,148**	**- 4,967**
	OF S2	**238,794**	**246,214**	**- 7,419**



As at 31 December 2022:

- shareholders' equity Local Gaap amounted to 189,825 thousand euros, of which 209,652 thousand euros ordinary capital, 7,508 thousand euros share premium reserve, -28,732 thousand euros retained losses and 1,397 thousand euros other reserves.
- Solvency II own funds amounted to 238,794 thousand euros, of which 99,515 thousan euros were Tier 1 funds, 41,182 thousand euros, attributable to subordinated liabilities, Tier 2 funds, and 98,098 thousand euros Net Deferred Tax Assets, thus falling under Tier 3 funds.

Solvency II own funds falling under Tier 1 (unrestricted) amounted to 99,515 thousand euros, made up of ordinary capital of 209,652 thousand euros, the additional paid-in capital reserve of 7,508 thousand euros and the reconciliation reserve, which includes: retained losses (-28,732 thousand euros), other reserves (1,397 thousand euros), the differences between Excess of assets over liabilities Solvency II and statutory (7,787 thousand euros) and the adjustment for Net Deferred Tax Assets (-98,098 thousand euros), thus falling under Tier 3 funds in accordance with Article 76 of the Delegated Regulation letter a) iii).

Tier 2 capital consists of two Tier 2 subordinated bonds of 41,182 thousand euros (market value consistent with Article 75 of Directive 2009/138 / EC).

On 16 December 2021, HDI Italia issued a subordinated loan subscribed by HDI Assicurazioni in the amount of 20,000 thousand euros, with a term 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 98,098 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 18,050 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 -80,048 thousand euros, there is no impact on the Company's Solvency ratio.

The decrease in shareholders' equity compared to 2021 (-7,021 thousand euros) is mainly attributable to the loss in 2022 (-5,585 thousand euros), the issue of the Tier 2 subordinated liabilities (-4,967 thousand euros) and the improvement in the reconciliation reserve (3,531 thousand euros):

OWN FUNDS	12.2022 Solvency 2 value	12.2022 Statutory accounts value	12.2021 Solvency 2 value	12.2021 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 foreseeable dividends	-28,732	-28,732	-171,654	-171,654
Other reserves from accounting balance sheet	1,397	1,397	149,904	149,904
Adjustments to assets	*-91,093*	*0*	*-47,320*	*0*
Adjustments to technical provisions	*94,363*	-	*53,866*	*0*
less expected profit in future premiums	*0*	-	-	-
Adjustments to other liabilities	*4,518*	-	*-2,290*	*0*
Expected Profit in Future Premiums	0	-	-	-
Preference shares	-	-	-	-
Subordinated liabilities	41,182	46,400	46,148	46,400
Other items not specified above	-	-	-	-
Own Funds	**238,794**	**236,226**	**245,815**	**241,810**

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 83% of the SCR
- of Tier 2 correspond to 34% of the SCR
- of Tier 3 correspond to 15% of the SCR

The own-fund items eligible to cover the Minimum Solvency Capital Requirement:

- of Tier 1 correspond to 249% of the SCR
- of Tier 2 correspond to 20% of the SCR

TIERING OWN FUNDS	12.2022 Total	12.2022 Tier 1 - unrestricted	12.2022 Tier 1 - restricted	12.2022 Tier 2	12.2022 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)	- 117,646	- 117,646			
Subordinated liabilities	41,182			41,182	
An amount equal to the value of net deferred tax assets	98,098				98,532
Other items approved by supervisory authority as basic own funds not specified above					
Total Own Funds	**238,794**	**99,515**	**-**	**41,182**	**98,532**
SCR Eligible Own Funds	**158,747**	**99,515**	**-**	**41,182**	**18,050**
MCR Eligible Own Funds	**107,507**	**99,515**	**-**	**7,992**	**-**

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**	**-**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Current solvency position

The Solvency II situation as at 31 December 2022 is:

Reporting date	12.2022	12.2021
Available capital	238,794	245,815
Eligible OF	158,747	168,616
SCR	120,336	125,067
Ratio of Eligible own funds to SCR	**132%**	**135%**
Capital Surplus / Deficit	38,411	43,549
Eligible OF for MCR Coverage	107,507	115,031
MCR	39,961	44,744
Ratio of Eligible own funds to MCR	**269%**	**257%**
AdjDT	-	-
SCRop	14,354	16,570
BSCR	105,982	108,496
SCRmkt	18,665	24,815
SCRhealth	22,032	13,830
SCRdef	25,454	22,756
SCRlife	-	-
SCRnon-life	79,196	83,138
SCRintangibles	-	-
MKTint	10,971	6,883
MKTeq	11,491	5,044
MKTprop	2,986	18,936
MKTsp	612	1,057
MKTcurrency	1,432	715
MKTconc	1,472	248
NL Premium and reserve risk	74,870	80,930
NL Lapse risk	646	321
NL Catastrophe risk	13,165	7,541
NL-Health Premium and reserve risk	12,749	13,520
NL-Health Lapse risk	243	195
NL-Health Catastrophe risk	15,060	1,076
SCR Default_Type 1 exposure	5,950	3,405
SCR Default_Type 2 exposure	20,686	20,091

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	8,310	2,842
Income protection insurance and proportional reinsurance	12,780	25,327
Workers' compensation insurance and proportional reinsurance	-	-
Motor vehicle liability insurance and proportional reinsurance	124,129	56,749
Other motor insurance and proportional reinsurance	6,799	16,820
Marine, aviation and transport insurance and proportional reinsurance	1,208	0
Fire and other damage to property insurance and proportional reinsurance	20,536	35,765
General liability insurance and proportional reinsurance	64,068	21,671
Credit and suretyship insurance and proportional reinsurance	11,241	1,324
Legal expenses insurance and proportional reinsurance	6,031	509
Assistance and proportional reinsurance	597	5,653
Miscellaneous financial loss insurance and proportional reinsurance	1,281	768
Non-proportional health reinsurance	0	0
Non-proportional casualty reinsurance	0	0
Non-proportional marine, aviation and transport reinsurance	0	0
Non-proportional property reinsurance	-	

	Overall MCR calculation
Linear MCR	39,961
SCR	120,336
MCR cap	54,151
MCR floor	30,084
Combined MCR	39,961
Absolute floor of the MCR	3,700
Minimum Capital Requirement	**39,961**

The current solvency situation shows an SCR ratio of 131.92% and an MCR ratio of 269%.

The most significant risk modules are Non-Life underwriting risk (54% of pre-diversification BSCR), credit risk (18%) and market risk (13%).

	12.2022	Quota %
SCR Market	18,665	13%
SCR Health	22,032	15%
SCR Default	25,454	18%
SCR Life	0	0%
SCR Non Life	79,196	54%
SCR Intangibles	0	0%
BSCR pre diversification	**145,347**	
BSCR	**105,982**	

In light of the analysis carried out on the evolution of the company's risk profile, a worsening of the Solvency Ratio compared to the previous year can be observed, due to the effect of the decrease in Own Funds, although partly offset by the decrease in the SCR (as described above in detail on the individual sub-modules).

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

Assets		Solvency II value
		C0010
Intangible assets	R0030	0
Deferred tax assets	R0040	98,098
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	1,287
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**458,115**
Property (other than for own use)	R0080	11,942
Holdings in related undertakings, including participations	R0090	37,152
Equities	*R0100*	**8**
Equities - listed	R0110	0
Equities - unlisted	R0120	8
Bonds	*R0130*	**366,843**
Government Bonds	R0140	366,843
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	42,170
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	**R0230**	**862**
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	862
Reinsurance recoverables from:	**R0270**	**221,472**
Non-life and health similar to non-life	R0280	**221,472**
Non-life excluding health	R0290	215,528
Health similar to non-life	R0300	5,945
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	**0**
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	58,648
Reinsurance receivables	R0370	8,576
Receivables (trade, not insurance)	R0380	49,892
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	18,567
Any other assets, not elsewhere shown	R0420	5,123
Total assets	**R0500**	**920,640**

S.02.01.02 – Balance Sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions - non-life	**R0510**	**496,296**
Technical provisions - non-life (excluding health)	**R0520**	**468,348**
TP calculated as a whole	R0530	0
Best estimate	R0540	451,418
Risk margin	R0550	16,930
Technical provisions - health (similar to non-life)	**R0560**	**27,948**
TP calculated as a whole	R0570	0
Best estimate	R0580	27,035
Risk margin	R0590	913
TP - life (excluding index-linked and unit-linked)	**R0600**	**0**
Technical provisions - health (similar to life)	**R0610**	**0**
TP calculated as a whole	R0620	0
Best estimate	R0630	0
Risk margin	R0640	0
TP - life (excluding health and index-linked and unit-linked)	**R0650**	**0**
TP calculated as a whole	R0660	0
Best estimate	R0670	0
Risk margin	R0680	0
TP - index-linked and unit-linked	**R0690**	**0**
TP calculated as a whole	R0700	0
Best estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	3,579
Pension benefit obligations	R0760	572
Deposits from reinsurers	R0770	134,559
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	743
Insurance & intermediaries payables	R0820	12,864
Reinsurance payables	R0830	9,058
Payables (trade, not insurance)	R0840	11,417
Subordinated liabilities	**R0850**	**41,182**
Subordinated liabilities not in BOF	R0860	0
Subordinated liabilities in BOF	R0870	41,182
Any other liabilities, not elsewhere shown	R0880	12,759
Total liabilities	**R0900**	**723,028**
Excess of assets over liabilities	**R1000**	**197,613**

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

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property 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	5,234	29,444	0	114,031	20,021	6	37,600	23,521	2,194	4,326	8,022	1,821					246,220
Gross - Proportional reinsurance accepted	R0120																	0
Gross - Non-proportional reinsurance accepted	R0130																	0
Reinsurers' share	R0140	2,392	4,116	0	57,282	3,201	24	1,835	1,850	870	3,817	2,369	1,053	0	0	0	0	78,809
Net	**R0200**	**2,842**	**25,327**	**0**	**56,749**	**16,820**	**-18**	**35,765**	**21,671**	**1,324**	**509**	**5,653**	**768**					**167,410**
Premiums earned																		
Gross - Direct Business	R0210	5,597	29,779	0	118,253	20,186	7	36,995	24,070	4,964	4,440	8,209	2,199	0	0	0	0	254,700
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230																	0
Reinsurers' share	R0240	2,986	4,003	0	59,836	3,192	24	1,817	1,854	1,610	3,881	2,266	1,442	0	0	0	0	82,909
Net	**R0300**	**2,612**	**25,776**	**0**	**58,417**	**16,995**	**-17**	**35,178**	**22,216**	**3,354**	**559**	**5,943**	**757**					**171,790**
Claims incurred																		
Gross - Direct Business	R0310	2,939	8,713	0	92,026	8,434	-176	11,746	16,841	2,015	823	1,033	928	0	0	0	0	145,322
Gross - Proportional reinsurance accepted	R0320																	0
Gross - Non-proportional reinsurance accepted	R0330																	0
Reinsurers' share	R0340	897	1,223	0	51,757	1,229	-15	-246	9,401	835	721	1,099	174	0	0	0	0	67,075
Net	**R0400**	**2,043**	**7,491**	**0**	**40,268**	**7,205**	**-161**	**11,992**	**7,440**	**1,180**	**102**	**-66**	**754**					**78,247**
Changes in other technical provisions																		
Gross - Direct Business	R0410	-429	0	0	0	0	0	58	0	0	0	0	0	0	0	0	0	-371
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430																	0
Reinsurers' share	R0440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	**R0500**	**-429**	**0**	**0**	**0**	**0**	**0**	**58**	**0**	**0**	**0**	**0**	**0**					**-371**
Expenses incurred	**R0550**	**1,045**	**10,733**	**0**	**35,236**	**6,276**	**60**	**18,308**	**20,130**	**1,341**	**-1,243**	**4,129**	**329**					**96,345**
Other expenses	R1200																	
Total expenses	**R1300**																	**96,345**

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**																	
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**																	
Technical Provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross - Total	R0060	9,961	4,531	0	32,229	3,883	0	11,142	6,951	1,202	62	575	3,661	9,961	9,961	9,961	9,961	74,196
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	3,809	510	0	13,528	0	0	138	25	740	-78	230	2,835	9,961	9,961	9,961	9,961	21,737
Net Best Estimate of Premium Provisions	R0150	6,152	4,021	0	18,701	3,883	0	11,004	6,926	462	140	345	825	9,961	9,961	9,961	9,961	52,460
Claims provisions																		
Gross - Total	R0160	2,667	9,877	0	213,611	3,230	1,882	11,059	138,346	14,302	8,106	500	678	6,152	6,152	6,152	6,152	404,257
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	509	1,117	0	108,182	314	674	1,527	81,204	3,523	2,215	248	222					199,735
Net Best Estimate of Claims Provisions	R0250	2,158	8,760	0	105,428	2,916	1,208	9,532	57,142	10,779	5,891	252	456					204,522
Total Best estimate - gross	**R0260**	12,628	14,408	0	245,840	7,113	1,882	22,201	145,297	15,504	8,168	1,075	4,339					478,454
Total Best estimate - net	**R0270**	8,310	12,780	0	124,129	6,799	1,208	20,536	64,068	11,241	6,031	597	1,281					256,981
Risk margin	**R0280**	180	733	0	9,251	246	106	793	5,031	929	515	20	38					17,842
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**	12,807	15,141	0	255,091	7,358	1,989	22,993	150,328	16,433	8,683	1,095	4,377					496,296
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	4,317	1,627	0	121,710	314	674	1,665	81,229	4,263	2,137	478	3,057					221,472
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	8,490	13,513	0	133,381	7,045	1,314	21,329	69,099	12,170	6,546	617	1,320					274,824

S.19.01.21 - Non-life Insurance Claims

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)													In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +				
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											20,363		R0100	20,363	2,174,211
2013	R0160	116,126	85,590	36,103	14,560	15,084	9,444	6,434	3,882	4,385	3,142			R0160	3,142	294,749
2014	R0170	75,431	66,176	18,007	8,683	6,768	5,788	3,227	1,099	2,023				R0170	2,023	187,202
2015	R0180	72,618	56,893	20,944	9,199	4,699	3,427	1,670	2,393					R0180	2,393	171,842
2016	R0190	67,657	65,966	19,313	19,847	3,419	3,281	2,243						R0190	2,243	181,727
2017	R0200	104,965	89,925	32,189	12,168	9,849	8,124							R0200	8,124	257,220
2018	R0210	83,331	66,022	15,607	12,389	7,077								R0210	7,077	184,426
2019	R0220	69,790	43,574	14,822	6,039									R0220	6,039	134,225
2020	R0230	52,251	39,994	10,521										R0230	10,521	102,766
2021	R0240	56,580	48,707											R0240	48,707	105,287
2022	R0250	53,517												R0250	53,517	53,517
													Total	R0260	164,149	3,847,173

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)													Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											85,564		R0100	75,882
2013	R0160	0	0	0	39,575	34,126	27,642	22,530	18,806	18,669	13,726			R0160	12,249
2014	R0170	0	0	29,921	26,768	20,239	16,152	12,869	12,138	10,423				R0170	9,279
2015	R0180	0	51,435	28,828	24,258	19,128	16,624	15,496	13,967					R0180	12,474
2016	R0190	109,778	68,923	45,109	27,838	23,104	18,950	17,653						R0190	15,774
2017	R0200	167,426	94,651	60,879	48,014	41,216	35,051							R0200	31,407
2018	R0210	146,715	74,292	47,971	37,280	29,289								R0210	26,243
2019	R0220	112,131	55,648	39,355	32,689									R0220	29,307
2020	R0230	76,956	39,899	26,825										R0230	24,075
2021	R0240	90,677	49,211											R0240	44,285
2022	R0250	87,097												R0250	79,062
													Total	R0260	360,036

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	496,296			2,945	
Basic own funds	R0020	238,794			-974	
Eligible own funds to meet Solvency Capital Requirement	R0050	158,747			-1,367	
Solvency Capital Requirement	R0090	120,336			272	
Eligible own funds to meet Minimum Capital Requirement	R0100	107,507			-1,382	
Minimum Capital Requirement	R0110	39,961			134	

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	-117,646	-117,646			
Subordinated liabilities	R0140	41,182			41,182	
An amount equal to the value of net deferred tax assets	R0160	98,098				98,098
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**	238,794	99,515		41,182	98,098
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	238,794	99,515		41,182	98,098
Total available own funds to meet the MCR	**R0510**	140,696	99,515		41,182	
Total eligible own funds to meet the SCR	**R0540**	158,747	99,515		41,182	18,050
Total eligible own funds to meet the MCR	**R0550**	107,507	99,515		7,992	
SCR	**R0580**	120,336				
MCR	**R0600**	39,961				
Ratio of Eligible own funds to SCR	**R0620**	132%				
Ratio of Eligible own funds to MCR	**R0640**	269%				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	197,613
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	315,258
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	-117,646
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**	0

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	18,665		
Counterparty default risk	R0020	25,454		
Life underwriting risk	R0030			
Health underwriting risk	R0040	22,032		
Non-life underwriting risk	R0050	79,196		
Diversification	R0060	-39,365		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	105,982		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	14,354
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	120,336
Capital add-on already set	**R0210**	0
Solvency capital requirement	R0220	120,336
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	
LAC DT justified by reversion of deferred 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

Background information

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	8,310	2,842
Income protection insurance and proportional reinsurance	R0030	12,780	25,327
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	124,129	56,749
Other motor insurance and proportional reinsurance	R0060	6,799	16,820
Marine, aviation and transport insurance and proportional reinsurance	R0070	1,208	0
Fire and other damage to property insurance and proportional reinsurance	R0080	20,536	35,765
General liability insurance and proportional reinsurance	R0090	64,068	21,671
Credit and suretyship insurance and proportional reinsurance	R0100	11,241	1,324
Legal expenses insurance and proportional reinsurance	R0110	6,031	509
Assistance and proportional reinsurance	R0120	597	5,653
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,281	768
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**	39,961	
MCRL Result	**R0200**		

Overall MCR calculation

		C0070
Linear MCR	R0300	39,961
SCR	R0310	120,336
MCR cap	R0320	54,151
MCR floor	R0330	30,084
Combined MCR	R0340	39,961
Absolute floor of the MCR	R0350	3,700

		C0070
Minimum Capital Requirement	**R0400**	39,961

Annex 2
Auditor's Report

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HDI Italia 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 2022

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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

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 2022

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 2022, 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 2022, sono stati redatti, in tutti gli aspetti significativi, in conformità alle disposizioni dell'Unione Europea direttamente applicabili e alla normativa nazionale di settore.

PricewaterhouseCoopers SpA

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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 2022 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 31 marzo 2023.

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.

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 utilizzato", "E.5 Inosservanza del requisito patrimoniale minimo e inosservanza del requisito patrimoniale di solvibilità" e "E.6 Altre informazioni".

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

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

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

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

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

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

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

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

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

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

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

Milano, 31 marzo 2023

PricewaterhouseCoopers SpA

Alberto Buscaglia
(Revisore legale)

HDI Italia 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 2022

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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

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 2022

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 2022, 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.

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 2022, 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, 31 marzo 2023

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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