UNIPOLRE DAC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

CONTENTS

DIRECTORS AND OTHER INFORMATION

DIRECTORS	E. San Pietro (Italian) - Chairman M.G.V. Sordoni (Italian) - CEO A.H. Tully (New Zealander) - INED S. Hughes – INED L. Zaccherini (Italian)
SECRETARY	M. H. C. Corporate Services Limited
REGISTERED OFFICE	The Watermarque Building Ringsend Road Dublin 4
BANKERS	Bank of Ireland IFSC La Touche House Custom House Dock Dublin 1
	Bank of Ireland Global Markets 2 Burlington Plaza Burlington Road Dublin 4
	Deutsche Bank Spa Via San Prospero, 2 20121 Milan (Italy)
CUSTODIAN OF INVESTMENTS	Northern Trust Fiduciary Services George's Court 54-62 Townsend Street Dublin 2

DIRECTORS AND OTHER INFORMATION (CONTINUED)

SOLICITORS	Mason Hayes and Curran 6 South Bank House Barrow Street Dublin 4
AUDITORS	PricewaterhouseCoopers One Spencer Dock North Wall Quay Dublin 1
Company Registration Number	290539

The directors present their annual report and the audited financial statements of UnipolRe DAC (the "Company") for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

UnipolRe Dac is a composite professional reinsurance company, wholly owned by UnipolSai Assicurazioni S.p.A. writing life and non-life proportional and non-proportional reinsurance business to cedants based mainly in Europe. The Company is A- Rated by AM Best.

2020 was a year of consolidation for the underwriting of UnipolRe's portfolio. It was a benign year for European CAT losses and the Property CAT book was exposed to only minor attritional loss activity. However, UnipolRe is holding reserves for potential Property Business Interruption losses as a result of the COVID-19 pandemic. These reserves remain manageable since UnipolRe's portfolio is not heavily exposed to Property BI. Conversely, UnipolRe is exposed to a large amount of Motor XOL business and the reduction in vehicle usage, as a result of the government lockdown measures, has resulted in a significant reduction in frequency of large bodily injury claims. This, in turn, will give rise to better than expected results from UnipolRe's Motor Liability book of business.

Following on from a period of consolidation, for the 2021 renewals, underwriting discipline was maintained throughout, with the declinature of underperforming business as well as strategically aligning our undertakings in order to maximize the underwriting profit. Furthermore, rate increases were obtained across all major classes and in particular, Property CAT XOL and UK Motor Liability XOL.

Overall, UnipolRe's underwritten estimated income for 2021 is €253M compared to €208M for 2020, with the bulk of the growth coming from positive risk adjusted rate increases on renewal business.

The underwriting measures taken, combined with these rate increases are giving rise to the strongest forecasted performance to date.

The Company continues to improve on operational performance with further refinement of the actuarial pricing tools, subscribing to a new RMS CAT Modelling platform and in the monitoring of profitability throughout the renewal process.

The Company considers its key performance indicators to be its profit for the financial year, as well as on an ultimate basis, earned premiums net of reinsurance, claims incurred net of reinsurance and investment income.

The Company is regulated by the Central Bank of Ireland.

RESULTS FOR THE FINANCIAL YEAR AND BUSINESS REVIEW OF FINANCIAL POSITION AT 31 DECEMBER 2020

The profit and loss account for the year ended 31 December 2020 and the balance sheet at that date are set out on pages 17 to 22.

At year end 2020 the Gross Written Premium was €208.4m (2019: €264.2m), of which Life business accounted for €0.2m (2019: €0.3m). €16.2m was retroceded to the reinsurance market (2018: €8.1m). All of the retroceded business related to the Non-Life business.

The business of UnipolRe can be split between business carried out as a professional reinsurer (mainly Motor , Casualty and Property) and business from Group reinsurance programmes which are in run off. At year end 2020 Gross Written Premium assumed as a professional reinsurer was €206.4m (2019: €260.2m). The decrease of €53.8m was in line with the business plan of the Company and the Risk Appetite approved by the Board of Directors. The Company retroceded premium of €14.6m (2019: €4.1m) related to business carried out as a professional reinsurer. The Gross Written Premium from the Group reinsurance programmes was €1.7m (2019: €4.0m) and was fully retroceded.

All retrocessionaires were carefully selected on the basis of a thorough and constant analysis of their financial and economic status. This is in line with the Risk Appetite Statement and the Reinsurance and Other Mitigations Techniques Policy adopted by the Board of Directors.

The Non-Life business in 2020 resulted in a profit of €5.1m (2019: loss of €13.9m). The Life business in 2020 resulted in a loss of €0.2m (2019: profit €0.5m). **The net technical result for the non-life portfolio was a gain of €7.9m (2019: loss of €9.7m). This net technical result includes commissions of €39.2m (2019: €44.6m)** and the allocation of interests on deposit of €0.27m (2019: €0.31m) but excludes administration expenses and allocation of income.

The Covid-19 pandemic has had a significant impact on the results of different areas of the business over the year. As of 31 December 2020. the company posted €20.7m reserves for expected business interruption claims caused by the pandemic. However, the pandemic has also significantly reduced motor claims volumes and this effect has reduced motor reserves by €16.5m (net of sliding scale commission).

Investment Income was €21.9m (2019: €14.6m). This was mainly made up of interest on Available for Sale (AFS) securities of €6.1m (2019: €5.3m) and foreign exchange gain of €14.5m which are predominantly the result of GBP/Euro and CAD/Euro movements over the course of the year on the assets supporting the technical provisions (2019: foreign exchange gain €7.6m.)

Investment Charges were €13.1m (2019: €8.6m). These were made up of investment management expenses of €0.7m (2019: €0.6m) and foreign exchange loss of €12.5m which are predominantly the result of GBP/Euro and ILS/Euro movements over the course of the year on the technical provisions (2019: foreign exchange loss 8.0m).

RESULTS FOR THE FINANCIAL YEAR AND BUSINESS REVIEW OF FINANCIAL POSITION AT 31 DECEMBER 2020 (CONTINUED)

The gain on realisation of investment was €1.1m (2019: €1.4m). On the Statement of Other Comprehensive Income there is a movement in unrealised gains and losses during 2020 which resulted in a profit of €10.9m (2019: profit of €10.2m). The main driver of this movement was a profit of €11.4m from mark to market valuations and a loss of €0.5m (2019: loss of €1.5m) from derecognition of securities. This variation is due to a decrease in interest rates in the financial markets coupled with an increased duration of the portfolio of financial instruments held by the Company and the increase in the stocks.

The total financial investments of the Company at year end 2020 was €762.1m (2019: €679.5m). Deposits with cedant companies were €93.3m (2019: €74.2m). This increase is due to the higher volume of inward reinsurance programmes in UnipolRe's book of business. Reinsurers share of technical provisions was €90.7m (2019: €104.9m), this fall was due to the run off of the inward group business acceptances which are mostly retroceded.

Debtors decreased from €120.7m in 2019 to €94.7m in 2020 due to decrease in the volume of business written.

The other assets which mainly relate to deposits with credit institutions were €29.7m (2019: €16.4m).

Technical provisions increased by €57.7m from €518.1m in 2019 to €575.8m in 2020. This is mainly due to the increased volume of activity carried out in 2020.

Deposits received from reinsurers, which are related to the old book of business, decreased from €14.7m in 2019 to €10.1m in 2020 due to the decline of this book of business.

Creditors amounted to €17.4m in 2020 (2019: €16.7m).

The exposure to Reinsurers, measured as outstanding premium and advised claim reserves, net of amounts deposited and creditors arising out of reinsurance operations, amounts to €60.1m (2019: €67.0m). Out of this total, €39.0m (2019: €40.7m) relate to counterparties with an S&P rating of AA- and better (or the equivalent thereof), €21.1m (2019: €26.3m) relate to counterparties with an S&P rating below AA-.

The Company reported a profit on ordinary activities before taxation of €9.1m (in 2019 loss of €10.2m). The profit after tax amounts to €7.9m (2019: loss of €9.1m).

FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for ensuring that adequate internal control and risk management procedures are maintained by the Company. Operational responsibility for monitoring, measuring, mitigating and reporting risks connected with the Company's activities rests with the management.

The Company has developed appropriate corporate governance procedures taking into account the regulatory and group requirements. The Directors are aware of the critical need for effective corporate governance, risk management and internal controls in order to guide the Company's business activities, thereby promoting compliance with all relevant laws and regulations.

FINANCIAL RISK MANAGEMENT (CONTINUED)

The risk management activity involves an effective risk management framework including identification, measurement, monitoring, management and reporting of risks to which the business could be exposed. Effective risk management also includes a risk governance process. The key risks monitored include (re)insurance risk, market risk, credit risk, liquidity risk and operational risk.

The most material risk that the company is subject to is (re)insurance risk arising from reinsurance obligations. This includes the risk that the premium incomes are insufficient to compensate future claims, the risk that the reserves are inadequate to cover the settlement costs incurred from past claim events and catastrophe risk arising from extreme or exceptional events. The pricing team, which are independent from the underwriting team, assess the expected profitability and key areas of uncertainties of new and renewing business using best practice pricing techniques within the actuarial control environment including procedures, documentations, referral criteria and peer reviews. This reduces the risk of mis-pricing. The reserves are subject to a reserving process which is led by the Reserving Actuary and also involves input from the Head of Claims, and the Head of Actuarial Function. The reserving process is overseen by the Reserving Committee. This process aims to ensure that the reserves based on best estimate ultimate loss ratios are adequate for each treaty. The Solvency II reserves are signed off by the Head of Actuarial Function, who is independent from the Company, in the form of an Actuarial Opinion on Technical Provisions. The catastrophe risk is mitigated through continuous monitoring of exposures, holding adequate capital and the usage of reinsurance protection.

The Company's market risk is related to the portfolio of financial instruments held by the Company. These are subject to minimum credit limits and specific limits for each asset class. The Board of Directors has adopted a prudent approach to market risk within its investment strategy. The investment policy sets out limits for assets liability matching and sensitivity limits on equity, interest rate and spread risk. The credit risk is related to the exposures with cedants, retrocessionaires and the asset portfolio within the shareholders' funds. These are monitored and mitigated through strict credit limits. The limits in relation to market risk, liquidity and credit risk are monitored on a monthly basis.

Operational risk is monitored, managed and controlled through the risk register process. Each department has their own individual risk register. The risk registers are now in a 3-year testing cycle and are reviewed an updated by the Compliance and Risk function annually. The Compliance function as the second line of defence has responsibility for oversight and monitoring of the risk register framework.

The Company is governed by the regulatory requirements of the Central Bank of Ireland and these involve certain requirements regarding the valuation of the Company's assets and liabilities and solvency capital requirements. The regulatory risks faced by the Company in relation to possible changes in the future regulatory framework are monitored by the Head of Compliance, who reports directly to the Board on any updates or developments in this area.

The Company's Own Risk and Solvency Assessment (ORSA) is a key element of the risk framework, which highlights the link between business strategy, capital management and risk management. The Risk Committee and the Board of Directors play a key role in the ORSA Process. As part of the ORSA, evaluation of the company's future solvency needs based on business plan for the next five years are conducted, along with a wide range of scenario analyses and stress tests performed on the material risks to assess the vulnerabilities of the balance sheet and the business plan. The Emerging and Strategic Risk Register is a key driver in determining the scenarios used in the ORSA and the scenarios are approved by the Risk Committee.

FINANCIAL RISK MANAGEMENT (CONTINUED)

The Board of Directors has approved a Risk Appetite Statement, which outlines the Board's appetite for each risk class and in relation to the overall business. The Risk Appetite Statement includes specific tolerances for each risk class. The specific tolerances for each class are measured against capital absorption limits within the standard formula of the Solvency Capital Requirement under the Solvency II regime. The risk framework also includes a Risk Register which outlines the individual risks associated with each business unit and in relation to the Company as a whole.

PRINCIPAL RISKS AND UNCERTAINTIES

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team and the finance department take on an important oversight role in this regard. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively. The Company has developed a framework for identifying the risks that each business sector, and the Company as a whole, is exposed to and their impact on economic capital. This process is risk based and uses Individual Capital Assessment principles to manage capital requirements and to ensure the financial strength and capital adequacy to support the growth of the business and to meet the requirements of counterparties, regulator and rating agency. The principal risks from our general insurance business arise from inaccurate pricing; fluctuations in the timing, frequency and severity of claims compared to our expectations; inadequate reinsurance protection; and inadequate reserving. In addition, the Company is exposed to financial risks arising from the investments that it holds. These risks are discussed in the section of this report dealing with financial risk management. Our underwriting and reinsurance strategies are approved by the Board and communicated clearly throughout the business through policy statements and guidelines.

Additional disclosure of risk management is presented in note 29 to 30 after financial statements.

GOING CONCERN

The Directors have reasonable expectations, having made appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue. The Directors have made this assessment on the basis of the approved business plan in place and in considering the risks on the business through the use of stresses and scenarios in assessing capital strength. As a result, the Directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

The Company continues to monitor the impacts of Covid-19. To date there have been no developments in relation to Covid-19 that impact the ability of the Company to continue as a going concern. The impact of Covid-19 on the Company's claims reserves has been disclosed in the Principal activities and review of the development of the business section above

DIVIDENDS AND RETENTION

No dividend has been paid during the financial year ended 31 December 2020 (2019: €0). No dividend has been proposed for distribution

DIRECTORS

The directors, who served at any time during the financial year except as noted, are set out below:
E. San Pietro (Italian) - Chairman
M.G.V, Sordoni (Italian) - CEO
S. Hughes - INED
A.H. Tully (New Zealander) - INED
L. Zaccherini (Italian)

DIRECTORS' AND SECRETARY'S INTERESTS IN SHARES

None of the Directors or the Secretary had any interest in the share capital of the company or any group company at 31 December 2020 greater than 1% of voting interests.

POST BALANCE SHEET EVENTS

There are no known post balance sheet events that have a material impact on the company's financial statements.

On 15th January 2021, the UK Supreme Court made a ruling, affecting the Covid-19 related business interruption reserves held by the company. However, the company has analysed the ruling in depth and determined that it does not represent a material impact on reserves.

STATEMENT IN RELATION TO AUDIT INFORMATION

The directors in office at the date of this report have each confirmed that:

- As far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTOR'S COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations.

The directors confirm that they have:

- Drawn up a compliance policy statement setting out the Company's policies respecting compliance by the company with its relevant obligations.
- Put in place appropriate arrangement setting out the Company's policies respecting compliance with the Company's relevant obligations.
- Conducted a review, during the financial year ended 31 December 2020, of the arrangements and structures, referred to above.

AUDIT COMMITTEE

It is noted that the Company has an established Audit Committee.

ACCOUNTING RECORDS

To ensure that proper accounting records are kept in accordance with Sections 281 to 285 of the Companies Act 2014, the directors have employed appropriately qualified accounting personnel and have maintained appropriate computerised accounting systems. The accounting records are located at the Company's registered office at The Watermarque, Ringsend Road, D04 K7N3.

CORPORATE GOVERNANCE CODE

The Company is subject to "The Corporate Governance Code for Credit Institutions and Insurance Undertakings" but is not deemed to be a "major institution" under the terms of the code.

TRANSACTIONS INVOLVING DIRECTORS

There were no contracts or arrangements of any significance in relation to the business of the Company in which the directors had any interests, as defined by the Companies Act, 2014, at any time during the financial year ended 31 December 2020 (2019: €nil).

POLITICAL DONATIONS

The Company did not make any political donations during the financial year (2019: €0).

AUDITORS

The auditors, PricewaterhouseCoopers, Chartered Accountants, have expressed their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by:

____________ Director – Marc Guy Victor Sordoni

____________ Director – Enrico San Pietro

_15th March 2021______

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102 The Financial Reporting Standard and FRS103 Insurance Contracts applicable in the UK and Republic of Ireland ("relevant financial reporting framework"). Under Irish law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of UnipolRe DAC

Report on the audit of the financial statements

Opinion

In our opinion, UnipolRe DAC's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Directors' report and financial statements, which comprise:

- the statement of financial position as at 31 December 2020;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

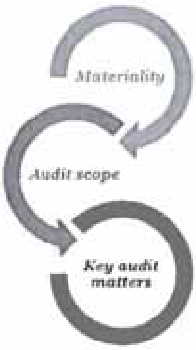
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview



Materiality

- €4,800,000 (2019: €4,656,000)
- Based on 1% of shareholders' funds.

Audit scope

- We have performed a full scope audit on the company's financial statements, based on materiality levels.

Key audit matters

- Valuation of claims outstanding

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of claims outstanding ***Refer to note 1 (Accounting Policies – Outstanding claims), note 17 (Claims Outstanding), note 23 (Claims Development) and note 30 (Insurance Risk Management) to the financial statements***	
The provision for claims outstanding is the company's largest liability and its valuation involves considerable judgement. The provision is determined using complex actuarial calculations and requires the consideration of detailed methodologies, multiple assumptions and significant judgements, particularly for the longer tail classes of business. The level of provisioning has been set on the basis of the information which is currently available, including potential outstanding loss advices, experience of development of similar claims and expected claims settlement expenses.	We evaluated the actuarial methodologies and key assumptions with the assistance of our actuarial specialists. This involved: • assessing the assumptions and methodologies underpinning management's actuarial valuation; • carrying out our own independent valuations for a sample of treaties; and • reconciliation of the actuarial valuation outputs to the financial statements. We also: • tested the design and operating effectiveness of the controls over claims processing and payment;

Key audit matter	*How our audit addressed the key audit matter*
As a result, the valuation of claims outstanding was a key area of focus.	• tested case reserves to treaty statements received from cedents; and • reconciled the data used in the actuarial models to the underlying systems. We concluded that the methodologies and assumptions adopted were appropriate and that the claims outstanding figure was calculated in accordance with these.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€4,800,000 (2019: €4,656,000).
How we determined it	1% of shareholders' funds.
Rationale for benchmark applied	We have selected this benchmark as, in our view shareholders' funds is an appropriate benchmark given the circumstances and the nature of the entity's business. In selecting the benchmark we have also given consideration to the key users of the financial statements.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €240,000 (2019: €232,800) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- checking the consistency of scenarios included in management's going concern assessment with those included in the board approved Own Risk & Solvency Assessment and Business Plan;
- evaluation of management's stress scenarios, as set out in the Own Risk & Solvency Assessment, for the period of the going concern assessment including consideration of whether the stresses were appropriate for assessing going concern;
- evaluation of management's assessment of the likely impact which COVID-19 may have on financial performance and the capital and liquidity positions through the going concern assessment period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Directors' report and financial statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors in 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2014 to 31 December 2020.

Shane McDonald

Shane McDonald
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

23 March 2021

- The maintenance and integrity of the UnipolRe DAC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

- Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

UNIPOLRE DAC

INCOME STATEMENT
TECHNICAL ACCOUNT – NON-LIFE INSURANCE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 €'000	2019 €'000
Gross premiums written	2	208,183	263,939
Outward reinsurance premiums		(16,260)	(8,092)
Change in gross provision for unearned premiums and in the gross provision for unexpired risks	2	18,302	(9,798)
Change in the provision for unearned premiums, reinsurers' share		(3,113)	(7,445)
Earned premiums, net of reinsurance		**207,112**	**238,604**
Allocated investment return transferred from non-technical account		4,546	2,665
Other technical income		675	412
Total technical income		**212,333**	**241,681**
Claims paid, gross amount	2	65,181	55,456
Claims paid, reinsurers' share		(5,550)	(6,590)
Change in the provision for claims, gross amount	2	90,293	135,935
Change in the provision for claims, reinsurers' share		11,004	19,051
Claims incurred, net of reinsurance		**160,928**	**203,852**
Net operating expenses	3	46,305	51,122
Other technical charges, net of reinsurance	2	9	636
Total technical charges		**207,242**	**255,610**
Balance on the technical account – non-life insurance business		**5,091**	**(13,929)**

UNIPOLRE DAC

INCOME STATEMENT
TECHNICAL ACCOUNT - LIFE ASSURANCE
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 €'000	2019 €'000
Gross premiums written	2	244	294
Outward reinsurance premiums		-	-
Change in gross provision for unearned premiums		6	(65)
Change in gross provision for unearned premiums, reinsurers, share	2	-	-
Earned premiums, net of reinsurance		**250**	**229**
Allocated investment return transferred from non technical account		15	14
Total technical income		**265**	**243**
Claims paid, gross amount	2	218	68
Claims paid, reinsurers' share		-	-
Change in the provision for claims, gross amount	2	100	(395)
Change in the provision for claims, reinsurers' share		0	0
Claims incurred, net of reinsurance		**318**	**(327)**
Net operating expenses	3	104	102
Total technical charges		422	(225)
Balance on the technical account - life assurance business		(157)	468

INCOME STATEMENT
NON-TECHNICAL ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 €'000	2019 €'000
Balance on the technical account - non-life insurance business		5,091	(13,929)
Balance on the technical account - life assurance business		(157)	468
Investment income	5	21,862	14,582
Investment charges	6	(13,137)	(8,596)
		13,659	**(7,475)**
Allocated investment return transferred to the non-life insurance technical account		(4,546)	(2,665)
Allocated investment return transferred to the life insurance technical account		(15)	(14)
Other charges		(9)	(82)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	7	**9,089**	**(10,236)**
Taxation (charge)/credit on profit/(loss) on ordinary activities	9	(1,186)	1,148
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		**7,903**	**(9,088)**

The accompanying notes form an integral part of the financial statements.

UNIPOLRE DAC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 €'000	2019 €'000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**7,903**	**(9,088)**
Movement in unrealised gains and losses arising on revaluation of available for sale securities	10,891	10,238
Tax relating to components of other comprehensive income	(1,361)	(1,280)
OTHER COMPREHENSIVE INCOME	9,530	8,958
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**17,433**	**(130)**

UNIPOLRE DAC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Notes	2020 €'000	2019 €'000
ASSETS			
INTANGIBLE ASSETS			
Software	13	303	449
INVESTMENTS			
Investments in group undertakings and participating interests	10	5,137	5,137
Other financial investments	11	762,149	679,477
Deposits with ceding undertakings		93,343	74,271
		860,629	758,885
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums	16	11,809	14,943
Claims outstanding non-life	17	78,902	89,907
Claims outstanding life	17	-	-
		90,711	104,850
DEBTORS			
Debtors arising out of reinsurance operations	12	92,944	117,808
Other debtors (including tax)	12	1,763	2,893
		94,707	120,701
OTHER ASSETS			
Tangible fixed assets	13	160	193
Cash and bank and in hand		29,578	16,231
		29,738	16,424
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		-	-
Other prepayments and accrued income		123	22
		123	22
Deferred acquisition cost		13,662	15,976
TOTAL ASSETS		1,089,873	1,017,307

UNIPOLRE DAC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONTINUED)

	Notes	2020 €'000	2019 €'000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital presented as equity	14	300,635	300,635
Other reserves	15	26,487	26,487
Reserve for Available for Sales securities		24,464	14,934
Profit and loss account		131,472	123,569
		483,058	**465,625**
TECHNICAL PROVISIONS			
Provision for unearned premiums	16	82,615	103,439
Claims outstanding non-life	17	491,738	413,266
Claims outstanding life	17	1,452	1,352
		575,805	**518,057**
DEPOSITS RECEIVED FROM REINSURERS		**10,076**	**14,711**
CREDITORS			
Creditors arising out of reinsurance operations		15,464	15,184
Other creditors excluding tax and social welfare	18	1,890	1,511
		17,354	**16,695**
Deferred tax liability		**3,580**	**2,219**
TOTAL LIABILITIES		**1,089,873**	**1,017,307**

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 15th March 2021 and authorised for issue on 15th March 2021. They were signed on its behalf by:

Director - Marc Guy Victor Sordoni

Director - Enrico San Pietro

15th March 2021

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2020

	Called up share capital	Reserve for Available for Sale Securities	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2020	300,635	14,934	26,487	123,569	465,625
Issue of share capital	-	-	-	-	-
Profit for the financial year	-	-	-	7,903	7,903
Other comprehensive income	-	9,530	-	-	9,530
Dividends paid	-	-	-	-	-
At 31 December 2020	300,635	24,464	26,487	131,472	483,058

2019

	Called up share capital	Reserve for Available for Sale Securities	Other reserves	Profit and loss account	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2019	300,635	5,977	26,487	132,657	465,756
Issue of share capital	-	-	-	-	-
Loss for the financial year	-	-	-	(9,088)	(9,088)
Other comprehensive income	-	8,958	-	-	8,958
Dividends paid	-	-	-	-	-
At 31 December 2019	300,635	14,934	26,487	123,569	465,625

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Companies Act 2014, FRS 102 and FRS 103, the Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements have been prepared on the going concern basis, there being no doubt about the ability of the Company to continue its operations in the future.

The Directors have reasonable expectations, having made appropriate enquiries that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue. The Directors have made this assessment on the basis of the approved business plan in place and in considering the risks on the business through the use of stresses and scenarios in assessing capital strength. As a result, the Directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

The Company continues to monitor the impacts of Covid-19. To date there have been no developments in relation to Covid-19 that impact the ability of the Company to continue as a going concern. The impact of Covid-19 on the Company's claims reserves has been disclosed in the Principal activities and review of the development of the business section above.

The financial statements are prepared in accordance with the applicable accounting standards under the historical cost conversion, except for investments, which have been measured at fair value and debtors, which have been measured at the net realisable value and comply with the accounting standards issued by the Financial Reporting Council.

A summary of the significant accounting policies are set out below:

PREMIUMS AND CLAIMS ACCOUNTING

The annual basis of accounting has been applied to all classes of business.

Reinsurance
The Company accepts reinsurance risk in the normal course of business for life assurance and non-life insurance contracts where applicable. Premiums and claims on accepted reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to cedant companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

The Company retrocedes insurance risk in the normal course of business for all its businesses. Reinsurance assets represent balances due from retrocessionaires. Amounts recoverable from retrocessionaires are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retrocessionaires' policies and are in accordance with the related reinsurance contract. Reinsurance

1. ACCOUNTING POLICIES (CONTINUED)

Reinsurance (continued)
assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the retrocessionaires. The impairment loss is recorded in the income statement. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

Premiums written
Premiums written relate to business incepted during the financial year, together with any difference between booked premiums for prior financial years and those previously reported. Reinsurance premiums are accounted for on the same basis as the gross premiums written.

Unearned premiums
Unearned premiums represent the proportions of the premiums written in the financial year that relate to financial years of risk subsequent to the statement of financial position date. For all classes of business except the bond line of business, unearned premiums are calculated on a pro-rata basis. For the bond unearned premium calculation, the premium is spread over 8 financial years according to the earnings pattern used by the cedant companies.

Reinstatement premium
When the payment of a loss makes the reinstatement premium fall due, the reinstatement premium is simultaneously taken to the technical account and recorded through gross written premiums. For the retrocessionaires' share of the reinstatement premiums a corresponding cost is taken to the technical account and recorded through outward reinsurance premiums.

1. ACCOUNTING POLICIES (CONTINUED)

Reinstatement premium(continued)

Where notified outstanding loss reserves exceed the level of claims which would give rise to a reinstatement premium, a reinstatement premium asset is recognised and included in debtors arising out of reinsurance operations.

A corresponding liability is set up in creditors arising out of reinsurance operations for the retrocessionaires' share of reinstatement premiums.

Movements in the asset and liability are taken to the technical account as other technical income or other technical charges as appropriate.

Unexpired risks provision
Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the provision for unearned premiums ('UPR') and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date.

Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision is included within 'Provision for unearned premiums'.

Outstanding claims
Provision is made for the estimated cost of all claims notified but not settled at the date of the statement of financial position and for the estimated cost of claims incurred but not reported. Reinsurance claims are accounted for on the same basis as gross claims.

The provisions for claims outstanding, and claims incurred but not reported ("IBNR"), have been based on a detailed consideration of the risks by management and directors of the Company, who consider the provisions adequate. The level of provisioning has been set on the basis of the information which is currently available, including potential outstanding loss advices, experience of development of similar claims and expected claims settlement expenses. Whilst the directors consider that the provision levels are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in material adjustments to the amounts provided. Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the financial year in which claims have been reviewed by the Company.

Technical provisions are included at values calculated by the Company's actuaries and reviewed and validated by the senior management of the Company. The method and assumptions for the calculation of the technical provisions required in respect of claims which had been incurred but not reported to the Company by the end of the financial year have been calculated by the Company's actuaries and reviewed by the senior management of the Company.

1. ACCOUNTING POLICIES (CONTINUED)

Acquisition cost
Acquisition costs include all commissions arising from the conclusion of reinsurance treaties with cedant companies and are calculated on a calendar year basis. Deferred acquisition costs are calculated on a pro-rata basis. Reinsurance commissions include all commissions arising from the conclusion of retrocession treaties and are calculated on a calendar year basis.
Deferred acquisition costs are included as an asset in the Statement of Financial Position.

INVESTMENTS

Investment valuation
Listed investments are included in the statement of financial position at market value. Some of the investments are held at amortised cost.

Investments in subsidiary undertakings engaged in reinsurance are stated at cost less provision for any permanent diminution in value.

Investment income and charges
Investment income includes dividends, interest and gains on the realisation of investments. Investment charges include losses on the realisation of investments and investment expenses. Investment transactions are recorded on an accruals basis.

Investment gains and losses
Realised gains and losses are taken to the Income Statement. Unrealised gains and losses related to available for sale (AFS) assets are presented in the Statement of Other Comprehensive Income. The cumulative unrealised gains and losses is included in a separate AFS reserve within equity in the Balance Sheet and a deferred tax liability/asset is recognised in relation to these cumulative unrealised gains and losses.

Allocated investment return
An allocation of investment return from the non-technical account to the non-life and life technical accounts are made on the basis of the actual investment returns related to the non-life and life technical accounts.

Impairment of assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

1. ACCOUNTING POLICIES (CONTINUED)

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the statement of financial position date. Revenues and costs are translated at the exchange rates ruling at the date of the transactions.

Profits and losses arising from foreign currency translations are included in the income statement.

The Company's functional and presentation currency is the euro, denominated by the symbol "€" and unless otherwise stated, the financial statements have been presented in thousands ('000).

TAXATION

Corporation tax is provided on taxable profits at the current rates applicable to the Company's activities.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more or the right to pay less tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse.

BAD DEBT PROVISION

The Company reviews the status of the reinsurance receivables periodically and based on the information received by the Credit Control Department makes estimates affecting the value of such receivables shown in the financial statements. Key factors on these estimations are the credit rating of the counterparty and/or the possibility of entering into litigation.

DEPRECIATION

Depreciation has been provided on all tangible fixed assets at a rate calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition of each asset over its expected useful life as follows:

Computer Equipment	3 years
Office Equipment	4 years

1. ACCOUNTING POLICIES (CONTINUED)

Amortisation on all intangible fixed assets are calculated at rate to write off the cost less estimated residual value based on prices prevailing at the date of acquisition of each asset over its expected useful life as follows:

Software	3 years

SEGMENTAL REPORTING

The Company has adopted segmental reporting as stated in European Union (Insurance Undertakings: Financial Statements) Regulations, 2015 and disclosures about segment results are included on the basis of the classes of business.

PENSION COSTS

The cost of providing retirement pensions and related benefits to staff is by way of a defined contribution scheme and is charged to the income statement as incurred.

CRITICAL JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, In the opinion of the directors, the only accounting estimate and judgement made in the course of preparing these financial statements which is difficult, subjective or complex to a degree that would warrant its description as critical is the estimate of the ultimate liability arising from claims made under reinsurance contracts.

The Company's actuaries apply conventional statistical or actuarial models in order to determine the ultimate liability of claims.

The Covid-19 pandemic has had a significant impact on the results of different areas of the business over the year. As of 31 December 2020 the company posted €20.7m reserves for expected business interruption claims caused by the pandemic. However, the pandemic has also significantly reduced motor claims volumes and this effect has reduced motor reserves by €16.5m (net of sliding scale commission).

CONSOLIDATED FINANCIAL STATEMENTS

The Company is a subsidiary undertaking of a holding company established under the laws of a member state of the European Union. The Company is therefore exempt from the requirement to prepare consolidated financial statements and consequently these financial statements deal with the results of the Company as a single entity.

2. ANALYSIS OF GROSS PREMIUMS WRITTEN, GROSS PREMIUMS EARNED, GROSS CLAIMS INCURRED AND GROSS OPERATING EXPENSES:

	Reinsurance Total 2020	Reinsurance Total 2019
	€'000	€'000
Gross premiums written	208,427	264,233
Gross premiums earned	226,735	254,370
Gross claims incurred	(155,792)	(191,064)
Acquisition costs	(38,584)	(49,450)
Gross other technical income and charges	(9)	(636)
Total Balance	32,350	13,220

All business is written in Ireland relating to risks situated outside of Ireland, mainly in Italy, Greece, France, UK, Belgium, Germany, Turkey, Czech Republic, Switzerland, and Israel. Gross premiums written relating to risks situated inside the European Union amount to €165m (2019: €191.8m). Gross premiums written relating to risks situated outside the European Union amount to €43.4m (2019: €72.4m)

3. NET OPERATING EXPENSES

	2020	2019
	€'000	€'000
Non-life reinsurance		
Acquisition costs	38,484	49,404
Change in deferred acquisition costs	1,585	(3,362)
Administrative expenses	8,009	7,477
Management services for income	(924)	(917)
Retrocession commission	(849)	(1,480)
	46,305	**51,122**
Life reinsurance		
Acquisition costs	100	46
Change in deferred acquisition costs	(2)	(5)
Administrative expenses	7	69
Management services for income	(1)	(8)
	104	**102**

The Company has entered into contracts to provide reinsurance related consultancy and management services to UnipolSai Group Companies with annual renewals to occur thereafter. For the financial year ended 31 December 2020, the Company earned €925,000 (2019: €925,000) under this contract. The change in deferred acquisition costs during the year represents the cumulative deferred acquisition cost balance at the year end.

4. EMPLOYEES

The average number of persons employed by the Company during the financial year was 46 (2019: 45) and the costs are analysed as follows:

	2020	2019
	€'000	€'000
The staff costs comprise:		
Salaries	3,341	3,140
Social welfare costs	338	307
Pension costs	331	279
	4,010	**3,726**

5. INVESTMENT INCOME

	2020 €'000	2019 €'000
Bank interest	1	2
Income/charge from deposits with ceding undertakings	270	311
Income/charge from other financial investments	6,071	5,256
Gain on the realisation of investments	1,051	1,409
Foreign exchange gain	14,471	7,604
	21,862	**14,582**

6. INVESTMENT CHARGES

	2020 €'000	2019 €'000
Investment management expenses	654	585
Foreign exchange loss	12,483	8,011
	13,137	**8,596**

7. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2020 €'000	2019 €'000
The profit/(loss) on ordinary activities before taxation is stated after charging:		
Directors emoluments		
For services as directors	80	68
Audit fee		
*Audit of Company's financial statements	65	65
*Other assurance services	55	55
Depreciation and amortisation	544	584
Operating lease rentals	454	469

8. DIRECTORS' REMUNERATION

Emoluments of Directors amounted to €80,000 (2019: €67,961).
During 2020, Directors did not receive any amount related to gains on exercise of share options or benefits under long-term incentive schemes or contributions to retirement benefits scheme or compensation for loss of office or other termination payments (2019: nil).
The executive director is remunerated by Group and no recharges of this cost to UnipolRe apply nor Irish tax liability arises.

9. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2020 €'000	2019 €'000
Profit/(Loss) on ordinary activities before taxation	**9,089**	**(10,236)**
Factors affecting the tax charge for the financial year:		
Irish corporation tax at 12.5% (2019: 12.5%)	(1,136)	1,280
Current tax (charge)/credit for the financial year	(1,136)	1,280
Tax charge related to previous financial year	(50)	(132)
Current tax (charge)/credit for the financial year	**(1,186)**	**1,148**

10. INVESTMENT IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	2020 €'000	2019 €'000
Shares in group undertakings		
DDOR RE (valued at cost)	5,130	5,130
DDOR RE (valued at Net Realisable Value)	5,618	5,493
UNIPOLSAI SERVIZI CONSORTILI (valued at cost)	7	7
UNIPOLSAI SERVIZI CONSORTILI (valued at Net Realisable Value)	7	7

Investments in group undertakings is as follows:

Company Name	Holding	Activity	Registered Office
DDOR Re Joint Stock Reinsurance Company	100% (49,999 shares)	Reinsurance	Bul, Mihajla Pupina 21000 Novi Sad Republic of Serbia
UNIPOLSAI SERVIZI CONSORTILI a responsabilità limitata	0,02%	Provision of services	Via Senigallia n, 18/2 20161 Milano Italy

None of the shares of the above group undertakings are listed on a recognised stock exchange. In the opinion of the directors, the shares in the Company's group undertakings are worth at least the amount at which they are stated in the statement of financial position.

11. OTHER FINANCIAL INVESTMENTS

	2020				2019			
	Market Value	Amortised cost	Total	Historical cost	Market Value	Amortised cost	Total	Historical cost
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Debt securities and other fixed income securities	732,423	29,726	762,149	759,526	650,094	29,383	679,477	658,488
	732,423	**29,726**	**762,149**	**759,526**	**650,094**	**29,383**	**679,477**	**658,488**

The investments are listed on recognised stock exchanges.

12. DEBTORS

DEBTORS ARISING OUT OF REINSURANCE OPERATIONS	2020	2019
	€'000	€'000
Due from group companies	-	-
Due from non-group companies	92,944	117,808
	92,944	**117,808**

Debtors due from non-group companies are net of bad debt provision of €900,000 (2019 €900,000).

OTHER DEBTORS	2020	2019
	€'000	€'000
Due from group companies for reinsurance services	508	463
Other debtors	124	138
Taxation:		
Current corporation tax receivable	1,131	2,292
	1,763	**2,893**

13. INTANGIBLE AND TANGIBLE FIXED ASSETS

INTANGIBLE FIXED ASSETS

	Software €'000	Total €'000
Cost		
At 1 January 2020	1,472	1,472
Additions	258	258
At 31 December 2020	1,730	1,730
Accumulated Amortisation		
At 1 January 2020	1,023	1,023
Charge for financial year	404	404
At 31 December 2020	1,427	1,427
Net Book Value		
At 31 December 2019	449	449
At 31 December 2020	303	303

	Software €'000	Total €'000
Cost		
At 1 January 2019	1,132	1,132
Additions	340	340
At 31 December 2019	1,472	1,472
Accumulated Amortisation		
At 1 January 2019	580	580
Charge for financial year	443	443
At 31 December 2019	1,023	1,023
Net Book Value		
At 31 December 2018	552	552
At 31 December 2019	449	449

Intangible assets refer mainly to software licenses and direct attributable costs of the technical accounting software SAP FS(RI/CD) and development costs for the underwriting system "The Navigator".

13. INTANGIBLE AND TANGIBLE FIXED ASSETS (CONTINUED)

TANGIBLE FIXED ASSETS

	Office Equipment	Computer Equipment	Total
	€'000	€'000	€'000
Cost			
At 1 January 2020	457	424	881
Additions	107	-	107
At 31 December 2020	564	424	988
Depreciation			
At 1 January 2020	297	391	688
Charge for financial year	119	21	140
At 31 December 2020	416	412	828
Net Book Value			
At 31 December 2019	160	33	193
At 31 December 2020	148	12	160

	Office Equipment	Computer Equipment	Total
	€'000	€'000	€'000
Cost			
At 1 January 2019	382	424	806
Additions	75	-	75
At 31 December 2019	457	424	881
Depreciation			
At 1 January 2019	181	366	547
Charge for financial year	116	25	141
At 31 December 2019	297	391	688
Net Book Value			
At 31 December 2018	201	58	259
At 31 December 2019	160	33	193

14. CALLED UP SHARE CAPITAL PRESENTED AS EQUITY

	2020	2019
	€'000	€'000
Authorised:		
301,250,000 Ordinary shares of €1 each (2019: 301,250,000 of €1 each)	301,250	301,250
Allotted, called up and fully paid		
300,635,000 Ordinary shares of €1 each (2019: 300,635,000 of €1 each)	300,635	300,635

15. OTHER RESERVES

	2020	2019
	€'000	€'000
Capital contribution received	26,484	26,484
Capital conversion reserve fund	3	3
	26,487	**26,487**

On 9 August 2002, Fondiaria Nederlands B. V (currently UnipolSai Nederland BV) made a capital contribution to UnipolRe DAC.

The capital contribution reserve fund arose on the conversion of the share capital of the Company to Euro.

16. PROVISION FOR UNEARNED PREMIUMS

2020

	Gross €'000	Reinsurance €'000	Net €'000
Opening provision	103,439	14,943	88,496
Movement in year (*)	(20,824)	(3,134)	(17,690)
Closing provision	**82,615**	**11,809**	**70,806**

2019

	Gross €'000	Reinsurance €'000	Net €'000
Opening provision	89,415	22,375	67,040
Movement in year (*)	14,024	(7,432)	21,456
Closing provision	**103,439**	**14,943**	**88,496**

*Change in the gross provision for unearned premium on the income statement – technical account amounting to €18,309,000 (2019: €9,863,000) includes a decrease of an amount relating to premium portfolio movements of €1,679,000 (2019: €703,000) and an increase of an amount relating to FX loss on unearned premium reserves of €4,195,000 (2019: decrease €3,458,000 due to FX gain).

Change in the reinsurers' share of the provision for unearned premium on the income statement – technical account amounting to €3,113,000 (2019: €7,445,000) includes a decrease of an amount relating to FX gain on unearned premium reserves of €21,000 (2019: increase €13,000 due to FX loss). No amount relating to premium portfolio movements has been accounted for at year ended 2020 (2019: nil).

The provision for unearned premium as at 31 December 2020 includes AURR for an amount of € nil (2019: €2,587,358).

17. CLAIMS OUTSTANDING

2020

	Gross €'000	Reinsurance €'000	Net €'000
Notified outstanding claims	290,404	68,488	221,916
Provision for claims incurred but not reported	202,786	10,414	192,372
	493,190	**78,902**	**414,288**

2019

	Gross €'000	Reinsurance €'000	Net €'000
Notified outstanding claims	249,562	79,492	170,070
Provision for claims incurred but not reported	165,056	10,415	154,641
	414,618	**89,907**	**324,711**

CHANGE IN THE TECHNICAL PROVISION:

2020

	Provision for claims incurred but not reported €'000	Notified outstanding claims €'000	Total €'000
Gross opening provision	165,056	249,562	414,618
Movement in year (*)	37,730	40,842	78,572
Closing provision	**202,786**	**290,404**	**493,190**
Opening reinsurance	10,415	79,492	89,907
Movement in year	(1)	(11,004)	(11,005)
Closing reinsurance	**10,414**	**68,488**	**78,902**
Net balance	**192,372**	**221,916**	**414,288**

17. CLAIMS OUTSTANDING (CONTINUED)

CHANGE IN THE TECHNICAL PROVISION: (CONTINUED)

2019

	Provision for claims incurred but not reported €'000	Notified outstanding claims €'000	Total €'000
Gross opening provision	86,519	182,981	269,500
Movement in year (*)	78,537	66,581	145,118
Closing provision	**165,056**	**249,562**	**414,618**
Opening reinsurance	24,218	84,739	108,957
Movement in year	(13,803)	(5,247)	(19,050)
Closing reinsurance	**10,415**	**79,492**	**89,907**
Net balance	**154,641**	**170,070**	**324,711**

*Change in the gross provision for claims on the income statement - technical account amounting to € 90,393,000 (2019: €135,540,000) includes an increase of an amount relating to portfolio movements of €820,000 (2019: decrease €5,031,000) and an increase of an amount relating to FX loss on provision for claim reserves of €11,021,000 (2019: decrease €4,547,000 due to FX gain).

Change in the reinsurers' share of the provision for claims on income statement – technical account amounting to €11,004,000 (2019: €19,051,000).

18. OTHER CREDITORS INCLUDING TAX AND SOCIAL WELFARE

	2020 €'000	2019 €'000
Other creditors:		
Group undertakings	921	860
Third parties	839	516
Taxation (Note 19)	130	135
	1,890	**1,511**

19. TAXATION CREDITORS

	2020	2019
	€'000	€'000
Included in other creditors are the following taxation liabilities:		
Corporation tax	-	-
PAYE/PRSI	130	135
Withholding tax	-	-
	130	**135**

20. PENSION COSTS

The Company operates a defined contribution scheme within the meaning of the Pensions Act, 1990, for all employees.

During the financial year the amount contributed to this arrangement was €331,000 (2019: €279,000). No amounts outstanding are owed to the scheme at the statement of financial position date (2019: €nil).

21. CAPITAL COMMITMENTS

The Company had no capital commitments at 31 December 2020 (2019: €nil).

22. OPERATING LEASE COMMITMENTS

Operating lease commitments

Future commitment exists under non-cancellable operating leases as follows:

	2020	2019
	Land and Buildings	**Land and Buildings**
	€'000	€'000
Expiring:		
between one and five years	1,263	1,745
more than five years	-	-
	1,263	**1,745**

The lease contract terminates the 30th September 2023. Lease payments due since the 1st of January 2020 include €25,385 of yearly service charges for the following years.

23. CLAIMS DEVELOPMENT

(a) Prior Year Claims Development

2020

	Gross €'000	**Reinsurance** €'000	**Net** €'000
Loss provision at the beginning of the financial year for outstanding claims incurred in previous financial years	414,638	(89,907)	324,731
Less:			
Payments made during the financial year on amounts of claims incurred in previous financial years	59,450	(5,550)	53,900
Loss provision at the end of the financial year for such outstanding claims	376,493	(78,902)	297,591
Income Statement impact of prior year claims	**(21,305)**	**(5,455)**	**(26,760)**

2019

	Gross €'000	**Reinsurance** €'000	**Net** €'000
Loss provision at the beginning of the financial year for outstanding claims incurred in previous financial years	269,500	(108,957)	160,543
Less:			
Payments made during the financial year on amounts of claims incurred in previous financial years	48,613	(6,590)	42,023
Loss provision at the end of the financial year for such outstanding claims	289,706	(89,907)	199,799
Income Statement impact of prior year claims	**(68,819)**	**(12,460)**	**(81,279)**

23. CLAIMS DEVELOPMENT (CONTINUED)

(b) Loss Development Table - Gross (non-life and life) values expressed in Euro thousands.

Gross Cumulative claim payments	Prior year	2015	2016	2017	2018	2019	2020	Total
At end of UY		(8,653)	(8,478)	(13,967)	(5,014)	(6,912)	(5,792)	
One year later		(11,513)	(14,401)	(25,674)	(35,728)	(43,390)		
Two years later		(14,118)	(16,767)	(33,762)	(48,109)			
Three years later		(14,303)	(18,548)	(36,859)				
Four years later		(14,973)	(19,996)					
Five years later		(15,008)						
Estimate of Gross ultimate claims								
At end of UY		17,738	19,860	48,001	77,228	131,824	122,489	
One year later		11,748	31,217	77,190	151,479	176,500		
Two years later		16,177	31,097	83,305	144,476			
Three years later		15,853	38,480	76,249				
Four years later		15,655	34,888					
Five years later		15,379						
Estimate of gross ultimate claims		15,379	34,888	76,249	144,476	176,500	122,489	
Cumulative payments		(15,008)	(19,996)	(36,859)	(48,109)	(43,390)	(5,792)	
Present value recognised in the statement of financial position	92,363	371	14,892	39,390	96,367	133,110	116,697	493,190
Of which effect of foreign exchange movements						(11,021)		(11,021)

In 2020 gross claim payments related to underwriting years prior to 2015 are €6.0m.

23. CLAIMS DEVELOPMENT (CONTINUED)

(b) Loss Development Table - Net (non-life and life) values expressed in Euro thousands.

Net Cumulative claim payments	Prior year	2015	2016	2017	2018	2019	2020	Total
At end of UY		(8,653)	(8,478)	(13,967)	(5,014)	(6,912)	(5,792)	
One year later		(11,513)	(14,401)	(25,674)	(35,728)	(43,390)		
Two years later		(14,118)	(16,767)	(33,762)	(48,109)			
Three years later		(14,303)	(18,548)	(36,859)				
Four years later		(14,973)	(19,996)					
Five years later		(15,008)						
Estimate of net ultimate claims								
At end of UY		17,738	19,860	48,001	77,228	131,824	122,489	
One year later		11,748	31,217	77.190	151,479	176,500		
Two years later		16,177	31,097	83.305	144,476			
Three years later		15,853	38,480	76.249				
Four years later		15,655	34,888					
Five years later		15,379						
Estimate of net ultimate claims		15,379	34,888	76,249	144,476	176,500	122,489	
Cumulative payments		(15,008)	(19,996)	(36,859)	(48,109)	(43,390)	(5,792)	
Present value recognised in the statement of financial position	13,187	371	14,892	39,390	96,367	133,110	116,697	414,014
Of which effect of foreign exchange movements						(11,021)		(11,021)

In 2020 net claim payments related to underwriting years prior to 2015 are €0.5m.

24. RELATED PARTY TRANSACTIONS

The Company undertakes transactions with other group undertakings. As the Company is a wholly owned subsidiary of UnipolSai Assicurazioni S.p.A., the disclosure of such transactions is not required under FRS102: Section 33, "Related Party Disclosures".

The Company also entered into transactions during the financial year with related companies that are not 100% owned by the UnipolSai Assicurazioni S.p.A, group. The following companies are considered as related parties: BIM Vita (50%), Popolare Vita (50%), Incontra Assicurazioni (51%), Dialogo Assicurazioni (99,85%) and SIAT (94,69%).
Below is the impact on the income statement of the above mentioned transactions.

	2020 €'000	2019 €'000
Gross written premium	197	210
Losses paid	(12)	-
Change in the provision for claims reserve	14	14
Change in local statutory provision	(89)	(7)
Change in the provision for premium reserve	(174)	(208)
Commission paid	-	-
Other technical costs	-	-
	(64)	**9**

25. SEGMENTAL INFORMATION

2020	Bond	Miscellaneous	Fire	Motor	TP	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross written premium	1,833	779	31,418	110,978	5,743	57,432	208,183
Gross earned premium	5,691	2,122	25,650	122,734	6,322	63,966	226,485
Gross claims incurred	921	1,861	(32,143)	(86,746)	(3,080)	(36,287)	(155,474)
Gross acquisition costs	(449)	(488)	(6,132)	(23,804)	(1,668)	(7,528)	(40,069)
Other technical items	4	-	627	-	16	27	674
Gross technical result	6,167	3,495	(11,998)	12,184	1,590	20,178	31,616
Retrocession balance	(5,207)	(3,687)	(6,835)	(4,684)	(1,727)	(1,848)	(23,988)
net technical result	**960**	**(192)**	**(18,833)**	**7,500**	**(137)**	**18,330**	**7,628**
Allocation investments income and general expenses non-life							(2,537)
Total technical accounts non-life business							5,091
Net assets allocated	1,825	(626)	(45,425)	(282,257)	(20,122)	(40,369)	(386,974)
Net assets unallocated	-	-	-	-	-	-	870,032
Capital and Reserves	**1,825**	**(626)**	**(45,425)**	**(282,257)**	**(20,122)**	**(40,369)**	**483,058**

2019	Bond	Miscellaneous	Fire	Motor	TP	Other	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Gross written premium	4,093	749	42,309	179,346	6,660	30,782	263,939
Gross earned premium	8,627	2,422	42,809	163,869	5,747	30,667	254,141
Gross claims incurred	(2,512)	617	(25,462)	(149,095)	2,964	(17,903)	(191,391)
Gross acquisition costs	(1,175)	(591)	(8,905)	(29,744)	(1,333)	(4,294)	(46,042)
Other technical items	-	-	(209)	-	(284)	(143)	(636)
Gross technical result	4,940	2,448	8,233	(14,970)	7,094	8,327	16,072
Retrocession balance	(4,078)	(2,090)	(3,680)	(7,651)	(6,131)	(2,476)	(26,106)
net technical result	**862**	**358**	**4,553**	**(22,621)**	**963**	**5,851**	**(10,034)**
Allocation investments income and general expenses non-life							(3,895)
Total technical accounts non-life business							(13,929)
Net assets allocated	875	(447)	(30,302)	(267,160)	(16,157)	(24,623)	(337,814)
Net assets unallocated	-	-	-	-	-	-	803,439
Capital and Reserves	**875**	**(447)**	**(30,302)**	**(267,160)**	**(16,157)**	**(24,623)**	**465,625**

26. CAPITAL STATEMENT

FRS 102 requires the company to produce a capital statement which sets out the financial strength of the company and provides and analysis of the disposition and constraints over the availability of capital to meet risks and regulatory requirements. The capital statement also provides a reconciliation of shareholders' funds to regulatory capital.

The company's regulatory capital requirements are determined in accordance with the Solvency II Directive 2009/138/EC and Statutory Instrument 485 of 2015 and the Commission Delegated Regulations EU 2015/35.

	2020
	€'000
Total shareholders' funds at year end	483,058
Adjustments to regulatory basis:	
on Technical provision	(38,115)
Investment in group undertaking	494
Investment in L&R	1,456
Intangible assets	(315)
Deferred tax asset/liability	4,559
Excess of assets over liabilities - unaudited	**451,137**
Other adjustment (if any)	-
Total available own funds to meet SCR- unaudited	**451,137**
SCR - unaudited	**260,333**

	2019
	€'000
Total shareholders' funds at year end	465,625
Adjustments to regulatory basis:	
on Technical provision	(39,214)
Investment in group undertaking	344
Investment in L&R	-
Intangible assets	(449)
Deferred tax asset/liability	4,922
Excess of assets over liabilities - unaudited	**431,228**
Other adjustment (if any)	-
Total available own funds to meet SCR - unaudited	**431,228**
SCR - unaudited	**243,580**

26. CAPITAL STATEMENT (CONTINUED)

The Solvency II regime has been effective from 1 January 2016 and establishes a new set of EU (wide capital requirements, risk management and disclosure standards, The Company is required to meet a Solvency Capital Requirement (SCR) which is calibrated to seek to ensure a 99,5% confidence of the ability to meet obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a good fit for the Company's risk profile.

The total Solvency Capital Requirement for the Company is €260.3 million while the Total Eligible Own Funds Available to meet the Solvency Capital Requirement amount to €451.1 million as such the solvency capital requirement coverage is 173%. These amounts are unaudited at the time of signing the financial statements.

The company has complied with the solvency requirements in accordance with the Solvency II Directive 2009/138/EC and Statutory Instrument 485 of 2015 and the Commission Delegated Regulations EU 2015/35.

Regulatory valuation and admissibility restrictions are calculated on best estimates basis for the purposes of determining Own Funds to cover Solvency Capital Requirements as prescribed by the Statutory Instrument 485 of 2015.

Each item that encompasses Own Funds shall be classified in accordance with applicable legislation. Under Solvency II assets fall within Tiers I, II or III and assets which fall within Tiers II and III must meet the limits to match the SCR and the MCR as set out in the Regulations. The Company's overall aim is to maintain its Own Funds within Tier I of the Regulations, however, some of the items may fall within Tier II and III. Where this is the case the Company ensures it has the correct match between the Tiers to meet its SCR and MCR requirements.

UnipolRe maintains an efficient capital structure made up of equity shareholders' funds, consistent with the Company's risk profile and the regulatory and market requirements of its business. The Company's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support new business growth;
- to meet its capital management objectives within its capital management policy approved by the Board of Directors;
- to satisfy the requirements of its cedants, regulators and rating agencies;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- to allocate capital efficiently to support growth; and
- to manage exposures to movement in exchange rates.

The main source of additional capital available to the Company, if required, is additional capital provided by the Company's holding Company.

The Company manages as capital all items that are eligible to be treated as capital for regulatory purposes.

27. STATEMENT OF CASH FLOW

The Company is exempt from the requirements of FRS102: Section 7 "Statement of Cash Flows" as it is a wholly owned subsidiary whose holding company prepares a consolidated statement of cash flows.

28. ULTIMATE HOLDING UNDERTAKING

The immediate holding undertaking is UnipolSai Nederland BV (ex Fondiaria Nederlands B,V,), a company incorporated in the Netherlands.

At 31 December 2020, the directors consider Unipol Gruppo S.p.A. to be the ultimate Holding company, which is also the holding company of the largest group in which the results of the Company are consolidated. The holding company of the smallest group in which the results of the Company are consolidated is UnipolSai Assicurazioni S.p.A. Copies of the consolidated accounts of Unipol Gruppo S.p.A. are publically available from the company secretary. Unipol Gruppo S.p.A. Via Stalingrado 45, 40128 Bologna, Italy. Copies of the consolidated accounts of UnipolSai Assicurazioni S.p.A. are available to the public from the company secretary. UnipolSai Assicurazioni S.p.A.,Via Stalingrado 45, 40128 Bologna, Italy.

29. FINANCIAL RISK MANAGEMENT

The Company is subject to financial risks including market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company monitors and manages the financial risks relating to its operations through internal risk reports which monitor the sensitivities of the portfolio against rises or falls in spread risk, equity risk and interest rate risk. These are measured against set limits within the investment policy approved by the Board of Directors. These risks are also monitored through risk tolerances to measure the capital absorption of the risks within the relevant SCR module within the Solvency II Standard Formula. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The main method of mitigating these risks is set limits for each asset class within the investment policy and sensitivity limits as described above. The Company may also seek to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

29(a) Fair Value

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.
The table below summarises the methods to calculate the fair value for the different macro categories of financial instruments.

		Mark to Market	Mark to Model and other
Financial Instruments	Bonds	CBBT contributor - Bloomberg Other contributor - Bloomberg	Mark to Model Counterparty valuation
	Listed shares and investments, ETFs	Reference market	
	Unlisted shares and investments		DCF DDM Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model

With reference to shares, listed investments, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market. For bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
- the primary source is the CBBT price provided by data provider Bloomberg;
- where the price referred to the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of pre-defined parameters.

The company uses valuation methods (Mark to Model) in line with the methods generally used by the market.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker. The Company has minimal exposure to financial assets or liabilities which are valued at other than quoted prices in an active market.

The table below shows financial assets and liabilities (as disclosed in notes 11 and 12) grouped into the level in the fair value hierarchy into which each fair value measurement is categorized. The movement year on year on investment level 2 is due to the purchase of bond issued by an Italian bank institution with an **S&P rating of BBB for a total nominal value of €6m** and purchase of bond issued by a USA base bank institution with an S&P rating A-, for a total nominal value of €4m. The movement year on year on investment level 3 is due to partial reimbursements of the only bond falling in this category. Such a security consists in an ABS note with an S&P rating of A, backed by an Italian bank institution and which is guaranteed by the Italian government.

2020

	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
Financial Assets	726,492	28,907	11,887	767,286
	726,492	**28,907**	**11,887**	**767,286**

2019

	Level 1	Level 2	Level 3	Total
	€'000	€'000	€'000	€'000
Financial Assets	650,094	19,128	15,392	684,614
	650,094	**19,128**	**15,392**	**684,614**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(b) Market Risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk appetite and the limits set out in its investment policy.

The Company has established policies and procedures in order to manage market risk and methods to measure it.

There were no changes in the Company's market risk policies in the financial year 2020 nor to the objectives and processes for managing market risk.

i) Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The Company has minimal exposure to currency risk as the Company's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies. Where a currency mismatch arises the Company seeks to take an asset exposure to limit the mismatch as much as possible.

Carrying amounts of the Company's foreign currency denominated assets and liabilities:

	CAD 2020 €'000	CAD 2019 €'000	ILS 2020 €'000	ILS 2019 €'000	TRY 2020 €'000	TRY 2019 €'000	GBP 2020 €'000	GBP 2019 €'000	USD 2020 €'000	USD 2019 €'000	CHF 2020 €'000	CHF 2019 €'000
Assets	258	699	86,487	81,580	1,828	3,742	244,791	191,680	8,770	6,668	5,531	4,154
Liabilities	4,226	446	87,389	81,868	7,063	11,995	246,500	198,411	5,390	4,333	5,034	1,809
	(3,968)	**253**	**(902)**	**(288)**	**(5,235)**	**(8,253)**	**(1,709)**	**(6,731)**	**3,380**	**2,335**	**497**	**2,345**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(b) Market Risk (continued)

The following table details the Company's sensitivity to a 10% increase and decrease in the Euro against the relevant foreign currencies. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged. Balances in other currencies were not considered because of negligible amount.

	CAD 2020 €'000	CAD 2019 €'000	ILS 2020 €'000	ILS 2019 €'000	TRY 2020 €'000	TRY 2019 €'000	GBP 2020 €'000	GBP 2019 €'000	USD 2020 €'000	USD 2019 €'000	CHF 2020 €'000	CHF 2019 €'000
10% increase												
Pre tax profit	397	(25)	90	29	524	825	171	673	(338)	(234)	(50)	(235)
Shareholders' equity	397	(25)	90	29	524	825	171	673	(338)	(234)	(50)	(235)
10% decrease												
Pre tax profit	(397)	25	(90)	(29)	(524)	(825)	(171)	(673)	338	234	50	235
Shareholders' equity	(397)	25	(90)	(29)	(524)	(825)	(171)	(673)	338	234	50	235

ii) Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk as it invests in long term debt at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

The sensitivity analyses below have been determined based on the exposure to interest rates for all financial instruments included in the Company's portfolio. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(b) Market Risk (continued)

	2020 €'000	2019 €'000
0.5% increase		
Pre tax profit		
Shareholders' equity	(16,207)	(13,340)
0.5% decrease		
Pre tax profit		
Shareholders' equity	16,207	13,340

29(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio and reinsurance programme.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage credit risk and methods to measure it. There were no changes in the financial year in the Company's objectives, policies and processes for managing credit risk.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company only transacts with entities that are rated the equivalent to investment grade and above. This information is supplied by independent rating agencies where available and if not available the Company uses other publicly available financial information and its own trading records to rate its counterparties and reinsurers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Furthermore, in certain instances, the company receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(c) Credit Risk (continued)

Receivables consist of a large number of counterparties, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties except for intra-group's exposures. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Company monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the Company on a monthly basis. The following table shows aggregated credit risk exposure for assets with external credit ratings.

The majority of debt securities are investment grade and the Company has very limited exposure to debt securities with an S&P rating lower than A-. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability. Loans and receivables from policyholders, agents and intermediaries generally do not have a credit rating.

The following table shows aggregated credit risk exposure for assets with external credit ratings.

	Neither past due nor impaired 2020	Past due up to 90 days 2020	Past due more than 90 days 2020	Past due and impaired 2020	Carrying Amount 2020
	€'000	€'000	€'000	€'000	€'000
Financial Instruments	767,286	-	-	-	767,286
Cash Banks	29,578	-	-	-	29,578
Other Debtors and Accrued Income	1,886	-	-	-	1,886
Loans and receivables	-	-	-	-	-
Insurance assets	271,841	6,847	11,972	900	290,660
	1,070,591	**6,847**	**11,972**	**900**	**1,089,410**

The above disclosure, does not include amounts related to tangible and intangible fixed assets and bad debt provision as is disclosed on the Statement of Financial Position.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(c) Credit Risk (continued)

	Neither past due nor impaired 2019	Past due up to 90 days 2019	Past due more than 90 days 2019	Past due and impaired 2019	Carrying Amount 2019
	€'000	€'000	€'000	€'000	€'000
Financial Instruments	684,614	-	-	-	684,614
Cash Banks	16,231	-	-	-	16,231
Other Debtors and Accrued Income	2,915	-	-	-	2,915
Loans and receivables	-	-	-	-	-
Insurance assets	287,240	8,977	16,688	900	312,905
	991,000	**8,977**	**16,688**	**900**	**1,017,565**

	SP rating AAA 2020	SP rating AA- and AA+ 2020	SP rating A- and A+ 2020	SP rating BBB- and BBB+ 2020	SP rating lower than BBB- 2020	Not Rated 2020	TOTAL 2020
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial Instruments	133,472	316,473	196,770	112,165	3,269	5,137	767,286
Cash Banks	-	20,420	3,713	5,442	-	3	29,578
Other Debtors and Accrued Income	-	1,131	-	-	-	755	1,886
Loans and receivables	-	-	-	-	-	-	-
Insurance assets	-	56,908	49,826	20,144	-	164,682	291,560
	133,472	**394,932**	**250,309**	**137,751**	**3,269**	**170,577**	**1,090,310**

The above disclosure, does not include amounts related to tangible (€0.2 million) and intangible fixed assets (€0.3 million) and bad debt provision (€0.9 million) as is disclosed on the Statement of Financial Position.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(c) Credit Risk (continued)

	SP rating AAA 2019 €'000	SP rating AA- and AA+ 2019 €'000	SP rating A- and A+ 2019 €'000	SP rating BBB- and BBB+ 2019 €'000	SP rating lower than BBB- 2019 €'000	Not Rated 2019 €'000	TOTAL 2019 €'000
Financial Instruments	130,074	258,672	178,410	112,321	-	5,137	684,614
Cash Banks	-	8,798	4,251	3,179	-	3	16,231
Other Debtors and Accrued Income	-	2,292	-	-	-	623	2,915
Loans and receivables	-	-	-	-	-	-	-
Insurance assets	-	63,736	58,884	30,927	-	160,258	313,805
	130,074	**333,498**	**241,545**	**146,427**	**-**	**166,021**	**1,017,565**

29 (d)Liquidity risk management

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities as they fall due. The Company has adopted an appropriate liquidity risk management framework for the management of the Company's liquidity requirements. The Company manages liquidity risk by maintaining banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the Company has sufficient access to funds necessary to cover insurance claims liabilities. In practice, most of the Company's assets are marketable securities which could be converted in to cash when required.

There were no changes in the financial year in the Company's objectives, policies and processes for managing liquidity risk.

The following table shows details of the expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities. The table includes both interest and principal cash flows.

The expected maturity profile of the Company's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance contract liabilities has been calculated using the historical pattern of claims reserves rather than the contractual terms.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(d) Liquidity Risk (continued)

	Less than 1 year 2020	1-3 years 2020	3-5 years 2020	5+ years 2020	Total 2020
	€'000	€'000	€'000	€'000	€'000
Creditors arising out of reinsurance operations	5,289	4,639	2,196	3,340	15,464
Technical Provisions	196,926	172,742	81,764	124,374	575,806
Deposits received from Retrocessionaires	3,446	3,023	1,431	2,176	10,076
Trade and other liabilities	1,890	-	3,580	-	5,470
	207,551	**180,404**	**88,971**	**129,890**	**606,816**

	Less than 1 year 2019	1-3 years 2019	3-5 years 2019	5+ years 2019	Total 2019
	€'000	€'000	€'000	€'000	€'000
Creditors arising out of reinsurance operations	4,859	2,824	2019	5,481	15,184
Technical Provisions	165,778	96,359	68,902	187,019	518,057
Deposits received from Retrocessionaires	4,708	2,736	1,957	5,311	14,711
Trade and other liabilities	1,510	-	2,219	-	3,729
	176,855	**101,919**	**75,097**	**197,811**	**551,681**

The following tables detail the Company's expected maturity for its non-derivative assets. The tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.
The expected maturity profile of the Company's undiscounted insurance assets has been calculated using the historical pattern of claims reserves rather than the contractual terms.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

29(d) Liquidity Risk (continued)

	Less than 1 year 2020 €'000	1-3 years 2020 €'000	3-5 years 2020 €'000	5+ years 2020 €'000	Total 2020 €'000
Financial Instruments	63,229	194,413	215,411	294,233	767,286
Cash at Banks	29,578	-	-	-	29,578
Other Debtors and Accrued Income	1,886	-	-	-	1,886
Insurance assets	99,714	87,468	41,401	62,977	291,560
	194,407	**281,881**	**256,812**	**357,210**	**1,090,310**

	Less than 1 year 2019 €'000	1-3 years 2019 €'000	3-5 years 2019 €'000	5+ years 2019 €'000	Total 2019 €'000
Financial Instruments	56,381	106,186	238,854	283,193	684,614
Cash at Banks	16,231	-	-	-	16,231
Other Debtors and Accrued Income	2,914	-	-	-	2,914
Insurance assets	100,418	58,368	41,736	113,284	313,806
	175,944	**164,544**	**280,590**	**396,477**	**1,017,565**

The above disclosure, does not include amounts related to tangible and intangible fixed assets and bad debt provision as is disclosed on the face of the Statement of Financial Position

Although the Company has access to financing facilities, the Company expects to meet its obligations from operating cash flows and proceeds of maturing financial assets.

30. INSURANCE RISK MANAGEMENT

The Company accepts insurance risk through its reinsurance treaties where it assumes the risk of loss from cedants that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting guidelines and reinsurance strategy within an overall risk management framework. Pricing is carried out by an independent pricing and modelling actuarial team who are independent from the underwriting function. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Retrocession strategy is analysed and purchased if necessary to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Retrocession policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

Regulatory capital is also managed (though not exclusively) by reference to the SCR Module under the Standard Formula in Solvency II to which the Company is exposed.

Concentration

The Company writes property, liability and motor risks primarily over a twelve month duration. The most significant risks arise from natural disasters, climate change and other catastrophes (i,e, high severity, low frequency events) as well as from a large concentration of UK Non Proportional risk which was the driver of the loss reported in 2020 due to change in Ogden rate. A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of non-life insurance by the location of the underlying risk is summarised below by reference to liabilities:

	Gross 2020 €'000	Gross 2019 €'000	Reinsurance 2020 €'000	Reinsurance 2019 €'000	Net 2020 €'000	Net 2019 €'000
UK	171,887	144,348	(2,513)	(2,962)	169,374	141,386
EU (excl.UK) and CH	203,893	196,770	(74,463)	(84,861)	129,430	111,909
US	32,164	-	(234)	(284)	31,930	(284)
Turkey	9,498	16,588	-	-	9,498	16,588
Israel	71,631	54,979	-	-	71,631	54,979
Other	2,665	581	(1,692)	(1,800)	973	(1,219)
	491,738	**413,266**	**(78,902)**	**(89,907)**	**412,836**	**323,359**

30. INSURANCE RISK MANAGEMENT (CONTINUED)

The concentration of non-life insurance by type of contract is summarised below by reference to liabilities:

	Gross 2020 €'000	Gross 2019 €'000	Reinsurance 2020 €'000	Reinsurance 2019 €'000	Net 2020 €'000	Net 2019 €'000
Motor third party liability	305,660	257,597	(8,572)	(9,429)	297,088	248,168
Bond	56,612	62,120	(54,758)	(60,154)	1,854	1,966
Fire and other damage to property	53,931	40,205	(755)	(818)	53,176	39,387
Third (party liability	20,258	18,943	(5,390)	(7,385)	14,868	11,558
Other	55,277	34,401	(9,427)	(12,121)	45,850	22,280
	491,738	**413,266**	**(78,902)**	**(89,907)**	**412,836**	**323,359**

Since the change in business profile as professional reinsurer from 2015 onward, the lines of business written have been mostly Motor third party liability and Fire and other damage to property. The changes in composition in liabilities from 2019 to 2020 relates to the slower settlement pattern relative to the Fire and other damage to property line of business in comparison to the Motor third party liability line of business.

Assumptions and sensitivities

The risks associated with the non-life insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The key methods used by the Company for estimating liabilities are:
- chain ladder;
- expected loss ratio;
- benchmarking; and
- Bornhuetter-Ferguson,

The Company considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

Some results of sensitivity testing are set out below, showing the impact on profit before tax and shareholders' equity gross and net of reinsurance. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

30. INSURANCE RISK MANAGEMENT (CONTINUED)

	Pre tax profit 2020 €'000	Pre tax profit 2019 €'000
5% increase in loss ratios		
Gross	(10,017)	(11,211)
Net	(10,368)	(11,942)
5% decrease in loss ratios		
Gross	10,017	11,211
Net	10,368	11,942
5% increase in commissions		
Gross	(10,592)	(12,338)
Net	(10,368)	(11,942)
5% decrease in commissions		
Gross	10,591	12,338
Net	10,368	11,942

31. POST BALANCE SHEET EVENTS

There are no known post balance sheet events that have a material impact on the company's financial statements.

On 15th January 2021, the UK Supreme Court made a ruling, affecting the Covid-19 related business interruption reserves held by the company. However, the company has analysed the ruling in depth and determined that it does not represent a material impact on reserves.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on the 15th March 2021.