



Balcia  
insurance

Balcia Insurance SE  
**Public Quarterly Report**  
4<sup>th</sup> Quarter 2017

The Report prepared in accordance with the Financial and Capital Market Commission Regulations No. 147 "Regulations on Preparation of Public Quarterly Reports of the Insurers" of 31 August 2016.

The Report includes summarised information on the Company's activities over **4 quarters of 2017**. This information is comparable with the previous reporting period.

## Company information

<b>Name of the Company</b>	Balcia Insurance SE (former name BTA Insurance Company SE, until 02.11.2016)
<b>Legal status</b>	European Company
<b>Number, place and date of registration</b>	40003159840, Riga, 1993
<b>Address</b>	K. Valdemara 63, Riga

<b>Members of the Board and their positions</b>	Lauris Boss - Chairman of the Board Kaspars Ummers - Board member Dita Daukste - Board member (till 02.05.2017)
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<b>Members of the Council and their positions</b>	Gints Dandzbergs - Chairman of the Council Pauls Dandzbergs - Deputy Chairman of the Council Marts Dandzbergs - Deputy Chairman of the Council Andrejs Galanders - Member of the Council Agris Dambeniēks - Member of the Council Bronislaw Woznialis - Member of the Council
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<b>Reporting Period</b>	01.01.2017 – 31.12.2017
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### Shareholders

Shareholder	Number of shares	% of the share capital
B5 Holding Limited	26 498	26.50%
HTT Holding Company Limited	25 815	25.82%
MDA Holding Limited	9 797	9.80%
Transporta informācijas aģentūra AS	9 578	9.58%
B6 Holding Limited	9 051	9.05%
Other entities	19 261	19.25%

<b>Face value of one share</b>	142.20 EUR
<b>Subscribed share capital</b>	14 220 000 EUR
<b>Paid-up share capital</b>	14 220 000 EUR

### Foreign branches

Germany, Senefelderstr. 17, 63322 Rödermark  
 United Kingdom, 3B Westwood House, Greenwood Business Centre, Reget Road, Salford, Manchester M5  
 France, 86 rue Anatole France, 92300 Levallois-Perret, Paris  
 Poland, Al. Jerozolimskie 136 02-305 Warszawa  
 Lithuania, Žirmūnų g. 67A, Vilnius LT-09112

## Income Statement

Item	For the Reporting Period	For the Respective Period of Previous Reporting Year
Earned premiums	83 873 423	52 089 258
Other technical income, net	1 351 983	1 186 692
Incurred claims, net	(51 438 956)	(39 111 589)
Changes in other technical reserves	-	-
Gratuities, net	-	-
Net operating expenses	(28 326 342)	(19 487 654)
Other technical expenses, net	(4 076 516)	(2 194 755)
Changes in equalization reserves	-	-
Investment management expenses and commission payments	(195 076)	(199 572)
Net interest income and dividend income	403 059	1 570 170
Net realized profit/(loss) from the amortized cost of financial assets and financial liabilities	-	-
Net realized profit/(loss) from available for sale financial assets	-	-
Net profit/(loss) from financial assets and financial liabilities held for trading	-	-
Net profit/(loss) from the financial assets and financial liabilities classified at fair value through profit and loss	854 665	104 785 525
Revaluation result of foreign currencies	(248 485)	(19 352)
Profit/(loss) from derecognition of tangible assets, investments in buildings for ensuring own activities, investments in property and intangible assets	-	-
Depreciation	(718 787)	(572 206)
Impairment result	(108 461)	666 481
<b>Profit/(loss) for the reporting period before taxes</b>	<b>1 370 507</b>	<b>98 712 998</b>
Corporate income tax	(84 926)	-
<b>Profit/(loss) before taxes for the reporting period</b>	<b>1 285 581</b>	<b>98 712 998</b>

## Indicators by Type of Insurance

Type of Insurance	Gross Premiums Written			Gross Insurance Claims Paid			Net operating expenses
	Total	Contracts in Latvia	including contracts with private individuals	Total	Contracts in Latvia	including contracts with private individuals	
Accident insurance	2 153 148	29 268	-	88 657	15 600	-	679 859
Health Insurance	-	-	-	-	-	-	-
Motor vehicle insurance (other than railway)	3 984 178	507 455	-	2 165 140	104 529	40 906	1 021 404
Railway transport insurance	-	-	-	-	-	-	-
Aircraft insurance	-	-	-	-	-	-	-
Vessel insurance	572	-	-	-	-	-	(53)
Cargo insurance	3102	-	-	-	-	-	785
Property insurance against fire and natural disaster damages and against other risks	14 779 280	703 451	92 439	21 037 786	7 325 891	1 110 000	5 169 772
Civil liability insurance of motor vehicle owners	73 549 527	-	-	32 131 167	313 320	199 347	20 741 355
Civil liability insurance of aircraft owners	-	-	-	-	-	-	-
Civil liability insurance of vessel owners	414	-	-	-	-	-	(219)
General civil liability insurance	984 578	528 196	-	397 070	344 986	26 138	183 451
Loan insurance	-	-	-	-	-	-	-
Guarantee insurance	917 062	108 803	-	2 569 592	2 298 098	-	132 531
Insurance of various financial losses	383 827	-	-	-	-	-	88 745
Insurance of legal expenses	-	-	-	-	-	-	-
Assistance insurance	1 190 181	117 353	-	424 099	8 072	-	308 712
<b>Total</b>	<b>97 945 869</b>	<b>1 994 526</b>	<b>92 439</b>	<b>58 813 511</b>	<b>10 410 496</b>	<b>1 376 391</b>	<b>28 326 342</b>

Type of Insurance	Loss Indicator (Accepted Compensation Claims, Net/Earned Premiums, Net)	Expense Indicator (Net Operating Expenses + Other Technical Expenses, Net - Other technical income, Net)/ Earned Premiums, Net)	Combined Indicator (Loss Indicator + Expense Indicator)
Accident insurance	5.09%	31.35%	36.44%
Health Insurance	-	-	-
Motor vehicle insurance (other than railway)	57.63%	29.30%	86.93%
Railway transport insurance	-	-	-
Aircraft insurance	-	-	-
Vessel insurance	(116.26%)	(93.21%)	(209.47%)
Cargo insurance	6.14%	40.33%	46.47%
Property insurance against fire and natural disaster damages and against other risks	46.55%	40.18%	86.73%
Civil liability insurance of motor vehicle owners	62.86%	40.31%	103.17%
Civil liability insurance of aircraft owners	-	-	-
Civil liability insurance of vessel owners	-	(520.72%)	(520.72%)
General civil liability insurance	17.39%	30.38%	47.77%
Loan insurance	-	-	-
Guarantee insurance	979.44%	42.29%	1021.73%
Insurance of various financial losses	1.74%	64.54%	66.28%
Insurance of legal expenses	-	-	-
Assistance insurance	52.82%	30.65%	83.47%
<b>Total</b>	<b>61.33%</b>	<b>39.49%</b>	<b>100.82%</b>

## Balance Sheet

Item	Reporting Period	Previous Reporting Period
Signed but not paid-up share capital	-	-
Tangible assets	462 958	540 356
Investments in land lots and buildings	6 750 493	6 901 761
Intangible assets	951 482	730 253
Investments in share capital of related companies	-	-
Investments in share capital of associated companies	5 790 679	5 208 487
Financial assets held for trading	-	-
Classified as financial assets at fair value through profit and loss	66 763 869	49 540 652
Financial assets available-for-sale	279 080	279 080
Held-to-maturity investments	16 000 000	5 500 000
Loans granted and debtor debts	24 239 919	10 631 928
Accrued income and deferred expenses	15 457 019	13 274 239
Tax assets	-	553 909
Reinsurance contracts	17 806 219	15 064 693
Cash on hand and claims on demand with credit institutions	41 519 358	64 542 446
<b>Total assets</b>	<b>196 021 076</b>	<b>172 767 804</b>
Capital and reserves	55 765 046	58 929 098
Insurance liabilities	118 722 711	101 556 389
Subordinated liabilities	-	1 700 000
Classified as financial liabilities at fair value through profit and loss	-	-
Financial liabilities at amortized cost	17 997 322	8 848 796
Provisions	430 799	304 021
Tax liabilities	212 780	554 946
Accrued expenses and deferred income	2 892 418	874 554
Total liabilities	140 256 030	113 838 706
<b>Total capital and reserves, and liabilities</b>	<b>196 021 076</b>	<b>172 767 804</b>

## The equity and the Solvency Capital Requirement calculation

Item	Reporting Period
Basic own funds	52 098 239
Deductions of involvement in financial and credit institutions	-
<b>The total basic own funds after deductions</b>	<b>52 098 239</b>
<b>Additional own funds total</b>	<b>-</b>
<b>The available and used own funds</b>	
Total the available own funds to comply with the Solvency Capital Requirement	52 098 239
Total the available own funds to comply with the Minimum Capital Requirement	49 259 751
Total used own funds to comply with the Solvency Capital Requirement	52 098 239
Total used own funds to comply with the Minimum Capital Requirements	49 259 751
<b>The Solvency Capital Requirement</b>	<b>40 851 726</b>
<b>The Minimum Capital Requirement</b>	<b>16 193 439</b>
<b>The own capital in the Solvency Capital Requirement</b>	<b>127.53%</b>
<b>The own capital in the Minimum Capital Requirement</b>	<b>304.20%</b>

## Risk Management Report

### 1. Description

Balcia implements a unified and effective risk management system. Its aim to identify, measure and assess, monitor and control, report and manage on a regular basis, the risks and their interdependencies, at individual and aggregated level, that are inherent or might be inherent in the business activities of Balcia. The Risk Management System is executed through the Balcia Risk Management Policy and Risk Appetite.

The Balcia Risk Management Policy reflects risk management system that is consistent with Balcia's nature, scale and the risks inherent to its operations. The Risk Management System is one of the three building blocks of Governance Program (System of Governance, Risk Management System and Internal Control System), consistent with Balcia's long-term business strategy and objectives.

The risk management system covers all Balcia business areas, but expressly focusses on the following areas:

- **Underwriting and reserving.** This area includes activities undertaken by Balcia to assess and manage the risk of loss or risk associated with adverse changes in the value of insurance liabilities resulting from inadequate pricing and provisioning assumptions. Ensuring data adequacy and quality is an essential part of this area.
- **Asset and liability management.** This area includes activities aimed at managing the structural (e.g. currency) and duration mismatch between assets and liabilities: any dependency between risks of different asset and liability classes; dependencies between the risks of different insurance obligations and effect of relevant risk-mitigating techniques on asset-liability management.
- **Investments** (including derivatives and similar commitments). This area includes activities aimed to ensure that the investments comply with the prudent person principle, upholding the interests of policyholders and insured persons, taking into account Balcia's nature of business and Risk Appetite.
- **Liquidity and concentration risk management.** This area includes activities undertaken by Balcia to:
  - take into account both short-term and long-term liquidity risk that may arise from the non-compliance of composition of the assets in terms of their nature and duration in order to meet the obligations as they fall due;
  - identify the concentration risk and its limits, and actions to determine the impact of possible risks of contagion between concentrated exposures.
- **Operational risk management.** This area includes activities (including the transfer of responsibilities) undertaken by Balcia to identify, document and monitor operational risks, and its impact on the company on regular basis.
- **Reinsurance and other risk mitigation techniques.** This area includes activities undertaken by Balcia to ensure the selection of suitable reinsurance and other risk mitigation techniques in accordance with the Balcia Risk Profile.

The respective risk management regulations for each of the company's business areas are described in Balcia's policies and internal documents.

Balcia's activities are supervised and managed by two bodies: the Council and the Management Board. The Council is responsible for defining main goals, supervision, approving business decisions, controlling the Management Board, and other activities defined by Articles of Association and other Regulations. The Management Board is responsible for developing detailed strategy and other internal rules for achieving objectives, organizing management, communicating with stakeholders, and carrying out other tasks.



The following key functions have been introduced into company's the System of Governance, which are specified by the regulations:

- Internal Audit function;
- Actuarial function;
- Risk management function;
- Compliance function.

## 2. Risk categories

The risk management system covers all risks that Balcia has or may be exposed to while performing its business operations. Risks are allocated among two risk groups:

- SF SCR risks and;
- NSF SCR risks.

All SF SCR risks are classified as Material risks and fall into the risk categories listed below according to Solvency II requirements, which adequately reflect the Balcia Risk Profile:

### 2.1. Insurance risk categories

Insurance risk is defined as a risk category that includes risks of losses associated with events arising from company's insurance contracts coverages.

If the insurance risk can be classified under the sub-categories and its sub-parts of Table 1 according to Solvency II specified risk modules and their sub-modules (corresponding to the SF SCR assumptions), then such risk is classified as Material and belongs to the SF SCR risk group.

**Table 1. Insurance risk sub-categories and its sub-parts.**

Name of sub-category	Sub-category's sub-parts	Description - Causes of risks
Non-life underwriting risk	Risks arising from non-life insurance obligations:	
	Premium risk	the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, as well as from inadequate pricing.
	Reserve risk	the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, and amount of claim settlements, as well as from inadequate assumptions of provisioning.
	Lapse risk	the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.
	Catastrophe risk	the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.
Health insurance underwriting risk	The risks arising from health insurance obligations:	
	Premium risk	the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, as well as from inadequate pricing.
	Reserve risk	the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, and amount of claim settlements, as well as from

		inadequate assumptions of provisioning.
	Lapse risk	the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.
	Catastrophe risk	the risk of loss, or of adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to outbreaks of major epidemics, as well as the unusual accumulation of risks under such extreme circumstances.
Life insurance underwriting risk	The risks arising from life insurance obligations:	
	Longevity risk	the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.
	Expenses risk	the risk of loss or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of the expenses incurred in servicing insurance or reinsurance contracts.
	Revision risk	the risk of loss or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend or volatility of the revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

If there are insurance risks that: 1) result from insurance contracts concluded by Balcia regarding the risks covered therein, and 2) under certain conditions, any of the SF SCR assumptions no longer apply or substantially deviate, then such risks belong to the NSF SCR risk group.

All NSF SCR risks can be classified as Material or Non-material risks, depending on the outcome of the risk assessment process.

## 2.2. Market risk categories

Market risk is defined as a risk category that involves risks associated with adverse changes in financial position that arise directly or indirectly from the volatility and fluctuation of assets, liabilities and FI market prices. This risk covers part of the credit risk that is associated with the market risk concentration.

If market risk can be classified under the sub-categories of Table 2 according to the Solvency II specified risk sub-modules (corresponding to SF SCR assumptions), then such risk is classified as Material and belongs to SF SCR risk group.

**Table 2. Market risk sub-categories.**

Name of category	Sub-category parts	Description – Causes of risks
Market risk	Interest rate risks	Risk of the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates or in the volatility of interest rates. This risk originates from a portfolio of financial instruments and an investment strategy.

Name of category	Sub-category parts	Description – Causes of risks
	Equity risk	Risk of the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
	Property risk	Risk of the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate.
	Spread risk	Risk of 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.
	Currency risk	Risk of the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.
	Concentration risk	risks stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.

If there are market risks that: 1) arise from fluctuations and volatility of the Company's assets, liabilities or FI market price levels; and 2) under certain conditions, any of the SF SCR assumptions no longer apply or significantly deviate, then such risks belong to the NSF SCR risk group.

### 2.2.1. Derivatives

Balcia invests all its assets according to prudent principle manner. Investments are made in FIs whose risks Balcia can adequately identify, measure, monitor and control, report and manage. When investing in derivatives whose nominal exposure exceeds a certain percentage of the Investment Portfolio, it must assess the FI impact on Balcia's capital position.

The use of derivatives is only allowed if they contribute to:

- Effective Portfolio Management. In this case, Balcia demonstrates how the use of derivatives improve the quality, safety, liquidity or profitability of investment portfolio;
- Risk reduction or risk mitigation. Balcia documents and demonstrates the effectiveness of risk mitigation using derivatives.

Balcia currently does not hold derivatives.

### 2.3. Counterparty default risk (including credit risk) categories

The counterparty default risk (hereinafter - CDR) is a risk category that reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors over the following 12 months. The counterparty default risk covers risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries, as well as any other credit exposures which are not covered under the spread risk.

If the CDR risk can be classified under the sub-categories of Table 3 according to the Solvency II specified risk sub-modules (corresponding to the SF SCR assumptions), then such risk is classified as Material Risk and falls within the SF SCR risk group.

**Table 3. Counterparty default risk sub-categories.**

Name of category	Sub-category	Description – Causes of risks
CDR	Type 1 exposures  (banks, reinsurers)	Risks, which consist of exposures in relation to the following: <ul style="list-style-type: none"> <li>• risk mitigation contracts, including reinsurance contracts;</li> <li>• cash at banks;</li> <li>• deposits with ceding companies where the number of single name exposures does not exceed 15;</li> <li>• commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid, where the number of single name exposures does not exceed 15;</li> <li>• legally binding commitments which the undertaking has provided or arranged and which may create payment obligations depending on the credit standing or default on a counterparty including guarantees, letters of credit, letters of comfort which the undertaking has provided.</li> </ul>
	Type 2 exposures  (intermediary debts, policyholders' debts, others)	Risks, which consist of all credit exposures which are not covered under the spread risk and which are not type 1 exposures, including the following: <ul style="list-style-type: none"> <li>• Receivables from intermediaries;</li> <li>• policyholders debtors;</li> <li>• mortgage loans;</li> <li>• deposits with ceding companies where the number of single name exposures exceeds 15;</li> <li>• commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid where the number of single name exposures exceeds 15.</li> </ul>

If there is CDR that: 1) arise from contracts concluded by the Company or possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors, and 2) under certain circumstances, any of the SF SCR assumptions no longer apply or significantly deviate, then such risks belong to NSF SCR risk group.

**2.4. Operational risk categories**

Operational risk is defined as a risk category that includes the risks of inadequate or failed internal processes, personnel errors or internal fraud, systems or external events. Operational risk includes legal risk (legal uncertainty); however, excludes risks arising from strategic decisions as well as reputation risk.

If the operational risk can be classified under the sub-categorization of Table 4 according to the Solvency II specified risk module assumptions (corresponding to the SF SCR assumptions), then such risk is classified as Material and belongs to the SF SCR risk group.

**Table 4. Operational risk sub-category breakdown.**

Name of category	Sub-category	Description – Causes of risks
Operational risk	Process risk	Risk of loss arising from an inadequate or failed internal process.
	Personnel risk (including fraud)	Risk of loss arising from inadequate human resource management policy, intentional or unintentional action or inaction of employees.
	System risk	Risk of loss arising from inadequate or non-existent information technology, system and / or information security violations, or lack of information security measures resulting in incomplete, inconsistent and misleading data.
	External event risk	Risk of loss arising from actions or external factors.
	Legal risk (legal uncertainty)	The risk of loss arising from legal proceedings, adverse court ruling, unenforceable agreements affecting the company's operational activities or position.

If there are operational risks that: 1) can not be classified as belonging to one of the sub-categories in Table 4, and 2) under specific conditions, any of the SF SCR assumptions no longer apply or significantly deviate, then such risks belong to the NSF SCR risk group.

### 3. Risk management process

The risk management process includes risk identification, measurement and assessment, monitoring and control, reporting and management actions.

#### 3.1. Risks identification

Risk identification is integrated into the following business processes:

- Development of new insurance line or product, as well as amendments to existing ones;
- Purchase of financial instruments;
- Changes in operational processes;
- Any daily decision-making, if it involves potential risk;
- Reporting on operational incidents, events or losses;

#### 3.2. Risk Measurement and Assessment

All identified risks are measured and assessed taking into account:

- SF SCR calculation and/or;
- QQ method.

##### 3.2.1. Risk measurement using SF SCR

If the identified risk is classified as SF SCR risk, then the value of risk shall be determined by (risk measured as) the size of changes in Balcia's Solvency Capital Requirement risk modules and/or risk sub-module using SF SCR. Otherwise, QQ method will be used (see below).

##### 3.2.2. QQ Method

If the identified risk is classified as an NSF SCR risk, then the QQ method is used. For example, using an expert assessment, by obtaining risk's probability and its financial impact, Balcia's risk materiality is determined.

#### 3.3. Risk monitoring and control

All Balcia risks are monitored and controlled on regular basis:

- Material risks are monitored and controlled at least quarterly;
- Non-material risks are monitored once per a calendar year, which are to be revalued on its materiality using the QQ method.

Material risks that are measured and assessed by SF SCR are controlled according to its rating, which is measured by the utilization of risk category to CRA and CRT, i.e. the proportion of the Solvency Capital Requirement of risk modules and/or risk sub-modules categories' value to the size of CRA or CRT. The rating is used as a control tool for management actions of a particular risk category.

Risk monitoring and control is also based on:

- Changes in the amount of material risks from the previous reporting period;
- Forecasts of material risk values;
- Assessment of QQ method – the assessment of risk materiality is based on the financial impact and probability of risk;
- Expert judgement and recommendations.

### 3.4. Risk reporting

Risk reporting enables the Management Board and the Council to assess the impact of the decisions made on Balcia's capital adequacy and provide a basis for assessing the effectiveness of the risk management system.

Each employee reports to the director of its department about potential risks that may pose a threat to Balcia or risks that have already materialised and may affect Balcia's capital.

### 3.5. Management actions

The purpose of management actions is to reduce the risk that Balcia faces or may face in business operations. The following mitigation actions are distinguished:

- Risk reduction - reducing or limiting the exposure to risk or the likelihood of its occurrence;
- Risk transfer - transferring risk management processes to other institutions (eg reinsurance companies);
- Risk acceptance - accepting the risk, without any additional risk elimination measures, when the exposure's impact on Company's operation is Immaterial;
- Risk avoidance - refraining from activities or to halting activities that cause or increase the amount of risk.

#### 3.5.1. Reinsurance

Reinsurance is part of the Risk Management System and one of the essential risk mitigation techniques. Reinsurance transfers risk to other institutions, reducing or limiting the impact of net risks.

Risks are transferred to reinsurance in accordance with the Balcia Risk Appetite. This is done with:

- Obligatory reinsurance contracts; or
- Facultative reinsurance contracts, if:
  - the total sum insured of the object exceeds the limits specified in the obligatory reinsurance contract or is outside the coverage of the obligatory reinsurance contract;
  - the respective insurance line does not have an obligatory reinsurance contract.

### 4. Risk appetite

In order to achieve its strategic goals, Balcia sets the Risk Appetite, which reflects the company's maximum-permissible total risk amount, as well as the amount of each Material Risk that is expressed as the Category risk appetite or Category risk tolerance.

If Balcia's maximum risk level is exceeded, Balcia's Management Board immediately takes appropriate action to mitigate the risks that may affect capital adequacy.

Balcia determines the Risk Appetite taking into account the maximum permissible financial loss both at aggregate and at individual level, impairment of assets or increase in liabilities over a period of one year.

#### **5. Own risk and solvency assessment**

Balcia, at least once a year, carries out an Own Risk and Solvency Assessment (ORSA). It enables Balcia to ensure that:

- it is and will be adequately capitalized in order to achieve its business strategy for a projected period of 3 years;
- it will be adequately resistant against those Material risks to which Balcia is exposed or can be exposed while performing its long-term business objectives.

During ORSA, Balcia performs stress tests and scenario analysis. This is done in order to determine and assess the likely impact of various extreme and adverse events on Balcia's ability to fully honour its obligations under insurance contracts, and to ensure its financial stability.

## Key Cooperation Partners:

### Reinsurers

Reinsurer	Reinsurer's Rating	Rating Agency	Place (Country) of Registration of the Insurer
VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE	A+	Standard & Poor's	Austria
SWISS RE EUROPE S.A. R+V Versicherung AG	AA-	Standard & Poor's	Luxemburg Germany
Peak Reinsurance Company Ltd.	A-	A.M. Best	Hong Kong
Barents Re Reinsurance Company Inc.	A	A.M. Best	Panama

### Reinsurance Brokers

Brokerage Company	Service	Place (Country) of Registration
AON Benfield	Reinsurance mediation	Germany
GENERAL BROKER INTERNATIONAL SRL	Reinsurance mediation	Italy

## Operational Strategy and Objectives

Balcia's operational strategy and objectives aim to make the Company the reliable insurer who satisfies the desires of its customers to receive high quality insurance products in any manner and at any place convenient for the customer.

In order for Balcia to become more available to current and potential customers, we continue to expand our broker network. The main tool Balcia uses to achieve its set objectives is an individual approach toward each customer – in each particular situation Balcia employees offer the best insurance solution to each customer. The entire Company has adopted high customer service standards that are applicable to each and every employee.

Balcia's strategic objectives support continuous, balanced and profitable growth for Balcia and for each country it operates. It is provided by developing the Company as trustable and professional insurer who meets customers' desire to receive quality insurance services. It is achievable by striving for excellence in professional development of employees, customer service, as well as efficiency improvement in business processes.

In order for Balcia to become more accessible to current and potential customers, we keep expanding our range of partners. For achieving its goals Balcia uses an individual approach for cooperation with each insurance partner in any given situation, searching for the best insurance solution for both partner and customer.

## Departments and Branches of the Company

Customer service locations that offer Balcia insurance services can be found here:  
<http://balcia.com/>