Solvency and Financial Condition Report 2020

FRIDAY Insurance S.A.

April 7, 2021

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Legal Disclaimer

This report has been prepared solely to fulfil the obligations arising from the supervisory reporting (Solvency and Financial Condition Report under Articles 51 et seq. of the Solvency II Directive 2009/138 / EC in conjunction with Articles 290 et seq. of Delegated Regulation (EU) 2015 / 35 of the Commission of 10 October 2014 and Articles 82 et seq. of the local Law of 7 December 2015 on the insurance sector). Unless otherwise indicated in this report, all statements and information contained herein are based on facts and knowledge as at the reference date of the report. The same applies to all forward-looking statements and information contained in this report, such as i. forecasts, expectations, developments, plans, intentions, assumptions, beliefs or outlooks. Forward-looking statements are subject to many factors, and no assurance, warranty or guarantee is given that the forward-looking statements will take place or be fulfilled as expected. Furthermore, new factors with a significant impact on forward-looking statements may arise at any time. It cannot be predicted what these factors are and what influence they have individually or in combination with other circumstances. It is not intended to update any of these forward-looking statements and information due to changed circumstances or new knowledge unless expressly required by applicable laws or regulations.

List of abbreviations

AEOI	Automatic Exchange of Information
AMCR	Absolute Floor of the MCR
AML	Anti-Money Laundering
AOF	Ancillary Own Funds
ALCO-RICO	Asset Liability and Risk Committee
BCM	Business Continuity Management
BOF	Basic Own Funds
CAA	Commissariat aux Assurances
CEO	Chief Executive Officer
Company	FRIDAY Insurance S.A.
COVID-19	Corona Virus Disease 2019
ELC	Entity Level Control
EIOPA	European Insurance and Occupational Pensions Authority
EPIFP	Expected profits included in future premiums
FATCA	Foreign Account Tax Compliance Act
GAAP	Generally Accepted Accounting Standards
HR	Human Resources
IIA	Institute of Internal Auditors
ITGC	IT General Control
LOB	Line of business
MCR	Minimum Capital Requirement
ORSA	Own Risk and Solvency Assessment
PSU	Performance share units
SCR	Solvency Capital Requirement
SST	Swiss Solvency Test

Glossary

Ancillary Own Funds

Ancillary Own Funds shall consist of items other than Basic Own Funds which can be called up to absorb losses. They require supervisory approval and cannot be used to cover the MCR. (Solvency II Directive 2009/138/EC, Article 89)

Basic Own Funds

Basic Own Funds are composed of the excess of assets over liabilities, valued according to market-consistent principles, and subordinated liabilities.

Best Estimate

The Best Estimate is part of the Technical Provisions. It corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant Risk-free Interest Rate Term Structure. The calculation of the Best Estimate is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection used in the calculation of the Best Estimate takes account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof. It is calculated gross of reinsurance.

Minimum Capital Requirement

The Minimum Capital Requirement corresponds to an amount of eligible Basic Own Funds. Below this amount policy holders and beneficiaries are exposed to an unacceptable level of risk so that insurance and reinsurance undertakings are not allowed to continue their operations.
(Solvency II Directive 2009/138/EC, Article 129)

Own Risk and Solvency Assessment (ORSA)

Own Risk and Solvency Assessment is a risk management process which connects business strategy and capital planning and is an integral part of the business strategy. ORSA needs to be performed annually or whenever the risk profile changes significantly. The process is owned by the Board, and must be documented and reported internally and to the supervisor.

Own Funds

Own Funds are defined as the sum of Basic Own Funds and Ancillary Own Funds.
(Solvency II Directive 2009/138/EC, Article 77)

Reconciliation Reserve

The Reconciliation Reserve (revaluation reserve) is part of the Own Funds of the Solvency II balance sheet. It results from the surplus of assets over liabilities less items such as share capital, capital reserve or foundation funds, preference shares and Surplus Funds. In addition, adjustments must be made, such as for foreseeable dividend payments.

Risk Margin

The Risk Margin is part of the Technical Provisions and shall be such as to ensure that the value of the Technical Provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. The Risk Margin is determined by the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof.
(Solvency II Directive 2009/138/EC, Article 77)

Risk-free Interest Rate

The Risk-free Interest Rate term structure is relevant for the calculation of liabilities by insurance and reinsurance undertakings. EIOPA is required to publish the Risk-free Interest Rate for Solvency II.
As a default approach, the Risk-free Interest Rate is primarily derived from the rates at which two parties are prepared to swap fixed and floating interest rate obligations.
(EIOPA-BoS-15/035)

Solvency Capital Requirement (SCR)

The Solvency Capital Requirement should reflect a level of eligible Own Funds that enables insurance and reinsurance undertakings to absorb significant losses and that gives reasonable assurance to policy holders and beneficiaries that payments will be made as they fall due. This amount is determined with reference to the risks assumed by the company.
(Solvency II Directive 2009/138/EC, Paragraph 62)

Solvency II Ratio

The Solvency II Ratio represents the company's Own Funds against its SCR. Insurance and reinsurance undertakings are required to maintain their Solvency II Ratio above 100%. If the ratios are lower, measures are initiated by the national supervisory authority, such as the need for an action plan to restore the ratios to required levels.

Surplus Funds

Surplus Funds shall be deemed to be accumulated profits which have not been made available for distribution to policy holders and beneficiaries.
In so far as authorised under national law, Surplus Funds shall not be considered as insurance and reinsurance liabilities to the extent that they fulfil the criteria set out in Article 94(1).
(Solvency II Directive 2009/138/EC, Article 91)

Technical Provisions

The value of the Technical Provisions under Solvency II corresponds to the amount which another insurance or reinsurance undertaking would be expected to require to take over and fulfil the underlying insurance and reinsurance obligations. They are calculated as the sum of the Best Estimate liabilities and the Risk Margin.

Volatility Adjustment

The Volatility Adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II. (Re) insurers are allowed to adjust the risk-free-rate to mitigate the effect of short-term volatility of bond spreads on their solvency position. In that way, the Volatility Adjustment prevents pro-cyclical investment behaviour of (re)insurers.
(https://eiopa.europa.eu/Pages/News/EIOPA-updates-representative-portfolios-to-calculate-volatility-adjustments-to-the-Solvency-II-risk-free-interest-rate-term.aspx)

Executive Summary

Introduction

FRIDAY Insurance S.A. (the "company" or FRIDAY) is a non-life insurance company. It operates under the legal form of a stock corporation (société anonyme). FRIDAY is part of the Baloise Group (owned by Bâloise Holding Ltd, Switzerland). Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension, assistance and insurance solutions.

The purpose of this report is to satisfy the public disclosure requirements under the Luxembourg "Loi du 7 Décembre 2015 sur le secteur des Assurances" (Luxembourg Law on the Insurance Sector) including the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation (EU) 2015/35 and the EIOPA Guidelines on Reporting and Disclosure. The elements of the disclosure relate to business and performance, system of governance, risk profile, solvency valuation and capital management.

The European Solvency II Directive serves to improve and harmonize EU insurance regulation to unify the European insurance market and strengthen consumer protection. This risk-based system is covering both quantitative and qualitative aspects to define the capital requirements of each company subject to the regulation. Solvency II is divided into three pillars representing financial requirements, governance and supervisory requirements and finally reporting and disclosure requirements.

Highlights

FRIDAY is an insurance company incorporated in 2017 offering motor insurance policies and home content insurance policies in the German market. In 2019 the insurance portfolio grew and reported underwriting improved results. As a digital insurer the company focuses primarily on the development of a simple, digital and flexible insurance experience for customers. FRIDAY's goal is to become the most popular digital insurer by offering an insurance experience customers love.

FRIDAY has successfully developed its operations and business in its third operating year. As a basis for further expansion of business, an additional capital increase was carried out in December 2020, in which the existing shareholder Bâloise (Luxembourg) Holding S.A. participated with EUR 29 million. The existing partnerships with Seven Ventures GmbH and GMPVC German Media Pool GmbH enabled FRIDAY to advertise its insurance products in the advertising outlets of the ProSiebenSat.1 Group, which have a wide reach among the relevant target groups, as well as on other TV channels.

The continuation of the advertisement campaign increased brand awareness in Germany and built trust with customers. The focus was put on the brand promise to make life easier for motor vehicle drivers and renters and to provide them with peace of mind. The FRIDAY brand achieves top values for modernity, simplicity and innovation and stands for relief and flexibility among customers in Germany. The brand is in line with the characteristics of the products. Every seventh person in Germany knew the FRIDAY brand in December 2020 as the market research and data analysis company YouGov showed. This is an outstanding result among the new market participants in Germany. FRIDAY's business model is based on building digital solutions for the insurance industry. At the end of 2019 FRIDAY has incorporated a wholly owned new subsidiary in Warsaw, Poland with experienced developers and engineers to render IT-related services and to drive the technical expansion of its insurance platform. The main focus in innovation is on automation of insurance relevant processes as well as their optimisation from the customer's point of view. FRIDAY directs its attention on developing solutions for mass market business that are highly scalable. This is particularly reflected in the technical infrastructure. The company provides all its insurance services entirely paperless and fully digital.

On this basis, different innovations were introduced to the German insurance market in the first operating years. These developments took place in a competitive and dynamic environment.

FRIDAY has a sound capital base. The company's capital strength in accordance with Solvency II was reported at a level of 344.8% at the end of 2020.

FRIDAY intends to continue to develop, market and invest in innovative insurance solutions. By increasing awareness of the already well received FRIDAY brand and optimising its distribution channels, FRIDAY plans to further develop its customer base and continue its growth path.

As a fast-growing technology company and in order to be successful in the long term, FRIDAY focuses on sustainable and responsible actions. Living sustainability means integrating it into all areas of the company. FRIDAY intends to act with responsibly towards employees, customers, partners, investors as well as the environment and society. With its insurance products FRIDAY also wants to promote environmentally friendly mobility. One example is FRIDAY + ECO, which allows customers to offset the CO2 emissions from their cars within the insurance product. With the paid premiums for the ECO product its partner Myclimate supports certified projects in 30 countries worldwide and drives measurable climate protection and sustainable development.

Furthermore, FRIDAY has offset 100% of its emissions from its operations and its service providers since the company was founded in March 2017. With its compensation portfolio, FRIDAY also supports the reduction of poverty through sustainable economic development, gender equality, and the improvement of hygiene and health at the project locations. All climate protection projects supported by FRIDAY are certified according to the Gold Standard and thus meet the strictest quality requirements.

Business and Performance

FRIDAY generated strong growth in motor insurance and home contents insurance business

In 2020 FRIDAY attracted more than 75 thousand new customers in Germany with its straightforward digital processes and products (2019: 50 thousand new customers). One in three contracts was concluded via FRIDAY’s direct channel. FRIDAY’s products were awarded four times in Germany by renowned consumer organisations as Stiftung Warentest and leading media outlets as Auto Bild for their best value for money proposition. With the renewed award for the best digital insurer in Germany by eKomi in 2020, FRIDAY has now received this award for the fourth time in a row. The awards demonstrate the high quality of FRIDAY's insurance products.

Alongside motor insurance, FRIDAY began offering home contents insurance in the summer of 2019. It thus began its transformation from a pure-play car insurance firm to a digital provider of non-life insurances.

The total amount of gross written premiums in the 2020 financial year was EUR 29,256.5 thousand. In comparison with the previous period, the volume of premiums was raised from EUR 14,949.1 thousand to EUR 29,256.5 thousand, representing an increase by more than 95%. These gross premiums were earned in an economically competitive environment on the German online insurance market accompanied by impact of COVID-19 during 2020.

Furthermore, the company maintains its sound capital basis (as measured under the Solvency II based valuation principles) and the Basic Own Funds amounting to EUR 54,200.3 thousand in 2020 comply with the Solvency II requirements with a Solvency ratio at year-end 2020 of 344.8%

These solid foundations mean the company is well placed to deal with current and upcoming challenges.

System of Governance

FRIDAY practices a sound, responsible corporate governance

FRIDAY places great importance on practicing a sound, responsible corporate governance.

The system of governance in place at FRIDAY is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the fit and proper process applied, together with the company's code of conduct ensures the adequacy of key personnel such as the adequacy of key functions implemented according to Solvency II regulation.

Risk Profile

All material risks are identified, assessed and managed

All risks as defined under a proven Risk Map and the Solvency II regulatory framework are assessed on a regular basis by taking into account risk mitigating measures. Management of the different risks is organized at two levels. In a first step risks are assessed in a bottom-up process by the functional department responsible (risk owner and risk controller). In a second step, the assessments are aggregated at company level.

FRIDAY regularly assesses whether the resulting risk profile is compliant with its risk strategy orientations.

The key drivers of the Solvency Capital Requirement are the non-life underwriting risk and the market risk. The non-life underwriting risk is driven by the premium and reserve risk directly related to the volume of premiums and reserves. The largest share of the non-life underwriting risk stems from the planned growth in underwriting activities in the upcoming year impacting significantly the premium risk. The market risk is significantly determined by investments in fixed income assets.

During the reporting period the non-life underwriting risk and the market risk increased in line with premium growth and investments made due to the capital increase.

Valuation for Solvency purposes

Material differences between Solvency II and Local GAAP have been analysed and explained

Valuation principles and results are presented under both the Solvency II and local accounting guidelines (Local GAAP). Significant differences between these frameworks are documented. This not only comprises differences in valuation principles, but also differences in recognition and/or in classification of certain assets and liabilities.

Material changes linked to valuation for Solvency purposes during the year relate to a) financial assets valuation where bonds are valued at the lower of cost or market value method in the statutory accounts whereas they are valued at the market value according to Solvency II requirements and b) intangible assets where formation expenses and license costs are valued at amortized costs method in statuary accounts whereas they are ignored by valuation of zero according to Solvency II requirements. On the liabilities side, the main changes are reflected in the Technical Provisions, for which Solvency requirements highlight the need to base our calculation upon up-to-date and credible information, as well as realistic assumptions. This method is reflected in the Best Estimate of the technical provision under Solvency II.

Capital Management

Solvency II quota confirms solid capitalization

The company's Solvency II quota was reported at a level of 344.8% at the end of 2020. The Volatility Adjustment is not used to calculate the Technical Provisions and does not impact the company's Solvency II quota. Transitional arrangements are not applied. The legal requirement to hold sufficient Own Funds to cover the Solvency Capital Requirement has therefore been fulfilled. The Own Funds of FRIDAY entirely consist of unrestricted Tier 1 funds.

Solvency Position

in EUR '000	2019	2020
Total eligible Own Funds to meet the MCR	53,783.3	54,200.3
Minimum Capital Requirement	3,700.0	4,555.0
Ratio of Eligible Own Funds to Minimum Capital Requirement	1,453.6%	1,189.9%
Total eligible Own Funds to meet the SCR	53,783.3	54,200.3
Solvency Capital Requirement	13,186.8	15,717.6
Ratio of Eligible Own Funds to Solvency Capital Requirement	407.9%	344.8%

The Eligible Own Funds increased with EUR 417 thousand during the reporting period driven by the result of the year and the capital increase in December 2020. The significant changes impacting the Solvency Capital Requirement were already described above in the section Risk Profile.

COVID-19 Implications

On December 31st, 2019, the World Health Organisation (WHO) China Country Office was informed of cases of an outbreak of the Coronavirus disease (COVID-19), an infectious disease caused by a newly discovered coronavirus. The WHO declared the outbreak to be a public health emergency of international concern and in early 2020, the virus spread worldwide and was declared a pandemic. Throughout the year, governments around the world enforced social distancing measures, quarantines, movement and travel restrictions, public health measures, social and economic measures and lockdowns to reduce the spread and impact of the virus.

The macroeconomic effects of the COVID-19 pandemic and, in particular, the measures to combat the pandemic are noticeable in many industries. As the insurance industry is closely linked to the overall market economy, it is therefore affected on different levels. Whereas the developments partly resulted in increasing claims in some business segments, other business segments experienced a decrease or no change in claims. The volatility of the financial markets in 2020 was reflected in the valuation of assets and investments, however, the capital markets have partly recovered since the outbreak. FRIDAY's solid strategic asset allocation and strict asset management avoided negative overall effects. Altogether, FRIDAY proved its stability and resilience despite the volatile economic environment. The direct effects on our business are described in the corresponding chapters of this report, where applicable and necessary.

FRIDAY is well prepared for crisis situations and managed the overall situation despite market and business uncertainties very well. Business continuity and stability was ensured throughout 2020. From the beginning of the global outbreak of the pandemic, FRIDAY pursued a close monitoring of business indicators regarding the development of assets, new business, claims and costs, and a close monitoring of key risks and capital position as well as a stronger focus on business continuity management (BCM). The BCM proved robust: the organization of working remotely in combination with hygiene and attendance concepts were implemented very quickly. Special emphasis was also placed on support and motivation of employees, as well as enhancing IT infrastructure and a boost towards digitization. Through these measures, FRIDAY remained a reliable partner for its customers, investors, employees and the society.

Despite the challenges, FRIDAY looks back at a successful business year 2020. FRIDAY will continue to play its role in the insurance sector and society by ensuring business stability, providing reliable services to customers, and supporting governmental measures to battle the challenges of the ongoing pandemic.

A. Business and Performance

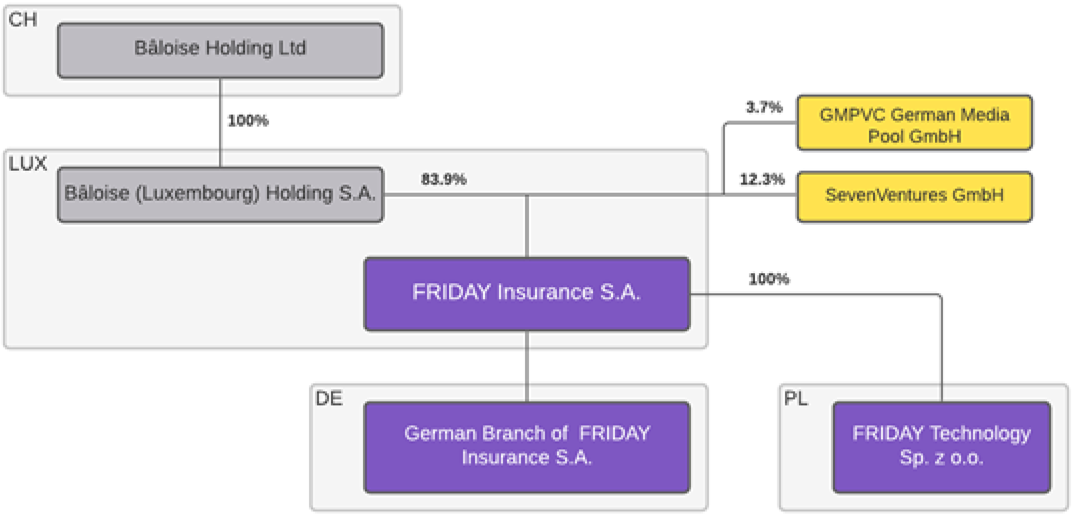
A.1. Business

A.1.1. General Information

FRIDAY is an insurance company incorporated in the Grand Duchy of Luxembourg on 1 December 2017 as a stock corporation (société anonyme) and published in the Memorial, special publication for companies and associations, under number B220195. The company is supervised by the Commissariat aux Assurances the Luxembourgish supervisory authority situated at 7, boulevard Joseph II, L-1840 Luxembourg.

The external auditor of FRIDAY is Ernst & Young S.A., whose registered office is at L-1855 Luxembourg, 35E, avenue John F. Kennedy.

Bâloise (Luxembourg) Holding S.A., a 100% subsidiary of the ultimate parent company Bâloise Holding Ltd[1], is the main shareholder of the company holding ca. 83.9% of shares. Other shareholders are SevenVentures GmbH holding ca. 12.3% of shares and GMPVC German Media Pool GmbH holding ca. 3.7% of shares. The following simplified chart shows further details of FRIDAY's position within the legal structure of the Baloise Group as of the reporting date of 31 December 2020.



[1] Baloise Group acts under the supervision of the Swiss Financial Market Supervisory Authority (FINMA), which can be contacted at Laupenstrasse 27 – CH-3003 Bern

On 16th May 2018, the German branch "Deutsche Niederlassung der FRIDAY" was established as FRIDAY's branch in Berlin, Germany, and started its operative business as of 1st July 2018.

In November 2019, FRIDAY incorporated FRIDAY Technology Sp. z o.o. in Warsaw, Poland, a wholly owned subsidiary.

FRIDAY is included in the consolidated accounts of the Bâloise Holding Ltd headquartered in Basel, Switzerland, whose registered office is at CH-4002 Basel, Aeschengraben 21 (Switzerland).

A.1.2. Significant business and geographical coverage

Main business lines and geographical areas

The company is currently active on the German market only.

The premiums written of the non-life insurance business are broken down as follows among the business lines below:

Non-Life Net Written Premiums

	2020	%
EUR '000		
Income protection insurance	149.2	0.5%
Motor vehicle liability insurance	17,251.4	60.2%
Other motor insurance	10,942.0	38.2%
Fire and other damage to property insurance	85.9	0.3%
General liability insurance	−10.0	−0.0%
Assistance	192.5	0.7%
Miscellaneous financial loss	49.0	0.2%
Total	**28,660.0**	**100.0%**

The largest contribution to the premium volume comes from the motor vehicle liability insurance with 60.2% of the total non-life premium volume. The line of business "Other motor insurance" represents the only other material premium volume with a share of 38.2%. It should be noted that the net premiums earned for the General liability insurance business is negative due to a reinsurance premium which has already been paid but no gross business sold per year-end 2020. Assistance relates to an additional coverage for road assistance benefits sold in combination with motor vehicle liability insurance.

During the reporting period FRIDAY has launched a new price comparison platform sales channel. The motor and home content insurance products are now sold via several price comparison platforms as well as via direct sales.

Significant business or other events

FRIDAY is a fast-growing technology company and in order to be successful in the long term, it has also focused in 2020 on sustainable and responsible actions. The reduction of greenhouse gas emissions is one of the most pressing challenges for climate protection worldwide. With its insurance products FRIDAY wants to promote environmentally friendly mobility. Customer of the FRIDAY car insurance have therefore the possibility to offset their CO2 emissions. One example is FRIDAY + ECO, which allows customers to offset the CO2 emissions from their cars in an innovative way. With the paid premiums Myclimate, a well-known partner for effective climate protection, FRIDAY supports certified projects in 30 countries worldwide and drives measurable climate protection and sustainable development.

Furthermore, FRIDAY has offset 100% of its emissions from its operations and its service providers since the company was founded in December 2017 and proudly calls itself climate neutral. The compensation takes place in cooperation with Planetly, a climate-tech company that calculates and offsets CO2 emissions as well as advises on reducing them. With its compensation portfolio, FRIDAY also supports the reduction of poverty through sustainable economic development, gender equality, and the improvement of hygiene and health at the project locations. All climate protection projects supported by FRIDAY are certified according to the Gold Standard and thus meet the strictest quality requirements.

A.2. Performance of Underwriting Activities

In this section, information on the company's underwriting performance over the reporting period in terms of premiums, claims and expenses is provided. The investment income is not considered as it is presented in a separate section.

A.2.1. Underwriting performance against prior reporting period

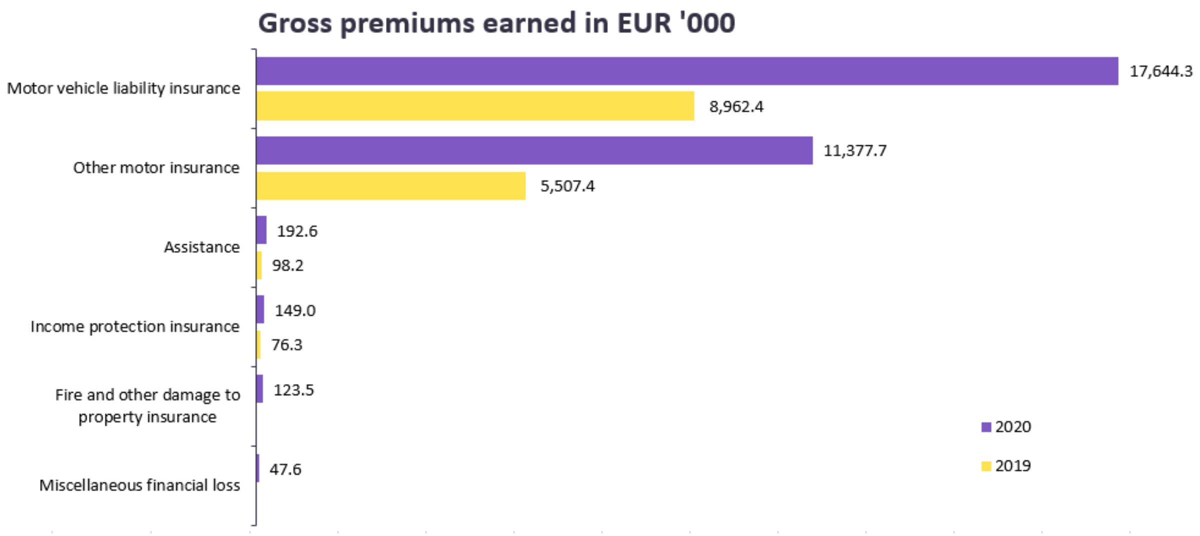
The company's principal results can be broken down in the following manner:

Principal results

	2019	2020
in EUR '000		
Gross written premiums	14,949.1	29,256.5
Gross earned premiums	14,684.9	29,534.7
Gross claims expenses	-17,821.7	-28,653.5
Gross operating expenses	-6,636.6	-12,396.5
Reinsurance balance	703.4	1,679.2
Technical result non-life	-9,984.4	-10,568.3

Increased gross written premiums are mainly driven by growth in new business due to extended brand building measures and marketing activities in the lines of business of Motor vehicle liability and Other motor insurance. Gross claims expenses increased in absolute numbers based on the portfolio growth while the claims ratio has been reduced in 2020. The claims ratio decreased in 2020 significantly influenced by positive risk selection and renewal pricing resulting to better portfolio quality and less milage driven by the customers due to the lock downs especially in March and December with positive impact on lower claims frequencies. Other motor insurance was charged by two major severe weather events. The reinsurance balance contributes EUR 1.7 million to the technical result. FRIDAY delivered an overall business loss of EUR 35.5 million including its German branch with the technical result being impacted by EUR -10.6 million. The overall business loss mainly stems from implementation and build-up costs such as implementing IT systems and building the FRIDAY brand.

The development of the gross premiums during the reporting period is presented in the following illustration.



The management summary describes the general impact of the Corona pandemic on the insurance sector. The insurance performance of FRIDAY was consequently also influenced by the global pandemic. The first lockdown in spring of 2020 led to a significant reduction in claims frequencies in the motor insurance and home content sectors due to lower mobility and closed administration offices. At the same time, fewer policies were contracted due to the first lockdown, which led to adjustments in the annual planning for new business and marketing budgets. FRIDAY observed a shift towards digital user behavior of a wide range of products and expects therefore an increase in the demand for digital insurance solutions in direct sales and via online price comparison platforms in 2021 and beyond.

A.3. Performance from Investment Activities

A.3.1. Review of current and prior period investment income and expenses

Overview of the investment performance as per financial statements

The table below shows an overview of the investment performance as per financial statements of the current period.

Investment performance

	2019	2020			
	Total	Bonds	Loans and mortgages	Cash and cash equivalents	Total
in EUR '000					
Recurring income	154.9	244.6	3.7	–17.6	230.6
Realized gains	42.8	165.6	0	0	165.6
Realized losses	0	0	0	0	0
Appreciation in value	0	0	0	0	0
Depreciation in value	0	0	0	0	0
Cost of investment management	–99.3	–113.6	0	0	–113.6
Operational profit	98.4	296.6	3.7	–17.6	282.7
Average investment portfolio	43,419.3	67,596.1	119.2	7,330.5	75,045.8
Investment performance [1]	0.2%	0.4%	3.1%	–0.2%	0.4%

[1]Calculation of investment performance: Operational profit / average investment portfolio

The investment portfolio mainly contains bonds, the COVID-19 impact on the capital market are almost neutral for FRIDAY and volatilities have no major effect on the development of interest rates. During the reporting period, the company realized gains for an amount of EUR 165.6 thousand from sales of bonds and further increased its bond exposure following the capital increase that took place in December 2020. The small exposure in loans and mortgages refers to a granted loan to FRIDAY Technology Sp. z o.o.

Current income (compared to previous period)

The split of the current income by asset class is presented in the previous paragraph.

Driven by the increased investment into bonds, the recurring income increased to EUR 75.7 thousand.

Gains and losses recognized directly in equity

The following table shows the gains or losses recognized directly in equity.

Gains and losses recognized directly in equity

	2019	2020	Variation
in EUR '000			
Unrealized gains and losses from bonds available for sale	1,462.6	2,336.4	59.7%
Total	1,462.6	2,336.4	59.7%

The increase of unrealized gains from bonds are mainly linked to the development of the interest rates.

Investments in financial instruments based on securitization

At year-end 2020 the company has no investments in financial instruments based on securitization.

A.4. Performance of Other Activities

A.4.1. Review of current period and prior period other income and expenses

For year-end 2020 the other technical income and expenses amounting to EUR 441.8 thousand and to EUR 192.9 thousand respectively can be split as follows:

Other technical income:

- **Other gross technical revenues** consist mainly of rejection and dunning fees as well as reimbursements of charges incurred for FRIDAY Technology Sp. z o.o.

The variation of the Other technical income compared to the last reporting period is mainly explained by the growth of business volume and reimbursements of charges incurred for FRIDAY Technology Sp. z o.o. and amounts to an increase of EUR 272.4 thousand.

Other technical expenses:

- **Other technical expenses** consist mainly of value adjustments on customer balances and realized losses on tangible and intangible assets.

Other technical expenses were driven by growth of business volume and value adjustments on agent and customer balances, and receivables from reinsurers, and losses from agent and customer accounts, and reinsurance balances resulting in an increase of EUR 43.7 thousand.

A.5. Other relevant Information

In January 2021 FRIDAY concluded an external quota share reinsurance contract for the years 2021 and 2022 for the German Motor Business to reduce future insurance risks and make the best use of invested capital.

In February 2021 FRIDAY established another local branch in Paris in order to provide insurance cover for private customers on the French market, in addition to its business in the German insurance market.

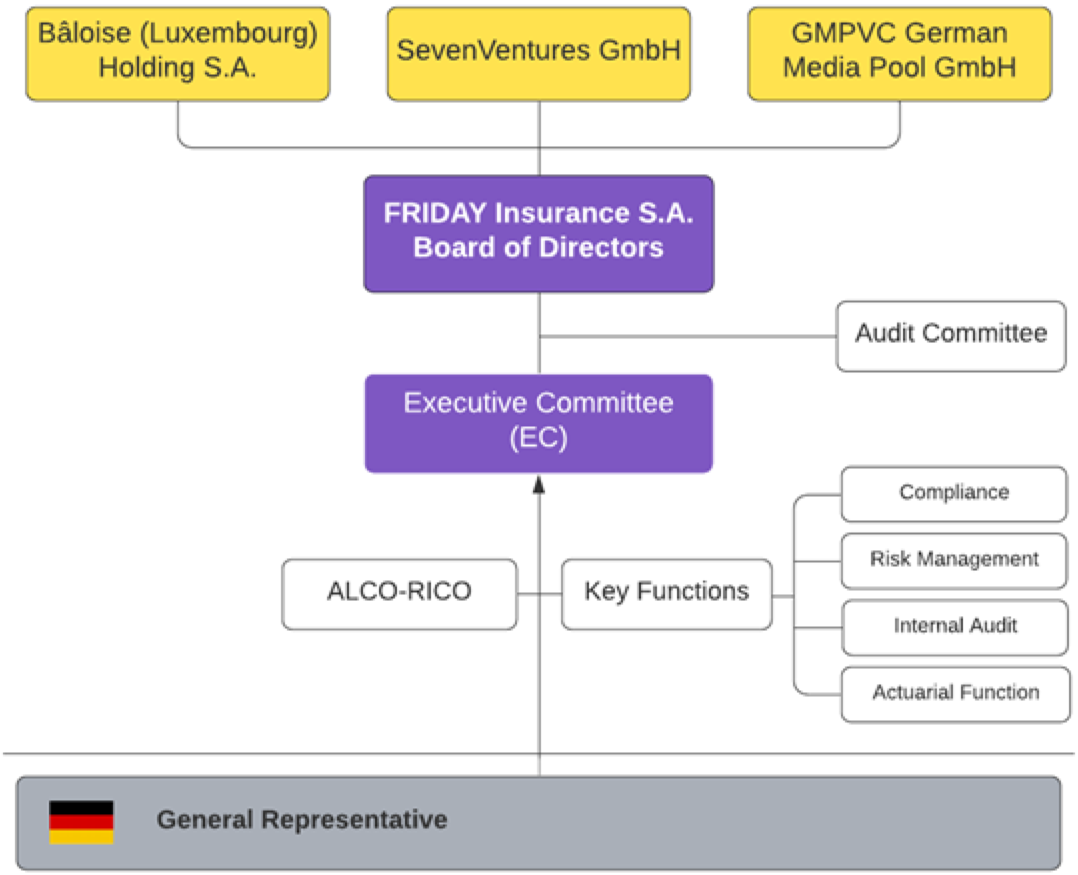
B. System of Governance

B.1. General information on the system of governance

B.1.1. Governance structure: overview and main changes

Good management is of great importance to FRIDAY and the appropriateness of the corporate governance is continuously monitored by the company.

The company's governance structure is illustrated in the chart below.



FRIDAY governance structure consists of a clear division of responsibility between the Board of Directors and the Executive Committee. As key functions, the Risk Management department, Actuarial Function, Compliance Function and Internal Audit department carry out the oversight responsibilities.

- The Board of Directors is vested with the broadest powers to act in the name of the company. It delegates the daily management of the company as well as the representation of the company in relation to such daily management to the Dirigeant Agréé. It may create specialized committees such as a risk, Audit and Executive Committee and determines amongst others its/their composition and powers, as well as the terms of the appointment, removal, and duration of the mandate of its/their members.

- The main role and responsibility of the Executive Committee is to discuss and determine FRIDAY's insurance activities. The Executive Committee proposes the general strategy of the Company to the Board of Directors and ensures the effective application and implementation of the strategy throughout FRIDAY.
- The Dirigeant Agréé is the chairman of the Executive Committee. He is vested with an overall responsibility on the Company due to its function. He is the representative of the Company before the Commissariat Aux Assurances.
- Amongst the members of the Executive Committee, a CEO is designated by the Board of Directors. The CEO is in regular contact with the Board of Directors and ensures that communication of all relevant information is done in due time. He is also the main contact of the Shareholders.
- The General Representative of the branch is the local country head. He is in charge of the daily management of the activities performed by the branch and represents the branch towards third parties.
- The effective implementation of the strategy is performed by the management whose tasks are concentrated on the integration of the strategy in every department throughout the company.
- All key functions, i.e. Risk Management Function, Actuarial Function, Compliance Function and Internal Audit department are assigned to the Dirigeant Agréé assuring independency from the operational business. The independence is further guaranteed through direct access to the Audit Committee and the Board of Directors.

Board of Directors

Composition of the Board of Directors

The company's Board of Directors is composed of at least three members who are appointed by the general meeting of shareholders. The members are non-executive directors and a managing director (Dirigeant Agréé). Members of the Board of Directors are appointed for the duration of one year. Withdrawing managers are eligible for re-election.

All Board members must have equivalent access to information and resources to perform their duties. The group of non-executive directors should have collective knowledge of all important company activities. The non-executive directors are individually sufficiently qualified and have as a group the necessary knowledge to perform their supervisory task.

Board members regularly update their skills and improve their knowledge of the Company. They have an excellent understanding of FRIDAY's activities and of the group's structure.

Functioning of the Board of Directors

The Board meets regularly or as often as necessary to ensure effective accomplishment of its obligations (at least three times a year). Most of the Board of Director's meeting must be held in Luxembourg, at the premises of the head-office.

The Board of Directors elects a Chairman from among its members and meets upon call by the chairman. The Board of Directors can only act validly if at least a majority of the Directors are present or represented at a meeting of the Board of Directors. Decisions are adopted by a majority vote of the Directors present or represented at a Board of Directors meeting. In the case of a tie, the chairman has a casting vote.

The considerations are reflected in the meeting minutes to be signed by the Chairman of the Board of Directors.

The Board also appoints a Secretary, who does not have to be a Board member. The Secretary ensures the implementation of the rules and procedures governing the operation of the Board, under the authority of the Chairman. The Secretary drafts the meeting minutes, noting any decisions taken by the Board.

The Chairman of the Board shall ensure, with the assistance of the Secretary and the Executive Management, that the Directors receive timely and adequate information enabling them to perform their duties in an informed manner.

In order to support the Board of Directors, specialized dedicated committees were created. Their functioning and reporting is outlined below.

Main roles and responsibilities of the Board of Directors

The Board of Directors is responsible for the company's management. It is vested with the broadest powers to act in the name of the company and delegates the daily management of the company as well as the representation of the company in relation to such daily management to the Dirigeant Agréé. The Board of Directors may create specialized committees such as a Risk, Audit and Executive Committee and determines amongst others its/their composition and powers, as well as the terms of the appointment, removal, and duration of the mandate of its/their members. The Board of Directors is responsible for the supervision of the Committee's activities. It validates the company's general strategy as proposed by the Executive Committee.

As a collective body, the Board acts in the corporate interest of FRIDAY and serve all the shareholders by ensuring the long-term success of the Company. As an individual, each member of the Board is committed by a duty of loyalty towards FRIDAY and its shareholders. Each member exercises his mandate with integrity and commitment, and independently of any conflict of interest.

In case a board member would be in a conflict of interest situation that could not be avoided, he would inform the Board of such conflict and will refrain from deliberating or voting on the issue concerned (except for everyday transactions entered into normal conditions). Any abstention due to a conflict of interest would be indicated in the minutes of the Board meeting and disclosed at the next General Meeting of Shareholders (according to legal provisions).

Board level Committees

The Board of Directors can set up, when appropriate, specialized committees. The introduction of these committees may not influence the responsibilities of the Board.

The company's Board of Directors has established an Audit Committee.

Audit Committee

Composition of the Audit Committee

The Board of Directors appoints the members and the Chairman. The Chairman of the Audit Committee is not the Chairman of the Board of Directors.

The Committee is collectively expert in the area of finance, financial management and financial reporting, accounting and controlling. The members of the Audit Committee must have experience in the field of insurance and/or finance and accounting.

In exercising their assignment, the members have the required objectivity and independence in respect of the Executive Committee.

Members of the Audit Committee are non-executive Directors.

According to Luxembourg Law dated 23 July 2016 on audit profession, when all the members of the Audit Committee are also members of the Board of Directors, independence status of a majority of Audit Committee members towards the Company is not required.

Functioning of the Audit Committee

The Audit Committee can only make valid recommendations if at least half of the members are present in person. Decisions are taken with an absolute majority of votes. In case of a tie, the director chairing the meeting has a casting vote.

The Audit Committee can decide to be assisted by expert parties and can invite third parties for discussing specific agenda items.

The Audit Committee meets at least two times a year.

Roles and responsibilities of the Audit Committee

The Audit Committee has the following responsibilities (Luxembourg Law 23 July 2016 on audit profession, Article 52 §6):

- Communication of the audit results on annual accounts to the Board of Directors;
- Monitoring of the annual accounts elaboration process;

- Checking of the efficiency of internal controls related to the annual accounts;
- Monitoring of the implementation of any finding expressed by the regulator;
- Checking of the external auditor independence (i.e. supply of non-audit services);
- Responsibility of the external auditor selection process (rotation rule).

In addition, as part of the good governance practices of overseeing the organization and operation of internal and external control systems, the Audit Committee is also responsible for:

- checking that the company has effective internal control systems, risk management and independent control functions;
- monitoring the activities of the internal audit: approval of the audit plan, resources used, activity reports, audit reports were issued and measures put in place to remedy any deficiencies discovered by the internal auditors.

Executive Committee

Role of the Executive Committee

The main role and responsibility of the Executive Committee shall be to discuss and determine FRIDAY's insurance activities, within the limits of the powers delegated by the Board of Directors and in accordance with the Luxembourg law of 10 August 1915 on commercial companies. The Executive Committee shall propose, but not approve, the general strategy of the Company to the Board of Directors and ensures the effective application and implementation of the strategy throughout FRIDAY, including all branches of the Company. The approval of the general strategy is exclusively reserved by the Luxembourg law of 10 August 1915 on commercial companies to the Board of Directors.

Composition of the Executive Committee

The Executive Committee shall be composed of at least two members and shall form a collegial body.

Each member of the Executive Committee has the necessary competences, knowledge and experience in all important activities of the Company, especially in respect of the topics under their direct responsibilities.

Each member of the Executive Committee has to meet the fit and proper requirements as defined by the Luxembourg insurance law dated 07.12.2015 and must be notified to the Commissariat Aux Assurances.

The Executive Committee is composed of the Dirigeant Agréé (Authorised Manager) and FRIDAY's Managing Directors, including the CEO.

The Executive Committee is supervised by the Board of Directors.

Specific tasks and responsibilities are delegated to the Executive Committee.

Within the limits of Article 441-11 of the Luxembourg law of 10 August 1915 on commercial companies, the tasks of the Executive Committee are, amongst others but not limited to, the following:

- Proposition of the general strategy of the Company to the Board of Directors, in order to achieve the Company's objectives, it being understood that the general strategy shall exclusively be decided by the Board of Directors,
- Determination and follow-up of the implementation of the strategic and operational objectives that ensures the effective application of the Company's strategy,
- Approval of the allocation of human and financial resources that are necessary for the achievement of the Company's objectives and approval on the human resources strategy,
- Coordination of the Company at operational level and communication with the management units of the Company (including with the Company's branch(es) and hubs),
- Discussion of monthly financial and operative performance of countries and hubs,
- Preparation of annual and quarterly closing of accounts and business plan in view of approval by the Board of Directors,
- Regular reporting to the Board of Directors,
- Information to the Board of Directors in case of material events affecting the Company.

Specific tasks and responsibilities delegated to the Dirigeant Agréé (Authorised Manager)

Amongst the members of the Executive Committee, the Dirigeant Agréé (Authorised Manager) is designated by the Board of Directors. This function is regulated under the Luxembourg law on insurance sector and the person designated has been agreed by the Commissariat Aux Assurances (CAA).

The Authorised Manager is, in addition to his powers as member of the Executive Committee, also vested with overall responsibility as Dirigeant Agréé in relation to the daily management powers according to the limitations set forth in the Company's Articles of Association, and is the representative of the Company before the Commissariat Aux Assurances and other public administrations in Luxembourg. His tasks, competencies and responsibilities are aligned with applicable legislation, particularly tax and regulatory provisions. In order to be able to achieve his responsibilities, the Authorised Manager shall have rights of information and objection on the matters in relation with the said responsibilities.

The following tasks (it being understood that such list is not exhaustive), competencies and responsibilities are assigned to the Authorised Manager in his capacity as Dirigeant Agréé:

- Appointment of the key functions (Risk Management, Actuarial, Compliance, Internal Audit) of the Company, taking into account the fit and proper principles. The Authorised Manager shall have rights of information towards the key functions, taking into account applicable laws and regulations.
- Representing the Company before the Commissariat Aux Assurances and other public administrations in Luxembourg, including material communication towards the CAA, the

supervision and filing of regulatory reporting vis-à-vis the competent authorities in Luxembourg (including Solvency II).
- Approval (or pre-approval) of the policies of the Company to the extent approval is not required by the Board of Directors,
- Set-up of an internal control system ensuring the reliability of the internal reporting and of the financial reporting process,
- Management of the internal control function and procedures (in particular the independent controls),
- Set-up of an internal audit procedure and management of the internal audit function.

Main changes during the year

The Executive Committee has been set-up in 2020 and the Company's corporate governance has been revised according to the descriptions above.

The Audit Committee composition has changed in 2020. The number of the members of the Committee was reduced from five to two.

The Board of Directors composition changed in 2020. There were personnel changes and the number of members of the Committee was reduced from five to four.

Key Functions

The company has appropriate key functions.

- They have the necessary privileges, resources, expertise and access within the organization;
- They are independent of the operational activity that they control;
- They report to the Dirigeant Agréé and non-executive directors;
- Their remuneration related to the results of the company is not material.

The following key functions are in place at FRIDAY:

- Actuarial Function;
- Compliance;
- Internal Audit;
- Risk Management.

Composition of key functions

Internal Audit

The internal audit contributes to the good practice of corporate governance and helps the organization to achieve its goals by using a systematic, target-oriented approach to analyse, assess and report on the suitability and efficacy of the three processes of risk management, control and governance.

The internal audit policy describes the governance of the Internal Audit function (intervention scope, governance, roles and responsibilities) as well as its organization (objectives, assignment, powers, activity, competence of internal auditors, reporting, collaboration with Baloise Group Internal Audit, collaboration with other control functions and quality control).

Internal audit works following the standards of the IIA (Institute of Internal Auditors) and the Baloise Group Internal Audit Manual. For the execution of specific tasks, cooperation with external and specialized auditors is required.

The internal audit area covers the systematic assessment of the adequacy and effectiveness of the quality of the internal control system. On the one hand, the Internal Audit ensures that the processes take place as intended and supports the achievement of the company's objectives. On the other hand, recommendations are made to improve the efficacy, efficiency and profitability of these processes.

The domain of Internal Audit is the whole organization and its outsourced functions.

Internal Audit sets up a risk analysis over an annual basis, focused on global risks per domain.

The administrative organizational set-up of Internal Audit at FRIDAY takes into account the company's size.

Internal audits by Baloise Group Internal Audit are also authorized. The effectiveness of audit and compliance functions is also evaluated by the Statutory Auditor who reports to the Audit Committee.

Compliance

The confidence of customers, partners and other actors of insurance and financial market is gained by the high level of values that a company and its sector of activity are able to provide and their capacity to respect general rules.

Values such as attention to the needs and interest of the customer, integrity, honesty, customer's confidentiality, transparency regarding authorities, respect of laws or regulation are the basis of the code of conduct applicable at FRIDAY. The non-respect of these values can lead to a loss of business or reputation, compensation regarding customers, fines or other sanctions from any supervisory authority including the cessation of activities.

For several years, FRIDAY and Baloise Group have implemented an organization that promotes the respect of these values and rules. It is particularly the mission of the management with support of the Compliance Officer to ensure that they are followed.

The Compliance Officer must have sufficient knowledge for the function and the necessary authority to propose, on his own initiative, to the Dirigeant Agréé the adequate measures to implement. The Compliance Officer must respect high standards with respect to integrity, honesty, and reputation. Information made available to Compliance Officer must be treated as confidential under consideration of the respective sensitivity level.

In order to underline his independence, the Compliance Officer has direct access to the Dirigeant Agréé, Board of Directors or Group Compliance without justifying his actions.

The Compliance Function is firstly orientated to the compliance of the company with laws and regulations that are related to the integrity of the insurance business, including the code of conduct. The task of the Compliance Officer consists of checking, judging and encouraging these values.

Special attention is given to the prevention and proactive operating realized by advising, awareness, stimulating and facilitating. These objectives are realized by making available all important procedures, legal information of the companies and extracts from the law to the employees of the company.

Cooperation with the Baloise Group is strong and based on the following principles.

- The Baloise Group Compliance Officer sets up standards;
- The Baloise Group Compliance Officer maintains a network in which Compliance Officers can exchange their knowledge and experience;
- The Compliance Officer delivers his reports to the Group Compliance Officer.

Strategic tasks

- Implementation of and adherence to the Group Compliance Policy and the Compliance Controlling Guideline;
- Issuing of policies and regulations on compliance subjects;
- Creation of a Compliance Plan (annual planning of compliance activities for local business on the basis of a “risk-based approach”).

Guidance and support

- Guidance and support of the Executive Committee (in particular to the Dirigeant Agréé) in the exercise of the responsibility for compliance;
- Assurance and coordination of contact with the regulatory authorities on compliance-relevant subjects;
- Central point of contact for employees for questions and reports in connection with the code of conduct;
- Regular information and specialist guidance for the employees.

Monitoring

- Due monitoring of the adherence to internal and external (regulatory) provisions;
- Analysis of work processes and identification, assessment and monitoring of existing compliance risks;
- Observation of the local legal development and assessment of possible effects of material planned changes on the company's activity. Early notification of Group Compliance in the event of material changes;

- Co-determination right or escalation right (if approval is not granted by Compliance) for individual subjects such as new products, markets and services;
- Processing of compliance-relevant incidents that have occurred.

Reporting

- Regular reporting with respect to the compliance activity and compliance risks according to the Compliance Controlling Guideline to the local management/the board and to Group Compliance and ad-hoc reporting to these authorities in the event of material compliance-relevant incidents which might result in criminal proceedings of employees or of the company, regulatory measures or reputational damage.

Risk Management

The Risk Manager supervises and monitors the different risks of the company and reports regularly to the ALCO-RICO (Asset Liability and Risk Committee), the Dirigeant Agréé and the Board of Directors.

During the set-up of the Risk Management department the scale and size of the company is taken into account (proportionality principles). The Risk Manager can address himself directly to the Audit Committee and the Board of Directors when required. These privileges must guarantee the independence of the Risk Management and should prevent possible operational conflicts of interest.

With respect to the Risk Management, the company applies the Group-wide Risk Management Standards. These standards are related to organization, responsibilities, methodologies, rules, limits, controlling and reporting. The Risk Management is based upon these standards together with additional legal requirements requested by the supervisor.

The Risk Manager is responsible for the operational execution of the Risk Management policy. This includes:

- Advising the Dirigeant Agréé with respect to the strategic set up of the risk policy;
- Executing concretely and watching over a proactive risk policy;
- The implementation of an integrated Risk Management model;
- The practice of risk controls;
- Awareness and training of employees regarding Risk Management aspects;
- Reporting to ALCO-RICO, Dirigeant Agréé, Board of Directors, Audit Committee and Baloise Group Risk Management.

Actuarial Function

The Actuarial Function assists the management by

- Advising on the actuarial methods used for pricing, the set-up of the technical reserves and reinsurance for the launch of a new product or repricing that can influence the profitability of these products;

- Giving annual advice on the profitability of the products, the Technical Provisions, reinsurance and profit sharing;
- It informs the Dirigeant Agréé and the Board of Directors of the reliability and adequacy of the calculation of Solvency II Technical Provisions;
- The Actuarial Function produces a written report to be submitted to the Board of Directors on an annual basis. The report shall document all tasks that have been undertaken by the actuarial function and their results, and identifies any deficiencies and gives recommendations as to how such deficiencies should be remedied.

The Actuarial Function requires good qualification and necessary knowledge and experience of the applicable standards.

The Actuarial Function also fulfils prudential tasks, for example it certifies the model and methods used in the company that are communicated to the CAA.

Main changes related to key functions

No changes were reported over the reporting period.

B.1.2. Remuneration policy

Remuneration principles and objectives

Principles

The company's success is largely dependent on the skills, capabilities and performance of its workforce. It is therefore essential to recruit, develop and retain suitably qualified, highly capable and highly motivated professionals and executives. The level of remuneration offered by the company is in line with the going market rate and performance-related. The Baloise Group has put in place a remuneration policy that affects also key persons of the company.

Objectives

The objectives of the remuneration system are to further increase the emphasis on performance at the company and to strengthen employees' and executives' loyalty and commitment to the organization.

In addition to paying its staff in line with market rates and according to individual achievement, the company encourages its executives to focus on the longer term and on its shareholder's interests.

Remuneration components

The company views its compensation packages in the round and therefore factors in not only the basic salary plus short- and long-term variable remuneration but also other material and non-material benefits such as pension contributions, additional benefits, and staff development.

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned as well as the employee skills and expertise required in order to achieve the relevant business targets and objectives. When determining the level of its basic salaries, Baloise aims to position itself around the market median. In compliance with its code of conduct Baloise applies the internal fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount.

Short-term variable remuneration

The key factors determining the amount of short-term variable remuneration paid are the company's profitability and economic value added, team-performance and the employee's individual contribution to it. Baloise attaches considerable importance to managing its business sustainably and ensuring a high correlation between the interests of its shareholders and executives. For this reason, considerable proportions of Baloise's senior management's variable remuneration are paid in the form of shares, i.e. members of Baloise's executive board can choose which proportion of the short-term variable remuneration they wish to receive in cash and which as shares, while this choice is limited in such a way that the CEOs must draw at least 40 % of their short-term variable remuneration in the form of shares and members of the Executive Committee must draw at least 30 % of their short-term variable remuneration in the form of shares. These subscribed shares remain blocked for three years and are subject to market risks during this period. In particular, the mandatory emoluments ensure that as responsibility and total remuneration increase, a significant share of the remuneration is paid with a deferred effect. They also promote risk awareness and encourage an economical and sustainable work-ethic.

Short-term variable remuneration components are the performance-related remuneration and those allocations paid via the performance pool.

Performance pool

The performance pool takes account of the entire Baloise Group's performance; its amount is determined by the Remuneration Committee of Baloise Group after the end of the financial year concerned, and it factors in the following indicators resulting from systematic analysis:

- Business performance;
- Capital-markets perspective compared with competitors;
- Risks taken;
- Strategy implementation.

The individual allocation for the members of the Executive Committee is set by the Remuneration Committee. In principle, the most senior management level of the whole Group, as well as the respective functions abroad are considered for the performance pool.

Long-term variable remuneration

In addition, Baloise grants performance share units (PSUs) to the most senior managers as a form of long-term variable remuneration. The PSU program enables the top management level to benefit even more from the company's performance and helps Baloise to retain high performers in the long run.

Short-term variable remuneration, Performance pool and Long-term variable remuneration are only applicable to Board members including the Dirigeant Agréé.

Phantom stock option plan

In 2017, FRIDAY introduced a Phantom Stock Option Plan (PSOP) as long-term variable remuneration instrument for key personnel, that ended at the end of 2020. The PSOP allowed employees to participate in the long-term development of the company's value via virtual stock options and, hence, aligned the interests of employees with the interests of FRIDAY and its shareholders without diluting the company's share capital. Employees participating in the PSOP received virtual stock options after fulfilling specified vesting criteria. The stock options were or will be settled by cash payments in case the required vesting criteria are met.

Employee stock option plan

In 2021, FRIDAY introduced an Employee Stock Option Plan (ESOP) as long-term variable remuneration instrument for key personnel. The ESOP allows certain beneficiaries to participate in the long-term development of the company's value via stock options and, hence, aligns the interests of employees with the interests of FRIDAY and its shareholders.

Employees participating in the ESOP are awarded stock options that are subject to certain vesting criteria. Stock options will generally be settled by delivery of shares, provided that the options are in-the-money and all required vesting criteria are met.

Pension schemes

The company offers an attractive pension solution in Luxembourg in form of defined contributions as part of the 2nd pillar, which fulfils the following objectives:

- It meets the requirements of the insured should the following risk events occur: old age, death or invalidity;
- It permits an appropriate maintenance of a lifestyle enjoyed to date with a sufficiently high substitution rate (1st and 2nd pillar benefits combined) to replace discontinued earnings;
- The employer makes an average contribution to financing of occupational pensions;
- It is forward-looking, sound, can be calculated and is reasonably priced;
- Defined contributions depending on age of insured as well as function within the organization.

The Dirigeant Agréé as well as the key functions are insured in the company's pension scheme. The same terms apply as to employed staff in Luxembourg.

B.1.3. Material Transactions

Over the reporting period the following material transactions with shareholders took place:

- A capital increase was implemented in December 2020. The existing shareholder Bâloise (Luxembourg) Holding S.A. contributed an additional EUR 29 million. The resulting shareholder composition has already been presented in the Chapter *B.1.1 General Information*.

As explained in the previous chapter on remuneration, the options of the company's Phantom Stock Option Plan were or will be settled by cash payments in case the required vesting criteria are met.

Over the reporting period, there were no material transactions with persons exercising a significant influence on the company or with members of the Board of Directors, the Dirigeant Agréé and the General Representative of the German branch.

B.2. Fit and proper requirements

B.2.1. Fit and proper: Policy and process

Fit and proper principles and objectives

The company has a Fit and Proper Policy in place which defines the procedure for assessing the fitness and propriety of persons who are effectively running the company or have a key function.

The critical function holders which are in scope of the policy include the members of the administrative and supervisory body, i.e. the Board of Directors, the Executive Committee (including the Dirigeant Agréé) and the General Representative of the German branch, as well as the key function holders for Risk Management, Compliance, Internal Audit and the Actuarial Function.

Assessment process of key personnel

Fitness Check

Recruitment processes include application and assessment methodologies that ensure previous experience, qualifications, knowledge and skills are all taken into account, with specific references to the competences defined in the job description or role profile.

It is ensured that the management body has the breadth of expertise and experience to understand and continually challenge the company's business operations, strategic initiatives and major transactions.

The collective knowledge, competence and experience of the management body include awareness and understanding of:

- The wider business, economic and market environment in which the company operates;
- The company's business strategy and business model;
- The system of governance (risk management, oversight & controls);
- The financial and actuarial analysis;
- The regulatory framework, requirements and expectations relevant to it.

For external recruits and internal persons promoted to a position in scope of the Fit and Proper Policy, superiors and human resources assess their fitness according to the specific requirements set out in the job description. The superior makes the final decision on a person's required fitness.

Propriety Check

The company requires that a range of specific checks are undertaken for critical function holders, designed to verify that the candidate is honest, of integrity, financially sound and of good reputation.

The company imposes a range of requirements at the recruitment stage for new employees for critical functions or in case of internal promotions. Documentation related to the above verifications should to the extent possible be requested and reviewed by human resources prior to an employment agreement being executed. Formal notes of face-to-face interviews, during which characteristics of propriety are also verified, are prepared by the personnel conducting the interview.

The principles applicable at original appointment, to ensure the key critical function holders are honest, financially sound and of good reputation, apply on an ongoing basis as well.

All critical function holders are required to undertake a code of conduct training on subjects such as regulatory awareness, insider trading, anti-money laundering, and others. The Compliance Function organizes regular trainings on the code of conduct.

The Fit and Proper Policy requires an initial and yearly assessment. They include a self-declaration, a sample of the criminal record, a copy of the passport and a Curriculum Vitae.

Adequacy of Administrative and Supervisory Body

The appointment of Board of Directors members and the Executive Committee members (including the Dirigeant Agréé) is based on a number of key requirements to ensure a sufficient mix of qualifications, competencies and relevant expertise is available to fulfil their responsibilities.

B.3. Risk management system including the ORSA

B.3.1. Risk management system overview

Risk Management is one of the core competences of the Baloise Group. The company has suitable processes, models and structures in place in order to fulfil the need to continuously develop the capabilities as the situation requires and to therefore achieve the optimal result for Baloise. Integrated risk management uses synergies across the group effectively.

Risk management is assigned to the Dirigeant Agréé. Its direct access to the local Board of Directors further guarantees its independence. Risk Management is amongst others responsible for

- Risk measurement under consideration of group guidelines and local constraints;
- Regular risk reporting and ad-hoc escalation in case of critical risk occurrence;
- Conformance with regulatory requirements and the according dialogue.

The decision-making body for all questions relating to Risk Management is the local Risk Committee.

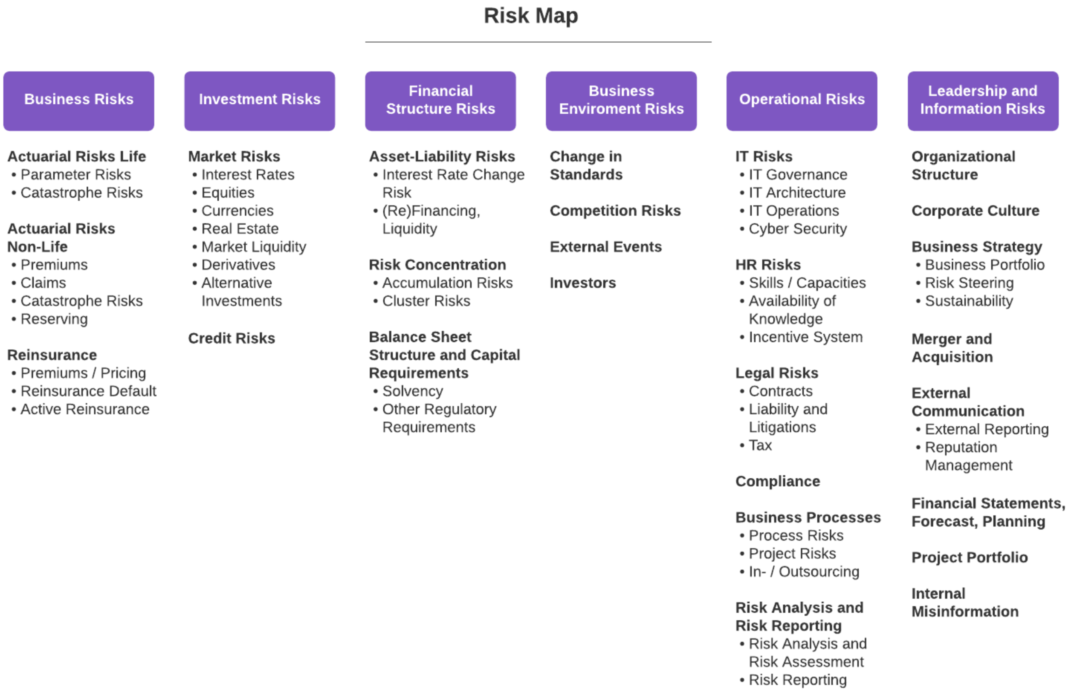
Risk Strategy

The risk strategy is considered the cornerstone of the Risk Management organization. The aim of the risk strategy is to consciously steer the risks taken within defined ranges. Particularly, it aims to harmonize market-based considerations on the one hand and strategic risk concerns on the other hand. Central to the risk strategy is the term "Risk Appetite" which defines the extent to which the company is willing to take on risk in order to achieve strategic goals. Its main components are

- Compliance with regulatory requirements and capital protection;
- Protection of the Profit and Loss Statement of Income

Risks considered as relevant for the company are classified along the so-called "Risk Map" of the Baloise Group. The categorization is performed on three levels:

- Risk category;
- Risk subcategory;
- Risk type.



In order to monitor and steer the risks listed in the Risk Map, Baloise has implemented an extensive group-wide risk management. A holistic approach of an integrated risk management in order to identify, administer and assess risks in the areas internal control, compliance and risk management as well as risk steering is pursued. In addition to purely financial risks, operational as well as strategic and reputational risks are captured and quantified. In this manner, risk management is consistently embedded in the decision-making process. The effectiveness of the risk management becomes visible through amongst others the occurred risks and the effectiveness of the measures taken. The Risk Management and the respective systems and processes are further developed and revised on a continuous basis in order to guarantee long-term efficiency and continuous improvement.

B.3.2. ORSA Process

ORSA Compliance

The purpose of the company's Own Risk and Solvency Assessment (ORSA) is to provide a comprehensive overview of all risks the company is exposed to or could be exposed to in the future, show the way these risks are managed and assess the overall capital requirements needs resulting thereof.

ORSA Governance

In line with the Risk Management organization, the ORSA process is based on the following model:

Risk owners represent the first line of defense for the assessment and management of the identified risks.

Risk controllers represent the second line of defense for the setup of the whole controlling and reporting framework.

The Dirigeant Agréé has the overall responsibility for the execution of the ORSA and has to ensure that results are taken into account in the management of the company. In addition, the Board of Directors is responsible to ensure and verify that the ORSA process is appropriately developed and implemented. After the approval of the ORSA by the Risk Committee, the Board of Directors receives and approves the ORSA report before it is submitted to the regulator.

ORSA Process

The full ORSA reporting process is performed once a year resulting in the review and approval by the Board of Directors. Nonetheless, the ORSA as such is a continuous process in which Risk Management evaluates the impact of strategic decisions on the overall solvency needs. The process is tailored to fit into the company's organizational structure and risk management system with appropriate and adequate techniques to assess its overall solvency needs. It is proportionate to the size and complexity of the company. In addition to the annual ORSA report, an ad-hoc reassessment is performed whenever the risk profile changes significantly.

The risk controllers determine in collaboration with the risk owners the risk's probability of occurrence and the potential loss caused by a specific risk. The risk is then classified according to group-wide limits. The risk grid ("Heat map") maps the standalone risks in connection with the limit system. Should a corresponding threat result, according measures are developed and put in place in order to reduce the risk exposure.

Documentation

The ORSA is documented in the ORSA report, which contains integral management information that is essential for the review and approval by management.

Review and approval

The results of the ORSA are discussed in the Risk Committee and could result in decisions and actions, for which the Risk Management Function will have to ensure the corresponding follow-up.

If the ORSA identifies that the risk profile is not appropriate for the company, or the risk profile significantly deviates from the basic assumptions of the Solvency Capital Requirements calculation, or the governance arrangements are inadequate, the Risk Committee has to set up appropriate action plans for remediation.

The submission of the ORSA supervisory report to the regulator is required within two weeks after the approval by the Board of Directors.

Interaction Capital Management and Risk Management System

On an annual basis a business plan is set up. The projection of the related Solvency Capital Requirements ("Forward Looking Solvency Position") is integrated in the business plan process. Risk increasing initiatives defined in the business plan process are reflected in the forward-looking considerations. The company is in the position to judge if the risks can be accepted without endangering its Solvency position.

B.4. Internal control system

B.4.1. Internal control system overview

The company's internal control system is established as a key component of the integrated risk management framework. Effectiveness, traceability and efficiency of the implemented measures as well as concentration on the relevant risks are considered as important principles for the design and application of internal control. The company's internal control system covers the financial reporting as well as compliance and operational risks.

The company's internal control system pursues the objectives of compliance with laws and regulations, reliability of financial reporting and guaranteeing effective business processes in order to support obtaining company goals. With the implementation of the internal control system, the company aims to raise risk awareness on all company levels and to focus on the identification and steering of essential risks that could threaten proper operational processes and therefore the company's success.

Depending on the risk type to be considered, the company applies entity-wide controls (so-called entity level controls, ELC), general IT controls (so-called IT General Controls, ITGC) and process controls in its internal control system. Measures are integrated in business processes and are performed on all relevant levels of the company. The effectiveness is measured on a regular basis and appropriate measures are initiated in case of shortcomings identified.

The Baloise Group Board of Directors is responsible for an effective internal control system. It defines the objectives, the scope as well as the expansion level of the internal control system. Furthermore, it has to assure an appropriate monitoring regarding the efficiency of the internal control system by the Dirigeant Agréé and receives a regular reporting.

B.4.2. Compliance Function

The company's essential compliance themes are based on the Compliance Standards as referred to in the Baloise Group Compliance Policy. The Compliance Standards include specifications and control objectives for different key topics. Relevant key topics for the company are: data protection and data security, insider trading, embargo/sanctions, anti-trust law/competition law, fraud (including code of conduct), advisory services, corruption/bribery, and supervisory law) that constitute the basis for controlling and regular compliance reporting.

Objectives

The Compliance Function aims to ensure the company's compliance with the laws and regulations in relation with the integrity of the company as an insurance company, including the company code of conduct. It is the Compliance Officer's task to examine, assess and encourage this compliance.

Moreover, special attention is paid to prevention and acting proactively by amongst others providing advice and raising awareness.

Roles and responsibilities

The Board of Directors fosters honorable conduct. Within the framework of its supervisory duty, the Board of Directors regularly verifies whether the company has a suitable Compliance policy and corporate values, as well as an appropriate independent Compliance Function.

At least once a year, the Board of Directors verifies whether the compliance risks are identified and controlled adequately, and that the Compliance policy is suitable for the company's activities.

The Dirigeant Agréé with the support of the Compliance Officer develops a Compliance policy and updates it regularly. This policy defines the company's objectives and identifies and analyses the risks that the company runs in this domain.

The Compliance Officer is responsible for implementing the Compliance policy. It is the Compliance Officer's duty to examine, assess and encourage the observance of the Compliance policy.

The Compliance Officer guides and supports the Dirigeant Agréé and provides explanations about the implementation of the Compliance policy to the Dirigeant Agréé. The Compliance Officer's tasks include proceeding from his expert and advice function, implementing the Compliance policy, reporting to third parties on compliance topics as well as reporting to the Dirigeant Agréé, as well as the Board of Directors and the Baloise Group Compliance Officer regularly.

The key aspects of the Compliance policy are comprised, amongst others, of

- drawing up an annual action plan;
- assessing internal guidelines and procedures;
- raising awareness among all employees about the Compliance policy and training them in this area;
- supervising and testing observance of the compliance rules; formulating compliance recommendations;
- investigating and following up infringements of laws, regulations and deontological codes; the observations are derived from random checks and when the occasion arises in collaboration with Internal Audit;
- fulfilling the duties to report to third parties on compliance topics;

- reporting to the Dirigeant Agréé, Board of Directors and Baloise Group Compliance Officer (at least once a year).

Functioning

The Compliance Function is assigned to the Dirigeant Agréé.

In order to guarantee the function's independence, the Compliance Officer has direct access to the Dirigeant Agréé, the Chairman of the Board of Directors, the members of the Audit Committee and the Statutory Auditor, without needing to give justification and on its own initiative.

The Compliance Officer reports to the Dirigeant Agréé the Board of Directors and Baloise Group Compliance officer at least once a year about compliance risk assessment, compliance realizations, principal attention points and scheduled activities for the following period.

B.5. Internal Audit Function

B.5.1. Internal Audit: organization and governance

Internal Audit objectives and policy

The Internal Audit contributes to the good practice of corporate governance and helps the organization to achieve its goals by using a systematic, target-oriented approach to analyse, assess and report on the suitability and efficacy of the three processes of risk management, control and governance.

The internal audit policy describes the governance of the Internal Audit Function (intervention scope, governance, roles and responsibilities) as well as its organization (objectives, assignment, powers, activity, competence of internal auditors, reporting, collaboration with Baloise Group Internal Audit, collaboration with other control functions and quality control). All internal employees can consult the policy on the intranet.

Internal Audit organizational structure

Internal Audit is an element of Corporate Governance and an instrument of the Board of Directors. It supports the Board of Directors - the most senior corporate body - in performing its top-level management function. In this capacity, the Internal Audit performs its tasks on behalf of the Chairman of the Board of Directors and of the Audit Committee (an organ of the Board of Directors). Regular exchanges are held between internal auditors and Audit Committee.

Internal Audit is organizationally independent of any operating activities. The person carrying out the Internal Audit Function does not assume any responsibility for any other function.

Internal audit functioning, main roles and responsibilities

The Internal Audit area covers the systematic assessment of the adequacy and effectiveness of the quality of the internal control system. On the one hand, the Internal Audit ensures that the processes take place as intended and supports the achievement of the company's objectives. On the other hand, recommendations are made to improve the efficacy, efficiency and profitability of these processes.

Internal audit possesses extensive, unlimited rights to information, inspection and control, which are necessary for it to fulfil its assignments.

Internal Audit applies the standards of the Institute of Internal Auditors (IIA) and of the Baloise Group Internal Audit. It is under the prudential supervision of the CAA.Independence of Internal Audit

Independence principles/criteria

Primarily the “independence” of control functions means that:

- They have an appropriate constitution with the necessary powers, resources, expertise and access within the organization.
- They are hierarchically and organizationally independent from the operational activity to which they relate.
- They report both to executive and non-executive boards in accordance with the established procedures.
- The remuneration of the persons entrusted with these functions is not connected with the profitability of the activity involved.

Internal Audit Function position within the organization

Internal Audit is organizationally independent of any operating activities. The person carrying out the Internal Audit Function does not assume any responsibility for any other function and is an independent assessor of the quality of the internal control system.

Reporting arrangements

Internal Audit has unrestricted access to the Dirigeant Agréé and to the Audit Committee.

The internal audit department can escalate any conclusions to the Board of Directors via the Audit Committee.

B.6. Actuarial Function

B.6.1. Organization and key responsibilities

Actuarial policy and objectives

Detailed regulatory guidance defines the role and responsibility of the Actuarial Function. FRIDAY has implemented this model.

Key objectives of the Actuarial Function are to

- ensure proper data, models and processes to calculate the Technical Provisions in accordance with Solvency II;
- comment on the appropriateness of an insurer's underwriting and pricing policy;
- comment on the appropriateness of an insurer's reinsurance program, and to
- contribute to risk management.

Organization structure

The Actuarial Function reports directly to the Dirigeant Agréé.

The Actuarial Function holder fulfills all fit and proper criteria including the internal criteria regarding necessary knowledge and experience of the applicable standards.

Roles and responsibilities

The Actuarial Function is required to report in writing to management at least once per year on the function's key objectives as stated above. Any such report shall document all tasks that have been undertaken by the Actuarial Function as well as their results, and shall clearly identify any deficiencies and give recommendations as to how such deficiencies should be remedied.

B.7. Outsourcing

B.7.1. Outsourcing policy and key aspects

Overview of the outsourcing policy

The outsourcing policy defines principles and procedures which have to be adhered to before and after the contract with an external service provider has been signed. It ensures that the interests of all relevant stakeholders are considered by prohibiting outsourcing in case one of the following occurs:

- Endangerment of the continuous and satisfactory provision of services to customers;
- Significant impairment of the quality of the company's processes;

- Unduly increase in risk;
- Endangerment of the governance system;
- Impairment of the ability to monitor compliance with the company's obligations.
- The principles cover topics such as responsibility, requirements on the skills and resources of the provider and its continuous monitoring, compliance with laws and regulations and minimum contractual contents.

The policy further demands that several pre-defined stages have to be completed for any function to be outsourced. First, the current state has to be analysed on whether the function or process is legally and economically viable to be provided by a second party. After the decision has been made in favor of outsourcing, a formal tender begins. After the most suitable bidder is chosen and the contract signed, the outsourcing has to be integrated in the governance framework of the company. The business relationship has to be actively managed in line with its nature and scope. This includes the monitoring and control of the services provided, the data safety and the risk situation as well as the evaluation whether the external service provider has implemented adequate emergency plans.

Critical outsourced services

The company does not outsource key functions. The following critical services are (partially) outsourced.

Outsourced Activity	Location of Service Provider	Internal / External
Investment advice	Switzerland	Internal
Claim handling and customer service	Germany	External
Contract administration	Germany	External
Computation resources and data storage	Luxembourg, Germany	External

"Investment advice" concerns intragroup outsourcing.

B.8. Adequacy of the system of governance

The system of governance in place at FRIDAY is considered as adequate to the nature, scale and complexity of the risks inherent in the company's business. Adequacy is confirmed through the governance principles in line with regulatory requirements. Furthermore, the fit and proper process applied, together with the company's code of conduct ensures the adequacy of key personnel.

B.9. Any other information

No supplementary information or risks in addition to the information previously disclosed is considered material.

C. Risk Profile

C.1. Underwriting Risk

For FRIDAY non-life underwriting risk is the risk arising from non-life insurance obligations including health underwriting risk similar to non-life. Hereafter, underwriting risk is referred to in relation to the perils covered and the processes used in the conduct of business. The non-life underwriting risk is related to the core business of the company, namely the premium and reserve risk and the catastrophe risk.

This risk refers to uncertainty as to the occurrence, amount and timing of insurance liabilities. In particular underwriting risk arises from the possibility that premiums are not sufficient to cover future claims, contract expenses and extremely volatile events.

As of year-end 2020 FRIDAY's capital requirements for non-life underwriting risk amount to EUR 11,914.8 thousand as measured by the Solvency II standard formula. The non-life underwriting risk is composed of premium and reserve risk as well as catastrophe risk which are described below in more detail. The largest share of the underwriting risk stems from the planned growth in underwriting activities in the upcoming year impacting significantly the premium risk.

As of year-end 2019, the capital requirement for non-life underwriting risk was reported at EUR 10,811.7 thousand. The change in the reporting period is due to the planned growth in underwriting activities as explained before.

C.1.1. Risk Exposure

The non-life business of the company consists of the following lines of business (LOB) according to the definitions applied by Solvency II:

- **Income protection insurance** (LOB2): Income protection insurance obligations where the underlying business is not pursued on a similar technical basis to that of life insurance;
- **Motor vehicle liability insurance** (LOB4): Insurance obligations which cover all liabilities arising out of the use of motor vehicles operating on land;
- **Other motor insurance** (LOB5): Insurance obligations which cover all damage to or loss of land vehicles;
- **Fire and other damage to property insurance** (LOB7): Insurance obligations which cover all damage to or loss of property other than those included in the lines of business 5 and 6 due to fire, explosion, natural forces including storm, hail or frost, nuclear energy, land subsidence and any event such as theft;
- **Assistance** (LOB11): Insurance obligations which cover assistance for persons who get into difficulties while travelling, while away from home or while away from their habitual residence.

Assistance is not offered as standalone product but only as product integrated into the motor insurance (LOB4 and LOB5).

- **Miscellaneous financial loss** (LOB12): Insurance obligations which cover employment risk, insufficiency of income, bad weather, loss of benefit, continuing general expenses, unforeseen trading expenses, loss of market value, loss of rent or revenue, indirect trading losses other than those mentioned above, other financial loss (non-trading) as well as any other risk of non-life insurance not covered by the lines of business 1 to 11.

The non-life underwriting risk is primarily dominated by premium and reserve risk. Premium risk only relates to future claims, and originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected. Reserve risk only relates to incurred claims, i.e. existing claims. It originates from claim sizes being greater than expected, differences in timing of claims payments from expected, and differences in claims frequency from those expected.

Premium and reserve risk

Premium risk is the risk that calculated insurance premiums are based upon wrong assumptions resulting in insufficient premiums to cover the related small risks (frequency uncertainty). This risk is covered by the standard formula and the calculation is mainly based on the level of premiums by line of business.

The following table contains the net earned premiums by line of business during the year 2020.

Non-Life Net Earned Premiums

	2020
EUR '000	
Income protection insurance	149.0
Motor vehicle liability insurance	17,170.0
Other motor insurance	11,309.1
Fire and other damage to property insurance	80.0
General liability insurance	−10.0
Assistance	192.6
Miscellaneous financial loss	47.6
Total	**28,938.3**

It should be noted that the net premiums earned for the General liability insurance business are negative due to a reinsurance premium which has already been paid but no gross business sold per year-end 2020.

The reserve risk results from fluctuations in timing and amount of claim settlements. This risk is covered by the Solvency II standard formula and the exposure is mainly driven by the volume of reserves by line of business.

The following table contains the net Best Estimate reserves by line of business as of year-end 2020.

Non-Life Net Best Estimate

	2020
EUR '000	
Income protection insurance	−117.1
Motor vehicle liability insurance	18,170.7
Other motor insurance	7,022.6
Marine, aviation and transport insurance	-
Fire and other damage to property insurance	−71.3
General liability insurance	-
Legal expenses insurance	-
Assistance	−67.9
Miscellaneous financial loss	−25.6
Total	**24,911.5**

The main exposure of premium and reserve risk stems from the more material lines of business of the company.

Catastrophe risk

The non-life catastrophe risk is the risk that a single event, or series of events, of major magnitude, usually over a short period, leads to a significant deviation in actual claims from the total expected claims. The company is exposed to the following risks:

- Natural catastrophe risk;
- Man-made catastrophe risk;
- Other non-life catastrophe risk.

C.1.2. Risk Concentration

The concentration risk in non-life business may arise due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

The underwriting activity of the company is limited to the German market, therefore no geographical diversification exists at the level of the company.

C.1.3. Risk Mitigation

The insurance risk (and particularly the catastrophe risk) is mitigated by reinsurance. Most of the treaties subscribed by the company are treaties by excess of loss, i.e. non-proportional reinsurance. The reinsurance program is setup and placed on the market by Baloise Group Reinsurance.

The sufficiency of premiums (premium risk) is mitigated by regular profitability analysis on a product by product basis. Mitigation measures are derived in case the portfolio differs from the tariff basis in order to prevent lasting damage to the company. In addition, the IFRS liability adequacy test ensures the sufficiency of premiums under the IFRS accounting standard.

In order to avoid attracting or retaining high risk profiles (anti-selection risk), several actions are taken:

- Tariff segmentation: Tariffs are calculated so that the premium offered to the customer is adapted to the actual risk.
- Bonus Malus: A bonus malus system is in place for the main products to adjust the premium in case of deviation of the risk.
- Term of contract of one year: The term of contract is at most one year for all products which enables a timely reaction to introduce mitigating measures in relation with the portfolio management in case needed.

C.1.4. Risk Sensitivity

FRIDAY applies various sensitivity and scenario analysis to those parameters that influence the underwriting risk. The analysis comprises the differing stress levels to each parameter according to Solvency II and the SST, respectively.

The principal driver of the underwriting risk is the premium and reserve risk which is directly related to the volume of premiums and reserves.

The stress tests considered for premium risk, reserve risk and catastrophe risk did not result in a Solvency II Ratio below 100% on a standalone basis.

C.2. Market Risk

Market Risk is the risk associated with the balance sheet positions where the value or cash flow depends on financial markets. It is reflected by losses that arise from changes or fluctuations in market prices. The degree of risk depends on the extent to which market prices fluctuate and on the level of exposure.

Risk factors include:

- Equity market prices;
- Property market prices;
- Interest rate risk;
- Credit spread changes;
- Currency exchange rates;
- Concentration risk.

As of year-end 2020, the global market risk for the company amounts to EUR 4,639.4 thousand. It is mainly driven by the interest rate risk and the spread risk as stated below:

Gross SCR for Market Risks

	2020
in EUR '000	
Interest rate risk	3,693.5
Equity risk	41.9
Property risk	-
Spread risk	2,748.5
Market risk concentrations	154.4
Currency risk	39.5
Diversification within market risk module	−2,038.4
Risk-Module level values	4,639.4

The following sections specifically address the interest rate risk, foreign currency risk, equity risk, spread risk, property risk and concentration risk that are relevant for the company.

As of year-end 2019, the capital requirement for market risk was EUR 3,584.9 thousand. The increase during the reporting period is driven by the increase in bond investments due to the capital increase impacting both the Interest rate risk as well as the Spread risk.

C.2.1. Risk Exposure

Interest rate risk

Interest rate risk is the risk that the company's interest margin, and therefore its income, may be reduced by fluctuations in money-market and capital-market interest rates (income effect), or that the fair value of a portfolio of interest- rate sensitive products may decline (asset-price effect).

As of year-end 2020 the interest rate sensitive exposure of our own assets amounts to EUR 76,290.7 thousand under the Solvency II framework.

Foreign currency risk

The foreign currency risk describes the potential financial loss generated by changes in the exchange rates between currencies. The extent of the effective currency risk depends on:

- Net foreign currency exposure, i.e. the balance between currency assets and liabilities;
- The volatility of the respective currencies;
- The correlations of currencies with other risk parameters in the portfolio context.

As of year-end 2020 the company holds a minor position in currency sensitive assets and liabilities.

Equity risk

The company is exposed to risks from price fluctuations on equity securities. Equity risk exposure includes common stocks, linked to equity unit trusts.

As of year-end 2020 the company has a very limited equity exposure following the investment into FRIDAY Technology Sp. z o.o.

Spread risk

Spread risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the Risk-free Interest Rate term structure.

As of year-end 2020 the spread sensitive exposure of our own assets amounts to EUR 72,189.0 thousand.

Property risk

The property risk arises from investments in real estate due to negative developments with respect to the level or the volatility of market prices.

The company's own assets are not exposed to property risk as of year-end 2020.

C.2.2. Risk Concentration

Market risk concentration risks can stem either from lack of diversification in the asset portfolio or from large exposures to default risk by a single issuer of securities or a group of related issuers.

As of year-end 2020 the company is exposed to a limited concentration risk within the market risk that stems from an investment in a bond exposure in order to be able to generate appropriate investment income despite the persistent, global low-interest rate phase.

C.2.3. Risk Mitigation

In order to limit and monitor the company's exposure to market risk, several mitigating measures are in place.

A conservative policy on asset allocation is applied. Regular reporting on the evolution of the company's assets allows for a close monitoring of the risk exposure.

In order to limit the spread risk, the investment in a single issuer or debtor is restricted sufficiently. Rules are explicitly defined in the according Group Directive.

C.2.4. Risk Sensitivity

Very similar to the processes for analysing underwriting risk, FRIDAY applies various sensitivity and scenario analyses to those parameters that influence the market risk.

Based on the analysis of the sensitivities on a standalone basis, i.e. when ignoring any diversification effects between the individual risks, the company's market risk exposure is driven by interest rate and spread risk. The sensitivities considered do not result in a Solvency II Ratio below 100%.

C.3. Counterparty Default Risk

C.3.1. Risk Exposure

Counterparty default risk relating to assets held by insurance companies refers to the total potential downside risk arising from deterioration in the credit quality of a borrower or issuer. Counterparty default risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings.

The risk increases when counterparties become concentrated in a single sector or geographic region. Economic trends that affect whole sectors or regions can jeopardize an entire group of otherwise unrelated counterparties.

The counterparty default risk takes into account the following components:

Type 1: Counterparty default risk exposures where diversification is low, and the counterparty is likely to be rated. For the company the exposure is mainly driven by its cash account balance.

Type 2: All remaining counterparty default risk exposures, such as insurance receivables arising from policyholders and intermediaries.

As of year-end 2020, the gross Solvency Capital Requirements for counterparty default risk amount to EUR 1,180.1 thousand, mainly driven by Type 2 exposure.

As of year-end 2019, the capital requirement for counterparty risk was EUR 691.7 thousand. Both Type 1 and Type 2 exposure increased during the reporting period.

C.3.2. Risk Concentration

No significant risk concentration with regards to counterparty default risk is observed. Although a concentration in bank deposits exists when considering the single name exposures, the deposits are distributed across different counterparties.

C.3.3. Risk Mitigation

In order to account for the significance of counterparty default risk stemming from spread and counterparty default risk, the company tracks counterparty exposure at all times and monitors counterparty default risk from a global point of view.

To restrict the counterparty default or accumulation risk in the company, the proportion that may be invested in a single issuer or borrower is strictly limited in the Group-wide Risk Management Standards. In addition, reinsurance contracts can only be concluded if they have been approved by Baloise Group Finance. In general, transactions may only be made with reinsurers that have a minimum rating by Standard & Poor's of "A". This rule excludes captives and pools as reinsurers which are usually not rated.

The relevant rules are explicitly defined in the Group investment policy.

To limit the counterparty default risk exposure stemming from policyholders, an adequate procedure of credit check score of the customer before offering a contract and for the recovery of receivables is in place.

C.3.4. Risk Sensitivity

Overall, in terms of the capital position of FRIDAY per year-end 2020, measured according to the standard formula applicable according to Solvency II, the gross Solvency Capital Requirement by type of counterparty risk before diversification effects amounts to EUR 495.4 thousand for Type 1 exposure and EUR 762.1 thousand for Type 2 exposure. The sensitivities considered do not result in a Solvency II Ratio below 100%.

C.4. Liquidity Risk

Typically, liquidity risk is referred to as the risk that directly transferable funds, such as cash or bank account amounts, are not available or not available at acceptable cost to an entity when needed to make due payments.

C.4.1. Risk Exposure

The company is exposed to liquidity risk in the sense that a liquidity strain might not be sufficiently offset by the sale of assets or an alternative refinancing might not be in place sufficiently fast.

The company's assets are generally invested in liquid instruments such as government bonds taking into consideration their suitability to match these liabilities.

The most important liquidity risk may be caused by a catastrophic event which could trigger exceptionally large claims or a large number of claims to be received in a short period. Risk mitigating measures such as reinsurance cover limit the liquidity risk arising from such events as full claim amounts are not paid immediately after the event allowing for additional time to liquidate assets. In addition, restrictions on investments are in place in order to further reduce the risk as described in the previous section on counterparty default risk.

It should be noted that catastrophic events are rare and adequate Solvency Capital Requirements for such an event are considered in the company's underwriting risk exposure.

Due to the nature of the business including mostly short-term contracts, no expected profit is considered in the future premium amounts (EPIFP) as of year-end 2020.

C.4.2. Risk Concentration

The company is not exposed to significant liquidity risk concentration.

C.4.3. Risk Mitigation

In addition to local regulation requirements, a central liquidity planning is required by the Group-wide Risk Management Standards. Adequate investment planning and appropriate asset and liability management ensure that the exposure is monitored and managed on a regular basis. Liquidity constraints are considered in the company's business plan and a regular discussion point in the Asset Liability and Risk Committee. Limits for acceptable liquidity risk are defined in the company's Liquidity policy and followed-up on a regular basis via the company's key risk indicator reporting.

C.4.4. Risk Sensitivity

Because liquidity risk is already captured in its material parts by counterparty default risk and operational risk, no additional sensitivities for liquidity risk are calculated.

C.5. Operational Risk

C.5.1. Risk Exposure

For FRIDAY, operational risk covers the risk of financial losses arising from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk also includes legal and compliance risks. Management and information risks (including strategy risks) as well as business and environment risks are considered as separate categories of risk.

The risks are regularly identified, assessed, controlled and steered via the "Own Risk and Solvency Assessment" process. Internal processes deal with a variety of tasks, including the writing of new insurance contracts, managing existing contracts, preparing documents required by regulatory and tax authorities and preparing financial reporting for FRIDAY. Typically, IT systems support these processes, and such systems may not work or not work properly, causing stalled processes or e.g. wrong data or documents. Human error may as well affect the correct execution of business processes.

The operational risk exposure increased during the reporting period driven by the increase in business volumes.

C.5.2. Risk Concentration

FRIDAY has not identified any risk concentration with respect to operational risk during the reporting period. Nonetheless, the current business underwritten is concentrated on the German market. During 2019 the risk concentration with regards to the lines of business Motor liability and Other motor was diversified by the introduction of a Home Content Insurance product.

C.5.3. Risk Mitigation

FRIDAY mitigates its operational risks by various techniques to make processes and systems as robust as possible. These include information security procedures, business continuity planning, ongoing training for employees, clear process descriptions and responsibilities, back-up solutions and double signatures for all key decisions. These process related measures are accompanied by state-of-the-art IT systems.

In addition, process risks resulting from lack of application of procedures or application of inadequate procedures are mitigated by the company's effective internal control system.

In the reporting period, the efficient Business Continuing Management (BCM) has ensured that FRIDAY met the challenging market conditions, especially in the course of the pandemic situation.

For the business operation of FRIDAY the situation translated into a strongly increased fraction of employees working from home. FRIDAY was fully operational on a remote basis from day one. The BCM has defined appropriate measures and reacted quickly to developments. The continuity of business operation was and is successfully ensured without interruption.

C.5.4. Risk Sensitivity

The company bases its quantification of operational risk on the standard formula according to Solvency II. This approach assumes some flat-rate losses on premium volume and size of business portfolio.

As of year-end 2020 the capital requirements for operational risk amount to EUR 1,243.4 thousand as measured by the Solvency II standard formula which represents the impact for the company if all of the negative impacts described would happen at the same time. The considered sensitivity does not result in a Solvency II Ratio below 100%.

C.6. Other relevant information (including other material risks)

Major other material risks include business and environment risks, management and information risks as well as emerging risks.

Business environment risks and management and information risks arise directly or indirectly through the business environment or the strategic activities of a company.

Emerging risks are new or foreseeable risks, which cannot or cannot easily be quantified (for example due to the lack of historical data), but which might have a major financial impact. Identified emerging risks include for example a global pandemic / epidemic, cyber risks and environmental risk.

A quota share reinsurance contract for the German motor business was concluded with an external reinsurance company at the beginning of 2021 with effect in 2021 and 2022. Quota share reinsurance mitigates the existing risk of the FRIDAY by reducing the risk position and thus improving the solvency situation.

D. Valuation for Solvency Purposes

D.1. Assets

D.1.1. Basis, methods and assumptions for the valuation of each material class of assets

Solvency II incorporates the measurement approach for assets according to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). FRIDAY applies these principles already for its contribution to the group financial statements of its ultimate holding company, Baloise Group.

Assets under Local GAAP and Solvency II Valuation

			2020.12
Assets	**Local GAAP**	**Solvency II**	**Difference**
EUR '000			
Intangible assets	85.1	–	−85.1
Property, plant & equipment held for own use	720.3	720.3	0
Property (other than for own use)	–	–	
Equities	–	–	
Government Bonds	27,868.2	29,336.8	1,468.6
Corporate Bonds	40,745.5	41,613.3	867.8
Assets held for index-linked and unit-linked contracts	–	–	
Loans & mortgages	238.6	238.6	0
Reinsurance recoverables	2,870.7	4,102.0	1,231.3
Insurance & intermediaries receivables	166.5	166.5	0
Cash and cash equivalents	10,018.5	10,018.5	0
Other	31,002.4	24,951.5	−6,050.8
Total assets	**113,715.7**	**111,147.5**	**−2,568.2**

Intangible assets

The statutory value of intangible assets consists of the acquisition values deducted by the accumulated regular amortizations. The amortization rate is set at 20% except for the concessions, patents, licenses and trademarks where the amortization rate is between 20% and 25%.

The position is composed of formation expenses, licenses and trademarks.

In the Solvency II balance sheet, the intangible assets are presented with a value of EUR 0.

Property, plant and equipment held for own use

The statutory value of real estate consists of acquisition value minus depreciation. The depreciation rate of plant, machinery and furniture amounts to 10% and the depreciation rate of IT equipment amounts to 33%.

Property (other than for own use)

No investment properties can be found in the portfolio.

Participations

In the Solvency II balance sheet the participation is valued with the equity method, using a Solvency II consistent recognition and measurement for the holding's balance sheet amounting to EUR 190.5 thousand and is included in the other assets. The company is holding 100% of a participation of the company FRIDAY Technology Sp. z o.o. in Warsaw, Poland.

	% of holding	Own Funds	Result of the year	Seat	Solvency II value of participation
in EUR '000					
FRIDAY Technology Sp. z o.o.	100.00%	148.9	−28.4	Warsaw (Poland)	190.5

Financial assets

The statutory value of bonds consists of acquisition value and depreciations based on the „scientific amortized cost“-method. The bond’s market values are obtained from an external source. The whole bond portfolio is exclusively composed of EUR denominated bonds.

Additionally, it can be stated that no derivatives can be found in the portfolio.

Reinsurance recoverable and receivables

In the Solvency II balance sheet insurance receivables, reinsurance receivables as well as other receivables are not subject to revaluation, as depreciations for doubtful receivables are already booked in local GAAP, if we consider the accounting values to be not appropriate. In consequence we consider the receivables to be presented on the basis of our best knowledge.

The reinsurance recoverable is subject to revaluation as the Best Estimate of the liabilities has been recalculated too. It is determined as the difference between the gross and net cash flows coming from the reinsurance contracts.

Deferred tax assets

No deferred tax asset can be found on the balance sheet.

Any other assets

The other assets, excluding the participation, amounting to EUR 24,761.0 thousand concern deferred charges, trade receivables and other accrued income accounts. The main position contains media services deferred charges: the difference between the statutory accounts and the Solvency II value is linked to accrued consumption which is shown as payables in the statutory accounts. The accrued interests are determined for local closing and are not subject to revaluation.

The other accruals on the active side generally concern charges which have been paid in advance. The positions are determined for local closing and are not subject to revaluation.

D.1.2. Reconciliation to Financial Reporting

The differences between the statutory balance sheet and the Solvency II values as well as their financial impacts are already explained in the previous section.

D.2. Technical Provisions

Technical Provisions are the company's allocation of capital to meet the obligations directly related to the insurance business. Following Solvency II principles, they are composed of the Best Estimate and the Risk Margin.

Best Estimate

The Best Estimate is the average of the outcomes stemming from insurance obligations of all possible scenarios, weighted according to their respective probabilities. It can be decomposed in premium provisions and claims provisions. The Best Estimate for premium provisions represents the expected present value of future in- and out-going cash-flows originated from future claims, while the Best Estimate for claims provisions represents the expected present value of future in- and out-going cash-flows originated from outstanding claims.

Risk Margin

A Risk Margin increases the overall value of the Technical Provisions from the discounted Best Estimate to an amount equivalent to a theoretical level needed to transfer the obligations to another insurance company.

D.2.1. Technical Provisions Valuation

Technical Provisions by line of business: overview

Technical Provisions are the largest item on an insurance company’s balance sheet, meaning a company’s financial strength is sensitive to movements in their value.

The tables below provide an overview of the composition of the technical provisions per line of business, separately for the lines business of the segment non-life:

Non-Life Technical Provisions

Technical Provisions by Line of Business

						2020.12
	Premium provisions	Claims provision	Risk Margin	Recoverables from reinsurance	Total Solvency II	Local GAAP
in EUR '000						
Medical expense insurance	-	-	-	-	-	-
Income protection insurance	−120.9	-	7.5	−3.8	−113.4	1.0
Workers' compensation insurance	-	-	-	-	-	-
Motor vehicle liability insurance	9,926.0	12,355.8	1,120.9	4,111.1	23,402.6	12,721.9
Other motor insurance	4,583.1	2,482.6	565.7	43.1	7,631.4	2,899.6
Marine, aviation and transport insurance	-	-	-	-	-	-
Fire and other damage to property insurance	−141.3	23.9	26.2	−46.1	−91.2	30.8
General liability insurance	-	-	-	-	-	-
Credit and suretyship insurance	-	-	-	-	-	-
Legal expenses insurance	-	-	-	-	-	-
Assistance	−89.3	19.0	8.3	−2.3	−61.9	18.7
Miscellaneous financial loss	−27.1	1.5	8.8	−6.4	−16.8	2.1
Non-proportional health reinsurance	-	-	-	-	-	-
Non-proportional casualty reinsurance	-	-	-	-	-	-
Non-proportional marine, aviation and transport reinsurance	-	-	-	-	-	-
Non-proportional property reinsurance	-	-	-	-	-	-
Total	14,130.5	14,882.9	1,737.4	4,095.6	30,750.8	15,674.2

Valuation of the Best Estimate and Risk Margin: methods and key assumptions

Best Estimate

The Best Estimate is calculated using a deterministic approach. It is calculated gross using a cash flow basis with a separate explicit calculation for reinsurance, also using a cash flow basis. Further to the minimum segmentation noted above, the Best Estimate is also split between claims and premium provisions for non-life business.

The cash flows include future cash inflows. Premium provisions are therefore net of future premium receipts which can make them negative.

The Best Estimates must not include margins for optimism or conservatism. Reserves held in excess of the Best Estimate must be excluded from the Best estimate calculation but may still be included for financial reporting purposes.

Cash flows must be discounted for the time value of money. The yield curves for major currencies to apply by currency are supplied by the supervisor and are fixed for each valuation date.

Reinsurance

The Technical Provisions are calculated gross, with reinsurance calculated separately under the same principles. Reinsurance recoveries will continue to allow for expected non-payment whether caused by default or dispute.

Expenses

Managing agents take into account all expenses that would be incurred in running-off the existing business, including a share of the relevant overhead expenses e.g. professional fees. This share should be assessed on the basis that the syndicate continues writing new business. Expense provisions under Solvency II include items such as administrative expenses, investment manager's costs, claims expenses, acquisition expenses and overhead expenses.

Risk Margin

A Risk Margin increases the overall value of the Technical Provisions from the discounted Best Estimate to an amount equivalent to a theoretical level needed to transfer the obligations to another insurance company.

Where the Best Estimate and Risk Margins are calculated separately, which is the case for the vast majority of non-life business, Risk Margins are calculated using a cost of capital approach.

The cost of capital approach requires the Risk Margin to be calculated by determining the cost of providing an amount of eligible Own Funds equal to the Solvency Capital Requirement (SCR) necessary to support the current obligations over their lifetime.

Assumptions

Assumptions used within the calculation of Solvency II Technical Provisions are consistent both with financial market information and "generally available" insurance risk data.

No transitional measures are used.

Uncertainty

The Best Estimate corresponds to the probability-weighted average of future cash flows and will therefore allow for uncertainty in these future cash flows. In this context, allowance for uncertainty refers to the consideration of the variability of the cash flows necessary to ensure that the Best Estimate represents the mean of the full distribution of those cash flows.

Gross and reinsurance cash flows adequately recognize the uncertainty inherent within them, though not through the use of implicit or explicit prudence.

The Best Estimate and the application of the valuation technique, where relevant, may include the following:

- Fluctuations in the timing, frequency and severity of claim events;
- Fluctuations in the period needed to settle claims;
- Fluctuations in the amount of expenses;
- Changes in the value of an index/market value used to determine claim amounts;
- Changes in both entity and portfolio specific factors such as legal, social, or economic factors, where relevant;

- Uncertainty in policyholder behaviour;
- The exercise of discretionary future management actions;
- Path dependency, where the cash flows depend not only on circumstances such as economic conditions on the cash flow date, but also on those circumstances at previous dates;
- Interdependency between two or more causes of uncertainty;
- For the standards claims, uncertainty mostly comes from the evaluation methodology. This is considered in the reserve risk. Another uncertainty can come from the choice of the methodology. Different methodologies are compared and the more adequate one based on expert judgement is used.

For non-life reserves the amount of Technical Provisions is sensitive to changes in claims development.

Allowance for uncertainty does not suggest that additional margins should be included within the Best Estimate.

Changes since last reporting period

There were no material changes in the relevant assumptions made in the calculation of technical provisions during the reporting period.

D.2.2. Reconciliation to Financial Reporting

Statutory lines of business are classified in line with Solvency II lines of business.

Below the difference between the Technical Provisions of the statutory balance sheet is compared to the Solvency II evaluation. The presented results are net of reinsurance. Statutory figures are the sum of the claims provision (provision for unallocated expenses included) and the unearned premiums provisions. Solvency II figures are the technical provision described above.

Technical Provisions by Line of Business

		2020.12
	Local GAAP	Solvency II
in EUR '000		
Medical expense insurance	-	-
Income protection insurance	1.0	–113.4
Workers' compensation insurance	-	-
Motor vehicle liability insurance	12,721.9	23,402.6
Other motor insurance	2,899.6	7,631.4
Marine, aviation and transport insurance	-	-
Fire and other damage to property insurance	30.8	–91.2
General liability insurance	-	-
Credit and suretyship insurance	-	-
Legal expenses insurance	-	-
Assistance	18.7	–61.9
Miscellaneous financial loss	2.1	–16.8
Non-proportional health reinsurance	-	-
Non-proportional casualty reinsurance	-	-
Non-proportional marine, aviation and transport reinsurance	-	-
Non-proportional property reinsurance	-	-
Total	15,674.2	30,750.8

The Solvency II calculations are based on statistics of historic data according to line of business. Resulting cash flows are then discounted using the risk-free curve provided by the supervisor.

The statutory evaluation is done on a case by case basis.

Regarding the claims reserves, the statutory approach is more prudent than Best Estimate calculations and does not take into account discounting. Moreover, the evaluation of the premium provisions in Solvency II is not similar to the principle of the unearned premiums. A loss results when moving from the local accounting standard to the valuation according to the Solvency II regulation, as the total premium provisions are below the unearned premiums. The Risk Margin calculated under Solvency II is not part of the statutory figures.

D.3. Other Liabilities

D.3.1. Basis, methods and assumptions used for valuing other liabilities

The statutory and Solvency II balances concerning other liabilities are composed of the following positions:

Other liabilities

			2020.12
	Local GAAP	**Solvency II**	**Delta**
in EUR '000			
Provisions other than technical provisions	3,612.2	3,612.2	-
Pension benefit obligations	-	-	-
Deposits from reinsurers	-	-	-
Deferred tax liabilities	-	-	-
Insurance & intermediaries payables	344.4	344.4	-
Reinsurance payables	-	-	-
Payables (trade, not insurance)	11,154.2	5,103.4	-6,050.8
Any other liabilities, not elsewhere shown	-	-	-
Other liabilities	15,110.8	9,060.0	-6,050.8

The other provisions are determined in detail for each year-end. They are composed by all quantified risks, which are already known, and charges known but not yet invoiced. The measurement of provisions requires assumptions to be made about the probability, timing and amount of any outflows of resources embodying economic benefits. A provision is recognized if such an outflow of resources is probable and can be reliably estimated. The value of statutory accounts and Solvency II is identical.

The creditors arising out of insurance and reinsurance operations as well as the other creditors are not subject to revaluation, as they have no duration. The position Payables contains a media services deferred charges: the difference between the statutory accounts and the Solvency II value is linked to some accrued consumption which is considered as a net position in the other assets in Solvency II.

D.3.2. Reconciliation to Financial Reporting

The differences in methodology as well as the quantitative impacts between the statutory balance sheet and the Solvency II values are already explained in the previous section.

D.4. Other relevant information

No further relevant information is reported.

E. Capital Management

E.1. Own Funds

E.1.1. Capital management: objectives, policy and processes

Capital is a scarce and strategic resource, which requires a clearly defined, rigorous and disciplined management approach in order to ensure efficient and effective deployment. This approach must balance the needs and requirements of stakeholders including shareholders, regulators, employees and customers.

Objectives

FRIDAY's main objectives in capital management are the following:

- to fulfil the solvency requirements defined by the regulatory frameworks;
- to ensure business continuity and the capacity to develop its activity;
- to pursue the optimal ratio between equity and debt, by ensuring adequate remuneration of all capital and debt sources;
- to determine impact on pricing policies which are consistent with risk levels of each activity sector and,
- to create value to shareholders.

The company has to comply with local laws and regulations and/or local supervisory authorities' requirements regarding a minimum capital. This minimum capital should be maintained as per local legislative framework in order to fulfill its insurance obligations. This minimum level of capital has been continuously maintained during the reporting period.

Moreover, according to internal risk management guidelines, the Solvency needs are also quantified based on the "Swiss Solvency Test", which is a modern, risk-based and market-consistent solvency regime in Switzerland.

Policy

The company has a Capital Management policy in place that sets forth the principles and guidelines applied within the Own Funds management context. It sets forth the overall definition of capital and capital adequacy ratios. The guidelines aim for an effective and optimised capital management. Moreover, the policy highlights the different activities within the capital management framework: capital planning, capital contingency and capital allocation.

In addition, the document displays the governance structure that supports capital management. This policy covers the roles and responsibilities and reporting requirements needed to support the previously mentioned objectives.

Processes

The main goal of the capital management process is to optimise the capital structure, composition and allocation of capital within the company, fund profitable growth and protect the viability and profitability of the insurer. The process also ensures continued eligibility of own fund items through close monitoring of the eligibility criteria.

Capital management planning takes into account the following:

- The required capital linked to expected level of risk and risk appetite, as well as risk assessments;
- Own Funds projected over a time horizon of at least three years;
- The capital level the company wants to hold, taking into account:
  - Legal requirements, and anticipated changes;
  - Growth ambitions, and future capital commitments;
  - Security buffers to ensure that obligations are met.
- Dividend policy (and future capital raising).

Capital allocation is performed based on the following principles:

- Capital (re)allocation based on funding business plans which meet strategic and performance objectives;
- Allocation takes into account optimising expected value creation, risk and capital use.

E.1.2. Own Funds Analysis

Own Funds overview

Under Solvency II, Own Funds represent those funds of the entity that are available to compensate the financial impact of adverse scenarios for the insurer. An insurer needs to hold certain amounts of Own Funds covering specific capital requirements (SCR and MCR).

Own Funds are categorized into three different "Tiers": Tier 1 is the highest class, typically characterized by unconditional availability of the funds in case of losses by the insurer. Funds in Tier 2 and Tier 3 respectively generally have limitations as to the amount of funds available, the conditions for availability or the period during which they are available. Accordingly, an insurer may only use Tier 1 Own Funds to cover capital requirements without restrictions, subject to certain limitations for specific instruments. The Own Funds of FRIDAY entirely consist of unrestricted Tier 1 funds per year-end 2020.

Own Funds structure and composition

Solvency II guidance further distinguishes Own Funds by the way they are funded: Generally speaking, "Basic Own Funds" are fully paid in, whilst "Ancillary Own Funds" are only available by an insurer on demand. All Own Funds of the company are Basic Own Funds.

As of year-end 2020, no Ancillary Own Funds are present and in this way a breakdown is obsolete. The Basic Own Funds exclusively belong to the Tier 1 category.

It should be noted that a capital increase was implemented in December 2020. The existing shareholder Bâloise (Luxembourg) Holding S.A. contributed an additional EUR 29 million.

Analysis of change for all tiers

As the Basic Own Funds of the company only consist of Tier 1 capital, no further remarks are made in addition to the explanations provided previously.

Deductions and restrictions

No deductions and restrictions in addition to the previously described consideration of eligibility criteria is observed. No ring-fenced funds are present.

Basic Own Funds (BOF)

The Basic Own Funds are exclusively composed of reconciliation reserve and ordinary share capital.

Ordinary share capital

The ordinary share capital of the company amounts to EUR 13,852,794 thousand divided into 13,852,794 thousand shares with a designated nominal value of EUR 1 per share.

In December 2020, there was an additional increase of capital for a total amount of EUR 29 million related to the initial Shareholder, Bâloise (Luxembourg) Holding S.A. and a creation of conditional capital of up to 3.05 million shares that may be issued in connection with an employee stock option plan.

Subordinated liabilities

Per year-end 2020 the company has not issued subordinated liabilities.

Reconciliation reserve

The table below reconciles this amount with the Own Funds reporting for the figures year-end 2020.

Own Funds: reconciliation reserve

		2020.12
EUR '000		
Reconciliation reserve		
Excess of assets over liabilities	R0700	71,336.7
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	13,852.8
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	-
Reconciliation reserve	R0760	57,483.9
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	-

The figures represent the difference between local and Solvency II balance sheets: local Own Funds are the sum of the subscribed capital, the reserves and the loss brought forward. The addition of the reconciliation reserves results in the Solvency II available capital. The Own Funds are obtained by deducting foreseeable dividends and any own shares held as items used to reduce the Reconciliation Reserve.

It should be noted that the previously described media-for-equity transaction which is not yet consumed is not considered in the Basic Own Funds under Solvency II as they are not considered to fulfill the criteria to be considered as Own Funds under Solvency II.

Ancillary Own Funds (AOF)

Structure Ancillary Own Funds

No Ancillary Own Funds are present.

Methods of valuation AOF

Not relevant.

E.1.3. Transitional arrangements

No Own Fund items are subject to transitional arrangements.

E.1.4. Eligible amount of Own Funds to cover the SCR and MCR

Eligible Own Funds

The capital structure of the company is explained in the chapter Own Funds Analysis. The table and graph below confirm that the company meets its Solvency Capital requirements.

Own Funds: Eligible Own Funds and capital requirements

		2019	2020				
		Total	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
in EUR '000							
Available and eligible Own Funds							
Total available Own Funds to meet the SCR	R0500	53,783.3	54,200.3	54,200.3	-	-	-
Total available Own Funds to meet the MCR	R0510	53,783.3	54,200.3	54,200.3	-	-	
Total eligible Own Funds to meet the SCR	R0540	53,783.3	54,200.3	54,200.3	-	-	-
Total eligible Own Funds to meet the MCR	R0550	53,783.3	54,200.3	54,200.3	-	-	
SCR	R0580	13,186.8	15,717.6				
MCR	R0600	3,700.0	4,555.0				
Ratio of Eligible Own Funds to SCR	R0620	407.9%	344.8%				
Ratio of Eligible Own Funds to MCR	R0640	1,453.6%	1,189.9%				

The available Own Funds increased with EUR 417.0 thousand during the reporting period driven by the annual result and the capital increase in December 2020. The company's Solvency II quota decreased from 407.9% to 344.8% during the reporting period.

Reconciliation with Financial Statement equity

The delta between the local Own Funds and the Solvency II available capital can be analysed as

Reconciliation with Financial Statement Equity

			2020.12
	Local GAAP	Solvency II	Delta
in EUR '000			
Subscribed capital	13,852.8	13,852.8	-
Revaluation reserves	-	-	-
Reserves	150,084.7	150,084.7	-
Reconciliation to local results	-	−11,594.1	−11,594.1
Adjustment reinsurance	-	1,231.3	1,231.3
Adjustment other assets	-	−3,799.5	−3,799.5
Adjustment technical provisions	-	−15,076.7	−15,076.7
Adjustment other liabilities	-	6,050.8	6,050.8
Benefit brought forward	−45,326.3	−45,326.3	-
Result of the year	−35,680.4	−35,680.4	-
Own Funds*	**82,930.8**	**71,336.7**	**−11,594.1**

* Before deduction of 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.

The previously described media-for-equity transaction which is not yet consumed is not considered in the Basic Own Funds under Solvency II as they are not considered to fulfill the criteria to be considered as Own Funds under Solvency II.

Notable differences in figures resulting from differences in measurement under the Solvency II regime and local accounts are explained in the following:

- The adjustment in reinsurance is linked to the transfer from local reserves to Best Estimate;
- The adjustment of other assets concerns bonds which are valued at a market value different from the local representation and the correction of the deferred charges;
- The Technical Provisions adjustment is linked to the transfer from gross local reserves to gross Best Estimate;
- The adjustment of other liabilities is linked to the correction of the deferred charges.

E.1.5. Deferred Tax Assets

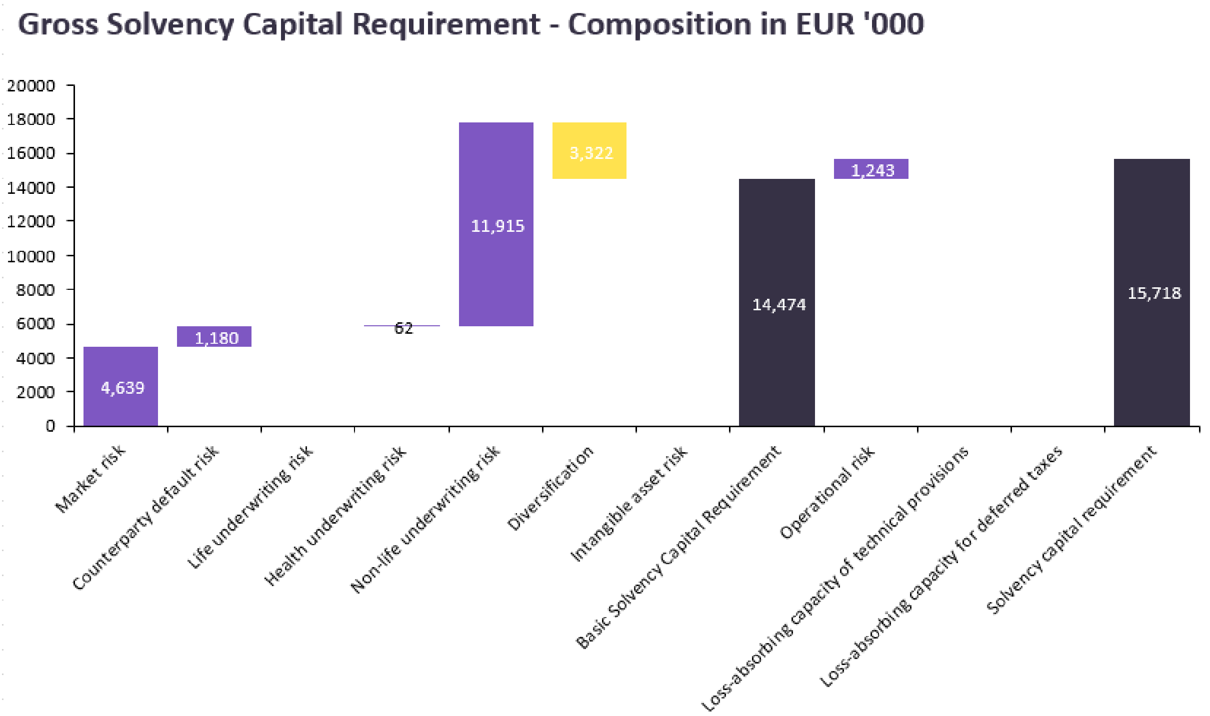
No Deferred Tax Asset has been recognized in the company's Own Funds, thus this section is not applicable.

E.2. SCR and MCR

E.2.1. SCR and MCR: overview and key changes

Solvency position

As of year-end 2020 the Solvency capital requirement of the company amounts to EUR 15,717.6 thousand. This amount is split over the different risk modules of the Solvency II standard formula as illustrated in the waterfall diagram below.



During the reporting period the company's Solvency Capital Requirements evolved as illustrated in the table below.

Gross Solvency Capital Requirement for companies on Standard Formula

	2019	2020
in EUR ‘000		
Market risk	3,584.9	4,639.4
Counterparty default risk	691.7	1,180.1
Life underwriting risk	-	-
Health underwriting risk	62.2	62.0
Non-life underwriting risk	10,811.7	11,914.8
Diversification	−2,562.5	−3,322.1
Intangible asset risk	-	-
Basic Solvency Capital Requirement	12,588.0	14,474.1
Calculation of Solvency Capital Requirement		
Operational risk	598.8	1,243.4
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-	-
Solvency Capital Requirement excluding capital add-on	13,186.8	15,717.6
Capital add-on already set	-	-
Solvency Capital Requirement	13,186.8	15,717.6
Minimum Capital Requirement	3,700.0	4,555.0

The risk module contributing the most to the Basic Solvency Capital Requirement before diversification is the non-life underwriting risk.

Material changes in SCR and MCR

During the reporting period the MCR increased by 23% due to the growing business (calculation based on the written premium and the claims Best Estimate). The SCR increased by 19% during the reporting period due to the change of the Basic Solvency Capital Requirement mainly driven by the Premium Risk due to portfolio development and also by the market risk due to the capital increase, which was invested mainly in bonds.

Information on the inputs used by the company to calculate the MCR

The Minimum Capital Requirement (MCR) as of year-end 2020 is EUR 4,555 thousand.

The information used to calculate the MCR based on the standard formula are the following:

- Technical Provisions without a Risk Margin by line of business after deduction of the amounts recoverable from reinsurance contracts with a floor equal to zero;
- Premiums written for insurance obligations by line of business during the last 12 months, after deduction of premiums for reinsurance contracts, with a floor equal to zero.

E.2.2. Simplified calculations and entity specific parameters

No simplified calculations or specific parameters have been used by the company for the MCR and SCR calculations.

E.2.3. Use of the duration-based equity risk sub-module for SCR calculation

Use and Supervisor approval (Art. 304)

The duration-based equity risk approach is subject to prior supervisory approval. The current application of the approach does not pre-empt any future decision by national supervisory authorities to approve or not to approve such approach.

The company does not apply the duration-based equity risk sub-module for the calculation of its Solvency Capital Requirements.

E.3. Non-compliance with the MCR and the SCR

E.3.1. Amount of non-compliance

FRIDAY has been compliant with the Solvency II Minimum Capital Requirements and the Solvency Capital requirements during the entire reporting period.

E.3.2. Explanations of causes, effects and remedial actions

Not relevant.

E.4. Other relevant information

No supplementary information in addition to the information previously disclosed is considered material.

F. Annex

S.02.01.02. Balance sheet: assets

EUR '000		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	720.3
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	72,140.6
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	190.5
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	70,950.1
Government Bonds	R0140	29,336.8
Corporate Bonds	R0150	41,613.3
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	1,000.0
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	238.6
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	238.6
Reinsurance recoverables from:	R0270	4,102.0
Non-life and health similar to non-life	R0280	4,102.0
Non-life excluding health	R0290	4,105.8
Health similar to non-life	R0300	−3.8
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	166.5
Reinsurance receivables	R0370	86.4
Receivables (trade, not insurance)	R0380	185.0
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	10,018.5
Any other assets, not elsewhere shown	R0420	23,489.7
Total assets	R0500	**111,147.5**

S.02.01.02. Balance sheet: liabilities

		Solvency II value
EUR '000		C0010
Liabilities		
Technical provisions – non-life	R0510	30,750.8
Technical provisions – non-life (excluding health)	R0520	30,864.2
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	29,134.3
Risk margin	R0550	1,729.9
Technical provisions - health (similar to non-life)	R0560	–113.4
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	–120.9
Risk margin	R0590	7.5
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	-
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	-
Risk margin	R0720	-
Other technical provisions	R0730	0
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	3,612.4
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	344.4
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	5,103.2
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	-
Total liabilities	R0900	**39,810.8**
Excess of assets over liabilities	R1000	**71,336.7**

S.05.01.02. Premiums, claims and expenses by line of business: non-life & accepted non-proportional reinsurance (part 1 of 3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0010	C0020	C0030	C0040	C0050	C0060
EUR '000							
Premiums written							
Gross - Direct Business	R0110	-	149.2	-	17,725.8	11,010.6	-
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	-	-	-	474.4	68.6	-
Net	R0200	-	149.2	-	17,251.4	10,942.0	-
Premiums earned							
Gross - Direct Business	R0210	-	149.0	-	17,644.3	11,377.7	-
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	-	-	-	474.4	68.6	-
Net	R0300	-	149.0	-	17,170.0	11,309.1	-
Claims incurred							
Gross - Direct Business	R0310	-	-	-	13,593.9	10,174.2	-
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	-	-	-	2,206.2	69.7	-
Net	R0400	-	-	-	11,387.7	10,104.5	-
Changes in other technical provisions							
Gross - Direct Business	R0410	-	0.0	-	953.7	48.5	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	-	-	-	-	-	-
Net	R0500	-	0.0	-	953.7	48.5	-
Expenses incurred	R0550	-	65.3	-	11,456.2	5,969.6	-
Other expenses	R1200						
Total expenses	R1300						

S.05.01.02. Premiums, claims and expenses by line of business: non-life & accepted non-proportional reinsurance (part 2 of 3)

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0070	C0080	C0090	C0100	C0110	C0120
EUR '000							
Premiums written							
Gross - Direct Business	R0110	129.4	-	-	-	192.5	49.0
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	43.5	10.0	-	-	-	0.0
Net	R0200	85.9	−10.0	-	-	192.5	49.0
Premiums earned							
Gross - Direct Business	R0210	123.5	-	-	-	192.6	47.6
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	43.5	10.0	-	-	-	0.0
Net	R0300	80.0	−10.0	-	-	192.6	47.6
Claims incurred							
Gross - Direct Business	R0310	37.4	-	-	-	−6.4	1.9
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340	-	-	-	-	-	-
Net	R0400	37.4	-	-	-	−6.4	1.9
Changes in other technical provisions							
Gross - Direct Business	R0410	-	-	-	-	0.0	-
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	-	-	-	-	-	-
Net	R0500	-	-	-	-	0.0	-
Expenses incurred	R0550	68.1	0.0	-	-	114.5	21.4
Other expenses	R1200						
Total expenses	R1300						

Assistance relates to an additional coverage for road assistance benefits sold in combination with motor vehicle liability insurance.

S.05.01.02.01 Premiums, claims and expenses by line of business: Non-Life & Accepted non-proportional reinsurance (part 3 of 3)

		Line of Business for: accepted non-proportional reinsurance				
		Health	Casualty	Marine, aviation, transport	Property	Total
		C0130	C0140	C0150	C0160	C0200
EUR '000						
Premiums written						
Gross - Direct Business	R0110	-				29,256.5
Gross - Proportional reinsurance accepted	R0120	-				-
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-
Reinsurers' share	R0140	-	-	-	-	596.4
Net	R0200	-	-	-	-	28,660.0
Premiums earned						
Gross - Direct Business	R0210	-				29,534.7
Gross - Proportional reinsurance accepted	R0220	-				-
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-
Reinsurers' share	R0240	-	-	-	-	596.4
Net	R0300	-	-	-	-	28,938.3
Claims incurred						
Gross - Direct Business	R0310	-				23,800.9
Gross - Proportional reinsurance accepted	R0320	-				-
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-
Reinsurers' share	R0340	-	-	-	-	2,275.9
Net	R0400	-	-	-	-	21,525.0
Changes in other technical provisions						
Gross - Direct Business	R0410	-				1,002.3
Gross - Proportional reinsurance accepted	R0420	-				-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-
Net	R0500	-	-	-	-	1,002.3
Expenses incurred	R0550	-	-	-	-	17,695.2
Other expenses	R1200					192.9
Total expenses	R1300					17,888.0

S.05.02.01. Premiums, claims and expenses by country: non-life obligations

		Home country	Top 5 countries (by amount of gross premiums written) — non- life obligations					Total for top 5 countries and home country (by amount of gross premiums written)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		GERMANY					
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
EUR '000								
Premiums written								
Gross - Direct Business	R0110	-	29,256.5	-	-	-	-	29,256.5
Gross - Proportional reinsurance accepted	R0120	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0130	-	-	-	-	-	-	-
Reinsurers' share	R0140	-	596.4	-	-	-	-	596.4
Net	R0200	-	28,660.0	-	-	-	-	28,660.0
Premiums earned								
Gross - Direct Business	R0210	-	29,534.7	-	-	-	-	29,534.7
Gross - Proportional reinsurance accepted	R0220	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0230	-	-	-	-	-	-	-
Reinsurers' share	R0240	-	596.4	-	-	-	-	596.4
Net	R0300	-	28,938.3	-	-	-	-	28,938.3
Claims incurred								
Gross - Direct Business	R0310	-	23,800.9	-	-	-	-	23,800.9
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0330	-	-	-	-	-	-	-
Reinsurers' share	R0340	-	2,275.9	-	-	-	-	2,275.9
Net	R0400	-	21,525.0	-	-	-	-	21,525.0
Changes in other technical provisions								
Gross - Direct Business	R0410	-	1,002.3	-	-	-	-	1,002.3
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-
Gross - Non-proportional reinsurance accepted	R0430	-	-	-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-
Net	R0500	-	1,002.3	-	-	-	-	1,002.3
Expenses incurred	R0550	-	17,695.2	-	-	-	-	17,695.2
Other expenses	R1200							-
Total expenses	R1300							17,695.2

S.12.01.02.01 Life and Health SLT Technical Provisions

The Quantitative Reporting Template is not relevant for the company and therefore omitted from the report.

S.17.01.02. Non-Life Technical Provisions (part 1 of 3)

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
EUR '000							
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 calculated as a whole	R0050	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	-	–120.9	-	9,926.0	4,583.1	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	–3.8	-	1,206.6	41.1	-
Net Best Estimate of Premium Provisions	R0150	-	–117.1	-	8,719.4	4,542.0	-
Claims provisions							
Gross	R0160	-	-	-	12,355.8	2,482.6	-
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	2,904.5	2.0	-
Net Best Estimate of Claims Provisions	R0250	-	-	-	9,451.2	2,480.6	-
Total Best estimate - gross	R0260	-	–120.9	-	22,281.8	7,065.7	-
Total Best estimate - net	R0270	-	–117.1	-	18,170.7	7,022.6	-
Risk margin	R0280	-	7.5	-	1,120.9	565.7	-
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-
Technical provisions - total							
Technical provisions - total	R0320	-	–113.4	-	23,402.6	7,631.4	-
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	–3.8	-	4,111.1	43.1	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	–109.6	-	19,291.5	7,588.4	-

S.17.01.02. Non-Life Technical Provisions (part 2 of 3)

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0080	C0090	C0100	C0110	C0120	C0130
EUR '000							
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 calculated as a whole	R0050	-	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	R0060	−141.3	-	-	-	−89.3	−27.1
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	−46.1	-	-	-	−2.3	-
Net Best Estimate of Premium Provisions	R0150	−95.2	-	-	-	−86.9	−27.1
Claims provisions							
Gross	R0160	23.9	-	-	-	19.0	1.5
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	-	-	-
Net Best Estimate of Claims Provisions	R0250	23.9	-	-	-	19.0	1.5
Total Best estimate - gross	R0260	−117.4	-	-	-	−70.2	−25.6
Total Best estimate - net	R0270	−71.3	-	-	-	−67.9	−25.6
Risk margin	R0280	26.2	-	-	-	8.3	8.8
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0290	-	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-	-
Technical provisions - total							
Technical provisions - total	R0320	−91.2	-	-	-	−61.9	−16.8
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	−46.1	-	-	-	−2.3	-
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	−45.1	-	-	-	−59.6	−16.8

Assistance relates to an additional coverage for road assistance benefits sold in combination with motor vehicle liability insurance.

S.17.01.02. Non-Life Technical Provisions (part 3 of 3)

		Accepted non-proportional reinsurance				
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0140	C0150	C0160	C0170	C0180
EUR '000						
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 calculated as a whole	R0050	-	-	-	-	-
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	R0060	-	-	-	-	14,130.5
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-	-	-	-	1,195.4
Net Best Estimate of Premium Provisions	R0150	-	-	-	-	12,935.1
Claims provisions						
Gross	R0160	-	-	-	-	14,882.9
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	-	-	-	-	2,906.6
Net Best Estimate of Claims Provisions	R0250	-	-	-	-	11,976.4
Total Best estimate - gross	R0260	-	-	-	-	29,013.4
Total Best estimate - net	R0270	-	-	-	-	24,911.5
Risk margin	R0280	-	-	-	-	1,737.4
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0290	-	-	-	-	-
Best estimate	R0300	-	-	-	-	-
Risk margin	R0310	-	-	-	-	-
Technical provisions - total						
Technical provisions - total	R0320	-	-	-	-	30,750.8
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	-	-	-	-	4,102.0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-	-	-	-	26,648.9

S.19.01.21. Non-life insurance claims: gross claims paid by accident year

Total non-life business
Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												In current year	Sum of years
		0	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**			
in EUR '000		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0160		C0170	C0180
Prior	R0100											-	R0100	-	-
N-9	R0160	-	-	-	-	-	-	-	-	-	-		R0160	-	-
N-8	R0170	-	-	-	-	-	-	-	-	-			R0170	-	-
N-7	R0180	-	-	-	-	-	-	-	-				R0180	-	-
N-6	R0190	-	-	-	-	-	-	-					R0190	-	-
N-5	R0200	-	-	-	-	-	-						R0200	-	-
N-4	R0210	-	-	-	-	-							R0210	-	-
N-3	R0220	36.0	15.5	9.1	1.4								R0220	1.4	62.0
N-2	R0230	3,225.7	1,645.2	285.9									R0230	285.9	5,156.7
N-1	R0240	8,671.0	3,565.7										R0240	3,565.7	12,236.7
N	R0250	14,324.2											R0250	14,324.2	14,324.2
Total	R0260												R0260	**18,177.1**	**31,779.6**

*Shown payments include data before 1 July 2019 based on historical data of transferred insurance portfolio.

S.22.01.21.01 Impact of long term guarantees measures and transitionals

The Quantitative Reporting Template is not relevant for the company and therefore omitted from the report.

S.23.01.01. Own funds: basic own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	13,852.8	13,852.8		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	57,483.9	57,483.9			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
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	17,136.4				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	54,200.3	54,200.3	-	-	-

S.23.01.01. Own Funds: ancillary own funds

The Quantitative Reporting Template is not relevant for the company and therefore omitted from the report.

S.23.01.01. Own Funds: eligible own funds and capital requirements

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
EUR '000						
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	54,200.3	54,200.3	-	-	-
Total available own funds to meet the MCR	R0510	54,200.3	54,200.3	-	-	
Total eligible own funds to meet the SCR	R0540	54,200.3	54,200.3	-	-	-
Total eligible own funds to meet the MCR	R0550	54,200.3	54,200.3	-	-	
SCR	R0580	15,717.6				
MCR	R0600	4,555.0				
Ratio of Eligible own funds to SCR	R0620	344.8%				
Ratio of Eligible own funds to MCR	R0640	1,189.9%				

S.23.01.01. Own Funds: reconciliation reserve

		C0060
EUR '000		
Reconciliation reserve		
Excess of assets over liabilities	R0700	71,336.7
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	13,852.8
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	-
Reconciliation reserve	R0760	57,483.9
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	R0790	-

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
EUR '000				
Market risk	R0010	4,639.4		
Counterparty default risk	R0020	1,180.1		
Life underwriting risk	R0030	-		
Health underwriting risk	R0040	62.0		
Non-life underwriting risk	R0050	11,914.8		
Diversification	R0060	–3,322.1		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	14,474.1		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1,243.4
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	15,717.6
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	15,717.6
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Approach to tax rate		
		C0109
Approach based on average tax rate	R0590	Yes

S.28.01.01. Minimum Capital Requirement: MCRNL result

Linear formula component for non-life insurance and reinsurance obligations

		C0010
EUR '000		
MCRNL Result	R0010	4,555.0

S.28.01.01. Minimum Capital Requirement: background information

Background information

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
EUR '000			
Medical expense insurance and proportional reinsurance	R0020	-	-
Income protection insurance and proportional reinsurance	R0030	-	149.2
Workers' compensation insurance and proportional reinsurance	R0040	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	18,170.7	17,251.4
Other motor insurance and proportional reinsurance	R0060	7,022.6	10,942.0
Marine, aviation and transport insurance and proportional reinsurance	R0070	-	-
Fire and other damage to property insurance and proportional	R0080	-	85.9
General liability insurance and proportional reinsurance	R0090	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	-	-
Legal expenses insurance and proportional reinsurance	R0110	-	-
Assistance and proportional reinsurance	R0120	-	192.5
Miscellaneous financial loss insurance and proportional reinsurance	R0130	-	49.0
Non-proportional health reinsurance	R0140	-	-
Non-proportional casualty reinsurance	R0150	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	-	-
Non-proportional property reinsurance	R0170	-	-

S.28.01.01. Minimum Capital Requirement: Overall MCR calculation

Overall MCR calculation

		C0070
EUR '000		
Linear MCR	R0300	4,555.0
SCR	R0310	15,717.6
MCR cap	R0320	7,072.9
MCR floor	R0330	3,929.4
Combined MCR	R0340	4,555.0
Absolute floor of the MCR	R0350	3,700.0
Minimum Capital Requirement	R0400	**4,555.0**

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

The Quantitative Reporting Template is not relevant for the company and therefore omitted from the report.