



UnipolSai Assicurazioni S.p.A. Solvency and Financial Condition Report 2018

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Introduction

This "Solvency and Financial Condition Report" was prepared in application:

- of the provisions on disclosure to the public set forth in Articles 290-303 of Title I, Ch. XII, of Delegated regulation EU No. 2015/35 ("Regulation"), supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance ("Directive");
- of the implementing Regulation (EU) 2015/2452, 2 December 2015, as amended, laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with the Directive;
- of IVASS Regulation No. 33, 6 December 2016, concerning the disclosure to the public and IVASS, carrying provisions integrating the contents of the "Solvency and Financial Condition Report" and the regular report to IVASS ("Regular Supervisory Report"), ("Regulation 33").
- of IVASS Letter to the Market Prot. No.0093309/18 of 28 March 2018 concerning the "Results of comparative analyses on solvency and financial condition reports (SFCR)".

Unless otherwise specified, data are expressed in thousands of euros.

Definitions and glossary

The meaning of the main acronyms and expressions used in this document is summarised below.

Capital adequacy BEL "Best estimate of liabilities" deriving from insurance contracts. CAP Private Insurance Code (Legislative Decree No. 209 of 7 September 2005, as amended). Total capital requirement relating to a specific risk that the company/Group deems necessary to cover losses exceeding a given expected level. European supervisory authority for occupational pensions and insurance. The Audit, Risk Management, Compliance and Anti-Money Laundering and Actuarial functions. LoB Line of Business of insurance activities as defined in annex I of the Regulation. Market Consistent Balance Sheet (or also MCBS to be drafted on the basis of the appropriate criteria specified by the Solvency II provisions are based on the concept of fair value. Minimum Capital Requirement as defined by Title I - chapter VII of the Regulation. It corresponds to the amount of eligible own funds below which policyholders and beneficiaries would be exposed to an unaccreptable level of risk if the insurance companies were allowed to continue their activities. PIM Partial Internal Model used to determine the solvency capital requirement. Own Funds as defined by Title I Chapter IV and Title II Chapters I and II of the Regulation. They represent the financial resources steadily acquired by the company/Group and available to it to absorb losses and to overcome risks generated by business activities on a going concern basis. ORSA Own Risk and Solvency Assessment Report to the Authorities. Risk Appetite Framework - reference framework which defines - in line with the maximum risk that may be assumed, the business model and the Strategic Plan - the Risk Appetite, any tolerance thresholds, the operational risk limits, specific risk management policies and the reference processes required to define and implement them. Level of risk (overall and by type) that the Group and/or the Company intends to assume for the pursuit of its strategic collectives. The Risk Margin, corresponding to the cost of holding an amount of eligible own	Term	Meaning
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Introduction

This section summarises the key information and any substantial changes taking place in 2018 in the solvency and financial condition of the Company, with regard to:

- A. business and performance
- B. system of governance
- C. risk profile
- D. valuation for solvency purposes
- E. capital management.

For more detailed information, we refer to later chapters, which provide the information required by current legal provisions summarised in the Introduction.

Business and performance¹

For Non-Life business, the direct premiums amounted to €6,897.5m as at 31 December 2018 (€6,901.1m at 31/12/2017, -0.1%). The MV segment registered premiums of €3,939.9m, marking slight growth (+0.1% over 2017) thanks to the dynamic performance recorded by MV TPL accessory guarantees, in respect of which, by contrast, competitive pressure has still not allowed growth in volumes. MV premiums stood at €3,271.8m (-1.3%), while Land Vehicle Hulls confirmed solid growth, with premiums of €668.1m (+7.1%). In the Non-MV segment, premiums stood at €2,957.6m, essentially in line (-0.2%) with respect to €2,963.7m as at 31 December 2017, recovering from the values registered in the previous quarters, characterised by the loss of some contracts involving significant amounts.

In terms of the claims, during the year just ended, the MV TPL segment registered further improvement in terms of frequency and cost containment. The company confirmed its leading position in Europe in the sector of black boxes installed in vehicles, up from 3.5 million in 2017 to 3.8 million in 2018, which allows better monitoring to counteract fraud and the correct quantification of damages. In the non-MV segment, 2018 also recorded a notable number of claims resulting from weather events and claims with a significant amount recovered, to a greater extent than last year, from reinsurance cover.

The company's combined ratio (direct business) stood at 94.8%, a significant improvement compared to 96.3% as at 31 December 2017, thanks to a loss ratio which stood at 66.8%, compared to 68.1% in 2017 and an expense ratio (direct business) equal to 27.9% of premiums written, compared to 28.2% as at 31 December 2017.

The combined ratio net of reinsurance was 95.2%, compared to 97.7% in 2017.

In the Life segment, the company recorded direct premiums of €3,129.1m (+8.2%), with Class V policies and pension funds (Class VI) significant contributors.

As regards the management of financial investments, 2018 was marked by volatility in the international financial markets connected with geopolitical tensions and, in our country, tensions on national Government Bonds tied, at first, to political instability which preceded the creation of the new Government and, later, the implementation of the Budget Law. In this context, the gross profitability of the Group's insurance financial investments portfolio obtained a return of 3.0% of invested assets in the period considered (4.2% as at 31 December 2017), impacted by significant value adjustments, while the coupons and dividends component generated a return of 3.6%.

Real estate management continued to focus on the renovation of some properties, particularly in Milan, in order to help them generate income, seek out opportunities to increase value or for their business use.

The relevant extraordinary transactions concluded during the year include the following:

 acquisition, from the Parent Company Unipol Gruppo, of the controlling interest in Arca Vita (and with it also in its subsidiaries, with particular reference to the insurance companies Arca Vita International DAC and Arca Assicurazioni S.p.A) for a consideration of €475m;

¹ The economic data reported in the section Business and performance are taken from the financial statements of the Company ("Financial Statements").

- transfer of the equity investment held in Popolare Vita to the banking partner Banco BPM for a consideration of €536m;
- start of preliminary activities prior to the completion of strategic transactions relating to the banking segment which led, on 7 February 2019, based on prior approval on the same date by the Boards of Directors of the companies involved, to the stipulation of contractual agreements with BPER regarding the following transactions, to be implemented with a single framework:
 - transfer to BPER Banca of the entire equity investment held by Unipol, also via UnipolSai, to Unipol Banca, corresponding to the entire share capital of the latter, for a cash consideration of €220m; and
 - purchase from the BPER Group, by UnipolReC, of two separate portfolios comprised of bad and doubtful loans, for a gross book value of €1.3bn, against a cash consideration of €130m, equal to approximately 10% of the gross value of the portfolio.

The aforementioned transactions are expected to be completed by the start of the second half of 2019, subject to the verification of some conditions precedent, first and foremost of a regulatory and authorisation nature.

On 7 February 2019, the Board of Directors of UnipolSai also resolved to exercise the sale option relating to 27.49% of the share capital of Unipol Banca and UnipolReC, available to it vis-à-vis the parent company Unipol based on the option contract signed on 31/12/2013, between the then Fondiaria-Sai S.p.A. and Unipol Gruppo. Due to the above, UnipolSai committed to transfer to BPER, under the above conditions, the residual stake held in Unipol Banca following the exercise of the option, completed on 1 March 2019.

UnipolSai closed 2018 with a net profit of €412.8m, positively influenced by the strong technical results recorded in the insurance business, and negatively impacted by the capital losses on securities classified under current assets, triggered by the increase in the spread on Italian Government bonds and the tensions on the equity markets.

System of governance

The governance structure of the Company is based on a traditional management and control model, where the main bodies are the Shareholders' Meeting, the Board of Directors (which operates with the support of board committees) and the Board of Statutory Auditors. The Company has created an Audit Function, a Risk Management Function, a Compliance and Anti-money Laundering Function and an Actuarial Function (jointly "Key Functions").

The Board of Directors assesses the position of each of its members, the members of the Board of Statutory Auditors and the General Manager, establishing whether these meet the requirements set by legal and regulatory provisions in force at the time on integrity, professionalism and independence, as well as on the absence of impediments, suspensions and incompatibilities pursuant to interlocking provisions. The Board of Directors also establishes whether the requirements of suitability to the office are met by the Managers of the Key Functions.

The Company has acquired an articulated and efficient Internal Control and Risk Management system, to ensure that the most significant risks arising from its activity are correctly identified, measured, managed and controlled, as well as being compatible with a sound and correct management. The Board of Directors is responsible for said System and regularly verifies its suitability and actual operation.

The Audit Function assesses the completeness, function, reliability and adequacy of the Internal Control and Risk Management System, in relation to the nature of the business activities and the level of risks taken, as well as for updating it, also through support and advisory activities provided to other company departments. This Report also describes the control tasks of the Actuarial Function with reference to Solvency II Technical Provisions and to the provisions of the Financial statements.

With regard to the outsourcing policies, lastly, UnipolSai is the main service provider of the Unipol Group, independent in almost all corporate areas; with its personnel and skills, it is able to carry out these activities also on behalf of other companies of the Group.

Summary

Risk profile

The Company calculates its Solvency Capital Requirement using the Partial Internal Model ("PIM"), which can provide a better assessment of its actual risk profile than the standard formula. The Company received, from the supervisory authorities, the authorisation to use the Partial Internal Model for regulatory purposes, effective from 31 December 2016.

To provide a more complete representation of the risk profile, the Company has adopted risk classification criteria somewhat different from those proposed by the Standard Formula, which is the method used to calculate the Solvency Capital Requirement ("SCR") for companies that have not developed an internal model. In particular, with regard to market risk, as part of the PIM, the Company also considers the risks relating to the volatility of share prices and interest rates. The Standard Formula is used for risk modules that are not in the PIM perimeter. Parameters specific to the company ("Undertaking Specific Parameters" or "USP") are used to calculate the Premium and Reserve Risk for the following Lines of Business ("LoB") (i) MV TPL (ii) General TPL and (iii) Fire and other damage to property, while the Standard Formula Market Wide is used for the other risk modules

The Solvency Capital Requirement (SCR) total for the Company at the end of the reference period was €2,788,509k, down by €137,409k compared to the SCR relating to 31 December 2017. The change in the SCR between the two periods subject to analysis was primarily due to the change in the value of:

- Non-Life and Health Underwriting Risks: there was a reduction in the Non-Life and Health SCR primarily due
 to the decline in the capital requirement of the Non-Life Premium and Reserve sub-module; this change in
 the requirement is explained by the decrease in volumes with respect to 2017 and the update in USP
 parameters;
- Market Risks: the rise in the overall SCR was primarily due to the increase in the equity module and spread, partly mitigated by the reduction in the interest rate risk;
- Credit risks: a decrease was registered in the credit SCR, mainly deriving from lower liquidity deposited in banks as well as a lower volume of exposures valued with the Solvency II Standard Formula and, therefore, excluded from the Internal Model valuation;
- Operational Risks: there was a reduction in the Operational SCR primarily deriving from the decline in the value of best estimates;
- Loss-absorbing capacity of technical provisions: a decrease in ALAC TP of €87,274k was recorded. The
 changes in the reference financial context, recorded during the year, determined greater transferability of
 risk to the customer.

The amount of the SCR for each risk module is shown below along with a comparison with the data relating to 31 December 2017:

Amounts in €k	2018	2017	Change on 2017
Non-life and health underwriting risk	1,874,950	2,011,159	(136,209)
Life underwriting risk	215,741	193,999	21,742
Market risks	2,089,426	2,051,666	37,760
Creditrisk	275,316	365,654	(90,338)
Diversification	(1,023,289)	(1,117,174)	93,885
Basic Solvency Capital Requirement (BSCR)	3,432,143	3,505,304	(73,161)
Operational risk	478,003	493,916	(15,913)
Loss-absorbing capacity of technical provisions	(363,707)	(276,433)	(87,274)
Loss-absorbing capacity of deferred taxes	(804,422)	(847,262)	42,839
Model Adjustment	46,492	50,393	(3,901)
Solvency Capital Requirement (SCR)	2,788,509	2,925,918	(137,409)

Valuation for solvency purposes

To calculate the own funds eligible for the coverage of the Solvency Capital Requirement, the Company must prepare a "Market Consistent Balance Sheet" ("MCBS"), enclosed to this Report, on the basis of specific criteria, specified by the Directive and the Regulation, which are different from those used for the preparation of the financial statements. The criteria specified by the Solvency II provisions are based on the concept of fair value and, therefore:

- a) assets are valued at the amount at which they could be exchanged between knowledgeable and willing parties in an arm's length transaction;
- b) liabilities are valued at the amount at which they could be sold or settled between knowledgeable and willing parties in an arm's length transaction.

In the valuation of liabilities, any changes in the creditworthiness of the Company subsequent to the issue are not taken into consideration.

There were no substantial changes in the valuation criteria adopted compared to the previous year.

We provide a summary below of the differences between the valuation of assets and liabilities in the financial statements and the MCBS at 31 December 2018 and at the end of the previous year.

Amounts i	n€k	2018	2017
A	Shareholders' equity (Financial Statement)	5,768,584	5,832,122
	Adjustments by assets/liabilities type		
1	Intangible assets	(754,580)	(794,796)
2	Properties and tangible assets for investment and for own use	238,710	236,194
3	Other financial investments	844,645	2,798,475
4	Technical provisions	(440,607)	(1,090,412)
5	Deferred taxes	(270,723)	(662,104)
6	Other assets and liabilities	(167,949)	(238,327)
	Total adjustments	(550,504)	249,030
В	Shareholders' equity (MCBS)	5,218,080	6,081,152

It should be noted that the difference with the Total Shareholders' Equity, resulting from item 110 of the Financial Statements Liabilities of the Company's Annual Report (€5,765,853k at 31/12/2018) is due to the recognition, in that Statement, of the treasury shares (€2,731k) as an adjustment to the Shareholders' Equity.

Shareholders' equity from MCBS at 31 December 2018 amounted to €5,218m (€6,081m at 31 December 2017). The reduction during the year is primarily due to the unfavourable trend in the financial markets, with particular reference to the widening of spreads on Italian Government bonds.

Capital management

The Company has own funds eligible to cover the capital requirements equal to 2.53 times the SCR (2.63 at 31/12/2017) and 4.73 times the Minimum Capital Requirement ("MCR"), 5.36 at 31 December 2017.

The following tables show:

- the amount of own funds eligible to cover capital requirements, with a breakdown by individual tiering level;
- the capital requirements (SCR and MCR) compared to the figure from the previous year;
- the coverage ratios of the capital requirements compared to the data from the previous year.

Summary

Eligible amount of own funds

Amounts in €k	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total eligible own funds to meet the SCR (A)	7,057,066	4,544,442	1,136,110	1,208,852	167,662
Total eligible own funds to meet the MCR (B)	5,931,518	4,544,442	1,136,110	250,966	

SCR, MCR and Capital Requirement coverage ratios

_Amounts in €k	2018	2017	Change on 2017
Solvency Capital Requirement (SCR)_(C)	2,788,509	2,925,918	(137,409)
Minimum Capital Requirement (MCR)_(D)	1,254,829	1,316,663	(61,834)
Ratio of Eligible own funds to SCR (A / C)	2.53	2.63	(0.10)
Ratio of Eligible own funds to MCR (B / D)	4.73	5.36	(0.63)

The amount of own funds of higher quality (Tier 1 unrestricted) equal to €4,544,442k (€5,564,822k at 31/12/2017), corresponds to the amount of shareholders' equity from MCBS (€5,218,080k compared to €6,081,152k at 31/12/2017), net of own shares held directly and indirectly (€98,921k compared to €107,667k at 31/12/2017), expected dividends (€403,052k compared to €402,298k at 31/12/2017) and other deductions provided for by the Regulation or by special provisions of the Supervisory authorities (€4,002k compared to €6,364k at 31/12/2017).

The SCR coverage ratio without the application of the volatility adjustment is 2.26 (2.60 at 31/12/2017). The MCR coverage ratio without the application of the volatility adjustment is 4.12 (5.31 at 31/12/2017).

We provide below the results of the sensitivity analyses carried out by the Company. The analyses refer to the year in question and take, as Base Scenario, the capital adequacy situation calculated according to the regulatory model adopted by the undertaking.

Sensitivities

Description	Impact with respect to central scenario	Impact on Solvency Ratio
Shift upward of the interest yield curve	interest rate: +50 bps	-17 p.p
Shift downward of the interest yield curve	interest rate: -10 bps	1 p.p.
Shock on credit spread – corporate bonds	industrial and financial credit spreads: +100 bps	7 p.p.
Shock on equity market	equity market value: -20%	-9 p.p.
Shock on property market	property market value: -15%	-14 p.p.
Sensitivity on Italian Government spread	Italian Government spread: +100 bps	-21 p.p.

At no time during the year, did the Company fail to meet its Solvency Capital Requirement (SCR) or its minimum capital requirement (MCR).





A.1 Business

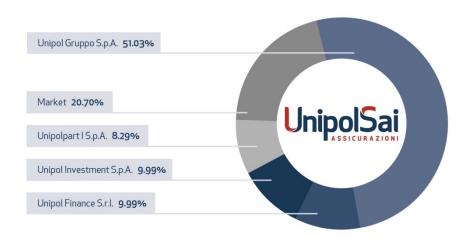
Company information

The business purpose of UnipolSai Assicurazioni S.p.A. (henceforth, also the "Company" or "UnipolSai Assicurazioni" or "UnipolSai") is the provision of all insurance, reinsurance and capitalisation classes allowed by law. The Company can also manage supplementary pension schemes allowed by current law, as well as set up, form and manage open pension funds and carry on activities additional to or functional for managing these funds.

Subject to the management and coordination activities of Unipol Gruppo S.p.A. (henceforth, also "Unipol" or "Parent Company"), which, at 31 December 2018, held directly 51.03% of the share capital and indirectly 28.27%, the Company is listed in the Register of Insurance and Re-insurance Companies Sect. I under No. 1.00006 and is part of the Unipol Insurance Group, with registered office in Via Stalingrado 45, 40128 Bologna, Register of Insurance Groups No. 046.

The shareholding structure is shown in the chart below:

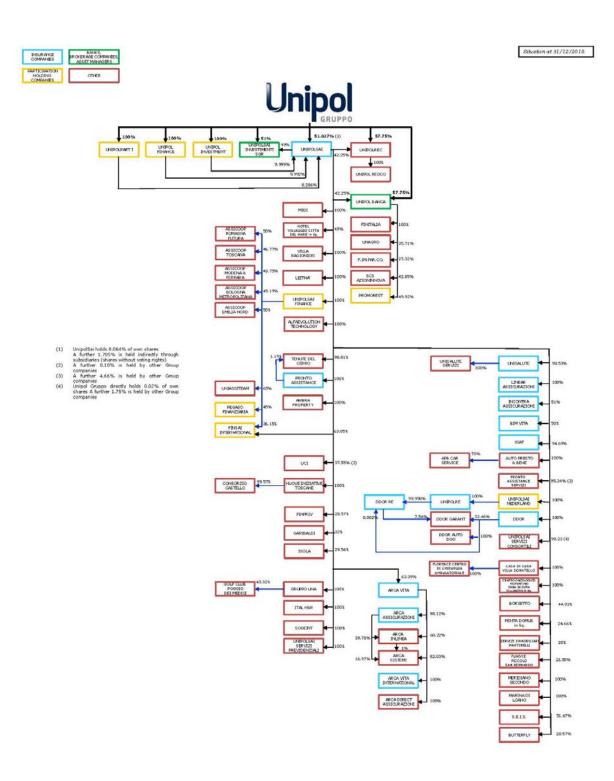
Main Shareholders of UnipolSai Assicurazioni



The Company is subject to supervision by the Istituto per la Vigilanza sulle Assicurazioni (IVASS), in charge of the financial supervision of the Company and the Group to which this belongs.

The independent audit firm appointed by the Company is PricewaterhouseCoopers S.p.A..

The structure of the Unipol Group is shown below, with the position occupied by the Company within the Group itself.



We also provide a list of subsidiaries and associates, and companies subject to unified management at 31 December 2018.

List of subsidiaries and associates

				ı	Portion held	ı	
Type (1)	Name	Legal form	Registered office	Direct %	Indirect %	Total	Exercisable voting rights
a	AlfaEvolution Technology S.p.A.	Joint-stock company	Italy	100	70	100	100
a	Ambra Property S.r.l.	Limited liabilities company	Italy	100		100	100
a	APB Car Service S.r.l.	Limited liabilities company	Italy		70	70	70
a	Arca Assicurazioni S.p.A.	Joint-stock company	Italia		98.12	98.12	98.12
a	Arca Direct S.r.l.	Limited liabilities company	Italia		100	100	100
a	Arca Inlinea S.c.a r.l.	Limited liabilities consortium	Italia		100	100	100
a	Arca Sistemi S.c.a r.l.	Limited liabilities consortium	Italia		100	100	100
a	Arca Vita S.p.A.	Joint-stock company	Italia	63.39		63.39	63.39
а	Arca Vita International Dac	Designated Activity Company	Irlanda		100.00	100	100
b	Assicoop Bologna Metropolitana S.p.A.	Joint-stock company	Italy		49.19	49.19	49.19
b	Assicoop Emilia Nord S.r.l.	Limited liabilities company	Italy		50	50	50
b	Assicoop Modena e Ferrara S.p.A.	Joint-stock company	Italy		43.75	43.75	43.75
b	Assicoop Romagna Futura S.r.l.	Limited liabilities company	Italy		50	50	50
b	Assicoop Toscana S.p.A.	Joint-stock company	Italy		46.77	46.77	46.77
a	Auto Presto & Bene S.p.A.	Joint-stock company	Italy	100		100	100
a	Bim Vita S.p.A.	Joint-stock company	Italy	50		50	50
b	Borsetto S.r.l.	Limited liabilities company	Italy	44.93		44.93	44.93
b	Butterfly Am S.a r.l.	Société à Responsabilité Limitée	Luxembourg	28.57		28.57	28.57
а	Casa Di Cura Villa Donatello S.p.A.	Joint-stock company	Italy	100		100	100
а	Centro Oncologico Fiorentino Casa Di Cura Villanova S.r.l. in liquidazione	Limited liabilities company	Italy	100		100	100
а	Compagnia Assicuratrice Linear S.p.A.	Joint-stock company	Italy	100		100	100
а	Consorzio per l'attuazione del Piano Urbanistico Esecutivo di Castello in Comune di Firenze	Consortium	Italy		99.57	99.57	99.57
a	Ddor Auto D.o.o.	društvo sa ograničenom odgovornošću - Limited liabilities company	Serbia		100.0	100	100
b	Ddor Garant	akcionarsko društvo - Joint-stock company	Serbia		40	40	40
а	Ddor Novi Sad A.D.O.	akcionarsko društvo - Joint-stock company	Serbia	100		100	100

				Portion held			
Type (1)	Name	Legal form	Registered office	Direct %	Indirect %	Total	Exercisable voting rights
a	Ddor Re Joint Stock Reinsurance Company	akcionarsko društvo - Joint-stock company	Serbia		100	100	100
b	Fin.Priv. S.r.l.	Limited liabilities company	Italy	28.57		28.57	28.57
а	Finsai International S.a.	Société Anonyme	Luxembourg	63.85	36.15	100	100
а	Florence Centro Di Chirurgia Ambulatoriale S.r.l.	Limited liabilities company	Italy		100	100	100
b	Funivie Del Piccolo San Bernardo S.p.A.	Joint-stock company	Italy	23.55		23.55	23.55
b	Garibaldi S.c.a.	Société en commandite par actions	Luxembourg	32		32	32
b	Golf Club Poggio Dei Medici S.p.A Societa' Sportiva Dilettantistica	Joint-stock company	Italy		40.32	40.32	40.32
а	Gruppo Una S.p.A.	Joint-stock company	Italy	100		100	100
b	Hotel Villaggio Citta' Del Mare S.p.A. in liquidazione	Joint-stock company	Italy	49		49	49
a	Incontra Assicurazioni S.p.A.	Joint-stock company	Italy	51		51	51
b	Isola S.c.a.	Société en commandite par actions	Luxembourg	29.56		29.56	29.56
а	Ital H&R S.r.l.	Limited liabilities company	Italy	100		100	100
a	Leitha' S.r.l.	Limited liabilities company	Italy	100		100	100
a	Marina Di Loano S.p.A.	Joint-stock company	Italy	100		100	100
a	Meridiano Secondo S.r.l.	Limited liabilities company	Italy	100		100	100
а	Midi S.r.l.	Limited liabilities company	Italy	100		100	100
a	Nuove Iniziative Toscane S.r.l.	Limited liabilities company	Italy	100		100	100
b	Pegaso Finanziaria S.p.A.	Joint-stock company	Italy		45	45	45
b	Penta Domus S.p.A. in Iquidazione	Joint-stock company	Italy	24.66		24.66	24.66
a	Pronto Assistance Servizi S.c.a r.l.	Limited liabilities company	Italy	95.34	4.66	100	100
a	Pronto Assistance S.p.A.	Joint-stock company	Italy	100		100	100
b	Servizi Immobiliari Martinelli S.p.A.	Joint-stock company	Italy	20		20	20
a	Siat-Società Italiana Assicurazioni e Riassicurazioni S.p.A.	Joint-stock company	Italy	94.69		94.69	94.69
a	Società Edilizia Immobiliare Sarda - S.E.I.S S.p.A.	Joint-stock company	Italy	51.67		51.67	51.67
a	Sogeint S.r.l.	Limited liabilities company	Italy	100		100	100
a	Tenute Del Cerro S.p.A Societa' Agricola	Joint-stock company	Italy	98.81	1.19	100	100

				Portion held			
Type (1)	Name	Legal form	Registered office	Direct %	Indirect %	Total	Exercisable voting rights
b	Ufficio Centrale Italiano S.c.a r.l.	Limited liabilities consortium	Italy	37.55	0.1	37.65	37.65
a	UniAssi Team S.r.l.	Limited liabilities company	Italy		65	65	65
b	Unipol Banca S.p.A.	Joint-stock company	Italy	42.25		42.25	42.25
a	UnipolRe DAC	Designated Activity Company	Ireland		100	100	100
а	UnipolRec S.p.A.	Joint-stock company	Italia	42.25		42.25	42.25
a	UnipolSai Finance S.p.A.	Joint-stock company	Italy	100		100	100
b	UnipolSai Investimenti SGR S.p.A.	Joint-stock company	Italy	49		49	49
a	UnipolSai Nederland Bv	Besloten vennootschap	The Netherlands	100		100	100
a	UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	Limited liabilities consortium	Italy	98.23	1.71	99.94	99.94
a	UnipolSai Servizi Previdenziali S.r.l.	Limited liabilities company	Italy	100		100	100
a	UniSalute Servizi S.r.l.	Limited liabilities company	Italy		100	100	100
	UniSalute S.p.A.	Joint-stock company	Italy	98.53		98.53	98.53
a	Villa Ragionieri S.r.l.	Limited liabilities company	Italy	100		100	100

Key

a: Subsidiary

b: Associate

Relations with Group companies

The areas of UnipolSai Assicurazioni that provide the most economically significant services to Group companies are as follows:

- Governance (services supporting internal control, risk management and compliance);
- Finance;
- Chief Innovation Officer;
- Communications and Media Relations;
- Assessment of Investments;
- Human Resources and Industrial Relations (personnel administration, external selection, development and remuneration systems, personnel management, trade union relations, employee disputes, employee welfare, safety);
- Organisation;
- Training;
- Legal (corporate affairs, Group legal, anti-fraud, institutional response, legal insurance consulting, privacy, general legal and disputes, corporate legal, complaints, management of investments, anti-money laundering and anti-terrorism, 231 monitoring, institutional relations);
- Claims Settlement;
- Insurance (regulatory management of distribution networks, MV tariffs and portfolio management, reinsurance, bancassurance Life business unit);
- IT services;
- Actuarial Function Validation;
- Actuarial Function Calculation;

- Administration (accounting, tax, administrative and financial statements services, management control, purchases and general services);
- Real estate (coordination of urban planning processes, real estate asset and investment management, portfolio trading, value added, portfolio core, project & construction management, tenders and contracts, logistics and real estate services, facility management, tax and duty property management, real estate appraisals and property management).

These services are charged to the Group companies using the allocated cost method, with the exception of Financial Management, whose consideration is calculated by applying a commission to the assets managed.

UniSalute performs the following services in favour of UnipolSai Assicurazioni:

- managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of the Company;
- policyholder record updating services and administrative services associated with the payment of health policy claims.

SIAT – Società Italiana Assicurazione e Riassicurazioni performs the following services in favour of UnipolSai Assicurazioni:

- technical assistance in the negotiation and stipulation of transport and aviation contracts;
- portfolio services for agreements in the transport sector;
- administrative support in the relationships with insurance counterparties.

Directly or through qualified third-party suppliers AlfaEvolution Technology is in charge of the supply and industrial management at the network of installers and agencies of "black boxes", providing connectivity and data transmission services, online data management and additional services that may be activated on the installed devices.

Auto Presto & Bene performs car repair services for UnipolSai Assicurazioni, while APB Car Service provides claims settlement services.

UnipolRe DAC carries out for UnipolSai Assicurazioni administrative and accounting services for inwards and outwards reinsurance.

UnipolSai Investimenti SGR administers on behalf of UnipolSai the units of property funds owned by UnipolSai Assicurazioni.

Leithà S.r.l. provides, in favour of UnipolSai, innovative services with high technological value and study and analysis of data to support the development of new products and processes and business evolution, including the necessary preparatory and instrumental activities for the realisation of the Research Project, and, possibly the development of operating system software, operating systems and applications and database management pertaining to the Research Project.

Pronto Assistance Servizi provides the following services for the consortium member companies:

- organisation, provision and 24/7 management of services provided by the assistance insurance coverage, by
 taking the action requested and managing relations with professionals and independent suppliers to which the
 material execution of the action is assigned, also including settlement of the related remuneration. As part of the
 Tourism claims management, in addition to the provision of normal Assistance services, Pronto Assistance
 Servizi, at the request of an individual consortium member will be able to advance medical expense payments on
 behalf of that member.
- Contact centre activities for customers, specialists and agencies of the Group, whose services consist of:
 - providing front office services to existing or potential customers at all stages of relations with the consortium members and their respective sales networks, or to any intermediaries acting on their behalf (brokers, banks);
 - providing after-sales services on policy statuses or on any transactions that can be made on existing policies;
 - customer activities to measure the level of customer satisfaction with the services offered;
 - providing support services to the agency network in relations with customers and consortium members;
 - providing contact centre services dedicated to opening claims and related information requests.

UnipolSai Servizi Consortili continued to manage supply and service activities with regard to:

- Logistic and organisational services;
- General services;
- Communications, image and brand management.

UnipolSai Servizi Previdenziali, performs administrative management of open pension funds on behalf of a number of Group companies.

The transactions described above were concluded in compliance with applicable regulations, i.e. the cases set out in Art. 2391 of the Civil Code (Directors' interests), the Guidelines on intragroup transactions and the regulations of transactions with related parties.

Moreover, it is noted that UnipolSai conducts the following transactions with Group companies:

- normal insurance and reinsurance transactions;
- leasing of property;
- agency mandates;
- secondment of personnel.

These transactions, which do not include atypical or unusual transactions, are settled at normal market conditions.

Please see what is reported below in the "Significant events in 2018" section for a description of the extraordinary transactions carried out with Group companies.

Lines of Business

The Company carries out insurance and re-insurance activities both in the Non-Life sector, and in the Life sector and operates in the following Lines of Business ("LoB"), as specified in Annex I of the Delegated Regulation 2015/35:

Line of business Non-Life/Life

2 4 5	Medical expense insurance Income protection insurance Motor vehicle liability insurance	Non-Life insurance obligations Medical expense insurance obligations where the underlying business is not pursued on a similar technical basis to that of life insurance. Income protection insurance obligations where the underlying business is not pursued on a similar
2	Income protection insurance	technical basis to that of life insurance.
4		Income protection insurance obligations where the underlying business is not pursued on a similar
·	Mataryahirla liahility insuranca	technical basis to that of life insurance, other than obligations included in line of business 3.
5	1-10tor vericle liability insurance	Insurance obligations which cover all liabilities arising out of the use of motor vehicles operating on land (including carrier's liability).
	Other motor insurance	Insurance obligations which cover all damage to or loss of land vehicles (including railway rolling stock).
6	Marine, aviation and transport insurance	Insurance obligations which cover all damage or loss to sea, lake, river and canal vessels, aircraft, and damage to or loss of goods in transit or baggage irrespective of the form of transport. Insurance obligations which cover liabilities arising out of the use of aircraft, ships, vessels or boats on the sea, lakes, rivers or canals (including carrier's liability).
7	Fire and other damage to property insurance	Insurance obligations which cover all damage to or loss of property other than those included in the lines of business 5 and 6 due to fire, explosion, natural forces including storm, hail or frost, nuclear energy, land subsidence and any event such as theft.
8	General liability insurance	Insurance obligations which cover all liabilities other than those in the lines of business 4 and 6. (9)
9	Credit and suretyship insurance	Insurance obligations which cover insolvency, export credit, instalment credit, mortgages, agricultural credit and direct and indirect suretyship.
10	Legal expenses insurance	Insurance obligations which cover legal expenses and cost of litigation.
11	Assistance	Insurance obligations which cover assistance for persons who get into difficulties while travelling, while away from home or while away from their habitual residence.
12	Miscellaneous financial loss	Insurance obligations which cover employment risk, insufficiency of income, bad weather, loss of benefit, continuing general expenses, unforeseen trading expenses, loss of market value, loss of rent or revenue, indirect trading losses other than those mentioned above, other financial losses (non-trading) as well as any other risk of non-life insurance not covered by the lines of business 1 to 11.
В		ional non-life reinsurance obligations
13-24	Proportional reinsurance obligations which relate to the obligation	
C		ortional non-life reinsurance obligations
25	Non-proportional health reinsurance	Non-proportional reinsurance obligations relating to insurance obligations included in lines of business 1 to 3
26	Non-proportional casualty reinsurance	Non-proportional reinsurance obligations relating to insurance obligations included in lines of business 4 and 8.
27	Non-proportional marine, aviation and transport reinsurance	Non-proportional reinsurance obligations relating to insurance obligations included in line of business 6.
28	Non-proportional property reinsurance	Non-proportional reinsurance obligations relating to insurance obligations included in lines of business 5, 7 and 9 to 12.
		LIFE
D		Life insurance obligations
30	Insurance with profit participation	Insurance obligations with profit participation.
31	Index-linked and unit-linked insurance	Insurance obligations with index-linked and unit-linked benefits.
32	Other life insurance	Other life insurance obligations.
Е		Life reinsurance obligations
36	Life reinsurance	Reinsurance obligations which relate to the obligations included in lines of business 30 to 32.

The Company operates mainly in Italy, but also, to a marginal extent, under the freedom to provide services regime in some EU and non-EU countries. Please see Par. A.2, which deals with the underwriting activity performance, for a breakdown of the results in terms of lines of business and geographic areas.

Significant events in 2018

Banking sector restructuring plan

In the first half of 2018, the banking sector restructuring plan was completed, announced to the market at the end of 2017, which was detailed in full in the 2017 financial statements. The closing phases of this plan implemented in the early months of 2018 are summarised below:

- on 16 January 2018, a deed was stipulated for the proportional partial spin-off of Unipol Banca S.p.A. ("Unipol Banca" or the "Company being divided") through the incorporation of a new company, the beneficiary of a company complex (the "Complex involved in the division"), inclusive, among other things, of the entire portfolio of bad and doubtful loans of Unipol Banca at the date of approval of the 2017 Half-year Report, excluding the loans deriving from lease transactions and endorsement loans (the "Bad and doubtful loans"). On 31 January 2018, Unipol and UnipolSai disbursed a shareholders' loan to Unipol Banca for €173m and €127m, respectively, and for a total of €300m which, allocated to be included in the Complex involved in the division as set out in the spin-off deed.
- on 1February 2018 (the "Effective Date"), the proportional partial spin-off (the "spin-off") of Unipol Banca to UnipolReC S.p.A. ("UnipolReC" or the "Beneficiary company") took effect, company operating pursuant to Art. 115 of Italian Royal Decree 773 of 18 June 1931 (TULPS), forming part of the Unipol Banking Group as a special purpose vehicle. The Complex involved in the division was transferred from Unipol Banca to UnipolReC for a shareholders' equity value of €313.2m, comprising €290.1m in share capital and around €23m capital reserves. As a result of the Spin-Off, the share capital and capital reserves of Unipol Banca reduced by corresponding amounts.

The share capital of UnipolReC at the spin-off date was €290,122,715, divided into 290,122,715 shares with no nominal value, with 57.75% held by Unipol and 42.25% by UnipolSai.

The amount of Bad and Doubtful Loans included in the Complex involved in the division at the Effective Date is equal to €2,900.8m gross of value adjustments and €553.0m net of value adjustments.

Strategic transactions regarding the banking sector

Transfer of the entire investment in Unipol Banca approved, based on UnipolSai's prior exercise of the put option in place with Unipol

Having completed the restructuring of the banking sector, as described in the previous paragraph, in 2018, the Unipol Group commenced preliminary activities prior to the implementation of strategic transactions concerning said sector, engaging in the appropriate discussions with BPER Banca ("BPER") as a potential counterparty, in order to verify the feasibility of a project that made provision for:

- the transfer to BPER of the shares representing the entire share capital of Unipol Banca;
- the acquisition by UnipolRec of a portfolio of BPER bad and doubtful loans.

In consideration of the relevance of the transaction and taking into account the equity investments held by the Unipol Group in BPER, at the end of 2018, both Unipol and UnipolSai, for matters within their respective competence, voluntarily initiated the preliminary and decision-making process set out in the procedures adopted, respectively, for the performance of transactions with related parties.

As a result of the preliminary activities carried out and the negotiations undertaken, on 7 February 2019, the Board of Directors of Unipol and UnipolSai, for matters within their respective competence, approved a transaction relating to the banking sector of the Unipol Group (the "Transaction"), to be carried out within a single framework, which makes provision for:

- the transfer to BPER Banca of the entire equity investment held by Unipol, also via UnipolSai, in Unipol Banca, corresponding to the entire share capital of the latter, for a cash consideration of €220m; and
- the purchase from the BPER Group, by UnipolReC, of two separate portfolios comprised of bad and doubtful loans, one owned by BPER and one by Banco di Sardegna (jointly, the "portfolio"), for a gross book value of €1.3bn, against a cash consideration of €130m, equal to approximately 10% of the gross value of the portfolio.

For the Unipol Group, the Transaction:

- completes the process of redevelopment of its strategy in the banking sector, exiting the direct management of a medium-sized bank, to take up a role of permanent long-term investor in one of the leading Italian banking groups;
- increases the operating scale of UnipolReC, enhancing its expertise in credit recovery;

- accentuates the focus on insurance core business;
- increases the value of the equity investment held in BPER.

On 7 February 2019, following the approval also by the other companies involved, contractual agreements were signed that govern the Transaction, which is expected to be completed by the start of the second half of 2019, subject to the verification of some conditions precedent, first and foremost of a regulatory and authorisation nature.

Again on 7 February 2019, the Board of Directors of UnipolSai also resolved to exercise the sale option relating to 27.49% of the share capital of Unipol Banca and UnipolReC, available to it vis-à-vis the parent company Unipol based on the option contract signed on 31/12/2013, between the then Fondiaria-Sai S.p.A. and Unipol Gruppo. Given a related party transaction of Greater Relevance, the exercise of the sale option was submitted to the Committee for Related Party Transactions of UnipolSai, which expressed its favourable opinion.

Due to the above, UnipolSai committed to transfer to BPER, under the above conditions, the residual stake (14.76%) held in Unipol Banca following the exercise of the option, completed on 1 March 2019.

In consideration of the planned full transfer, UnipolSai reclassified in its financial statements the equity investment held in Unipol Banca under investments for short-term use as at 31 December 2018, and valued it at the expected sale value, recognising a loss of €50,053k, relating solely to the portion subject to transfer to BPER. In fact, the transfer to Unipol of the shares forming the object of the option had no economic effect, given that the strike value of the option corresponds to the book value of the shares.

Transfer of investment in Popolare Vita

On 11 January 2018, the contract for the transfer of the investment held in Popolare Vita (21,960,001 shares, equal to 50% + 1 share of share capital) to banking partner Banco BPM was signed, following the non-renewal of the distribution agreements and subsequent exercise of the put option envisaged in the Shareholders' Agreement. On 29 March 2018, given the conditions precedent set out in the contract were verified, the shares were transferred and the price of €535,516k was collected, generating a net capital gain of €30,116k.

Acquisition of Arca Vita from the parent company Unipol

On 22 March 2018, the Board of Directors of UnipolSai Assicurazioni SpA approved the acquisition of the investment held by Unipol Gruppo in Arca Vita S.p.A., equal to 63.39% of share capital, for a consideration of €475m (the "Acquisition").

The Acquisition is part of a project, approved by the Boards of Directors of Unipol Gruppo and UnipolSai Assicurazioni on 29 June 2017, targeted at definitively streamlining the Group's insurance sector under the control of UnipolSai Assicurazioni (the "Project").

As part of the project, in addition to the acquisitions of the investments in UniSalute S.p.A. and in Linear S.p.A., which were completed on 16 November 2017, provision was made for the transfer to UnipolSai Assicurazioni, on verification of given conditions and assumptions, also of the investment held by Unipol Gruppo in Arca Vita (and with it also in its subsidiaries, with particular reference to the insurance companies Arca Vita International DAC and Arca Assicurazioni S.p.A.).

These conditions were satisfied with the anticipated renewal of the strategic bancassurance partnership in the Life and Non-life segments between Unipol Gruppo, BPER Banca S.p.A. and Banca Popolare di Sondrio S.c.p.A. and the signing, on 8 November 2017, of the new five-year agreement, expiring on 31 December 2022 and which is renewable based on prior agreement between the parties.

The Acquisition will help reinforce UnipolSai Assicurazioni's offer in the bancassurance channel as a whole, in particular, strengthening UnipolSai's presence as an important bancassurance operator in both the life and non-life businesses, also in view of the conclusion of the bancassurance partnership with Banco BPM S.p.A. in the Life businesses.

In particular, the transfer of Arca Vita to UnipolSai Assicurazioni will facilitate the development process aimed at ensuring constant adequacy of the offer of products by Arca Vita and the latter's insurance subsidiaries, also in light of the possibilities offered by technological innovation and also taking into consideration developments in the reference market.

The considerations of the Acquisition were determined within the range of values identified with the support of JP Morgan Limited and Mediobanca - Banca di Credito Finanziario S.p.A., in the capacity of financial advisors, respectively for UnipolSai Assicurazioni and Unipol Gruppo, by applying the estimation methodologies normally used in accordance with the best Italian and international valuation practices.

Therefore, the project for the streamlining of the Unipol Group's insurance sector, launched in 2017 with the transfers of the investments held by Unipol in Linear S.p.A. and UniSalute S.p.A. to UnipolSai, was completed. At the end of the 2018, all the insurance activities of the Unipol Group are controlled by UnipolSai.

Issue and reimbursements of bond loans

On 2 February 2018, UnipolSai published an update to the EMTN Programme for a total nominal amount of up to €3bn, as part of which, on 22 February 2018, it launched the placement of a subordinated bond loan for €500m, intended exclusively for qualified investors. The loan, included under Tier 2 own funds for Solvency II regulatory purposes and listed on the regulated market of the Luxembourg Stock Exchange, was issued on 1 March 2018, with the following characteristics: €500m in principal, expiry in March 2028; issue price at par, coupon equal to 3.875% with a spread on the reference rate of 274.5 basis points.

Subsequently, on 3 May 2018, the two subordinated loans were repaid in full for a total of €300m, disbursed in the past by Mediobanca – Banca di Credito Finanziario S.p.A. with expiries in 2025 and 2026, both included under Tier 2 own funds for Solvency II regulatory purposes.

A.2 Underwriting performance

Non-Life insurance business

Direct business premiums at 31 December 2018 amounted to ϵ 6,888.9m, essentially in line with the premiums acquired in 2017 (ϵ 6,891.4m). Also considering indirect business, premiums acquired during the year amounted to ϵ 6,899.6m (ϵ 6,900.6m in 2017).

In the MV sector, premiums increased as a result of the growth in the Land Vehicle Hulls segment, while the reduction in MV TPL was confirmed, due to the drop in average premiums.

The technical result improved in both the Land Vehicle Hulls segment and the MV TPL segment, in which the decrease in the claim frequency and the reduction in the average cost offset the drop in premiums, determining an improvement in the technical result of the business.

In the Non-MV businesses, a reduction was registered in the Health business, due in particular to the non-renewal of the collective contract involving a significant amount. Thanks to the increase in premiums recorded in the other businesses, in particular Other damage to property, Assistance and Pecuniary losses, the group of non-MV classes closed with a slight decrease of 0.2%. The significant weather and flood events which occurred in the last few days of October contributed to the slight worsening in the technical result of the general classes.

With regard to claims reported, during the year 2,273,168 claims were received for all Non-Life classes, an increase of 2.7% on those received in 2017.

In 2018, the Claims Department managed 1,381,241 claims reported during the year for the Company (of which nearly 80% have already been settled with payment) in addition to 480,957 claims from previous years existing at 1 January or reopened (of which 63.7% already settled with payment).

The average cost (amount paid plus amount reserved) for claims managed (including claims reported late) declined by 2.0% in 2018 (-0.7% in 2017). The average cost of the amount paid out decreased by 1.2% (+2.0% in 2017).

We describe below the qualitative and quantitative results of the underwriting activities of the company, both at the aggregate level, and by line of business / geographic area in which the activities were carried out during the reference period.

The table below shows the amounts recorded for premiums written, premiums earned, claims incurred, changes in other technical provisions and expenses, broken down by line of business, to match the quantitative model ("Quantitative Reporting Template" or "QRT") S.05.01.02. "Premiums claims and expenses by LoB", which can be found among the annexes of this report.

To provide a better understanding of the "Underwriting performance" object of this disclosure with respect to data reported in the financial statements, we note the following:

- all items, reported below, are shown net of the amount ceded under re-insurance agreements;
- "premiums written" include the premiums written in the reference period, net of the reversals and profit participation, as well as reversals of premiums issued during the year;
- "premiums earned" include, in addition to premiums written, the change in pro rata premium provision and the provision for unexpired risks. For the Life business, the change in the provision for premiums brought forward is included:
- "claims incurred" includes all charges related to claims paid out and the change in the provision for direct reimbursements and expenses, while, in compliance with the specific directions provided by legal and regulatory provisions, this item does not include the settlement expenses and the corresponding change in the provision for settlement expenses. This item also includes contributions of a technical nature, such as, for example, the fund for victims of road accidents, the legal defence costs, the amounts recovered or to be recovered from third parties for deductibles and/or reimbursements and some specific technical charges that by nature may be treated as claim expenses (for example the contribution to the management of MV claims);
- the "changes in other technical provisions" includes all other provisions not included in the previous item. For the Life business, the change in the mathematical provisions and the Class D provisions were also allocated to this item;
- the "expenses incurred" include all expenses of the period directly related to the specific activity such as the
 commissions and any other acquisition charge, collection commissions, administrative expenses,
 investment management charges (which, in the financial statements, are reported in the non-technical
 account), some technical charges that for their nature may be treated as expenses, for example convention
 costs, the CARD contributions and management rights, as well as the settlement expenses and the change in
 the corresponding provision for expenses as required by reference provisions;
- in the case of net gains (losses) and/or other income statement items (e.g. changes in provisions) that can take values both positive and negative, the negative figures represent a cost for the Company.

If it is believed to be useful for a clearer description, as required by Art.307 of the Regulation, in the rest of the paragraph we will comment on the underwriting performance of the main LoBs, bringing their perimeters back to those identified on the basis of activity classes ("Classes") identified in the Insurance Code, Legislative Decree 7 September 2005, No. 209, Art. 2.

Non-life underwriting performance 2018

Amounts in €k	Line of business	Premiums written	Premiums earned (b)	Claims incurred (c)	Changes in other techcnical provisions (d)	Expenses incurred (e)	Other expenses (f)	Underwriting performance (g)=(b)-(c)+(d)- (e)-(f)
	1- Medical expense insurance	190,194	186,264	99,011	2,445	90,500		(800)
pue	2-Income protection insurance	519,859	523,063	235,480	(773)	214,891		71,920
Insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	3-Workers' compensation insurance	3 3/-33	3 3,4 13	33,1	(113)	7.3		7.10=1
irect bu irance)	4-Motor vehicle liability insurance	3,224,660	3,215,742	2,127,114		1,006,915		81,714
ns (d einsu	5- Other motor insurance	667,880	644,916	381,846	(1,487)	213,687		47,896
nd reinsurance obligations (direct bi accepted proportional reinsurance)	6-Marine, aviation and transport insurance	16,761	16,292	11,483	(60)	15,264		(10,515)
ırance o d propor	7-Fire and other damage to property insurance	1,058,245	1,042,399	615,093	(30,000)	472,386		(75,080)
einsu	8-General liability insurance	671,326	666,026	251,837		297,282		116,907
e and re	9-Credit and suretyship insurance	26,866	20,131	(459)	5,267	26,937		(1,080)
ıranc	10-Legal expenses insurance	13,125	13,382	(2,105)		(4,164)		19,651
Inst	11-Assistance	19,315	18,761	8,185		15,870		(5,294)
	12-Miscellaneous financial loss	61,920	61,312	24,919	(7)	25,633		10,754
<u> </u>	13- Health	275	275	164				111
ed no tiona rance	14-Casualty	1,000	1,000	330				669
Accepted non- proportional reinsurance	15-Marine, aviation and transport							
4	16-Property	314	314	88				227
	Total	6,471,741	6,409,879	3,752,984	(24,614)	2,375,200		257,080

Non-life underwriting performance 2018 and 2017

		_		
Amounts		Underwriting	Underwriting	Change
in €k	Line of business	performance 2018	performance 2017	on 2017
	1- Medical expense insurance	(800)	11,516	(12,317)
and	2-Income protection insurance	71,920	108,941	(37,021)
siness	3-Workers' compensation insurance			
rect bu rance)	4-Motor vehicle liability insurance		38,973	42,740
s (di insu	5- Other motor insurance	47,896	22,594	25,302
oligation ional re	6-Marine, aviation and transport insurance	(10,515)	(9,219)	(1,296)
Insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	7-Fire and other damage to property insurance	(75,080)	(116,301)	41,221
insu pted	8-General liability insurance	116,907	60,940	55,967
e and re acce	9-Credit and suretyship insurance	(1,080)	(14,158)	13,078
ranc	10-Legal expenses insurance	19,651	16,505	3,146
Insu	11-Assistance	(5,294)	2,833	(8,126)
	12-Miscellaneous financial loss	10,754	13,105	(2,351)
on- nal	13- Health	111	678	(567)
rtion rrand	14-Casualty	669	374	296
Accepted non- proportional reinsurance	15-Marine, aviation and transport			
4 –	16-Property	227	204	23
	Total	257,080	136,984	120,096

Premiums written, equal to €6,471,741k (€6,488,984k at 31/12/2017), are stated net of reinsurance and are composed of gross premiums related to direct business for €6,888,863k (€6,891,445k at 31/12/2017) and indirect business for €10,774k (€9,175k at 31/12/2017), net of the premiums ceded and retroceded amounting to €427,896k (€411,636k at 31/12/2017).

Premiums written, equal to €6,409,879k (€6,463,413k at 31/12/2017), are stated net of reinsurance and are composed of gross premiums related to direct business for €6,834,037k (€6,867,584k at 31/12/2017) and indirect business for €11,085k (€9,454k at 31/12/2017), net of €435,243k (€413,625k as at 31/12/2017) in premiums ceded and retroceded.

Claims incurred amounted, net of reinsurance, to €3,752,984k (€3,915,119k at 31/12/2017) and are composed of gross expenses from direct business for €4,002,013k (€4,078,219k at 31/12/2017) and indirect business for €4,255k (€6,308k at 31/12/2017), net of €253,284k in claims ceded and retroceded (€169,408k at 31/12/2017). There were no significant variances in the change in the component of other technical provisions.

Expenses incurred were €2,375,200k, essentially in line with the figure from the previous year (€2,394,201k), of which:

- administrative expenses for €318,137k (€335,731k at 31/12/2017);
- expenses for the management of investments for €25,850k (€30,971k at 31/12/2017);
- expenses for the management of claims for €434,499k (€420,639k at 31/12/2017);
- acquisition costs were €1,145,100k (€1,148,456k at 31/12/2017), of which €2,307k relating to indirect business, net of the reinsurers' share equal to €149,024k (€149,913k at 31/12/2017);
- overheads for €451,615k (€458,404k at 31/12/2017).

Overall, the Non-Life business had positive underwriting performance of €257,080k (€136,984k at 31/12/2017), the breakdown by LoB of which is shown in the previous tables.

We provide below some brief comments on the underwriting performance of the main LoBs.

The negative performance in LoB 1 and positive one in Lob 2 reflected, although with a different segmentation, the favourable performance of the Accidents Class and unfavourable performance of Health Class. In particular, in the Accident Class, in the retail products segment, the commercial initiatives and the sales campaigns implemented during the year provided practical support to the business, despite the fact an increase in existing contracts was not verified. The acquisitions of premiums of contracts involving a significant amount were confirmed in the collective risks segment in the final part of the year, which offset the disposals of policies with unprofitable performances.

The growth in the number of claims continues to be impacted by the presence of risks, concentred in particular in the sporting and hunting domain, characterised by a high frequency and low average cost. Despite the presence of sustained growth in charges relating to claims, the class confirmed a positive result.

The Health class closed with premiums down considerably, due largely to the transfer to Unisalute of a contract involving a significant amount, as a result of the strategic decision to have these areas of business underwritten by the Group company specialised in that sector.

In the Small and Medium Enterprises sectors, the sales initiatives targeted at both maintaining the contracts in the portfolio and at acquiring new customers, met with good success, while the portfolio decreased slightly in the Household sector.

In terms of claims, the reduction in costs is linked in particular to the aforementioned transfer of relevant contracts to the specialist company.

The positive underwriting performance of \le 81,714k (\le 38,973k in 2017) for LoB 4 (Motor vehicle liability insurance), corresponding to Class 10 (TPL land vehicles), is instead mainly due to the decrease in the frequency of the claims and total costs on the decline, which essentially determined the improvement in the technical result, although there was a decrease in premiums in line with market trends.

The positive performance in LoB 5 (Other motor insurance), corresponding to Class 3, is due to an increase in premiums, supported by both the individual and cumulative policies sectors. This result helped to achieve a slightly positive balance of premiums of the company's motor business, after a few years in which the market situation had not allowed it.

For LoB 7 (Fire and other damage to property), corresponding to Class 8 (Fire) and Class 9 (Other damage to property), the negative underwriting performance was primarily due:

- as regards the Fire component in respect of the slight increase in premiums, attributable primarily to the cover targeted at households and, partly, at Small and Medium Enterprises; the Corporate sector presented a decrease, due to stiff tariff competition in the market. In relation to claims, an increased number of claims were reported, due primarily to the serious weather events at the end of October which affected various areas in the region, in spite of which the class closed the year with an improvement over the previous year, in turn affected by a major fire;
- in the Other damage to property class, an increase in premiums was registered with significant contributions from the Hail class, cover for homes and, albeit to a lesser extent, the Theft sector. An increase in claims was also registered, both reported and paid, attributable primarily to the accessory Fire guarantees of the Household and Condominium sector, for which the weather events that occurred in autumn caused a series of damages due to an electrical phenomenon.

Premiums in LoB 8, corresponding to Class 13 (General TPL) were essentially stable (€671m in 2018 compared to €665m in 2017), with different trends between the various sectors: corporate remained unchanged despite stiffer tariff competition on the market, the Small and Medium Enterprises line increased, in which the Professionals sector recorded a decrease, Public Authorities were stable, despite the continued heavy tariff competition in the market, while the manufacturing and agricultural firms segment recorded an increase.

The increase in claims reported, attributable to the risks related to cover for the Individuals segment, corresponds to a clear reduction in the overall cost, which determined an improvement in the result of the class.

As regards LoB 10 Legal expenses, the positive result with respect to the previous year is due to both an increase in premiums and a reduction in claims.

Life insurance business

The individual policies sector recorded an increase of 10.7% compared to 31 December 2017, which is due mostly to the increase in Class V (+80.8%), to which the issue of capitalisation policies contributed, for a total of approximately €95m.

Note should be taken of the substantial increase in Class III (+12.8%), to which Unit-linked and Multi-segment products contributed. As regards multi-segment products, note should be taken of the excellent performance of the new Pip UnipolSai Previdenza Futura, marketed from 9 October 2017.

Class I single premiums also recorded growth (+3.1%), confirming the appeal of the product UnipolSai Investimento Garantito Extra.

Also in the individual sector, Class IV premiums recorded growth (+72.3%), an increase that, although insignificant in terms of absolute value, demonstrates the growing interest in products covering the risk of long-term care.

Premiums on collective policies increased slightly compared to 31 December 2017 (+4.1%), due in particular to Class VI (+11.1%).

The significant decrease registered in Class VI compared to the previous year was mainly impacted by the payment made in 2017 of two agreements which expired as the mandate had come to an end.

The project for the streamlining of the Individual Pension Plans, subject to run-off owing to incorporation in PIP Unipol Futuro Presente, was concluded on 1 January 2018.

The Company updated the overall offering of annual premium products in 2018, distinguishing it into three products:

- a) "UnipolSai Risparmio Protetto", savings plan with a high level of protection and the possibility to add supplementary or accessory cover;
- b) "UnipolSai Risparmio Bonus", savings plan whose objective is to maximise the capital payable on expiry of the contract, with the possibility of conversion to annuity based on fixed and guaranteed coefficients;
- c) "UnipolSai Risparmio Giovane", savings plan whose objective is to guarantee children (or grandchildren) with financial support at the end of their studies, which also provides the possibility of making additional payments.

Thanks to the new offer, the following common initiatives were applied to all product versions:

- the reduction in the level of the financial guarantee offered, as a result of the persistently low interest rates;
- the modification of the reference Segregated Funds, consistent with the financial approaches of flow management and optimisation;
- the updating of demographic tables, to take account of the increase in life expectancy;
- the reduction in the costs of splitting up premiums, to encourage the development of payment plans.

During the year, the offer of individual Unit-linked and Multi-segment products was also updated.

The Unit-linked products of the Energy line ("UnipolSai Investimento Energy" and "UnipolSai Risparmio Energy") were enriched with the introduction of the new Internal Fund "MegaTrend UnipolSai", which makes it possible to carry out investments linked to "Megatrends", i.e. in financial assets which may be positively impacted by important long-term social, demographic, environmental and technological trends, not strictly related to the economic cycle.

The multi-segment products of the Gestimix line ("UnipolSai Investimento Gestimix" and "UnipolSai Risparmio Gestimix") were updated with the reduction of the financial guarantee, now equal to a minimum guaranteed return of 0% best of on the part invested in Segregated Funds.

During the second half of the year, two significant initiatives were implemented in relation to collective policies, with the introduction of a new Long-Term Care product and updating of the products Temporanea caso morte (Death) and Temporanea Caso morte e invalidità permanente (Death and Permanent Invalidity).

The offer is structured into six mono-annual products that meet the protection needs of various groups:

 d) "UnipolSai TCM Dirigenti" - Temporanea caso morte (Death) and Temporanea caso morte e invalidità permanente (Death and Permanent Invalidity) - for executives of industrial firms and producers of goods and services;

- e) "UnipolSai TCM Gruppi" Temporanea caso morte (Death) and Temporanea caso morte e invalidità permanente (Death and Permanent Invalidity) for employees other than executives of industrial firms;
- f) "UnipolSai TCM Gruppi" (unisex) Temporanea caso morte (Death) and Temporanea caso morte e invalidità permanente (Death and Permanent Invalidity) for predetermined groups other than employees and executives.

Life underwriting performance 2018

Amounts in €k	Line of business	Premiums written (a)	Premiums earned (b)	Claims incurred (c)	Changes in other techcnical provisions (d)	Expenses incurred	Other expenses	Underwriting performance (g)=(b)-(c)+(d)-(e)-(f)
	1-Health insurance							
	2-Insurance with profit participation	2,133,950	2,146,294	2,255,399	(460,696)	186,809		(756,610)
tions	3-Index-linked and unit-linked insurance	877,062	877,062	328,301	(445,265)	25,126		78,371
bliga	4-Other life insurance	109,098	103,819	27,319	(6,356)	6,880		63,264
Life insurance obligations	5-Annuities stemming from non- life insurance contracts and relating to health insurance obligations							
Life	6-Annuities stemming from non- life insurance contracts and relating to insurance obligations other than health insurance obligations							
Life reinsurance obligations	7-Health reinsurance							
Life reir obliga	8-Life reinsurance	233	233	997	1,182	64		354
	Total	3,120,343	3,127,409	2,612,016	(911,135)	218,879		(614,621)

Life underwriting performance 2018 and 2017

Amounts		Underwriting	Underwriting	Change
in €k	Line of business	performance 2018	performance 2017	on 2017
	1-Health insurance			
	2-Insurance with profit			
	participation	(756,610)	(765,030)	8,420
2	3-Index-linked and unit-linked			
tion	insurance	78,371	(78,924)	157,295
bliga	4-Other life insurance	63,264	62,934	330
Life insurance obligations	5-Annuities stemming from non- life insurance contracts and relating to health insurance obligations			
Liff	6-Annuities stemming from non- life insurance contracts and relating to insurance obligations other than health insurance obligations			
Life reinsurance obligations	7-Health reinsurance			
Ē	8-Life reinsurance	354	(91)	446
	Total	(614,621)	(781,111)	166,491

Premiums written, equal to €3,120,343k (€2,885,831k at 31/12/2017), correspond to the amount of gross premiums relating to direct business for €3,126,138k (€2,891,818k at 31/12/2017) and indirect business for €293k (€370k at 31/12/2017), net of the premiums ceded and retroceded for €6,088k (€6,356k at 31/12/2017).

Premiums written are stated net of reinsurance, and amounted to €3,127,409k (€2,890,402k at 31/12/2017), and are composed of gross premiums relating to direct business for €3,133,203k (€2,896,388k at 31/12/2017) and indirect business for €293k (€370k at 31/12/2017), net of €6,088k in premiums ceded and retroceded (€6,356k at 31/12/2017).

Claims incurred amounted, net of reinsurance, to €2,612,016k (€3,470,516k at 31/12/2017) and are composed of gross expenses from direct business for €2,620,060k (€3,478,055k at 31/12/2017) and indirect business for €1,766k (€3,479k at 31/12/2017), net of €9,811k in claims ceded and retroceded (€11,019k at 31/12/2017).

The variation in other provisions totalled a negative €-911,135k (positive €19,108k net at 31/12/2017), net of the share reinsured and retroceded equal to a cost of €9,821k, and consisted mainly of:

- the cost for the change in mathematical provisions for €478,701k (income of €340,700k at 31/12/2017);
- the cost for the change in class D provisions for €432,434k (income of €359,808k at 31/12/2017);

The "expenses incurred" were €218,879k (€220,106k at 31/12/2017) and included:

- administrative expenses for €48,280k (€54,779k at 31/12/2017);
- expenses for the management of investments for €58,622k (€59,865k at 31/12/2017);
- expenses for the management of claims for €3,591k (€3,655k at 31/12/2017);
- acquisition costs for €33,498k (€30,683k at 31/12/2017), net of the reinsurers' share equal to €1,346k (€374k at 31/12/2017);
- overheads for €74,887k (€71,123k at 31/12/2017).

On the whole, the Life business recorded a net loss of \in 614,621k (negative \in 781,111k at 31/12/2017), determined by a negative underwriting performance equal to \in 756,610k for the LoB "Insurance with profit-sharing" (Class I and Class V), a positive \in 78,371k of the LoB "Index-linked and Unit-linked Insurance" (Class III and VI) and the \in 63,264k from the LoB "Other Life insurance" (Class IV). The result of indirect business, completely marginal in the Life segment, was positive for \in 354k.

A Business and performance

We note that, as required by legal and regulatory provisions, the positive and negative income items that produce the net underwriting performance of the Life business do not include the income of the financial assets to which the revaluation of the services provided to policyholders is linked; this is instead discussed in Par. A.3 Investment performance.

The policies in the LoB Insurance with profit-sharing, which record premiums written equal to €2,133,950k (€1,998,855k at 31/12/2017), have the most significant impact on total premiums of the Life business, showing the preference of customers for products offering financial protection such as the revaluable products.

The LoB Index-linked and Unit-linked Insurance, with written premiums for €877,062k (€789,786k at 31/12/2017), includes the activity for the management of mutual funds created for the provision of services in the case of death, in the case of life or in the case of discontinuance or curtailment of work activity and the insurance on the length of human life, whose main benefits are directly linked to the value of units of a UCITS, or the value of the assets in an internal fund or else to an index or other reference values.

The LoB "Other life insurance" also includes the premiums, claims, provisions and expense components deriving from "temporary insurance in the event of death", as required by regulations.

Geographic areas

As regards direct business, for all lines of business specified in Annex I to the Delegated Regulation (EU) 2015/35, information must be broken down by the country in which the contract was concluded, which is understood to be:

- a) the country in which the insurance company (country of origin) is located, if the contract was not sold through a branch or under the freedom to provide services;
- b) the country in which the secondary office (host country) is located, if the contract was sold through a branch;
- c) the country in which the freedom to provide services (host country) was notified, if the contract was sold under the freedom to provide services.

Unlike what is specified above, direct insurance activity for LoB 1 Medical Expense (Classes 1 and 2), LoB 2 Income Protection (Classes 1 and 2), LoB 7 Fire and other damage to property (Classes 8 and 9) and LoB 9 Credit and suretyship (Classes 14 and 15), is reported by the country in which the risk is located.

For proportional and non-proportional re-insurance, the information is provided according to the country in which the transferring company is located.

We note, in this regard, that the Company carries out its insurance activity almost exclusively (more than 99% of premiums) in Italy.

A.3 Investment performance

As regards the management of financial investments, 2018 was marked by volatility in the international financial markets connected with geopolitical tensions and, in our country, tensions on national Government Bonds tied, at first, to political instability which preceded the creation of the new Government and, later, the implementation of the Budget Law. In this context, the gross profitability of the Group's insurance financial investments portfolio obtained a return of 3.0% of invested assets in the period considered (4.2% as at 31 December 2017), impacted by significant value adjustments, while the coupons and dividends component generated a return of 3.6%.

Financial operations in 2018 were consistent with the Investment Policy guidelines adopted by the Company and with the recommendations of the Group Investments Committee and Financial Investments Committee.

The criteria of high liquidity of investments and prudence were the guidelines of the investment policy, maintaining the necessary consistency with the liability profile. The investment policy applied the criteria of optimising the portfolio's risk-return profile.

With a view to simplifying the asset portfolio, the reduction of level 2 and 3 structured securities according to the IFRS 13 hierarchy continued, both through sales and when the securities reached their natural maturity.

The year 2018 was characterised by operations focused on bonds and equities. An increase in the weight of investments in Government bonds was recorded. The exposure to bonds of non-Government issuers rose marginally, the result of a reduction in financial corporate bonds compared with a more than proportional increase in industrial corporate bonds.

Interest rate derivative transactions, in particular on the Non-life portfolio, were geared towards optimising the strategies for mitigating the risk of a rise in interest rates.

With respect to real estate investments, during the year the Company continued to develop its owned property assets in order to subsequently leverage the refurbished properties with a view to leasing or use for business purposes. The projects are characterised by the use of technologies designed to maximise energy savings, including by relying on renewable energy.

As regards sales, the transfer of ownership of some real estate units was completed, regarding the broader sale of approximately 500 real estate units located in various areas of Italy launched in the previous year.

In addition, amongst other transactions, note should be taken of the sale of some properties for a significant amount located in Bologna (office use), as well as the sales of real estate units for residential use located in Rome via Ciro Menotti and via Clitunno, Milan via Monti, via De Missaglia (Le Terrazze complex) and via Castellanza. Overall, during the year, properties were sold for a total amount of approximately €223m.

The breakdown of current gains on assets and financial income and gains and losses on trading are shown in the table below, with separate indication of net income relating to investments for the benefit of policyholders that bear the risk arising from pension fund management (Class D).

Gains on investments and financial income

4	FY	%	FY	%	Variation 2	
Amounts in €k	2018	Comp.	2017	Comp.	amount	%
Gains on investments and financial income						
Land and buildings	69,178	4.3	69,060	4.1	118	0.2
Shares and holdings	104,290	6.4	122,686	7.2	(18,397)	(15.0)
Bonds	1,282,410	79.2	1,333,270	78.7	(50,860)	(3.8)
Mutual investment fund units	75,333	4.7	71,656	4.2	3,677	5.1
Loans	11,204	0.7	11,699	0.7	(495)	(4.2)
Bank deposits	80	0.0	73	0.0	7	9.3
Bank and post office deposits	7	0.0	76	0.0	(69)	(91.0)
Sundry financial investments	76,784	4.7	84,189	5.0	(7,406)	(8.8)
Reinsurance deposits	309	0.0	535	0.0	(227)	(42.3)
Total (a)	1,619,594	100.0	1,693,245	100.0	(73,651)	(4.3)
Gains on sale						
Land and buildings	42,654	9.6	23,125	5.5	19,530	84.5
Shares and holdings	119,086	26.8	72,591	17.3	46,495	64.1
Bonds	199,219	44.9	221,434	52.8	(22,215)	(10.0)
Sundry financial investments	26,035	5.9	13,695	3.3	12,340	90.1
Mutual investment fund units	57,184	12.9	88,480	21.1	(31,296)	(35.4)
Total (b)	444,178	100.0	419,324	100.0	24,854	<i>5.9</i>
Total (a+b)	2,063,772		2,112,569		(48,797)	(2.3)
Reversals on investments						
Land and buildings						
Shares and holdings	58,786	51.7	11,739	8.2	47,047	400.8
Bonds	206	0.2	106,747	75.0	(106,540)	(99.8)
Sundry financial investments	48,218	42.4	7,288	5.1	40,930	561.6
Mutual investment fund units	6,575	5.8	16,573	11.6	(9,998)	(60.3)
Total (c)	113,785	100.0	142,347	100.0	(28,561)	(20.1)
TOTAL (a+b+c)	2,177,558		2,254,916		(77,358)	(3.4)
Investment income of Class D	_,,,,,,,,,,		_,_5,1,5,0		(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	15.17
Investment funds and market indices	12,313		30,378		(18,065)	(59.5)
Pension funds	102,274		140,593		(38,320)	(27.3)
Total Class D	114,587		170,972		(56,385)	(33.0)
GRAND TOTAL						
GRAND TOTAL	2,292,144		2,425,887		(133,743)	<i>(5.5)</i>

Ordinary income on investments and uses of cash was €1,619,594k (€1,693,245k at 31/12/2017): this item includes accrued interest receivables, accrued rent, dividends collected, any capitalised issue and trading discount and positive differential collected against interest rate swap contracts.

Capital gains on disposal were overall equal to €444,178k (€419,324k at 31/12/2017). The reversals of impairment losses were equal to €113,785k (€142,327k at 31/12/2017). Note should be taken, among other things, of the reversals of impairment losses on the investments in Unipolsai Finance (€30,942k), in Incontra Assicurazioni (€3,772k) and in Auto Presto&Bene (€3,441k).

Overall, net financial income, including the reversals of impairment losses on investments and excluding the income on investments of Class D, was €2,177,558k (€2,254,916k at 31/12/2017).

The income on investments for the benefit of policyholders who bear the risk arising from pension fund management (Class D) was equal to \in 114,587k (\in 170,972k at 31/12/2017).

Asset and financial charges

	FY	%	FY	%	Variation 2	018/2017
Amounts in €k	2018	Comp.	2017	Comp.	amount	%
Asset and financial charges						
Land and buildings	19,410	10.6	21,979	11.7	(2,569)	(11.7)
Shares and holdings	2,390	1.3	1,283	0.7	1,107	86.3
Bonds	42,275	23.1	51,929	27.5	(9,654)	(18.6)
Bank and post office deposits	12	0.0	1	0.0	11	1107.0
Sundry financial investments	116,776	63.7	110,247	58.4	6,529	5.9
Reinsurance deposits	2,419	1.3	3,220	1.7	(801)	(24.9)
Total (a)	183,282	100.0	188,659	100.0	(5,377)	(2.9)
Losses on sale						
Land and buildings	28,923	12.1	6,818	3.8	22,104	324.2
Shares and holdings	103,374	43.3	15,673	8.8	87,701	559.6
Bonds	44,793	18.8	49,761	27.8	(4,968)	(10.0)
Sundry financial investments	29,078	12.2	94,080	52.6	(65,002)	(69.1)
Mutual investment fund units	32,599	13.7	12,389	6.9	20,209	163.1
Total (b)	238,767	100.0	178,721	100.0	60,045	<i>33.6</i>
Total (a+b)	422,048		367,380		54,668	14.9
Value adjustments to investments						
Land and buildings	61,325	10.4	56,560	18.7	<i>4,765</i>	8.4
Shares and holdings	143,094	24.2	137,035	45.3	6,059	4.4
Bonds	218,017	36.9	8,181	2.7	209,836	2565.0
Sundry financial investments	12,954	2.2	18,881	6.2	(5,926)	(31.4)
Mutual investment fund units	156,085	26.4	81,543	27.0	74,542	91.4
Total (c)	591,476	100.0	302,200	100.0	289,276	<i>95.7</i>
TOTAL (a+b+c)	1,013,524		669,580		343,944	51.4
Charges investments of Class D						
Investment funds and market indices	58,430		15,058		43,371	288.0
Pension funds	160,098		97,358		62,741	64.4
Total Class D	218,528		112,416		106,112	94.4
GRAND TOTAL	1,232,052		781,996		450,056	<i>57.6</i>

Losses on assets and financial charges, summarised in the table above, do not include the expenses for the management of investments, equal $\in 84,472k$ ($\in 90,837k$ at 31/12/2017), because, as per regulation, classified in the item "expenses incurred" in the table "underwriting performance".

Charges on investments, which include, as an example, depreciation, accrued interest expense and any rate differential exchanged on derivative contracts, were €183,282k (€188,659k at 31/12/2017), while total realised capital losses on disposal were €238,767k (€178,721k at 31/12/2017).

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Value adjustments were equal to €591,476k (€302,200k at 31/12/2017) and include €61,325k of adjustments on land and buildings, of which €13,580k related to impairments on real estate. A total of €79,551k related to group companies. The main amount referred to the affiliate Unipol Banca concerned by the restructuring operation commented on under the main events for the period, for an amount of €50,053k. For the other investees, the value adjustments amounted to €1,905k for Villa Ragionieri, €705k relating to Ambra Property and €26,888k for Nuove Iniziative Toscane.

Overall, financial charges, including value adjustments to investments, with the exception of those related to the Class D, were therefore equal to epsilon1,013,524k (epsilon669,580k at 31/12/2017), while the charges on investments for the benefit of policyholders who bear the risk arising from pension fund management (Class D) was equal to epsilon218,528k (epsilon112,416k at 31/12/2017).

Investment in securitisations

We provide below the amount of the investments in securitisations, divided by rating, recognised in the financial statements at 31 December 2018.² Note that the sole investment in securitisations at the end of 2017 was fully repaid during the period, generating income as shown in the tables shown below.

Rating on investments in securitisations

Amounts in €k	2018	2017	Change on 2017
AAA			
AA			
A			
ВВВ		25,269	(25,269)
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Total investments in securitisations		25,269	(25,269)

The following table provides details on the financial income and charges recognised in the financial statements at 31 December 2018 with regard to investments in securitisations:

Income and charges on investments in securitisations

Amounts in €k	2018	2017	Change on 2017
Financial income	3,858	829	3,028
(Financial charges)			
Financial income (charges)	3,858	829	3,028

As shown by the tables above, investments in securitisation represent a marginal portion of the total portfolio of financial assets of the Company.

The value reported is the value carrying amount inclusive of the accrued coupon rate.

A.4 Performance of other activities

We provide below a breakdown of other income and charges, which were not already included in Par. A.2 and A.3. above.

Other income

	FY	FY	Y Variation 2018/2017	
Amounts in €k	2018	2017	amount	%
Interest income	9,922	8,273	1,650	19.9
Other technical income	89,103	67,787	21,316	31.4
Recovery of expenses	68,126	53,680	14,446	26.9
Positive exchange rate differences		16,150	(16,150)	(100.0)
Withdrawals from provisions	58,117	73,650	(15,533)	(21.1)
Commission on placement of bank products	6,938	7,228	(290)	(4.0)
Other income	7,998	9,623	(1,625)	(16.9)
Recovery of expenses for management of Roadway Accident Victims Fund (FVS)	9,579	8,294	1,285	15.5
Total other income	249,784	244,685	5,099	2.1
Gains on trading of other assets	4	271	(267)	(98.5)
Other extraordinary income	289	54	235	438.3
Extraordinary gains	39,223	43,507	(4,284)	(9.8)
Total extraordinary income	39,516	43,832	(4,316)	(9.8)

At 31 December 2018, the item "Total other income" was equal to €249,784k (€244,685k at 31/12/2017) and included:

- other technical income for €89,103k (€67,787k at 31/12/2017), comprised primarily, for €31,360k (€14,189k in 2017) of commissions on premiums of previous years cancelled and €24,003k (€20,912k in 2017) for commissions for investments relating to benefits linked to investment funds and market indices and investments arising from pension fund management. Among the items of indirect business, we note €9,786k (€8,776k in 2017, in reinstated premiums envisaged contractually in renegotiation treaties and estimated on the basis of the claims provision at 31 December 2018;
- recovery of expenses from services provided to the other Group companies for €68,126k (€53,680k at 31/12/2017);
- withdrawals from provisions refer, for €43,831k, to the bad debt provision, of which €16,770k for liabilities set aside in previous years and occurred in the current year and, €27,061k, for excesses, and €14,286k to bad debt provisions of which €9,568k relating to losses recorded in the period and €4,718k to excesses;
- other income includes €783k which represent the compensation for the management of real estate assets both from Group companies and from third parties, €2,269k in recoveries of legal expenses and €1,281k in the remuneration of directors charged back by other Group companies.

Extraordinary income was €39,516k (€43,832k at 31/12/2017), mainly consisting of contingent assets for €39,223k compared to €43,507k in 2017. These included income of €23,468k relating to taxes of previous years.

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Other charges

	FY	FY	Variation 201	18/2017
Amounts in €k	2018	2017	amount	%
Amortisation on goodwill and other intangible assets	116,956	114,827	2,129	1.9
Expenses for managing claims of Roadway Accident Victims Fund	9,717	8,784	933	10.6
Impairment losses on receivables	12,893	13,451	(559)	(4.2)
Interest expense	87,238	75,235	12,003	16.0
Other technical charges	103,463	130,043	(26,580)	(20.4)
Allocations to provisions	48,229	23,202	25,026	107.9
IVASS penalties	845	1,416	(571)	(40.3)
Negative exchange rate differences	2,604		2,604	
Sundry taxes	2,195	2,020	<i>176</i>	8.7
Charges on behalf of third parties	39,461	39,283	<i>178</i>	0.5
Sundry charges	13,148	17,107	(3,959)	(23.1)
Total other charges	436,748	425,369	11,380	2.7
Extraordinary losses	4,703	9,533	(4,831)	(50.7)
Settlements	1,218	31,409	(30,191)	(96.1)
Other charges	475	5,214	(4,739)	(90.9)
Losses on disposals of other assets	1	5	(4)	(81.5)
Total extraordinary losses	6,397	46,162	(39,765)	(86.1)
Current taxes	114,134	212,957	(98,822)	(46.4)
Deferred tax assets and liabilities	21,787	26,595	(4,808)	(18.1)
Total taxes charges	135,921	239,552	(103,631)	(43.3)

The item "Total other charges" was €436,748k (€425,369k at 31/12/2017) and mainly consisted of:

- amortisation of goodwill and other intangible assets for €116,956k (€114,827k at 31/12/2017), which relates to intangible assets for €61,885k and goodwill and insurance portfolios acquired in previous years for €55,071k;
- interest expense, for €87,238k (€75,235k at 31/12/2017), which mainly includes interest on subordinated loans of €83,068k (€72,274k in 2017);
- other technical charges, equal to €103,463k (€130,043k at 31/12/2017), comprised, in particular, of €73,714k in premium cancellations. Among the items of premiums ceded, charges for reinstated premiums envisaged contractually in treaties and estimated on the basis of claims provisions at the end of the period were €10,168k;
- allocations to provisions relate, for €27,681k, to the bad debt provisions and, for €20,548k, to provisions for risks and charges.
- charges on behalf of third parties, equal to €39,461k (€39,283k at 31/12/2017), including costs and other administrative charges for seconded personnel at other companies;
- sundry charges include €8,896k relating to portfolio indemnities paid in previous years and not recovered.

Total extraordinary expenses came to €6,397k (€46,162k at 31/12/2017) and mainly consisted of contingent liabilities relating to taxes of previous years, equal to €3,785k at 31/12/2017), and charges for sentences, orders and settlements, equal to €1,218k (€31,409k at 31/12/2017).

Current tax charges were €135,921k (€239,552k at 31/12/2017), of which €111,649k for current IRES and IRAP, €2,485k for substitute taxes under Art.1, Par. 137-140 of Law No. 296/2006 in addition to the net balance of deferred tax assets and liabilities, equal to €21,787k.

Use of leasing and rental agreements

There are no assets leased to third parties.

As established by Italian law, leasing agreements, both operating and finance leases, are recognised as rental agreements.

The Company has concluded an important rental contract on real estate owned by the subsidiary MIDI; the contract has a duration of 12 years (expiry 31/12/2027) and the total rent (for the entire duration of the contract) is €103,068k.

A.5 Any other information

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.





B.1 General information on the system of governance 3

B.1.1 Tasks and responsibilities of Board of Directors

The governance structure of the Company is based on a traditional management and control model, where the main bodies are the Shareholders' Meeting, the Board of Directors (which operates with the support of board committees) and the Board of Statutory Auditors.

Shareholders' Meeting

The Shareholders' Meeting is the body that expresses the will of the company; the resolutions taken in compliance with the law and the By-Laws are binding for all Shareholders, even if absent or dissenting.

Board of Directors

The by-laws give the management of the Company to a Board of Directors, with no less than 9 and no more than 19 members, appointed by the Shareholders' Meeting, which sets their number, and they must meet the requirements of suitability for office set out in the applicable legal and regulatory provisions.

Directors are in office for three years, or for the shorter period set by the Shareholders' Meeting at the time of their appointment, and may be re-elected.

The Ordinary Shareholders' Meeting of 27 April 2016 has, most recently, appointed the Board of Directors, consisting of 18 members, giving them a mandate of three years and, therefore, up to the Meeting called to approve the 2018 financial statements.

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company. Therefore, it can carry out all deeds, including disposals, that it deems appropriate to achieve the corporate purpose, excluding only those that the law expressly places under the responsibility of the Shareholders' Meeting. In line with the principle of centrality of the Board, according to Art. 17 of the by-laws, the Board of Directors resolves, as well as on the issue of non-convertible bonds, on:

- i. the merger, in the cases considered by Art. 2505 and 2505-bis of the Civil Code, also as referred to, for spin-offs, by Art. 2506-ter of the Civil Code;
- ii. the opening or closing of secondary offices;
- iii. the indication of which Director in addition to the Chairman, the Deputy Chairman (Chairmen) and the General Managers and which Executive of the Company has the power to represent the Company, pursuant to Art. 21 of the by-laws;
- iv. the capital reductions in the case of withdrawal of a Shareholder;
- v. the amendments to the by-laws to bring them in line with legal provisions;
- vi. the transfer of the registered office within Italy.

Pursuant to the law, the By-Laws and the internal policies in force, the Board of Directors, among other things:

- a. examines and approves the strategic, financial and business plans of the Company, including consolidated, regularly monitoring their implementation;
- b. sets:
 - the tasks and the responsibilities of the Corporate Bodies and the Key functions (the Audit, Risk Management, Compliance and Actuarial Functions), as well as the reporting activities, including their timing, between these Functions and between Corporate Bodies, as well as the co-ordination and co-operation activities, in the case of potential overlapping of the control areas or to realise synergies;
 - the nature and the level of risk compatible with the strategic objectives of the Company and its subsidiaries, including in its assessments all risks that may be relevant in terms of medium-long term sustainability;
- c. appoints one or more Directors to supervise the operation of the internal control and risk management system (the "Director in charge of the internal control system");
- d. after hearing the opinion of the Control and Risk Committee:
 - sets the guidelines of the internal control and risk management system, so that the main risks to which the Company and its subsidiaries are exposed are correctly identified and appropriately measured, managed and monitored, also assessing the compatibility of these risks with a management of the company in line with the strategic objectives identified;

The information contained in this chapter acknowledges, where possible, the changes introduced by IVASS Regulation no. 38/2018 regarding the system of corporate governance, specifying that the adjustment into line with the provisions of the aforementioned regulatory system will take place in observance of the terms provided for therein.

- at least once a year, assesses the current and forward-looking suitability of the internal control and risk
 management system with respect to the characteristics of the Company and its subsidiaries and the risk
 appetite specified, as well as its effectiveness and ability to identify the trends of corporate risks and their
 interaction;
- at least once a year, approves the action plan prepared by the managers of the Audit, Risk Management and Compliance functions, after consulting the Board of Statutory Auditors and the Director in charge of the internal control system;
- describes the main characteristics of the internal control and risk management system, in the report on corporate governance, and the co-ordination between the parties involved, expressing its opinion on its suitability;
- after consulting the Board of Statutory Auditors, reviews the comments made by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
- e. requests timely information on the most significant issues and gives timely instructions for the adoption of corrective measures, of which later it assesses the effectiveness;
- f. sets the risk appetite of the Company and its subsidiaries in line with the objective of safeguarding the Group assets and sets accordingly the risk tolerance levels, which are revised at least once a year, to ensure their effectiveness over time:
- g. appoints, replaces and revokes, on proposal of the Director in charge of the internal control system after favourable opinion of the Control and Risk Committee, as well as after consulting the Board of Statutory Auditors the managers of the Key Functions, in observance of the requirements of suitability for office, in term of integrity and professionalism established in the company policy approved by UnipolSai's administrative body pursuant to the applicable regulatory provisions ("Fit&Proper Policy"), guaranteeing that they have adequate resources to fulfil their responsibilities, and sets their remuneration in line with the remuneration policies adopted by the Company;
- h. may establish internal commissions and committees to make suggestions and provide advice, as appropriate and necessary to the good operation and growth of the Company, ensuring that there is a suitable and constant interaction between them, the Top Management and the Key Functions;
- i. sets, after hearing the proposals of the Remuneration Committee, the general policies providing the guidelines for the remuneration of the Directors and Key Executives (including the Managers of the Key Functions), as well as of the Risk Takers, to be approved pursuant to applicable legal and regulatory provisions;
- j. appoints and revokes the members of the Supervisory Body (Organismo di Vigilanza, or "SB") of the Company pursuant to Legislative Decree 231/2001; sets, with the assistance of the Remuneration Committee, the remuneration of said members; approves, once a year and on proposal of the SB, the forecast of the expenses, ordinary and extraordinary, needed to carry out the supervision and control provided for by the Organisational, Management and Control Model, as well as the final figures of the expenses of the previous year;
- k. assesses the general management of the business, taking into account, in particular, the information received from the delegated bodies, as well as comparing, regularly, the results achieved with those planned;
- carries out, at least once a year, with the assistance of the Appointments and Corporate Governance Committee, an evaluation on the operation of the Board of Directors and its Committees (henceforth, the "Board Performance Evaluation"), as well as on their size and composition, also taking into account elements such as professional characteristics, experience, also of management, and gender of its members, as well as their seniority in office;
- m. keeping into account the results of the Board Performance Evaluation, before the appointment of a new Board, gives to the Shareholders directions on the professional and managerial roles the presence of which is believed to be appropriate on the Board;
- n. approves, monitoring its suitability over time, the system of the delegation of powers and responsibilities of the Company, taking care to avoid an excessive concentration of powers in a single body and implementing controls on the exercise of the delegated powers, with the power of defining appropriate emergency plans ("contingency arrangements") if it decides to take upon itself the delegated powers;
- o. approves the guidelines and the policies applicable to the Company as required by industry regulations.

Additional powers are reserved to the Board of Directors pursuant to (i) the policies adopted by the Company on, among other things, insurance underwriting and provisioning, investments and divestments in financial, real estate and equity assets, management of funding and credit sources and (ii) the system of the delegations of powers granted to the General Manager. These provisions aim at ensuring that the Board of Directors reviews and resolves on the transactions with a significant strategic relevance and significant amount.

Consistently with the recommendations of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. ("Corporate Governance Code") - and in particular with Art. 7 of this Code, which provides for the Board of Directors to carry out "a role of direction and evaluation of the suitability of the system" and to "identify among its members one or more directors, to set up and manage an effective internal control and risk management system" - the Board of Directors, most recently in the Board meeting held on 27 April 2016, has appointed as Director in charge of the internal control system - because of his in-depth knowledge of the corporate processes and the internal control and risk management system within the Unipol Group – its Chairman, Mr Carlo Cimbri.

Pursuant to Art. 15 of the by-laws, the Board of Directors meets at least once a quarter and every time the Chairman, or his substitute, believes it to be appropriate, or when a request in this sense is made by at least three Directors. The Board of Directors may also be called, after notification to the Chairman, by at least one Statutory Auditor.

Resolutions are taken with the absolute majority of those attending, unless otherwise provided by law, and, in the case of parity, the chair of the meeting has the casting vote.

On 23 April 2018, the Shareholders' Meeting confirmed the Directors Cristina De Benetti and Vittorio Giovetti appointed by the administrative body during the previous year, to replace the outgoing directors.

On 10 May 2018, the Board of Directors verified the legal requirements of the aforementioned newly appointed directors, as well as of the members of the Board of Statutory Auditors appointed by the Ordinary Shareholders' Meeting.

Board Committees

To increase the efficiency and the effectiveness of its activity, the Board of Directors has set up among its members specific Committees, with the power to provide opinions and make proposals, specifying their tasks also taking into account the criteria set in the Corporate Governance Code.

In particular, on 12 May 2016, the Board of Directors resolved to establish the following internal Committees:

- Chairman's Committee;
- Appointments and Corporate Governance Committee;
- Remuneration Committee;
- Control and Risk Committee;
- Committee for Related Party Transactions.

The members of each Committee were appointed by the Board of Directors and chosen among the members of the latter. These Committees, with the exception of the Chairman's Committee, are composed at least of a majority of Independent Directors. The Committees are dissolved when the entire Board of Directors reaches the end of its mandate; if one or more members become unavailable, for any reason, the Board shall find a replacement. In this regard:

- the <u>Chairman's Committee</u> is composed of the Chairman of the Board of Directors and the Deputy Chairmen. The General Manager of the Company attends, by right, the sessions of the Chairman's Committee, with advisory vote. During 2018 this Committee met once. The Chairman's Committee is given functions of advice and co-operation for the definition of the development policies and the guidelines of the strategic and operating plans of the Company, to be submitted to the Board of Directors, in particular on the following issues:
 - a. dividend policies and/or capital remuneration policies;

- extraordinary transactions pertaining to the Shareholders' Meeting, in particular capital increases and convertible bond issues, mergers, spin-offs, distribution of reserves, purchase of own shares and amendments to the by-laws;
- c. extraordinary transactions of significant strategic interest, or in any case bound to have a significant effect on the value and/or composition of the equity capital or on the share price of the company, such as purchase or sale of significant equity investments, combinations or alliances with other groups, significant changes in the structure or composition of the Group;
- d. multi-year strategic plans and annual budget of the Company;
- the <u>Appointments and Corporate Governance Committee</u> consists of three Directors, all non-executive and independent. During 2018 this Committee met 5 times. The Appointments and Corporate Governance Committee has a role of proposal and advice in the identification of the optimal composition of the Board of Directors and in the definition of the system of corporate governance; in this regard, said Committee has been given the following functions:
 - to propose to the Board of Directors the candidates to the office of Director in the cases of cooptation, if it is necessary to replace independent Directors;
 - b. to define schedule and procedures for the execution of the Board Performance Evaluation;
 - c. to inform the Board of Directors on regulatory developments and on the best corporate governance practices;
 - d. to express opinions to the Board of Directors, on:
 - the appointment of the members of the Board Committees of the Company;
 - the appointment of the General Manager and the Deputy General Manager of the Company;
 - the implementation of the Company's system of governance;
 - the size and composition of the Board of Directors, making recommendations on the professional qualifications the presence of which within the Board of Directors is believed to be appropriate, as well as on the maximum number of offices and derogations from nocompetition rules;
- the <u>Remuneration Committee</u> consists of three Directors, all non-executive and independent. During 2018 this Committee met 2 times. The Remuneration Committee is assigned the following remuneration functions:
 - to make proposals to the Board of Directors on the Remuneration Policies for the Directors and the Key Executives of the Company (including the Managers of the Key Functions, in line with the guidelines set by the Parent Company);
 - to make proposals to the Board of Directors for the remuneration of the executive Directors and the
 other Directors holding special offices, as well as for the performance targets to be set for the
 variable component of this remuneration, in line with the Remuneration Policies adopted by the Board
 of Directors, keeping into account the guidelines of the Parent Company;
 - c. to express opinions on the monitoring of the implementation of the resolutions of the Board of Directors, verifying the actual achievement of the performance targets;
 - d. to express opinions on the regular evaluation of the suitability, overall consistency and practical application of the Remuneration Policies of the Directors and Key Executives (including the Managers of the Key Functions) adopted by the Company making use, in this regard, of the information provided by the Chief Executive Officer of the Parent Company and making proposals to the Board of Directors;
 - e. to express opinions to the Board of Directors on the remuneration of the members of the SB;
- the <u>Control and Risk Committee</u> consists of three Directors, all non-executive and independent, and one of which with adequate experience in accounting and financial issues or risk management. During 2018 this Committee met 9 times. The Control and Risk Committee has the following tasks:
 - a. to express to the Board of Directors opinions on:
 - the definition of the guidelines of the internal control and risk management system, so that the
 main risks for the Company and its subsidiaries may be correctly identified, as well as
 appropriately measured, managed and monitored, assessing also the compatibility of these
 risks with a management of the company in line with the strategic objectives identified;
 - the assessment at least on an annual basis of the adequacy of the internal control system
 and the management of existing and future risks with respect to the features of the Company
 and its subsidiaries and to the risk appetite set as well as its effectiveness and its ability to
 grasp the evolution of corporate risks and the interaction between them;
 - the approval, at least once a year, of the action plan prepared by the Managers of the Audit,
 Risk Management and Compliance Functions;

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- the description, in the annual report on corporate governance, of the main characteristics of the internal control and risk management system and the procedures of co-ordination between the parties involved and the assessment of its suitability;
- the evaluation, after consulting the Board of Statutory Auditors, of the results presented by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
- the appointment and revocation of the Managers of the Key Functions, the allocation of resources needed for the execution of their tasks and the definition of their remuneration, in line with the corporate policies adopted on the issue (binding opinion);
- b. to assess, together with the Manager in charge of financial reporting, after consulting the audit firm and the Board of Statutory Auditors, the correct use of the accounting principles and, with reference to the drafting of the consolidated financial statements, their homogeneity at the Group level;
- to express opinions on specific aspects concerning the identification of the main corporate risks; to review the regular reports on the evaluation of the internal control and risk management system and those of special relevance prepared by the Key Functions;
- d. to monitor the independence, suitability, effectiveness and efficiency of the Key Functions;
- e. to ask, if appropriate, the Audit Function to carry out assessments on specific operational areas, giving contextual notification to the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors;
- f. to report to the Board of Directors, at least once every six months, at the time of the approval of the annual and six-month financial report, on the activities carried out as well as on the suitability of the internal control and risk management system with respect to the characteristics of the company and the risk profile taken, as well as to its effectiveness;
- g. to support, with appropriate investigation activity, the assessments and the decisions of the Board of Directors on the management of risks arising from detrimental events of which the Board of Directors has become aware;
- h. to examine the guidelines and policies relevant to the Company and the subsidiaries required by industry regulations;
- the <u>Committee for Transactions with Related Parties</u> consists of four Directors, all non-executive and independent. During 2018 this Committee met 10 times. The Committee for Transactions with Related Parties has functions of advice, dialogue, and proposal towards the Board of Directors and the units of UnipolSai and the Subsidiaries on Transactions with Related Parties, in compliance with the provisions of the Regulation issued by CONSOB with Resolution No. 17221 of 12 March 2010 and subsequent amendments and the internal procedure adopted by the Board of UnipolSai for the execution of the Transactions with Related Parties ("Related Party Procedure"). In particular, the Committee:
 - a. expresses to the Board of Directors of the Company an opinion on the procedures to create and maintain the register in which Related Parties are recorded ("Register of Related Parties");
 - b. takes part in the investigation and any negotiation concerning the Transactions of Greater Relevance (as specified in the Related Party Procedure);
 - c. expresses a reasoned opinion to the decision-making body, on the basis of timely and complete information provided by the company's units during the investigation and, if appropriate, the negotiation, on the interest of the Company to the execution of the Transactions of Greater Relevance, as well as on the convenience and fairness of the corresponding terms;
 - d. expresses to the decision-making body a reasoned non-binding opinion on the interest of the Company to the execution of the Transactions of Lesser Relevance (as specified in the Related Party Procedure), as well as on the convenience and fairness of the corresponding terms;
 - e. expresses to the Delegated Body of UnipolSai (identified by the Related Party Procedure in the Board of Directors or the General Manager according to the respective areas of competence and/or delegations of powers) that approves the Transactions carried out through the Subsidiaries, of Greater or Lesser Relevance, a reasoned non-binding opinion on the interest of the subsidiaries and UnipolSai to the execution of the Transaction, as well as on the convenience and fairness of the corresponding terms;
 - f. expresses to the Board of Directors an opinion on the updates of the Related Party Procedure.

Delegated bodies

We note that the Board of Directors of the Company, at its meeting on 27 April 2016, agreed on the need to carry out a review of the governance structure and resolved:

- not to appoint an Executive Committee and a Chief Executive Officer, believing that these appointments are currently not necessary;
- to appoint a General Manager, with appropriate functions and powers, in charge of the operating management of the Company.

The General Manager was given by the Board of Directors the following functions:

- i) to ensure the execution of the resolutions of the Board of Directors and the Shareholders' Meeting of the Company;
- ii) to ensure the ordinary management of the business of the Company, as well as the governance, supervision and co-ordination of all corporate activities;
- iii) to promote the corporate policies of the Company;
- iv) to propose to the Chairman of the Board of Directors the plan for the activities of the Board of Directors;
- v) to make the proposals on the multi-year plans and annual budget of the Company, to be submitted to the review and approval of the Board of Directors;
- vi) to give directions for the preparation of the financial statements of the Company; to prepare the proposals on the draft financial statements and consolidated financial statements, as well as on the interim financial reports, to be submitted to the Board of Directors;
- vii) to support the Director in charge of the internal control system in the performance of his functions, also by:
 - ensuring continued operability and overall suitability of the organisation structure and the internal controls and risk management system;
 - defining in detail the organisation structure of the Company, the tasks and the responsibilities of the operational units and their personnel, as well as the corresponding decision-making processes, in line with the guidelines given by the Board of Directors; in this context, ensuring a suitable separation of tasks both between individual parties and between functions, to avoid, as much as possible, conflicts of interest:
 - implementing the policies of valuation, also forward-looking, and risk management set by the Board of
 Directors, ensuring the definition of operational limits and the timely verification of these limits, as well
 as the monitoring of the risk exposures and the compliance with risk tolerance levels;
 - carrying out, on the basis of the strategic objectives and in line with the risk management policy, the policies of underwriting, provisioning, re-insurance, of other techniques of mitigation of the risk and management Operational Risk, as well as the other policies and guidelines specified by the Board of Directors; supporting the Director in charge of the internal control system to implement the directions of the Board of Directors on the measures needed to correct the anomalies observed and/or make improvements.

The Board of Directors has also granted to the General Manager special executive powers, defining procedures and quantitative limits for their exercise.

Board of Statutory Auditors

Pursuant to Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, on the audit of the annual and consolidated financial statements, the Board of Statutory Auditors of the Company, as well as monitoring the compliance with the law and the by-laws and with the principles of proper management, is in charge, also in the execution of its functions as internal control and audit committee, of:

- informing the Board of Directors of the Company of the result of the audit;
- monitoring the process of financial reporting and submitting recommendations or proposals aimed at ensuring its integrity;
- monitoring the effectiveness of the systems of internal control of the quality and risk management of the company and the internal audit, with regard to the financial reporting of the Company;
- monitoring the audit of the accounts;
- verifying and monitoring the independence of the audit company, in particular reviewing the services other than audit services provided to the Company by this audit company and the entities that belong to its network;
- making proposals on the audit appointment to be submitted to the Shareholders' Meeting, at the end of the selection procedure of the audit company. The Board of Statutory Auditors is also responsible for the fairness of this procedure.

Supervisory Body

Legislative Decree no. 231 of 8 June 2001, "Discipline of the administrative responsibility of legal persons, companies and associations even without legal personality" ("Decree 231/2001") - which introduced the administrative liability of entities as a result of certain offences committed in the interest or for the advantage of the entity by directors, managers, employees and company representatives - establishes in Art. 6 an exemption from above-mentioned liability for entities that demonstrate: (i) that before the offence was committed, they adopted and effectively implemented organisation, management and control models suitable to prevent the occurrence of the offences considered therein; (ii) that they have established an internal control body with the task of supervising the functioning and observance of the model (the "Body" or the "SB") as well as its actual effectiveness and adequacy and, when necessary, managing any updates of the model; (iii) that the offence was committed by fraudulently circumventing the model, and (iv) that the above-mentioned Body did not fail to supervise or enact insufficient supervision.

In compliance with the above regulations, the Company adopted the Organisation, Management and Control Model (the "MOG" or the "Model") and established and appointed the SB pursuant to Art. 6, letter b) of Decree 231/2001.

The Body is assigned the task of supervising:

- the effective observance of the Model by its addressees: employees, corporate bodies and, within the limits laid out therein, agents, associates and suppliers;
- the actual effectiveness and adequacy of the Model with respect to the structure of the company and its real capacity for preventing the commission of the offences pursuant to Decree 231/2001;
- the possibility of updating the Model, when it is found that it needs to be adjusted in light of changed company and/or regulatory conditions, contacting the competent bodies for this purpose.

The SB is also given the right to conduct targeted verifications, even without providing prior notice, on specific transactions or deeds entered into by the Company, especially as regards sensitive activities, the results of which need to be summarised in reporting to the competent corporate bodies.

These powers are to be exercised within the limits of what is strictly functional to the mission of the SB, which has no management powers whatsoever.

Company committees

In the context of the governance and the internal control and risk management system, a few internal committees have been established by the Board of Directors, or by the General Manager, mainly consisting of the Heads of the Joint Local Departments of UnipolSai, with functions of support to the General Manager in the implementation and supervision of the policies of direction, coordination and operational strategy specified by the Board of Directors.

B.1.2 Transactions with related parties

In the reference period, the Company has maintained with the Parent Company ordinary relations deriving from its choice of a tax consolidation regime - renewed for the 2018-2020 three-year period - and provided some operational services, including the management of the financial portfolio; these relationships are governed under normal arm's length conditions.

In addition, effective from 1 January 2019, UnipolSai subscribed to the Unipol Group VAT system, established by means of resolution of the Board of Directors of the Parent Company on 8 November 2018.

At 31 December 2017, there were two loans outstanding in favour of the Parent Company for a total of €267.8m, granted in 2009, as part of the subrogation of Unipol Assicurazioni S.p.A. - later incorporated into UnipolSai - in the role of issuer of two bond issues "Unipol 7%", maturing in 2021, and "Unipol 5,66%", maturing in 2023, originally issued by the Parent Company, with a total repayment value of €561.7m at the same date. Against said transaction, Unipol has issued, in the interest of UnipolSai, guarantees of equal amount in favour of the subscribers of the relative bonds. In 2018, with the completion, on 7 August 2018, of the purchase by Unipol of the investment held in Arca Vita S.p.A., equal to 63.39% of the relevant share capital, as well as, indirectly, the investments held by the latter in the share capital of Arca Assicurazioni S.p.A., Arca Vita International DAC and some auxiliary companies, for a consideration of €475m, the project for the streamlining of the Unipol Group's insurance sector was completed, approved, for matters within their competence, by the Boards of Directors of Unipol and UnipolSai of 29 June 2017. At 31 December 2018, all the insurance activities of the Unipol Group are controlled by UnipolSai.

In implementation of the banking sector restructuring plan of the Unipol Group, approved, for matters within its competence, by UnipolSai's Board of Directors on 27 July 2017, on 31 January 2018, the company - as shareholder of Unipol Banca S.p.A. ("Unipol Banca") with a stake of 42.25% in the share capital - disbursed a shareholders' loan of €126.8m to the Bank, equal to its share of the total shareholder loan of €300m, later transferred as part of the company complex subject to the proportional partial spin-off of the Bank in favour of the newly established beneficiary company UnipolReC S.p.A. ("UnipolReC"), completed on 1 February 2018 (the "Spin-off").

In addition, on 31 December 2018, there is a put/call option agreement in place between Unipol and UnipolSai, regarding 246,726,761 shares of Unipol Banca, corresponding to 27.49% of its share capital. The option right, on the basis of which, among other things, the Company had the right to sell, and Unipol the obligation to purchase the abovementioned shares at a fixed consideration of around €579.1m, can be exercised for Unipol up until 6 January 2019, and for UnipolSai from 7 January to 6 April 2019. In addition, as a result of the aforementioned Spin-off, the option rights due to UnipolSai were extended proportionally and automatically to a share corresponding to 27.49% of the share capital of UnipolRec, without determining any changes in the exercise price. On 7 February 2019, the Board of Directors of UnipolSai resolved the exercise of the sale option. The shares were transferred on 1 March 2019 at the above consideration. Lastly, in the context of the allocation of 2017 profits, UnipolSai paid to its shareholders Unipol, Unipol Finance S.r.l. and Unipol Investment S.p.A. dividends respectively for €228.36m, €41.00m and €41.02m.

The relations with the members of the administrative or supervision body refer to the remuneration paid in compliance with the resolutions of the Shareholders and/or the Board adopted and compliant with current Group remuneration policies. At 31 December 2018, to implement the programme for the purchase of shares of the holding company Unipol, in the service of compensation plans based on financial instruments (performance share type), intended for the managers of the Company, it holds 1,189,999 Unipol shares.

B.1.3 Tasks and responsibilities of key functions

The following Key Functions have been established at the Company:

- Audit Function, which is responsible for assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System in relation to the nature of business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other company departments;
- The Risk Management Function, which is in charge of identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level to which the Company is or may be exposed and their correlation;
- The Compliance and Anti-Money Laundering Function, which is responsible for evaluating the suitability of procedures, processes, policies and internal organisation according to a risk-based approach; its objective is to prevent compliance risk, considered as the risk of judicial or administrative sanctions, incurring losses or reputational damages as a result of failure to observe laws, regulations and directly applicable European regulations or measures of the Supervisory Authority or internal regulations (e.g. by-laws, codes of conduct or corporate governance codes, internal policies and corporate communication documents);
- Actuarial Function⁴, whose main task is to coordinate the calculation of the technical provisions, assess the adequacy of the methodologies, models and assumptions forming the basis of said calculation and evaluating the quality of the data used. It expresses a judgment on the global policy for the underwriting of risks and the adequacy of reinsurance agreements; it also provides a contribution to the risk management system, also with reference to the modelling underlying the calculation of the capital requirement⁵.

Within the Internal Control and Risk Management system, it is essential to ensure the dialogue between the Key Functions, and regular reporting between these functions and the Corporate Bodies.

⁴ The Actuarial Function is exercised by an actuary listed in the professional register set up by Law No. 194, 9 February 1942, or by parties with knowledge of actuarial and financial mathematics appropriate to the nature, magnitude and complexity of the risks intrinsic to the business activities of the company and with proven professional experience in the issues relevant to the execution of the task.

The Actuarial Function directly reports to the Board of Directors and has been given the necessary independence and separation in the performance of its tasks to avoid conflicts of interest with the Group divisions in charge of the technical and operational management. Any potential conflict of interest is addressed by an appropriate diversification and separation of the tasks within the Actuarial Function itself. In particular, within UnipolSai, the "Actuarial Function – Validation", with areas of competence both for the Non-Life and Life business, and the "Actuarial Function – Calculation" office, which carries out the calculation of the Solvency II technical provisions for the Non-Life business of UnipolSai, report to the manager of the Actuarial Function.

The Board of Statutory Auditors, the audit firm, the Key Functions, the Supervisory Board pursuant to Legislative Decree 231/2001 and any other body and function that has been given specific control tasks exchange all information useful for the execution of the tasks assigned. To this purpose, appropriate reporting is required on the activities carried out and the risk exposure, both to the corporate bodies and the Top Management, and within the board and corporate committees, ensuring the involvement and the dialogue of all functions.

In particular, reciprocal information flows between the different Key Functions are already in place through:

- participation in the meetings of the Control and Risk Committee and the SB;
- information and discussion on the annual plans of the activities of the Functions themselves;
- regular meetings to share the results of the control activities carried out and the evaluation of the residual risks and the Internal Control and Risk Management system, also through a common application platform, as described below;
- reporting activities with exchange of the documentation produced by the individual functions (as for example the results of the assessment activities carried out, the cases of non-compliance, the regular claim reports, etc.).

The Audit, Risk Management and Compliance Functions present, once a year, to the Board of Directors their action plan and every six months they report to the Board of Directors on the activities carried out and the main issues observed, as well as on any initiative proposed. Moreover, in the execution of their power to provide opinions and make proposals on the internal control and risk management system, the aforementioned functions provide the Control and Risk Committee and the Board of Statutory Auditors with the action plan and regular reports on their activities.

At least once a year, the Actuarial Function prepares a written report for the Board of Directors, documenting all activities carried out and their outcome, identifying any significant deficiency, also in regard to the quality of the data, and making recommendations on how to address them, also to increase the quality and quantity of available data. The Actuarial Function also reports promptly to the Board on any element identified as a result of activities carried out that may have a significant impact on the financial condition of the Company.

The manager of the Actuarial Function also draft the technical report on the provisions made in the financial statements for the Life direct business - Italy, for MV and Boats TPL direct business - Italy and for re-insurance activities, to be submitted to the Board of Directors and Board of Statutory Auditors.

The Actuarial Function takes part in the meetings of the main corporate Committees, or in any case is informed of the topics discussed and decisions taken.

The Group has also acquired a common application platform, which the Audit, Risk Management and Compliance Functions, the so-called specialist control units and the Organisation Function access, to ensure an integrated approach to the mapping and analysis of the processes, risks and controls, for each company of the Group, as well as the ongoing monitoring of any corrective action notified to the operating units following the analysis carried out by the above-mentioned Functions.

This platform therefore allows the latter:

- to share the information gathered as a result of analysis/assessment activities;
- to achieve synergies for a better monitoring of all corporate activities;
- to produce summary reports for Top Management.

To execute the activities within its area of competence, the personnel of the Key Functions has unlimited access to company data and relevant information.

According to the organisation model of the Group, the Key Functions of UnipolSai carry out the activities within their area of competence both for UnipolSai and for the Companies that outsource to the latter these functions, on the basis of special outsourcing agreements.

B.1.4 Remuneration policies

The primary objective of the remuneration policies is to guarantee a fair remuneration, according to the position, responsibilities, professionalism level and individual skillset. In compliance with legal and regulatory provisions, the remuneration policies of the Company ensure the consistency between remuneration and sustainability requirements, in compliance with a sound and prudent risk management policy, in line with the long-term strategic objectives, profitability and balance of the Company and the Group. The Company does not adopt remuneration policies based exclusively or mainly on short-term performance, as this would encourage excessive risk exposure.

On the basis of these principles, the fixed remuneration component rewards the expertise, skills and, above all, responsibilities related to the position, with a fixed financial basis, calculated according to the level in the organisation and seniority.

The variable remuneration component reward performance both in the short and in the medium/long-term, not only in terms of revenue, but also in terms of focus on risk.

In the light of the above, in 2018 as in 2017, the remuneration of Personnel⁶ takes account of the following principles:

- appropriate balance between fixed and variable component, with the latter linked to pre-set and measurable efficiency criteria, to strengthen the link between performance and remuneration;
- limits specified for the variable component;
- sustainability, with balance between short and long-term efficiency criteria, to which the remuneration is subordinated, both by ensuring the deferred and diversified payment of the variable component, and by reserving the right not to pay or ask for the repayment of this component in the presence of some negative elements.

The variable component of the remuneration is awarded to management personnel through the activation of an incentive system. This provides for a short-term component to be paid through a cash bonus, and a long-term component to be paid through allocation of shares, carried out over a period of several years.

The incentive system links:

- the performance of the Group and of the company that the employee belongs to, current and/or future, expressed
 in terms of achievement of gross profit and solvency capital targets as well as performance of the ordinary shares
 of Unipol and UnipolSai;
- the individual performance, measured in terms of both qualitative and quantitative targets, related to the specific organisational area of the recipient.

As regards the remuneration of the Board of Directors, annual Director compensation is fixed; they also receive reimbursements for expenses incurred to carry out their official duties and attendance fees for participation in each Board meeting, the Shareholders' Meeting and the meetings of any Committees of which they are members. Thus, Directors were not acknowledged any variable remuneration component linked to results or based on financial instruments.

There are no supplementary pension schemes for the members of the Board, while all employees, whether in an executive position or not, may join specific corporate Pension Funds, divided into Employees' Pension Funds and Executives' Pension Funds. These Funds are based on voluntary contributions made by the recipient and the company and envisage supplementary pension provisions on termination of the employment relation due to retirement.

B.2 Fit and proper requirements

The Board of Directors adopted, pursuant to the industry regulatory provisions in force, the Policy for the evaluation of fulfilment of the requirements in terms of suitability for office (the "Fit&Proper Policy")⁷, which describes, inter alia, the procedures to assess the requirements of suitability for office – in terms of integrity, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility – of the members of the administrative and control body, the Managers of the Audit, Compliance and Anti-money laundering and Risk Management Functions.

The Board of Directors assesses whether each of its members and the General Manager meet the requirements set by legal and regulatory provisions in force at the time in terms of honourableness, professionalism and independence, as well as assessing the absence of causes of impediment, suspension and incompatibility pursuant to legal and regulatory provisions on interlocking directorships.

With regard to the requirements of independence of its members, the Board carries out its assessments also considering the cases specified by application criterion 3.C.4. of the Corporate Governance Code and with reference to the cases specified by application criterion 3.C.1. of the Code.

company's Board of Directors at the meeting held on 14 March 2019.

So as defined in the remuneration policies in force in the Group.

In consideration of the changes introduced by IVASS Regulation no. 38/2018, the *Fit&Proper Policy* was subject to an update, resolved by the

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With particular reference to the evaluation of the independence requirement pursuant to the Corporate Governance Code and the Fit&Proper Policy mentioned above, we note that:

- in line with international best practice, special attention is paid to the requirement of the "substantial" independence, to ensure the composition of the interest of all Shareholders, both majority and minority; without prejudice, with reference to UnipolSai, to Art. 37 of CONSOB's Market Regulation, the Group has adopted a restrictive interpretation of the principles stated by the Corporate Governance Code, not counting as independent Directors pursuant to the Code, among others, the Directors holding offices within the Corporate Bodies of the companies that control directly and indirectly Unipol and UnipolSai;
- for the purposes of the evaluation of the independence requirement of a Director, attention is also paid to the annual consideration for any professional services provided to the company and/or subsidiary, if this represents more than 5% of the annual sales of the Company or the Entity of which the Director has the control or a significant position, or the Professional Practice or consulting company of which he is a partner or shareholder or, in any case, if it exceeds €200,000.

With regard to the suitability requirements described above, the Board of Directors carries out its evaluation:

- for the entire Board of Directors, after this is appointed by the Shareholders' Meeting and, afterwards, at least once a year;
- for individual Directors, at the time of co-optation of one or more new Directors by the Board and after the
 appointment by Shareholders' Meeting, as well as in later board meetings when it is assessed whether all
 Directors continue to meet the requirements specified;
- for the General Manager, on appointment by the Board and, afterwards, at least once a year.

The Board carries out the evaluation reviewing the information provided by the individuals involved on the basis of their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent functions of the Company and the Group. This documentation is made available for review during the Board meeting and is put to the record.

The Board of Directors takes its resolutions with the abstention, each time, of the individual Director being assessed. In particular, when verifying the possession of the requirements of professionalism specifically made for the Chairman of the Board of Directors, the Chief Executive Officer and the General Manager, if one is appointed, the Board assesses their experience also in regard to the management requirements of the Company.

The Board of Directors, during its meeting on 14 June 2018, fulfilled its obligations pursuant to current legal provisions with regard to the assessment of the possession by its members of the legal and regulatory requirements – in terms of integrity, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility. This assessment was carried out in compliance with the Fit&Proper Policy.

Lastly, to assess whether Directors are able to carry out effectively their functions, the Board of Directors carries out – after its appointment and, later, once a year – an assessment of the compliance with the provisions on overlapping offices, as indicated in a specific regulation adopted by the Board as guideline for the maximum number of offices as director or statutory auditor that may be considered compatible with an effective execution of the tasks of Director, according to the provisions of the application criteria 1.C.2. and 1.C.3. of the Corporate Governance Code. This Regulation (which is available in the Corporate Governance Section of the UnipolSai website) sets some general criteria, which take into account the actual role that the Director has in other companies as well as the nature and size of these companies, introducing differentiated limits, respectively, for the position of Chairman and of executive, non-executive or independent Director, also considering the prohibitions on interlocking directorships set by legal and regulatory provisions.

In line with the best international practice and with the provisions of the Corporate Governance Code as well as with the supervisory provisions in force from time to time, the Board of Directors carries out an annual assessment on the size, composition and operation of the said administrative body and the Board Committees, also taking into account elements such as the professional characteristics, experience, including managerial, and the gender of its members, as well as their length of office (Board Performance Evaluation). The evaluation concerns also the possession, by the Board as a whole, of the technical expertise needed to the execution of the tasks assigned by current legal provisions, in compliance with the principle that, in the choice of the Directors, it is necessary to keep into account the size of the Group as well as the complexity and specificity of the sectors in which this operates, to ensure that the Board as a whole has the appropriate technical expertise in insurance and financial markets, systems of governance, financial and actuarial analysis, regulatory framework, sales strategies and business models.

The Managers of the Audit, Compliance and Anti-money laundering and Risk Management Functions are appointed by the Board of Directors from among those in possession of the same requirements of honourableness specified by current legal provisions for Directors and Statutory Auditors and of appropriate professionalism, who have carried out management activities in administration/accounting or financial or management control or audit, risk management or compliance of a company with securities listed on a regulated market or that carries out banking, insurance or financial activities or in any case activities strictly related to the latter, or, in any case, at companies of significant size, identified according to the criteria indicated in the regulation on overlapping offices.

Moreover, the Audit, Compliance and Anti-money laundering and Risk Management Functions and their Managers must meet the independence requirements envisaged for each of them by the supervisory provisions in force from time to time. The Board of Directors verifies that these requirements are met by all Managers of the Audit, Compliance and Anti-money laundering and Risk Management Functions at the time of their appointment and, later, at least once a year, during the regular assessment of the requirements of Directors and Statutory Auditors. The evaluation is carried out through the review of the information provided by the individual involved in their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent units of the Company and the Group. This documentation is made available for review during the Board meeting and is put to the record.

The Board of Directors of UnipolSai, in its meeting on 14 June 2018, carried out, among other things, the regular assessment of the requirements of the Managers of the Audit, Compliance and Anti-money laundering and Risk Management Functions, verifying the possession of the requirements specified in the Policy regarding the assessment of the possession of the requirements of suitability for office.

The possession of the requirements of suitability for office of the Manager of the Actuarial Function was assessed, at the same Board meeting, applying the same rules specified in the Fit&Proper Policy for the Managers of the Audit, Compliance and Risk Management Functions.

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

B.3.1 Risk management system

The risk management system is the set of processes and tools used to support the risk management strategy of the Unipol Group; it provides an appropriate understanding of the nature and the significance of the risks to which the Group and the individual companies, including UnipolSai, are exposed. The risk management system makes it possible to have a single point of view and a holistic approach to risk management, and it is an integral part of the management of the business. The risk management system specifies the risk management process, applied also by UnipolSai, which is articulated as follows:

- identification of the risks, which consists in the identification of the risks believed to be significant, or those risks the consequences of which may jeopardise the solvency or the reputation of UnipolSai or represent a serious obstacle to the achievement of the strategic objectives;
- current and forward-looking assessment of the risk exposure; the current evaluation of the risks identified is carried out by using the methodologies specified by regulations and best practice with regard to the risks for which the measurement is not regulated or is specified with high-level principles. With regard to the forward-looking evaluation, we note that the internal assessment of risk and solvency (the "Own Risk and Solvency Assessment" or "ORSA") is used to support the strategic decisions of the Company;
- monitoring of the risk exposure and reporting, a system implemented on the basis of the principles of completeness, timeliness and effectiveness of the disclosure to ensure a timely and constant monitoring of the evolution of the Risk Profile and the compliance with the specified Risk Appetite. This system ensures that the quality and quantity of the information provided are proportional to the requirements of the different recipients and the complexity of the business managed, so that this may be used as a strategic and operational tool for the evaluation of the potential impact of the decisions on the risk profile and the solvency of the company;
- risk mitigation, which consists in the identification and proposal of actions and initiatives necessary and/or useful to mitigate current or future risk levels, when these are not in line with the risk objectives specified.

The identification, evaluation and monitoring of the risks are carried out on ongoing basis to take into account the changes occurred both in the nature and size of the business and in the market context, and whether new risks arise or the existing ones change.

The risk management system follows an Enterprise Risk Management ("ERM") approach, that is, is based on the assessment of all current and forward-looking risks to which the Group is exposed, assessing the impact that these risks may have on the achievement of the strategic objectives.

To pursue these high-level objectives, the approach adopted takes into account the need to reconcile multiple requirements expressed by the main stakeholders. In particular, the Risk Management System must meet:

- the requirement of safeguarding the assets and the reputation of the company;
- the requirements of safety and solvency;
- the target rating;
- the need to diversify the risks and ensure sufficient liquidity.

B.3.1.1. Risk management and monitoring system: Risk Appetite

Based on these principles, to pursue the objectives assigned, the risk management system relies on a key element: the Risk Appetite.

The Risk Appetite may be set as a minimum target to be respected and is broken down into quantitative and qualitative elements.

The calculation of the Risk Appetite is structured, in quantitative terms, according to the following elements:

- capital at risk;
- capital adequacy;
- Liquidity/ALM (Asset Liability Management) ratios.

Quality objectives are defined in reference to compliance, strategic, emerging, reputational and operational risks.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Company intends to take or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite is part of a reference framework - the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, ORSA process, the budget, company organisation and the internal control system. The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- the Risk Capacity;
- the Risk Tolerance;
- the Risk Limit (or Operational Risk limits);
- the Risk Profile.

The activity to define the RAF components is dynamic, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning Budget objectives. Further analyses for ex ante control of the Risk Appetite, and capital adequacy in particular, are performed when considering extraordinary transactions (mergers, acquisitions, disposals, etc.).

The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends and capital adequacy. The main analysis macro areas are: individual risk type, overall risk, individual company, group.

The risk management system is formalised by the risk management policy, adopted by the Board of Directors of UnipolSai and subject to regular updates, which sets, in reference to the perimeter of competence, suitable guidelines for the identification, evaluation, monitoring and mitigation of the risks and the operational limits in line with the Risk Appetite specified. The Parent Company ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies.

The principles and processes of the Risk Management System as a whole are governed by the following Group policies: "Current and forward-looking risk assessment policy", "Operational Risk Management Policy", "Group-level Risk Concentration Policy". The Risk Management System also includes policies setting the principles and guidelines for: (i) management of specific risk factors (e.g. Investment Policy for Market Risk and Credit Policy for Credit Risk, etc.), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.

B.3.1.2. Objectives and Core principles of Risk Management

Within the Risk Management System, the Risk Management Function is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level that the Company is or may be exposed to and their correlations. In the exercise of its role, the Risk Management Function develops, implements and maintain the risk measurement and control systems. Among these, particular relevance is given to the definition and the use of tools aimed at assessing the capital needed against the risks identified.

In this regard, we note that IVASS authorised⁸ UnipolSai to use the Partial Internal Model ("PIM") to calculate the individual Solvency Capital Requirement with effect from 31 December 2016.

Within the Company, the responsibility for the design and implementation of the Partial Internal Model is separated from the responsibility for its validation.

The Risk Management Function also contributes to the dissemination of a risk culture throughout the Group.

B.3.2 Own risk and solvency assessment (ORSA)

The process for the execution of the current and forward-looking risk assessment is described - at the Group level - in the Current and Forward-looking Risk Assessment Policy, also adopted by the Board of Directors of UnipolSai and subject to regular updates, which defines the tasks, roles and responsibilities of the Corporate Bodies and the units involved, the frequency of the quantitative analysis and the corresponding rationale and the quality standards for the data used in the analysis, as well as the cases when a new evaluation of the risks is required.

Through the own risk and solvency assessment, the Group pursues the following objectives:

- to highlight the link between the business strategy, the capital allocation process and the risk profile;
- to obtain an overall view of all risks to which the Group and the companies are exposed, or could be exposed in the future, and the current and forward-looking solvency;
- to provide to the Board of Directors and Top Management an evaluation on the design and the effectiveness of the risk management system, highlighting at the same time any deficiency and suggesting remedial actions.

In particular, with reference to the current evaluation, these objectives are achieved by:

- the measurement of the capital required according to current legal and regulatory provisions and on the basis of the Solvency II requirements, making use of the Internal Model;
- the evaluation of the capital adequacy of the Group and the companies, on the basis of the results obtained under the previous point.

With reference instead to the forward-looking evaluation, the objectives are pursued through ORSA, which allows the analysis of the risk profile of the Group based on strategy, market scenarios and business trends.

In designing ORSA, the Group has followed the following principles:

- the evaluation of the risks at the Group level includes the risks from all companies included in the group supervision area and takes into account their correlations;
- ORSA, as well as being a legal requirement, represents an internal assessment element to support operational and strategic decisions; ORSA and strategic planning processes are strictly related;
- the estimates taken as reference for the development of the Strategic Plan are the basis for ORSA in a forward-looking approach;
- ORSA is used in support of the drafting/review of the strategic plan;

See Measure No. 0025726/17 of 7 February 2017.

- ORSA takes into account all risks that may cause a significant decrease in Own Funds at the Group level and for each individual Company, or that have an impact on the ability to meet the commitments towards the policyholders, in line with the risk management policy. For the risks not included in the calculation of the capital requirements set by Pillar I of the Solvency II Directive, the Group carries out a qualitative assessment. Therefore, the assessment on these risks is basically aimed, rather than to quantify the potential loss, to verify the effectiveness of the controls implemented and the good operation of the management and monitoring processes.
- ORSA is carried out in compliance with the data quality standards set by the Data Governance Standard and the Data Quality Management Policy in force.

The execution of ORSA and the drafting of the corresponding report are started after the end of the reference year and follow a schedule consistent with the deadlines set by supervisory regulations.

Before the meeting called to approve the ORSA Report, the administrative bodies of Unipol, UnipolSai and the other Companies meet to approve the criteria and the methodologies – including the types of stress test - to be used for the drafting of the ORSA Report. The administrative bodies of UnipolSai and the other companies later approve, within their respective areas of competence, the sections of the ORSA Report that concerns them, before this is submitted to the Board of Directors of Unipol to be approved as a whole. In compliance with legal and regulatory provisions in force, the Group sends the ORSA Report to IVASS within two weeks of its approval.

B.3.2.1 Solvency needs

The current and forward-looking assessment is an integral part of the risk management system and the decision-making process of the Insurance Group and the Companies and presents therefore points of contact with other core corporate processes, such as:

- strategic planning and capital allocation;
- definition of the Risk Appetite;
- monitoring and mitigation of risk.

In particular, the current evaluation provides the monitoring of the indicators specified in the Risk Appetite Statement and is carried out at least once a quarter and, in any case, every time there are circumstances that could lead to a substantial change in the risk profile. These are mainly events such as concentration transactions, sale of business units or other extraordinary events, which require additional ORSA to be carried out with respect to the standard plan.

The forward-looking assessment, instead, is developed in line with the schedule and the elements of the Strategic Plan and the annual budget, through which the economic capital is allocated to each Company and risk category. The capital allocation process provides for each year of the Strategic Plan a projection of the Own Funds and an estimate, through Internal Model, of the capital required according to the Strategic Plan scenarios. This analysis is in line with the Risk Appetite Framework, as specified within the risk management policy.

B.3.3 Internal model governance

UnipolSai was authorised by IVASS to use a Partial Internal Model to calculate the Solvency Capital Requirement with reference to the following risk elements, as well as in the aggregation process:

- Non-Life and Health Underwriting Risks for the earthquake disaster component;
- Life Underwriting Risks;
- Market Risks;
- Credit Risk.

The PIM is also used in the risk management system and in the decision-making processes as a tool to support of the decisions of strategic relevance of the Company and the business activities. This model is in fact used for the definition and quarterly monitoring of the Risk Appetite, in line to which operational limits are specified for each risk factor, reviewed at least once a year to ensure their effectiveness over time and reported within the Group corporate Policies.

The governance, update and validation of the PIM are regulated, respectively, by the Internal Model Governance Policy, the Internal Model Update Policy and the Internal Model Validation Policy, adopted by the Board of Directors of UnipolSai and subject to regular updates.

B.3.3.1. Board of Directors

The Board of Directors has the final responsibility for ensuring that the PIM is appropriate in terms of design and functionality, that it continues to reflect the risk profile of the Company and that the resources involved in the development, monitoring and maintenance of the Model are appropriate in terms of number, experience and areas of competence with respect to the objectives of these activities. The Board of Directors has a clear understanding of the Internal Model, with particular reference to its structure and the ways in which this reflects the business and is integrated in the risk management system, of the context of application and its limitations, of the methodologies and the diversification effects considered.

B.3.3.2. Role of the Committees

In support of the Board of Directors, the Control and Risk Committee provides non-binding opinions on the validation of the PIM and any risk mitigation initiative related to PIM deficiencies identified during validation.

B.3.3.3. The Risk Management Function

The Risk Management Function, which reports hierarchically to the Chairman and to whom the Risk Management Models Validation Office reports, supports the Board of Directors in the evaluation of the design and the effectiveness of the risk management system, highlighting any deficiency and suggesting the ways to address them. With reference to the governance of the PIM, the Risk Management Function is responsible for designing and implementing said Model. In addition, it ensures, for the General Manager and the Board of Directors, the adequacy of the validation activities carried out, prior to the internal approval of the proposed changes to the PIM, as set out in detail in the Internal Model Validation Policy.

Lastly, it should be noted that the Risk Management Models Validation Office enjoys the necessary independence and separation in the performance of its tasks to avoid conflicts of interest with the function responsible for designing and implementing the Internal Model.

B.3.3.4. Description of the validation processes used to continuously monitor the results and adequacy of the internal model

The validation process includes all elements of the PIM, the monitoring of its good operation, the ongoing monitoring of the suitability of its specifications and the cross-check of its results against historical data.

The perimeter of the validation extends to all operational units of the Parent and of the Companies that have obtained authorisation from IVASS to use the PIM and to all risks included in the perimeter of the PIM.

Besides the validation on first adoption, before authorisation by the supervisory authorities to use the PIM to calculate the SCR, the PIM is subject to:

- regular validation, with annual frequency;
- occasional validation, in addition to the regular validation cycle, in the cases indicated in the Internal Model Update Policy.

The stages of the validation process are:

- analysis of the risk modules and sub-modules that constitute the Internal Model for each area set out in the reference regulation;
- preparation of the tests to be performed to conduct the necessary checks to confirm the conclusions of the preliminary analysis and subsequent in-depth analyses;
- presentation of the analyses, tests and in-depth analyses carried out in a single document, organised by risk modules and sub-modules, areas analysed and tools used for the checks conducted.

In addition, although preserving the independence required by the regulatory provisions in the execution of validation activities, the Risk Management Validation Models Office makes recommendations to the developers of the PIM, with the objective of constantly improving its functioning.

B.4 Internal control system

The Internal Control and Risk Management System is a fundamental element in the overall corporate system of governance; it consists of the set of rules, procedures and organisational units that aim to ensure:

- the effectiveness and efficiency of the corporate processes;
- the appropriate mitigation of the current and forward-looking risks;
- the prevention of the risk that the company be involved, even unintentionally, in illegal activities, in particular those related to money laundering, usury and terrorism financing;
- the prevention and correct management of the potential conflicts of interest with related parties and associated parties, as identified by reference laws and regulations;
- the assessment of the implementation of corporate strategies and policies;
- the safeguard of the value of corporate assets, also in the medium-long term;
- the reliability and completeness of the information provided to the Corporate Bodies and the market and the IT processes;
- the suitability and timeliness of the company reporting system;
- the compliance of the business activities of the company and the transactions carried out on behalf of the customers with the laws and regulations, corporate governance codes and internal company provisions.

The Company implements an articulated and efficient Internal Control and Risk Management system, taking into account all applicable laws and regulations and business segments, in line with the guidelines provided by the Parent Company, to ensure that the main risks arising from its activities are correctly identified, measured, managed and controlled, as well as being compatible with sound and correct management.

The Internal Control and Risk Management system is an integral part of the company and must extend to all sectors and units, involving all employees, each for his own level and responsibility, to ensure a constant and effective control of the risk.

The Internal Control and Risk Management system is specified in the corresponding Directive (the "SCI Directive"), adopted by the Board of Directors of UnipolSai and subject to regular updates, the most recent of which took place on 21 December 2017⁹.

The Board of Directors is in charge of the Internal Control and Risk Management system, and, in line with the guidelines set by the Parent Company, regularly verifies its suitability and actual operation, approving the Current and Forward-looking Risk Assessment and Risk Management Policies, as well as the SCI Directives – which are the basis of the Internal Control and Risk Management system - and ensuring that the main corporate risks are identified, assessed - also on a forward-looking basis - and controlled, as well as approving an organisational structure able to ensure, through an appropriate and consistent articulation, the separation of the roles in the execution of process activities, the traceability and visibility of the transactions and the transparency of the decision-making processes concerning to the individual operational processes.

The Director in charge of the internal control system, appointed by the Board of Directors, supervises the operation of the internal control and risk management system.

The Top Management (the General Manager and the senior management responsible for the top level of the decision-making process and implementing strategies¹⁰) supports the Director in charge of the internal control system in designing and implementing the Internal control and risk management system, including therein those risks deriving from non-compliance with the regulations, in line with the risk governance directives and policies defined by the administrative body and with the guidelines provided by the Parent Company.

The Internal Control and Risk Management system is designed according to the guidelines described below:

- separation of tasks and responsibilities: the areas of competence and the responsibilities are clearly divided among bodies and units, to avoid gaps or overlaps that may affect the operations of the company;
- formalisation: the activities of the administrative bodies and delegated parties must always be documented, to ensure the control on the management and the decisions taken;
- integrity, completeness and fairness of the data stored: it is necessary to ensure that the data recording system
 and the corresponding reports have appropriate information on the elements that may affect the risk profile of
 the company and its solvency;

The next update of the SCI Directives, aimed primarily at reflecting the definitive choices of the Unipol Group regarding corporate governance and, in particular, the internal control and risk management system, in consideration of the new regulatory system introduced by Regulation 38, is planned within the first half of 2019, consistently with the transitory provisions of the aforementioned regulation.

These are the Key Executives identified for the purposes of the application of the supervisory provisions on intra-group operations.

 independence of controls: the independence of the control functions with respect to the operational units must be guaranteed.

The Internal Control and Risk Management system is regularly submitted to evaluation and review, according to the developments of the corporate activity and the reference context.

The Internal Control and Risk Management system is articulated on multiple levels:

- i. line controls ("first-level controls"), aimed at ensuring the correct execution of the transactions. They are carried out by the operating units (e.g. hierarchical, system and sampling controls), also through different units that report to the managers of the operating units, or carried out as part of back-office activities; as much as possible, they are incorporated in the IT processes. The operating units are the first line of the risk management process and must ensure the compliance with the procedures adopted for the execution of the process and compliance with the risk tolerance level chosen;
- ii. controls on risks and compliance ("second-level controls"), which aims at ensuring, among other things, the correct implementation of the risk management process, the execution of the activities assigned by the risk management process, compliance with the operational limits assigned to the different functions, the compliance of corporate operations with external and internal regulations and the reliability and adequacy of the calculation of Solvency II technical provisions. The functions in charge of these controls are separated from the operational units; they contribute to the definition of the risk governance policies and the risk management process;
- iii. internal audit ("third-level controls"), which aims at assessing the completeness, functionality and suitability of the Internal Control and Risk Management system (including first- and second-level controls) as well as the compliance of corporate operations with this.

In the definition of the organisational structure of the control function, the Unipol Group has adopted, again for 2018, for all companies of the Group with registered office in Italy subject to supervision (jointly, "Operating Companies"), a "centralised" model, with the main objective of ensuring uniformity and consistency at the Group level in the adoption of risk governance policies, procedures and methodologies and controls; it was in fact decided to use the following approach:

- set-up of the Key Functions in the Parent Company, with the task of carrying out the activities within their area of competence for this company and direction and co-ordination activities for the Operating Companies;
- <u>set-up</u> of the Key Functions at UnipolSai;
- outsourcing of Key Functions to UnipolSai by the Operating Companies that belong to the Insurance Group, on the
 basis of specific outsourcing agreements in compliance with the minimal requirements specified by applicable
 supervisory regulations. The Audit, Risk Management, Compliance and Actuarial Functions of UnipolSai, which
 carry out the activities also for the other subsidiaries, develop and maintain a relationship with the Corporate
 Bodies and the Top Management of the individual companies, achieving synergies of scale and purpose;
- <u>functional reporting</u> to the Parent Company of all Key Functions created at the Operating Companies; in this case, the Parent Company carries out activities of governance, direction and co-ordination for the latter, also on the basis of a management system based on a functional relation with the decentralised units, pursuing therefore the following objectives:
 - integrated management of risks and controls;
 - common governance, direction and co-ordination approach in line with the objectives of the respective functions of the Parent Company and the strategies specified;
 - unity of action of the different Operating Companies of the Unipol Group;
- internal contact person for the Key Functions (Link Auditor): at the subsidiaries that have outsourced the Key Functions, a person is identified to be in charge of the relations with said Functions of the outsourcer company.

Within the Internal Control and Risk Management system, the task of assessing that the organisation and the internal procedures of the company are appropriate to prevent compliance risk - or the risk of incurring judicial or administrative sanctions, incurring financial losses or reputational damages, as a result of failure to observe laws, regulations and directly applicable European regulations or measures of the Supervisory Authority or internal regulations, such as by-laws, codes of conduct or corporate governance codes is assigned to the Compliance and Antimoney laundering Function. The compliance operational process is articulated in the following stages:

- Analysis of legal and regulatory provisions;
- Evaluation of the risk;
- Identification of corrective actions;
- Monitoring;
- Reporting.

The intensity of each stage depends on the "project" or "control" approach adopted by the Compliance and Antimoney Laundering Function, according to whether the evaluation: (i) is related to the coming into force of new laws and regulations or to new projects/products/processes, or; (ii) concerns external or internal provisions in force.

The assessments of the first type (ex ante assessments) are mainly aimed at supporting the Top Management in the corrective actions resulting from new projects/products/processes/laws and regulations; those of the second type (ex post assessments) have the purpose of representing the level of compliance of the procedures, processes, policies and internal organisation of the companies of the Group with legal and regulatory provisions applicable to the company, as well as compliance risk.

Ex ante assessments

The ex ante assessments are carried out at the time: i) of external events, e.g. the issue of new laws and regulations applicable to the companies by European or Italian legislators, Supervisory Authorities, etc. or ii) of internal events, e.g. the proposal by the management of new projects/products/processes.

These assessments are usually scheduled within the annual plan of the Compliance and Anti-money Laundering Function and the scope is chosen according to a priority system that focuses, mainly, on the relevance and the impact (also reputational) of the newly-issued legal and regulatory provisions (or the innovations of process or product envisaged) with respect to the organisation and business model of the company. The ex ante assessments may also be started after a one-off request by the Supervisory Authorities, the corporate bodies or the management.

Ex post assessments

The ex post assessments may have as object corporate processes ("process assessment") or external regulations of supervision or of particular relevance (e.g. IVASS Regulations, CONSOB, Laws and Decrees, etc.), as well as internal regulations. These assessments are usually scheduled within the annual plan of the Function, according to a priority system that focuses on:

- the need to "cover" all corporate processes;
- the results of previous assessments, ex ante and ex post;
- the need to "cover" the supervisory regulations, taking also into account the relevance and the complexity of these.
- the evaluation of the risks in regard to laws and regulations that are object of special attention by regulators and supervisory authorities, or that are subject to especially hard sanctions;
- the time passed since the latest analysis carried out by the Compliance and Anti-money Laundering Function and the other Key Functions in regard to the relevance of legal and regulatory provisions in question;
- the data related to claims and sanctions received, if available.

The ex post assessments may also be started following a one-off request by the supervisory authorities, the corporate bodies or the management.

B.5 Internal audit function

The Audit Function assesses the completeness, functionality and suitability of the Internal Control and Risk Management system, in regard to the nature of the activity carried out and level of the risks taken, as well as the need for corrective measure, also through activities of support and consulting to the other corporate functions. The procedures of execution of the tasks assigned to the Audit Function are specified and formalised in the "Audit Function Regulations", enclosed with the SCI Directives.

The Manager of the Audit Function has specific expertise and professionalism for the execution of the activities and has the authority needed to ensure its independence. The Function has been provided with personnel and technology resources consistent, for quantity and quality, with the purpose of the controls. Personnel in charge of the activities is given - for the execution of the assessments - access to all units and documents related to the corporate area object of assessment, including all information useful for the assessment of the suitability of the controls carried out on outsourced corporate functions.

The activities of the Function include in particular:

- the assessment of management processes and organisational procedures, aimed at assessing the functionality of the total internal control system as a whole and at identifying anomalies, breaches of procedures and regulations;
- the assessment of the compliance of the different operational sectors with the limits set by the delegation mechanisms as well as of the full and correct use of the information available in the different activities;
- the assessments on the suitability of the IT systems and their reliability so that the quality of the information on which the top management bases its decisions is ensured;

- the assessments to ensure that the administrative-accounting processes meet criteria of fairness and regular keeping of the accounts;
- the assessments on the effectiveness and efficiency of the controls carried out on outsourced activities;
- the assessment of the regularity and functionality of the reporting activities between corporate sectors;
- the Solvency II checks on the elements that make up the internal control system monitoring the correct and
 effective governance of the models adopted by the Company to calculate the solvency capital requirement;
- the support to all units in the preparation of new processes and activities, through specific control and regulatory tasks, so that the necessary levels of security and the points of verification are appropriately specified and constantly monitored;
- the reporting to the Board of Directors, the Director in charge of the internal control system, Top Management, managers of the operating units, the Control and Risk Committee, the Board of Statutory Auditors and the SB;
- the co-operation with the Control and Risk Committee, the independent audit company, the Board of Statutory Auditors and the SB.

The Audit Function operates in compliance with the regulations, measures and resolutions of the supervisory authorities, the international standard issued by the Institute of Internal Auditors (IIA) and the best industry practice. For each audit, detailed worksheets are prepared and archived electronically. The report signed by the Manager of the Function and the members of the team is stored in the original at the legal office of the Company.

The Audit Reports are prepared on the basis of a standard model consisting of:

- a front page reporting: recipients of the report and date; company of reference of the audit, title and protocol number of the Audit Report, evaluation of the risk of the process audited, evaluation of the corresponding control system, list of the companies to which the audited activity was outsourced;
- an Executive Summary reporting the objective of the audit, the summary of the significant findings made and the corrective initiatives of the management;
- a body of the report that includes, in addition to the objective of the audit already reported in the Executive Summary, an introduction (possibly), the indication of any limits of the audit, the description of the activity carried out, the findings and the areas for improvement identified, the corrective actions proposed (each accompanied by a summary evaluation of the urgency of the situation in graph form), the associated risks, the response of the management, the managers and the deadlines, the period during which the audit was carried out and the personnel involved.

Each audit that identifies findings or areas for improvement is object of follow-up activities to verify that the corrective actions proposed by the management were implemented and are effective.

For inspections on the sales networks, the settlement networks and internal fraud, specific reports are prepared with details of the results with regard to compliance of said units with external and internal regulations and any irregularity found.

The Function regularly reports to the Corporate Bodies on the audit activities carried out, their results and the proposals made. In particular, it reports:

- at the end of each audit, promptly, to the Top Management and the managers of the functions audited, by sending
 the audit report described above, which, as already said, describes the issues or the improvement areas identified,
 the proposals made to address the issues and the comments of the management;
- every six months to the Board of Directors and the Board of Statutory Auditors of the Company, with a report summarising the audits carried out in the reference period;
- on request, to the Board of Statutory Auditors, in the meetings of which the Audit Function takes part when invited.

B.6 Actuarial Function

With reference to Solvency II Technical Provisions, in compliance with Art. 30-sexies of the CAP and in line with what was decided at the time of set-up of the Actuarial Function, the Function carries out the following tasks:

 to coordinate the calculation of the Technical Provisions, as well as the evaluation and the validation of the data to be used in the procedure of evaluation of the adequacy of the provisions;

- to ensure the suitability of the methodologies and the models used, as well as of the assumptions on which the
 calculation of the Technical Provisions is based, also in terms of proportionality of the methodologies to the
 nature, magnitude and complexity of the risks underlying the commitments taken;
- to assess the adequacy and quality of the data used in the calculation of the Technical Provisions;
- to compare the best estimates with historical data;
- to inform the Board of Directors about the reliability and suitability of the Technical Provisions' calculation;
- to supervise the calculation of the Technical Provisions in the cases specified by legal and regulatory provisions;
- to express an opinion on the global risk underwriting policy;
- to express an opinion on the suitability of the re-insurance agreements;
- to contribute to apply the risk management system effectively, in particular with reference to the modelling of the risks underlying the calculation of capital requirements, and internal assessment of risk and solvency.

Moreover, with reference to the provisions in the financial statements, the Function carries out the control activities specified in ISVAP Regulation No. 22/2008, as subsequently modified and supplemented, as well as drafts and signs the corresponding technical reports.

Lastly, the contribution of the Actuarial Function may be required also in the definition of the strategic plan as well as for specific requirements of business.

B.7 Outsourcing

UnipolSai is the main service provider of the Unipol Group. It is independent in almost all corporate areas and has the personnel and the skills to carry out these activities also on behalf of other companies of the Group.

The Company has also acquired the expertise to carry out, by appointment of the insurance companies and some other companies of the Group, the Key Functions needed to ensure the appropriate control on its organisation structure.

The guidelines on outsourcing are specified in the Group Outsourcing Policy, adopted by the Board of Directors of UnipolSai and regularly updated¹¹, which regulates the decision-making processes, responsibilities, tasks and controls required on the outsourcing of activities and corporate functions within the Unipol Group, as well as to third parties, in this way strengthening the control of the risks deriving from outsourcing.

The Policy in particular specifies:

- the criteria to identify the activities to be outsourced;
- the criteria to qualify activities as essential or important and the important operational functions;
- the restrictions on outsourcing;
- the criteria to select the service providers;
- the decision-making process for the outsourcing of corporate functions or activities;
- the minimum content of the outsourcing contracts and the criteria to define the service levels of the outsourced activities required;
- the internal reporting activities to provide the control bodies and the Key Functions the full knowledge and governability of the risk factors related to the functions outsourced;
- the guidelines to be followed in case of inadequate execution of the outsourced functions by the service provider, including those related to emergency plans and exit strategies in the case of outsourcing of essential or important functions and activities;
- the reporting obligations towards the supervisory authorities.

In compliance with the relevant supervisory provisions, the Company deems essential or important those functions or activities that meet at least one of the following conditions:

- i. anomalous execution or failure to execute may seriously jeopardise:
 - a. the financial performance, the solidity/stability of the Company or the continuity and the quality of the services provided to customers; or,
 - b. the ability to the Company to continue to meet the conditions for the authorisation to the exercise of the activities or the obligations specified by applicable supervisory regulations;

The latest update to the Outsourcing Policy was approved by the Board of Directors of the Parent Company and of the Company on 14 March 2019, with a view to adjustment into line with the new relevant provisions set out in Regulation 38, as well as in Regulation no. 44 of 12 February 2019 relating to organisation, internal procedures and controls for the purposes of preventing the risk of money laundering and customer due diligence. This new version will be applied from 2019.

ii. concern operational processes of the Key Functions, or have a significant impact on risk management.

The classification of the activities or functions as essential or important may keep into account, as additional elements of the assessment, the economic relevance of the activity and its volumes, with respect to total volumes, as well as the degree of independence of the service provider in the execution of the activities specified by the outsourcing contract.

The Company may conclude outsourcing agreements, provided the nature and the quantity of the activities to be outsourced, as well as the outsourcing procedures, do not result in a transfer of the main activities of the Company. In particular, the Company cannot, by outsourcing:

- delegate its responsibilities, or the responsibilities of its Corporate Bodies. In line with this principle, the
 outsourcing of activities that are expressly included in the tasks of the latter is not allowed;
- jeopardise the quality of the internal controls and the system of governance of the Company;
- outsource the Key Functions outside the Unipol Group;
- change the relations and the obligations towards the customers;
- jeopardise its ability to meet the obligations specified by supervisory regulations or fail to maintain the reserves provided for by the law;
- hinder the supervision;
- outsource the assumption of risk.

The Company has identified among its personnel a contact person to control the outsourced activities and has formalised the tasks and responsibilities of this. In the case of outsourcing of Key Functions, these subjects must meet the adequate requirements of suitability for office.

The outsourcing of essential and important functions, identified according to the above criteria, is subject - as well as to the prior notification to the supervisory authorities, if required, - (i) to the approval procedure specified by the system of mandates and powers in force, if the service providers belong to the Unipol Group and (ii) to the approval of the General Manager, in line with the corresponding system of mandates and powers, if the service providers do not belong to the Unipol Group. In particular, the Key Functions, given the relevance taken within the more general Internal Control and Risk Management system, may be outsourced, if allowed by legal and regulatory provisions, and in any case in compliance with the restrictions set by competent Supervisory Authorities, only within the Unipol Group, after resolution of the Board.

The table below provides information on the essential or important functions and activities¹² outsourced and the jurisdiction in which the providers of these functions and activities are located.

The classification as Essential or Important in this table is originated, for some contracts, by the analysis carried out at the time of the reporting required by the coming into force of the relevant Insurance Regulation or by later activations, in any case before the issue of the Group Outsourcing Policy, and may therefore sometimes depart from the criteria set by this.

B

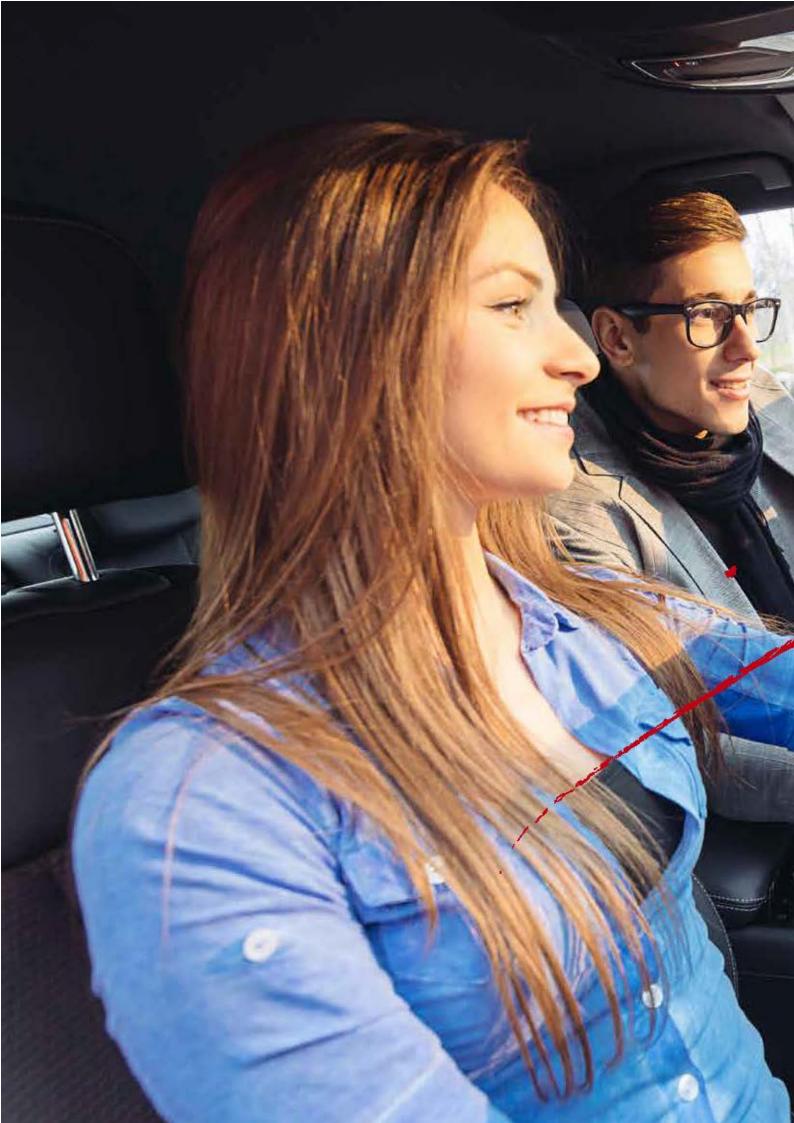
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Essential or important outsourced functions or activities	Provider	Provider's registered office
Technical assistance in negotiating and signing contracts - management of Portfolio - Goods in Transit administr. Management	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.	Via V Dicembre, 3 - Genova
Car repair	Auto Presto & Bene S.p.A.	Via Carlo Marenco, 25 - Torino
Digital storage of the insurance documentation (claims and acts)	Telepost S.p.A.	Via Poli, 4 - Zola Predosa (BO)
Document management	SIAV S.p.A.	Via Rossi, 5 - Rubano (PD)
Storage and archiving of FEA certified electronic signature	Telecom Italia S.p.A.	Via Gaetano Negri, 1 - Milano
Storage and archiving of the insurance registers	IN.TE.S.A. S.p.A.	Strada Pianezza, 289 Torino
Claims management	UP Services	Via Madonna del Violo, 6 - Poggio a Caiano (PO)
Handling tort before ANIA	ONE os S.r.l.	Via Principe Tommaso, 36 Torino
Liquidation of the Legal Expenses portfolio ceded to Reinsurers	ARAG SE Rappresentanza Generale e Direzione per l'Italia	Viale del Commercio, 59 - Verona (VR)
Claims settlement relating to prior years	BL Consulenze	Via La Spezia, 1 Milano
Claims settlement relating to previous years	Inter Partner Assistance S.A. Member of AXA Assistance Group - Rappresentanza Generale per l'Italia	Via Carlo Pesenti, 121 - Roma
Claims Middle Office	Corvallis S.p.A.	Via Giovanni Savelli, 56 - Padova
Extrajudicial credit (premiums) recovery before legal proceedings	Mirò S.r.l.	Via del Perugino, 6/H – Bologna
Reinsurance Risk carrier and service provider	UnipolRe dac	The Watermarque Building, Ringsend Road - Dublino (IR)
Adimistr. SARC	Corvallis S.p.A.	Via Giovanni Savelli, 56 - Padova
Call center for medical assistance, addressing, reservations, claims management and settlement	UniSalute S.p.A.	Via Larga, 8 - Bologna

B.8 Any other information

The Board has reviewed the suitability of the organisation, administrative and accounting structure and, in particular, of the Internal Control and Risk Management system of the Company and its main subsidiaries, on the basis of regular reports of the Chief Executive Officer, the Control and Risk Committee and the Key Functions.

At the meeting on 14 March 2019, UnipolSai's Board of Directors resolved proposed amendments to the by-laws which will be presented to the extraordinary shareholders' meeting called for 17 April 2019 in single call. These amendments are targeted (i), as a matter of priority, at acknowledging the provisions of IVASS Regulation no. 38 of 3 July 2018, containing provisions regarding corporate governance, as set out in the Letter to the market issued by the aforementioned Supervisory Authority on 5 July 2018, containing the "IVASS guidelines on the application of the principle of proportionality in the corporate governance system of insurance and reinsurance companies and groups", and (ii) at the same time, aligning the statutory provisions with the national and international best practices.

There is no other significant information on the company's system of governance.





C.1 Underwriting risk

Non-Life and Health Underwriting Risks

Non-Life and Health Underwriting Risk is represented, within the PIM, through the following risk sub-modules:

- Premium Risk: risk deriving from fluctuations concerning the timing, frequency and seriousness of insured events related to contracts in force at the date of evaluation or that will be underwritten in the year after the date of evaluation t ("next year"). Valued with the Standard Formula, which is based on the use of volatility parameters, specified by Regulators or company-specific, expressed as percentage of a measure of volume. The measure of volume for Premium Risk is represented by an estimate of the premiums that will accrue the year after the valuation date;
- Reserve Risk: risk deriving from fluctuations concerning the timing and amount of future payments for claims already made at the date of evaluation. Valued with the Standard Formula, based on the use of volatility parameters, specified by Regulators or company-specific, expressed as percentage of a measure of volume. The measure of volume for Reserve Risk is represented by the best estimate of claim provisions;
- Catastrophe Risk: risk of losses or unfavourable changes in the value of the insurance liabilities due to extreme or exceptional events. Valued with an internal model for Earthquake Risk and with the Standard Formula for the remaining risks;
- Lapse Risk: risk of early extinction on the initiative of the policyholder of multi-year contracts. Valued with the Standard Formula.

For the calculation of the capital requirement for the Premium and Reserve sub-modules using the Standard Formula, the specific parameters of the Company (Undertaking Specific Parameters, or USP) were used for the segments object of specific authorisation by the supervisory authorities; the Market Wide parameters were used in all other cases. The authorisation concerns the following segments of the insurance and re-insurance obligations as specified in Annex II to the Delegated Regulation EU 2015/35, 10 October 2014:

- **Segment 1:** Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles (Motor Vehicle Liability Insurance MVL);
- **Segment 4:** Proportional insurance and reinsurance against fire and other damage to property (Fire and other damage to property insurance FDP);
- Segment 5: Proportional insurance and reinsurance on general TPL (General Liability Insurance GLI).

With the exception of Earthquake Risk, Catastrophe Risks are assessed with the Scenario Based method of the Standard Formula, as specified by the Delegated Regulation of the Solvency II regulations. The Partial Internal Model for the evaluation of Earthquake Risk consists of three different calculation modules:

- "Hazard": assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity);
- "Vulnerability": assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity;
- "Financial": identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

Surrender risk is assessed using the method specified by the current legal and regulatory provisions, based on a scenario of loss of a part of the multi-year policy portfolio with positive expected profit.

The Partial Internal Model configuration for the Non-Life and Health risk modules of UnipolSai envisages the production of the probability distribution function (PDF) of the aggregated loss of the two modules based on the results produced by the Standard Formula (USP if applicable) for the Premium and Reserve, Lapse and Catastrophe sub-modules – all perils with the exception of Earthquake – and by the Internal Model for the Earthquake Catastrophe risk.

In the period subject to analysis, as a result of the specific authorisation from the Supervisory Authority, an update was made to the model used to measure earthquake risk.

The following table provides volume measures for Non-Life and Health Premium and Reserve Risk. The data are reported for each LoB in which the Company operates.

Volume measure for Non-Life and Health premium and reserve risk

Amounts in €k	Volume measure and premium risk	% on total	Volume measure and reserve risk	% on total
Motor vehicle liability insurance	3,276,971	44.6%	4,943,141	54.3%
Fire and other damage to property insurance	1,336,932	18.2%	718,246	7.9%
General Liability Insurance	799,193	10.9%	2,631,546	28.9%
Total LOB USP	5,413,097	73.7%	8,292,933	91.1%
Other motor insurance	709,637	9.7%	113,496	1.2%
Marine, aviation and transport insurance	16,317	0.2%	51,660	0.6%
Credit and suretyship insurance	46,174	0.6%	163,215	1.8%
Legal expenses insurance	23,079	0.3%	36,558	0.4%
Assistance	31,542	0.4%	26,076	0.3%
Miscellaneous financial loss	67,070	0.9%	21,683	0.2%
Non-proportional property reinsurance accepted	492	0.0%	5,487	0.1%
Non-proportional casualty reinsurance accepted	1,029	0.0%	8,410	0.1%
Non-proportional marine, aviation and transport reinsurance		0.0%	469	0.0%
Income protection insurance	713,835	9.7%	293,220	3.2%
Medical expense insurance	317,489	4.3%	87,432	1.0%
Non-proportional health reinsurance accepted	284	0.0%	430	0.0%
Total	7,340,044	100.0%	9,101,069	100.0%

The SCR of the Non-Life and Health Underwriting risk module for UnipolSai calculated with the Partial Internal Model, using USP parameters at 31 December 2018, was equal to €1,874,950k. With respect to the solvency requirement at 31 December 2017, there was a change of €-136,209k primarily due to the decline in the capital requirement of the Non-Life Premium and Reserve sub-module; this change in the requirement is explained by the decrease in measures of volume with respect to 2017 and the update in USP parameters.

Non-Life and Health SCR with Partial Internal Model use

Amounts in €k

Risk sub-module	2018	2017	Change on 2017
Non-Life Non-Life	1,860,764	1,997,627	(136,863)
Non-Life premium and reserve	1,642,060	1,786,481	(144,421)
Non-Life surrender	8,837	1,220	7,616
Non-Life CAT	335,222	486,207	(150,985)
Health	297,837	287,923	9,914
Non-Life and Health SCR	1,874,950	2,011,159	(136,209)

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level. The risk concentration is measured in line with the provisions of the specific policy approved by the Board of Directors of the Parent Company UG S.p.A.. This policy provides for the risk concentrations to be measured with respect to:

- insurance liabilities in financial statements:
 - values of provision for individual claim;
- potential liabilities outside the financial statements:
 - natural catastrophe exposures²¹ grouped by risk factor and appropriate territorial clusters;
 - exposures by risk or policy on individual insured party or group of related parties;
 - exposures for the Bond class grouped by sector.

Risk mitigation techniques

The Company uses outwards reinsurance as risk mitigation technique.

With regard to the Premium and Reserve risks, the calculation of the capital requirement at 31 December 2018 was carried out by taking into account the outwards reinsurance agreements, both for their effect on the measures of volume and, if appropriate, for their impact on the USP estimates, as specified by legal and regulatory provisions.

For the calculation of the capital requirement at 31 December 2018 for the Catastrophe Risk (non-life CAT) submodule using the Standard Formula, the outwards reinsurance agreements were applied in line with the provisions of IVASS Regulation No. 31, 9 November 2016. For the calculation of the capital requirement for Earthquake Risk using the Internal Model, the outwards reinsurance agreements were applied in line with legal and regulatory provisions and integrated with the other secondary risk sub-modules.

Pursuant to Art. 9 of IVASS Regulation No. 33, 6 December 2016, the Company has transferred, through a reinsurance agreement, a portion of its Earthquake Risk to the Special Purpose Vehicle Atmos Re I Dac, with legal office in Dublin, which has been authorised to exercise re-insurance activities by the Central Bank of Ireland on 5 February 2019 (authorisation number C185834). Atmos Re I Dac ensures the full and constant funding of the commitments deriving from the reinsurance agreement concluded with the Company and meets the requirements set by Delegated Regulation (EU) 2015/35, so that the risk mitigation technique may be taken into account in calculating the Solvency Capital Requirement.

Life Underwriting Risks

The underwriting risk for Life insurance represents the risk deriving from Life insurance commitments, keeping into account the perils covered and the procedures used in the exercise of the activity.

The Life portfolio of UnipolSai consists mostly of revaluable products, related to the financial returns of segregated funds (LoB1).

Table 1 shows the breakdown of the composition of the portfolio in terms of Best Estimate of Life liabilities.

Considered significant on the basis of the analysis of the portfolio risks of the Group.

Life portfolio at 31 December 2018

Amounts in €k

Best Estimate of Liabilities (BEL)	2018
Insurance with profit participation	26,825,936
Index-linked and unit-linked insurance	4,547,292
Other life insurance	(61,061)
Indirect business	6,585
Total	31,318,752

The portfolio of UnipolSai is exposed to the following risk factors:

- **mortality risk**: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- **longevity risk**: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- **surrender risk**: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- **catastrophe risk**: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

The Company UnipolSai was authorised, from 31 December 2016, to use the Internal Model for the evaluation of the following risk factors:

- mortality/longevity risk;
- surrender risk;
- expense risk.

Catastrophe risk and the Class D component of the Life portfolio (Index Linked, Unit Linked and Pension Funds) are instead assessed with the Standard Formula.

In the period subject to analysis, no substantial changes were made to the measures used to assess risks.

With reference to the years ended 31 December 2018 and 31 December 2017, we provide a breakdown for the individual SCR sub-modules of the Underwriting risk.

Please note that the Life Underwriting risk SCR represented hereunder, in line with the QRT S.25.02.21, does not include the Conservative Margin defined by the Supervisory Authority on the surrender risk sub-module.

Life SCR partial internal model

Amounts in €k

Risk sub-module	2018	2017	Change on 2017
Mortality/Longevity	55,561	<i>51,453</i>	4,108
Surrender	128,213	106,339	21,874
Life expenses	68,979	67,275	1,703
Life catastrophe	27,590	29,253	(1,663)
Life SCR Remaining part	196,409	172,794	23,615
SCR Ring Fenced Fund	19,332	21,205	(1,873)
Life SCR	215,741	193,999	21,742

The main source of risk is represented by surrenders, the SCR of which is equal to 46% of the non-diversified Life Underwriting Risk.

With respect to the solvency requirement at 31 December 2017, there was a \leq 23,615k increase in the Life SCR Remaining part, primarily due to the increase in surrender risk. Surrender risk increased due to the joint effect of the higher exposure of surrender frequencies and rising interest rates, as well as the natural evolution of the policy portfolio.

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level. The Company contributes to the significant risk concentrations observed at the Group level through its insurance liabilities.

With reference to risk concentrations, special attention is paid to surrender and mortality risks.

The Company aims at mitigating the concentration of surrender risk exposure by limiting the assumption of large contracts, in particular in the corporate segment.

With regard to mortality risk, re-insurance and other risk transfer techniques are the main tools used by the Company to mitigate the exposures or the concentration of exposures that could lead to a divergence of the current risk profile from the one desired.

We note that within the setting of Risk Appetite levels, Life Underwriting Risks are measured in terms of capital at risk. Notably, the capital at Life Underwriting Risk takes into account all risks and all exposures related to the Life portfolio, including those exposures classified as being at risk of concentration.

Risk mitigation techniques

With regard to Life Underwriting Risk, mitigation is carried out through "Management Actions", that is, corrective measures applied to the ordinary financial portfolio management strategy used by the Company.

The mitigation action is quantified in the "Adjustment for Loss Absorbing Capacity of Technical Provisions" (ALAC TP), calculated in compliance with the Regulation.

Additional mitigation actions may be taken through re-insurance, with the transfer of a portion of mortality risk.

C.2 Market risk

Market risk includes all those risks that result in the deterioration of financial or real estate investments because of the adverse evolution of important market variables.

With the Internal Model it is possible to calculate the value of the capital needed to absorb the maximum potential loss, maintaining the solvency of the Company. Pursuant to Solvency II guidelines, the amount of the potential loss is measured in terms of Value at Risk (VaR), understood as the maximum potential loss that the company may incur over a given time horizon, with a given confidence interval. The internal model takes as time horizon a period equal to one year and a confidence interval equal to 99.5%.

The Market Risk classes identified are the following:

- Interest rate risk: the risk of a potential adverse change in the net asset value due to a change in the term structure of interest rates;
- Interest rates volatility risk: the risk of a potential adverse change in the net asset value due to a change in the volatility of interest rates;
- Equity risk: the risk of a potential adverse change in the net asset value due to changes in stock market prices;
- Equity volatility risk: the risk of a potential adverse change in the net asset value due to changes in the volatility of equities;
- Exchange rate risk: the risk of a potential adverse change in the net asset value due to changes in the value or the volatility of exchange rates;
- Spread risk: the risk of a potential adverse change in the net asset value due to changes in the value of the credit spread with respect to the risk-free curve;
- Yield risk: the risk of a potential adverse change in the net asset value due to joint changes in the value of the credit spread and the risk-free rates;
- Property Risk: the risk of a potential adverse change in the net asset value due to changes in the value of the land, buildings and corresponding rights, direct and indirect equity investments in real estate companies, as well as instrumental property used for insurance activities and investment funds the components of which may be considered equivalent to the categories previously described;
- Concentration risk: the additional risk deriving from a limited diversification of the financial asset portfolio, or a high exposure to the default of a single issuer.

UnipolSai was authorised, from the year ended 31 December 2016, to use the Internal Model to calculate the capital requirement for the following risk factors:

- Interest rate risk;
- Interest rates volatility risk;
- Equity risk;
- Equity volatility risk;
- Exchange rate risk;
- Spread risk;
- Yield Risk²²:
- Property Risk.

Concentration Risk and Market Risk for index linked and unit linked policy portfolios and pension funds are instead assessed with the Standard Formula.

The Market internal model generates joint distributions for the returns on financial and industrial securities, the returns on government bonds and the risk free curve. The spread risk is obtained on the basis of a marginal distribution of the spread of financial and corporate securities not significant for the purposes of the calculation of the Market VaR.

These risk classes make possible an appropriate representation of the measurement of the maximum loss and the trend of the profits and losses on the investment portfolio according to the investment classes specified by the Group Investment Policy. The Group Investment Policy defines the investment activity on all the assets of the company included in the perimeter, according to the nature, magnitude and complexity of the risks characterising the corporate activities, in line with the principles of prudent management. It takes into account, on one hand, the risk appetite and the possibility to identify, measure, monitor and manage the risks related to each asset type without relying only on the fact that the risks are correctly considered in the capital requirements and, on the other, the characteristics and the nature of the liabilities, the cash flows matching requirements and the control of the investment margins.

The financial portfolio at 31 December 2018 consisted for 78.2% of bonds and, in particular, 54.0% of financial assets consisted of government bonds. Real Estate and Equity investments accounted for 5.7% and 8.2% of the portfolio respectively.

Composition of the financial portfolio

Amounts in €k	Solvency II value 2018	Exposure % on total PTF
Property, plant & equipement held for own use	615,303	1.4%
Investments (other than assets held for index-linked and unit-linked contracts)	1,881,694	4.3%
Holdings in related undertakings, including participations	3,607,773	8.2%
Equities	747,650	1.7%
Equities - listed	574,837	1.3%
Equities - unlisted	172,813	0.4%
Bonds	34,210,455	78.2%
Government Bonds	23,608,330	54.0%
Corporate Bonds	9,852,401	22.5%
Structured notes	749,724	1.7%
Collective Investments Undertakings	2,494,799	5.7%
Derivatives	135,805	0.3%
Deposits other than cash equivalents	50,778	0.1%
Total portfolio	43,744,256	100.0%

In the period subject to analysis, no substantial changes were made to the measures used to assess risks.

The value of the Class D portfolio, consisting of assets relating to Unit-linked and Index-linked policies, came to €3,787,695k at 31 December 2018.

All assets, in particular those set against the minimum capital requirement and the Solvency Capital Requirement, are invested in a way to ensure the safety, quality, liquidity and profitability of the portfolio as a whole.

The strategic investment policy, defined in the Group Investment Policy, identifies the investment activity on all the assets of the company included in the perimeter, according to the nature, magnitude and complexity of the risks characterising the corporate activities, in line with the principles of prudent management. It takes into account, on one hand, the risk appetite and the possibility to identify, measure, monitor and manage the risks related to each asset type without relying only on the fact that the risks are correctly considered in the capital requirements and, on the other, the characteristics and the nature of the liabilities, the cash flows matching requirements and the control of the investment margins. In light of what is laid out above, the strategic investment policy establishes, for each company and as a result for the Group as a whole, the strategic medium/long-term composition of the investment portfolios, defining limits on investments by individual company and specific limits at consolidated level for each source of significant risk for the Group, providing for an adequate diversification and spreading of assets so as to guarantee the continuous availability of sufficient assets to cover liabilities, as well as the security, quality, liquidity and profitability of the portfolio as a whole, taking into account, for investments concerning the Life business, the reasonable expected returns of policyholders, compatible with the types of policies taken out, with the minimum level of return and with the minimum level of security that the Companies intend to guarantee, as well as what is laid out in contractual regulations.

The strategic investment policy is also adopted taking into account the fact that the assets covering the technical provisions must be adequate in relation to the nature of the risks and obligations assumed and the duration of the liabilities, in the best interest of all policyholders, the insured, the beneficiaries and those entitled to insurance benefits, while observing the supervisory provisions on the coverage of technical provisions. The underlying principles of the strategic investment policy are:

- general principles of security, quality, liquidity, profitability and availability of the entire asset portfolio, taking into account the liabilities held;
- evaluation of risk appetite, risk tolerance levels and the possibility to identify, measure, monitor and manage risks connected to each asset type;
- Strategic Asset Allocation which ensures the achievement of the targets pursued by the integrated asset and liability management and the liquidity and concentration risk management policies as well as return objectives;
- definition of investment selection and management criteria in the best interest of the policyholders and beneficiaries, and those entitled to insurance benefits, including if there is a conflict of interests, taking into account the financial market environment.

Given the composition of the financial portfolio, we provide below the SCR figures calculated with the Internal Model for the year ended 31 December 2018 and a comparison with the capital requirement relating to 31 December 2017.

Market SCR internal model

Amounts in €k

Risk sub-module	Market SCR 2018	Market SCR 2017	Change on 2017
Interest Rate	570,861	718,221	(147,360)
Equity	1,312,452	1,167,712	144,740
Property	612,477	642,773	(30,296)
Spread	1,375,687	1,294,257	81,430
Exchange	33,015	66,624	(33,609)
Concentration		77,145	(77,145)
SCR Market Remaining part	2,070,155	2,031,054	39,101
SCR Ring Fenced Fund	19,271	20,612	(1,341)
Market SCR	2,089,426	2,051,666	37,760

With respect to the solvency requirement at 31 December 2017, there was an increase in the Market SCR Remaining part of €+39,101k, primarily due to the rise in the equity module and spread, partly mitigated by the reduction in the interest rate risk.

The increase in equity risk is determined i) partly by the rise in exposures in alternative investments, mitigated by the reduction in volumes of listed equities, ii) partly by lower effectiveness of the derivative hedging attributable to the decrease in the equity indexes, and iii) partly by an increase in strategic investments as a result of extraordinary corporate transactions. The increase in spread risk is mainly due to higher portfolio risk.

Lastly, the reduction in the interest rate is determined i) partly by a better profile in an asset-liability framework, and ii) partly by the variation in the contribution to the risk of Future Discretionary Benefits, which are less risky in a portfolio with lower capital gains.

More specifically, Market Risk mainly depends on Equity Risk and Spread Risk, which are the sub-modules with the greater incidence on total Market Risk. The spread risk is obtained on the basis of a marginal distribution of the spreads of financial and corporate securities. This distribution is not significant for the purposes of the calculation of the Market VaR given that the Market Internal Model generates joint distributions of risk-free rates and spreads as regards financial and corporate securities.

We note that Equity and Property Risk include, respectively, equity investments in non-real estate and real estate insurance subsidiaries, which within the Group contribute to the determination of the capital requirement through the line-by-line consolidation of the assets and liabilities of such entities.

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level. The Company contributes to significant risk concentrations at the Group level, through the exposures deriving by its investment in securities included in the Macro Asset Class Equity and Corporate Bond and Equity investments specified in the Group Investment Policy.

The risk concentration policy of the Group specifies a "Limit of concentration on investments and loans", which includes, as well as loans and credits, also any exposure in equity or debt securities. The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency.

Risk mitigation techniques

To mitigate Market Risk, the Company has set up a series of controls to ensure that the risk mitigation techniques maintain their effectiveness. Specifically, monthly tests are carried out to assess the effectiveness of the derivative hedges taken out by the Company. In order to mitigate current or future risk not in line with the risk objectives specified, financial transactions to mitigate the risks may be carried out: these mitigation transactions are carried out on the derivative markets. The objectives of the use of derivatives are:

- to reduce the risk of the investment;
- to achieve an effective portfolio management by improving the level of quality, safety, liquidity or profitability of the portfolio without significant reduction for any of these characteristics.

These transactions do not have speculative purposes; short selling is not allowed.

Moreover, the Investment Policy specifies Market Risk limits and Sensitivity limits.

With regard to Market Risk limits, a warning threshold is specified for the companies, keeping into account the resolutions taken by the respective Administrative Bodies on Risk Appetite and in particular the economic capital component allocated by the Parent Company and by the individual companies to Market Risk.

This warning threshold is set equal to 95% of the Risk Appetite specified for Market Risk (total Value at Risk per individual Company, with 99.5% confidence interval and a holding period equal to 1 year).

With regard to Sensitivity limits, the following limits related to the sensitivity of the financial asset portfolios for different risk factors are specified:

- a) for widening of the credit spreads of +100 bps;
- b) for change in equity prices of -45%.

C.3 Credit risk

Credit risk (Counterparty Default Risk) identifies the risk that a borrower or an enforced guarantor may fail to meet, fully or in part, his monetary obligations towards the Group. Credit risk reflects, therefore, the likely loss generated by an unexpected default of the counterparties and the debtors of the insurance and re-insurance companies in the next 12 months.

From the year ended 31 December 2016, the Company has been authorised to use its Internal Model for the evaluation of the Credit risk: the methodology adopted to assess the risk of default is CreditRisk+. The model produces a closed analytical formula, which describes the entire loss distribution. This allows to identify the VaR measure at a confidence level and time horizon consistent with the calibration standards agreed for the Internal Model.

The types of exposures relevant to the quantification of Counterparty Default Risk with the internal model are the following:

- Exposures to Banks: this category includes short-term liquidity deposits and the exposures against OTC derivative hedges;
- Exposures to Re-insurers: this category includes receivables resulting from current account balances and the potential receivables represented by the provisions due by the Re-insurers (net of the deposits received);
- Exposures to Insurance Companies: this category includes receivables from insurance companies for coinsurance relations and other receivables from insurance companies;
- Exposures to Intermediaries: this category includes receivables from agencies and brokers and mainly consist of the decadi (payment of premiums collected) to be transferred to the company;
- Exposures to Policyholders: this category includes receivables for premiums not yet collected against contracts underwritten for settlement of premiums to be settled and for late premiums, as well as disputed receivables:
- Exposures to other counterparties duly identified, or exposures for which there is sufficient information to estimate the risk.

The following types of exposure are instead assessed using the Standard Formula:

- Loans: this category includes loans to employees, agencies and loans on Life policies;
- Sums to be recovered: loans to policyholders or third parties in relation to claims for which payment of the claim has been made (reimbursements and deductibles);
- Other Receivables: this category includes all receivables not already included in the previous categories.

Credit SCR - Exposure

Amounts in €k

Exposure type	Exposure 2018	Total PTF %
Internal Model (IM)	4,751,794	94.3%
Standard Formula (STDF)	287,884	5.7%
Total	5,039,678	100.0%

In the period subject to analysis, as a result of the specific authorisation from the Supervisory Authority, changes were made to the risk parameters used to measure risks.

We provide below the value of the Solvency Capital Requirement for Credit Risk for the year ended 31 December 2018 and the comparison with the value for the year ended 31 December 2017, with a breakdown for the types of exposure covered by the Internal Model (IM) and those covered by the Standard Formula (STDF):

Credit SCR Partial Internal Model

Amounts in €k

Exposure type	SCR 2018	SCR 2017	Change on 2017
Internal Model (IM)	224,778	289,520	(64,742)
Standard Formula (STDF)	50,538	76,134	(25,596)
Credit SCR	275,316	365,654	(90,338)

The Internal Model assesses the exposures using risk parameters derived from market information, for listed counterparties, or calibrated on historical data of the Company (exposures to Intermediaries and Policyholders). The exposures valued with the Solvency II Standard Formula are instead calculated using the weights provided by the Delegated Regulation (EU) 2015/35. The total requirement of the company is calculated by adding the two SCR components calculated separately, making a prudential assumption of full correlation of the risks assessed through the two different procedures.

With respect to the solvency requirement as at 31 December 2017, a reduction of €90,338k was registered, mainly deriving from <u>lower liquidity deposited in banks as well as a lower volume of exposures</u> valued with the Solvency II Standard Formula and, therefore, <u>excluded from the internal model valuation</u>.

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level. The Company contributes to the calculation of significant risk concentrations at the Group level through the exposures deriving from coinsurance and re-insurance transactions and transactions in derivatives contracts.

With regard to the management of Credit Risk, the Company has been applying limits based on both operational exposures (deposits and receivables from Insurance and Re-insurance companies), and financial exposures in securities or derivatives to counterparties or groups of counterparties (as well as traditional limits by individual name and risk category). These limits are monitored on an ongoing basis through a process that involve both operating committees and the administrative body.

Moreover the Group Credit Policy, which specifies the Credit Risk assumption practices, sets limits to the assumption of risk towards counterparties with an inadequate credit rating: this credit rating is assessed and constantly monitored, using both external indicators (e.g. market rating or parameters), and indicators specified internally (parameters used also for Partial Internal Model purposes).

With regard to risk concentrations, the Company must comply with the principles of assumption of the risk, the limits and the procedures of management specified in the Group Credit Policy and in the Risk Concentration Policy. The two Policies define, among other things, a mechanism for the identification of the exposures that, due to their size, may represent a significant risk at the Group level. They define the mechanisms of risk management, internal control and an organic decision-making process, common to all Companies of the Group. This process is structured to ensure that the Parent Company is informed of the assumption of risk of a more significant amount. The Credit Policy also sets the roles and the responsibilities of the bodies involved in the process of control of the risks at the Group level.

To mitigate concentration risk, limits of functionality are specified, keeping into account the risk profile of the Company, in regard to the risk concentrations for:

- counterparties or Groups of related parties;
- sector;
- type of exposure;
- type and/or size of counterparty.

The Risk Concentration Policy also sets a "Concentration limit on investments and receivables", which includes, for each counterparty or group of related parties, in addition to loans and receivables, any exposure to equity or debt securities.

The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency.

At 31 December 2018, the Company was mainly exposed to counterparties operating in the financial sector (banks and re-insurers) as well as to policyholders and insurance intermediaries (agencies and brokers).

Risk mitigation techniques

The risk mitigation techniques adopted to mitigate the exposures to Credit Risk are the following:

- exposures towards re-insurers: deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depends on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers, the Group also makes use of a limited number of guarantees consisting mainly of Letters of credit and Securities. The re-insurance agreements may also be subject to downgrade clauses, which specify the obligation to provide additional guarantees if the counterparty fails to meet the minimum credit rating requirements set in the Credit Policy.
- exposures in derivatives: derivative contracts are taken out with counterparties subject to ISDA contracts with corresponding Credit Support Annex, which specify the full collateralisation of the Marked to Market exposures.
- exposures towards intermediaries: portfolio indemnities are the main form of mitigation for exposures towards agencies. These are in fact amounts due to the terminated agent in the case of termination of the relation with the Company (for the broker category, indemnities are specified exclusively at the level of CONSAP fund). The right of the Company to offset the indemnity due to the terminated agencies against any debit balance is recognised in Art. 34 of A.N.A. Moreover, Par. 4 deals with the case of withdrawal for just cause. The indemnity is therefore used as form of mitigation of the risk to reduce exposure.

C.4 Liquidity risk

Liquidity risk is the risk of not having the cash needed to meet the commitments taken, on and off-balance sheet, without incurring financial losses deriving from forced sale of assets in the case of adverse developments.

In order to assess the liquidity profile of the Company and its ability to meet commitments without incurring significant losses, also under stressed conditions, specific analyses are carried out; these analyses include the calculation of the liquidity gap between the cash outflows and the cash inflows on maturities up to 12 months, of the cumulated liquidity gap and the liquidity buffer, which includes any contingency instrument, both in normal condition and in scenarios of stress of the technical variables.

In the period subject to analysis, no substantial changes were made to the measures used to assess risks.

Expected profits in future premiums

The total amount of the expected profits in future premiums calculated pursuant to Art. 260, Par. 2 of the Delegated Regulation (EU) 2015/35 was equal to €426,588k, of which €397,941k relating to the life business and €28,646k relating to the non-life business.

C.5 Operational risk

Operational Risk is the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events. Operational Risk includes, from the point of view of the identification and the quantitative evaluation, legal risk, compliance risk (non-compliance with laws and regulations) and IT risk, while it does not include strategic and reputational risk.

As an integral part of the Internal Control and Risk Management System, the risk management system for Operational Risk contributes to the achievement of the following high-level targets:

- to preserve the assets of the Company, ensuring that the exposure to Operational Risk is consistent with the Risk Appetite specified;
- to improve the overall efficiency of the processes ensuring that Operational Risk is identified, measured, controlled and managed according to methodologies specified and consistent within the Group.

The Company calculates the capital requirement for Operational Risk by using the Standard Formula specified in the Delegated Regulation (EU) 2015/35.

In the period subject to analysis, no substantial changes were made to the measures used to assess risks.

We provide below the capital requirement for Operational Risk calculated by using the Standard Formula for 2018 and the comparison with the SCR relating to 31 December 2017.

Operational SCR standard formula

Amounts in €k

Risk module	Operational SCR 2018	Operational SCR 2017	Change on 2017
SCR Operativo Remaining part	477,961	493,863	(15,902)
SCR Ring Fenced Fund	42	53	(11)
Operational SCR	478,003	493,916	(15,913)

With respect to the solvency requirement at 31 December 2017, there was decrease of €-15,913k in the Operational SCR Remaining part, primarily due to the decline in the value of best estimates.

The identification of Operational Risk is based on the collection of information on potential or historical events from all significant sources of information, consistently classified, to represent and feed on an ongoing basis a global Operational Risk database.

The activity of identification consists in the collection of the largest information set possible on the risk event and its possible cause and effects, to increase the knowledge of the specific exposure of the different corporate areas. This activity has also the objective to assess the suitability of the controls and identify the best management solutions to any issue identified.

The collection of business expert opinions, through the RSA (Risk Self Assessment), takes place through interviews of process managers carried out to identify and assess the potential Operational Risk events that may occur within a process, as well as to obtain an assessment of the suitability of the system of controls and identify the best management solutions to any issue identified.

The information gathered through the RSA includes an estimate of the financial impact of the risk event and an estimate of the expected frequency of the event expressed on an annual basis. This estimate also takes into account any historical Operational Risk event actually occurred, with the corresponding loss incurred.

The information gathered on the Operational Risk events is classified using the cause - event - effect framework, to provide a truthful description of the chain of events that have produced the financial impact from the risk event.

The stages in which the activities of identification of the Operational Risk may be divided may be summarised as follows:

- analysis of the processes, verification of applicable laws and regulations and collection of the information deriving from previous analyses or analysis carried out by the control functions;
- identification of the possible Operational Risk events, possible causes and controls in place;

- verification of the completeness of the analysis with respect to the Event Type model²³;
- validation of the data gathered and control of the quality of the analysis carried out.

Within Operational Risk, a significant risk is continuity risk, or defined as the risk of a suspension of corporate processes, as a result of disaster.

To this purpose, the Group has acquired an Operating Continuity Policy, which sets guidelines on operating continuity, to reduce to a minimum the impact of disaster events on the significant services, whether resulting from events at the sector, corporate, local or global level (Business Continuity Management System).

C.6 Other material risks

With regard to the other risk categories, the Company identifies as material the following categories of risk:

- Reputational risk: risk of current or future decrease in profit or assets deriving from a negative opinion of the Group by its main Stakeholders. A corporate reputation management system was developed at the Group level, to build and safeguard the reputational capital and integrate this asset in the business planning processes;
- Strategic Risk: risk of current or future decrease in profit or assets deriving from external elements, such
 as changes in the operational context and/or limited reactivity to changes in the competitive context, or
 internal elements, such as incorrect corporate decisions and/or inadequate implementation of decisions.
 A Reputational & Emerging Risk Observatory was set up at the Group level, to provide a structured control
 on emerging and reputational risk factors with a strategic and proactive approach, anticipating the trends
 to prevent emerging risk and identifying future business opportunities;
- Risk of inclusion in a Group: the risk related to the inclusion in a Group, or "contagion" risk, understood as the risk that, because of the relations of the company with the other companies of the Group, difficulties for one of these companies may have negative effects on the solvency of the company itself; it also includes the risk of conflict of interest. This risk is controlled at the Group level through the policies and procedures that regulate the execution of the transactions with "related" parties, pursuant to the current regulations issued by the supervisory authorities of the sector;
- Compliance Risk: the risk of judicial or administrative sanctions, losses or reputational damages resulting from a failure to observe external laws and regulations or internal regulations such as by-Laws, codes of conduct or corporate governance codes; also risk of unfavourable developments in the legislative framework or case law decisions. The Compliance Function assesses the suitability of the organisation and the internal procedures for the prevention of this risk and sets its level.

In the period subject to analysis, no substantial changes were made to the measures used to assess the risks described above.

C.7 Other information

C.7.1 Sensitivity analysis

To monitor the sensitivity to the risk factors and important events, the Company carried out some sensitivity analyses. Sensitivity analyses on the main economic-financial factors of interest are carried out at least once a year and allow the Company to assess the impact on its Solvency Ratio and Solvency Capital Requirement of changes in the main risk factors to which it is exposed.

We list below the sensitivity analyses carried out, with their description and the results of the analyses in question. The analyses take as Base Scenario the capital adequacy and solvency capital requirement calculated according to the regulatory model adopted by the undertaking.

²³ The Event Type model consists of a classification of risk events based on the banking perimeter model specified by Basel II.

Sensitivities

Description	Impact with respect to central scenario	Impact on Solvency Ratio
Shift upward of the interest yield curve	interest rate: +50 bps	-17 p.p
Shift downward of the interest yield curve	interest rate: -10 bps	1 p.p.
Shock on credit spread – corporate bonds	industrial and financial credit spreads: +100 bps	7 p.p.
Shock on equity market	equity market value: -20%	-9 p.p.
Shock on property market	property market value: -15%	-14 p.p.
Sensitivity on Italian Government spread	Italian Government spread: +100 bps	-21 p.p.

Interest rates curve sensitivity analysis

To analyse the impact of a (upward/downward) shock to the yield curve, two sensitivity analyses were carried out on the dynamics of the interest rates curve, more precisely, two single financial factor analyses assessing the impact of an upward and downward parallel shift of the entire yield curve (Euro, Serbia, and rest of the world), a shift respectively equal to +50 bps and -10 bps.

The +50 bps increase in interest rates resulted in a reduction of 17% in the Solvency II ratio. This change was caused by:

- a reduction in own funds eligible to cover the SCR of 0.4%;
- an increase in the total capital requirement of 6.8%, primarily as a result of the change in the capital requirement relating to the Life Underwriting Risks and Market Risks modules.

The -10 bps decrease in interest rates resulted in an increase of 1% in the Solvency II ratio. This change was caused by:

- a decrease in own funds eligible to cover the SCR of 0.4%;
- a decrease in the total capital requirement of 0.8%, primarily as a result of the decline in the capital requirement relating to the Market Risks module.

Sensitivity on credit spread

To analyse the impact of a shock to the spread, a sensitivity analysis is carried out, by assessing the increase in all industrial and financial credit spreads, for all rating classes, all issuers in the portfolio, and all rankings (senior and sub), equal to +100 bps.

For the purposes of the calculation of the sensitivity in question, we estimated the value of the Volatility Adjustment following the shock to the spreads.

The +100 bps increase in industrial and financial credit spreads resulted in an increase of 7% in the Solvency II ratio. This change was caused by:

- an increase in own funds eligible to cover the SCR of 0.6%;
- a decrease in the total capital requirement of 1.9%, primarily as a result of the reduction in the capital requirement relating to the Market Risks module and, although to a lesser extent, the change in the capital requirement relating to the Non-Life and Health Underwriting Risk, Life Underwriting Risk and Operational Risks modules.

Stock market prices sensitivity analysis

To analyse the impact of a shock to equity market prices, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to share prices, equal to -20%.

The decline of -20% in the value of the equity market resulted in a decrease of 9% in the Solvency II ratio. This change was caused by:

- a decrease in own funds eligible to cover the SCR of 5.2%;
- a decrease in the total capital requirement of 1.8%, primarily as a result of the change in the capital requirement relating to the Market Risks module.

Real estate market prices sensitivity analysis

To analyse the impact of a shock to real estate market valuations, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to the value of real estate and real estate funds, equal to -15%.

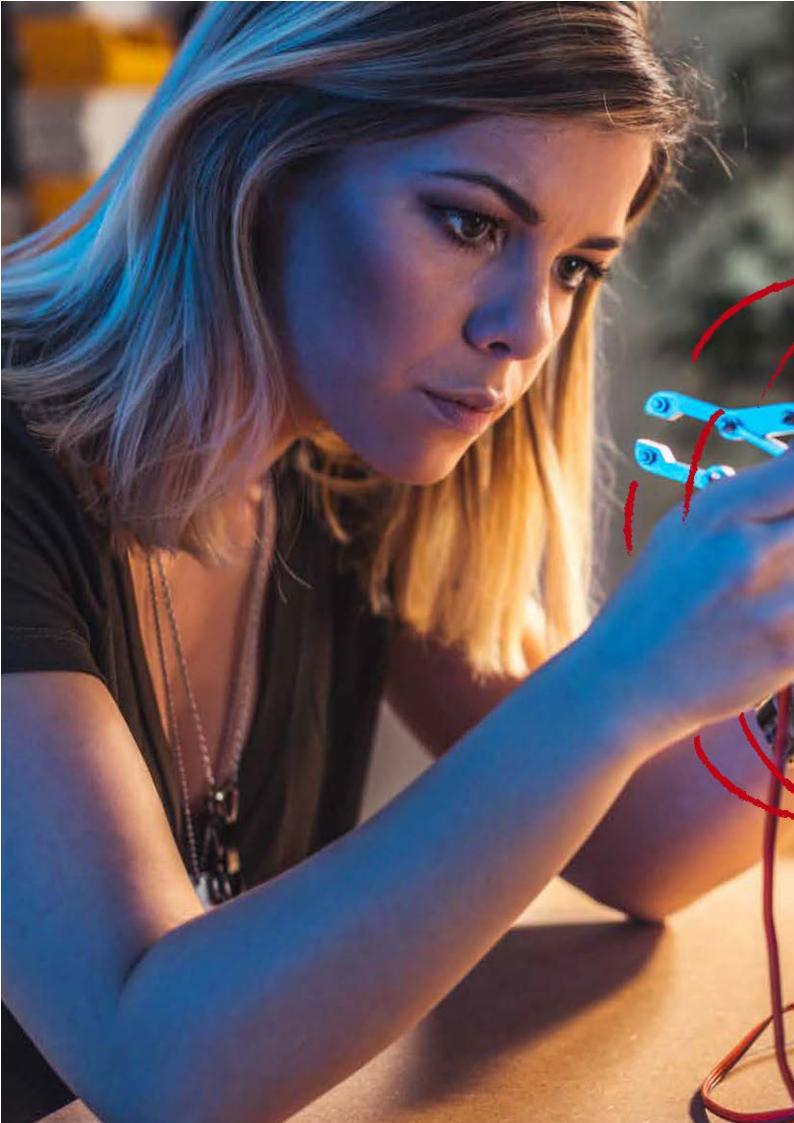
The decline of -15% in the value of the real estate market resulted in a reduction of 14% in the Solvency II ratio. This variation is primarily determined by the reduction in own funds eligible to cover the SCR of 5.5%; this scenario does not determine significant changes in the total capital requirement (-0.2%).

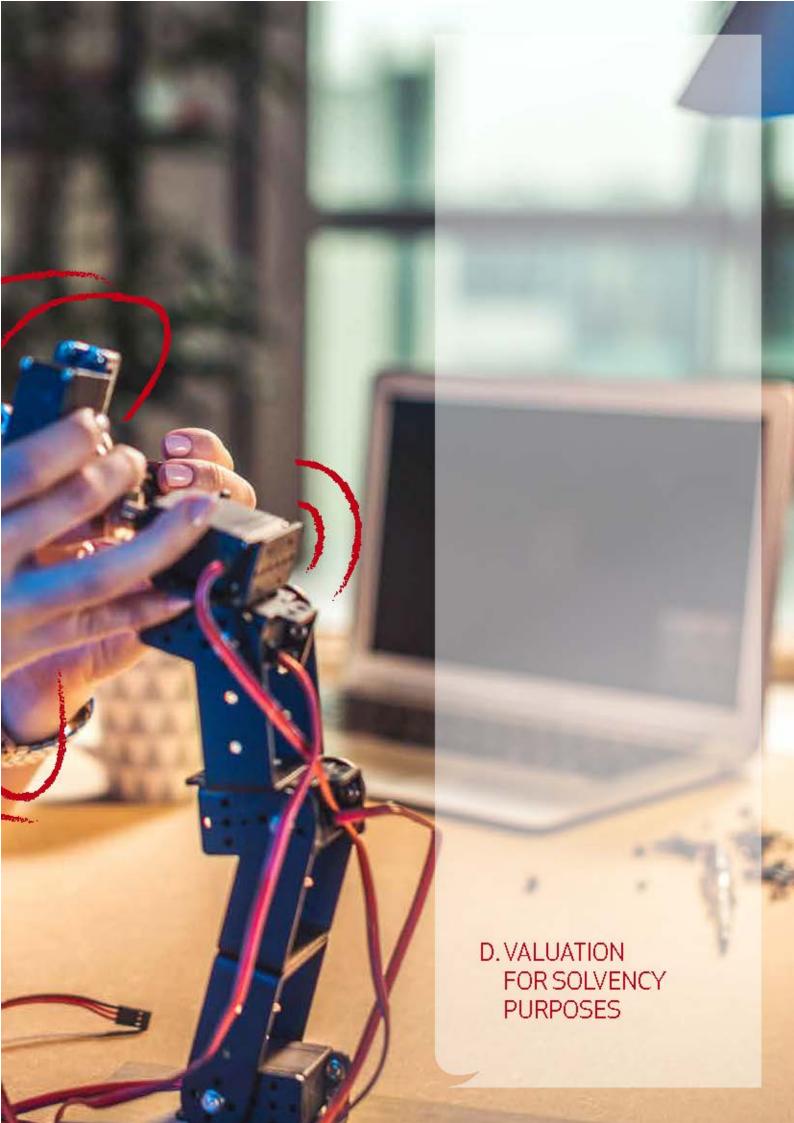
Sensitivity on Italian Government spread

To analyse the impact of a shock to the Italian Government spread, a sensitivity analysis is carried out, by assessing the increase in the Italian Government credit spread equal to +100 bps.

The +100 bps increase in the Italian Government spread resulted in a reduction of 21% in the Solvency II ratio. This change was caused by:

- a decrease in own funds eligible to cover the SCR of 9.7%;
- a decrease in the total capital requirement of 1.5%, primarily as a result of the change in the capital
 requirement relating to the Market Risks module and Non-Life and Health Underwriting Risk, only partially
 offset by the requirement relating to the Life Underwriting Risk and Operational Risks modules.





Valuation for solvency purposes

Introduction

D

The solvency capital requirement envisaged in the Directive is determined as the economic capital that insurance and reinsurance companies must hold so as to guarantee that the "default" event does not occur more than once in every 200 cases or, alternatively, that the companies in question will still be able to honour their obligations, with a probability of at least 99.5%, to contracting parties and beneficiaries in the next twelve months. The capital is assessed on the basis of a financial prepared according to the "Market Consistent" criteria specifically identified in the Regulation. These criteria generally follow the fair value measurement as defined in international accounting standards (IFRS 13), to be determined on the basis of the following hierarchy:

- I. prices listed on active markets for the same assets and liabilities;
- II. prices listed on active markets for similar assets and liabilities, suitably adjusted to take into account differences compared to the listed assets and liabilities;
- III. values taken from internal "Mark to Model" valuation models. The data used in such models must as far as possible be taken from information implicit in the market assessments referred to in the previous points.

Consequently, the Company's Market Consistent Balance Sheet (MCBS) was prepared in steps as follows:

- restatement of individual assets and liabilities of the Company based on the classification criteria envisaged for completing the QRT S.02.01 (Balance Sheet);
- valuation of the individual assets and liabilities in application of the Regulation criteria, as far as possible consistent with the valuations expressed for the group consolidated financial statements prepared in compliance with IAS/IFRS standards.

The contents of the QRT SE.02.01.16 (MCBS), prepared in reference to 31 December 2018, is provided below. The MCBS shows the valuation of the Company's assets and liabilities at Market Consistent values (Solvency II Value) compared with the valuation used by the Company to prepare its own financial statements (Statutory Account Value).

Statement of financial position (MCBS) - current values Assets

Assets		
Amounts in €k	Solvency II value	Statutory accounts value
Goodwill	Solvency II value	122,902
Deferred acquisition costs		75,430
Intangible assets		556,248
Deferred tax assets	483,473	817,677
Pension benefit surplus	د ر۲۰٫۷	017,077
Property, plant & equipment held for own use	615,303	567,125
Investments (other than assets held for index-linked and unit-linked contracts)	43,128,953	42,061,346
Property (other than for own use)	1,881,694	1,691,162
Holdings in related undertakings, including participations	3,607,773	4,287,503
Equities	747,650	793,171
Equities - listed	574,837	620,404
Equities - unlisted	172,813	172,767
Bonds	34,210,455	32,638,109
Government Bonds	23,608,330	22,095,755
Corporate Bonds	9,852,401	9,714,258
Structured notes	749,724	828,096
Collateralised securities	, 13%	
Collective Investments Undertakings	2,494,799	2,497,644
Derivatives	135,805	102,980
Deposits other than cash equivalents	50,778	50,778
Other investments	3:117:	3-117-
Assets held for index-linked and unit-linked contracts	4,585,584	4,582,939
Loans and mortgages	839,592	839,592
Loans on policies	23,151	23,151
Loans and mortgages to individuals	375,063	375,063
Other loans and mortgages	441,377	441,377
Reinsurance recoverables from:	493,483	636,210
Non-life and health similar to non-life	453,076	595,796
Non-life excluding health	441,480	
Health similar to non-life	11,596	
Life and health similar to life, excluding health, index-linked and unit-linked	40,407	40,413
Health similar to life		
Life, excluding health, index-linked and unit-linked	40,407	40,413
Life index-linked and unit-linked		
Deposits to cedants	12,325	12,325
Insurance and intermediaries receivables	1,212,543	1,212,543
Reinsurance receivables	43,125	43,125
Receivables (trade, not insurance)	118,547	118,547
Own shares (held directly)	3,558	2,731
Amounts due in respect of own fund items or initial fund called up but not yet paid in		
Cash and cash equivalents	584,850	584,850
Any other assets, not elsewhere shown	1,335,795	1,335,779
Total assets	53,457,131	53,569,369

Liabilities

Liabilities		
		Chabatan
Amounts in €k	Solvency II value	Statutory accounts value
Technical provisions – non-life	12,341,356	13,795,451
Technical provisions – non-life (excluding health)	11,707,398	13,795,451
Technical provisions calculated as a whole		
Best Estimate	11,266,107	
Risk margin	441,291	
Technical provisions - health (similar to non-life)	633,958	
Technical provisions calculated as a whole		
Best Estimate	600,832	
Risk margin	33,126	
Technical provisions - life (excluding index-linked and unit-linked insurance contracts)	26,918,810	25,144,670
Technical provisions - health (similar to life)		
Technical provisions calculated as a whole		
Best Estimate		
Risk margin		
Technical provisions – life (excluding health and index-linked and unit-linked insurance contracts)	26,918,810	25,144,670
Technical provisions calculated as a whole		
Best Estimate	26,771,460	
Risk margin	147,350	
Technical provisions – index-linked and unit-linked	4,575,612	4,597,776
Technical provisions calculated as a whole		
Best Estimate	4,547,292	
Risk margin	28,320	
Other technical provisions		
Contingent liabilities		
Provisions other than technical provisions	327,881	327,881
Pension benefit obligations	84,960	53,044
Deposits from reinsurers	163,800	163,800
Deferred tax liabilities		63,481
Derivatives	263,976	228,900
Debts owed to credit institutions	2,346	2,346
Financial liabilities other than debts owed to credit institutions		
Insurance and intermediaries payables	60,321	59,861
Reinsurance payables	49,911	49,911
Payables (trade, not insurance)	75,479	75,479
Subordinated liabilities	2,344,962	2,247,239
Subordinated liabilities not included in Basic Own Funds		
Subordinated liabilities included in Basic Own Funds	2,344,962	2,247,239
Any other liabilities, not elsewhere shown	1,029,636	990,944
Total liabilities	48,239,051	47,800,785
Excess of assets over liabilities	5,218,080	5,768,584

The following paragraphs illustrate the main differences in assessments for MCBS purposes and financial statements purposes.

D.1 Assets

D.1.1 Valuation criteria

This section illustrates the criteria, methods and models used by the Company to identify and measure assets in the MCBS. Please note that, when not specified otherwise, no changes were made to such criteria, methods and models with respect to those used in the previous year.

Intangible assets

The valuation criteria defined in the Regulation generally envisage that intangible assets are attributed a zero value. Exceptions are intangible assets that can be sold separately from the rest of the Company's assets and for which a price is available on an active market for similar assets. The Company does not hold any assets of this type.

Financial assets and liabilities (excluding equity investments) and properties

Financial assets and liabilities are measured at fair value on the basis of the hierarchy defined in the Regulation. The table below summarises the methods to calculate the fair value adopted by the company for the different macro categories of financial instruments, receivables and property. These methods are consistent with the criteria defined by IFRS 13 and with the indications provided by the Parent Company Unipol Gruppo.

	-	Mark to Market	Mark to Model and other
	Bonds	"CBBT" contributor - Bloomberg Other contributor - Bloomberg	Mark to Model Counterparty valuation
	Listed shares, ETFs	Reference market	
Financial Instruments			DCF
	Unlisted shares		DDM
			Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model
	UCITS	Net Asset Value	
Receivables			Other receivables (Carrying amount)
Property			Appraisal value

In compliance with IFRS 13, the market price (Mark to Market) is used to determine the fair value of financial instruments, in the case of instruments traded in an "active market".

- the regulated market in which the instrument subject to measurement is traded and regularly listed;
- the multilateral trading facility (MTF) in which the instrument subject to measurement is traded or regularly
- listings and transactions performed on a regular basis, i.e. high-frequency transactions with a low bid/offer spread, by an authorised intermediary (hereinafter "contributor").

[&]quot;Active market" means:

D Valuation for solvency purposes

In the absence of available prices on an active market, valuation methods are used which maximise the use of observable parameters and minimise the use of non-observable parameters. These methods can be summarised in Mark to Model valuations, valuations by counterparty or valuations at the carrying amount in connection with some non-financial asset categories.

Mark to Market valuations

With reference to listed shares, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the reference market.

In relation to bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:

- a) the primary source is the CBBT price provided by data provider Bloomberg;
- b) where the price referred to in 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.

For UCITS the Net Asset Value is the source used.

Mark to Model valuations

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

The objective of the models used to calculate the fair value is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to quote a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. To ensure the correct separate Mark to Model valuation of each category of instrument, adequate and consistent valuation models must be defined beforehand as well as reference market parameters.

The list of the main models used for Mark to Model pricing of financial instruments is provided below: Securities and interest rate derivatives:

- Discounted cash flows:
- Black;
- Black-Derman-Toy;
- Hull & White 1.2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives:

- Discounted cash flows:
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives:

- Discounted cash flows;
- Black Scholes.

Securities and credit derivatives:

- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform Mark to Model valuations are as follows:

- interest rate curves for each reference currency;
- interest rate volatility surface for each reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for each reference currency;
- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main non-observable market parameters used to perform Mark to Model valuations are as follows:

- correlation matrices between exchange rates and risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS-type financial instruments.

Note that, with reference to bonds in those cases when, even on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is obtained on the basis of Mark to Model type valuations. The different valuation models referred to above are chosen according to the specific instrument characteristics.

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The fair value of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.

As regards OTC derivatives for which there is a collateralisation agreement (Credit Support Annex – CSA) between the Company and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.

As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that at year end almost all derivative positions represent collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

With reference to unlisted shares for which a market price or an appraisal drafted by an independent expert is not available, valuations are performed mainly on the basis of:

- equity methods;
- methods based on the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), the so-called "excess capital" version;
- if applicable, methods based on market multiples.

As regards unlisted UCITS, Private Equity Funds and Hedge Funds, the fair value is calculated as the Net Asset Value at the recognition date provided directly by the fund administrators.

With reference to properties, the fair value is measured on the basis of the appraisal value provided by independent experts, in compliance with current legal provisions.

For financial assets and liabilities which do not fall into the categories of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring fair value, the valuations provided by the counterparties that could be contacted to liquidate the position are used.

Fair value measurement for structured bonds and structured SPV bonds.

The measurement of structured bonds makes use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and with the risk factor underlying said contract.

For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of fair value, which makes provision for use of Mark to Market valuation if available, or Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.

Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered structured SPV bonds. The measurement of SPV structured bonds requires separate valuation of the following elements:

- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

D Valuation for solvency purposes

For SPV structured bonds the valuation of collateral follows the criteria defined previously for the calculation of the fair value, which make provision for the use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.

The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while if there is no collateralisation agreement, use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment), as appropriate.

As regards the valuation of other (non-technical) financial liabilities, the fair value is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in the company's credit rating.

Equity investments

The recognition value of equity investments²⁷ in the MCBS is determined on the basis of the following hierarchy:

- prices listed on active markets for the same assets and liabilities;
- percentage interest in the investee's equity determined on the basis of MCBS valuation criteria;
- percentage interest in the investee's equity determined on the basis of international accounting standards, taking into account the measurement criteria for intangible assets;
- internal valuation models.

In particular, pursuant to Art. 13 of the Regulation:

- equity investments in subsidiaries are measured on the basis of the investor's percentage interest in the equity, determined according to the MCBS preparation criteria adopted by the subsidiary concerned;
- equity investments in associates and in financial and credit institutions are measured on the basis of the investor's percentage interest in the equity, determined according to IFRS (less any intangible assets of the investee);
- there are no equity investments in listed companies.

These criteria differ from the valuation method for equity investments in the Company's financial statements. Based on Italian accounting standards, equity investments held as long-term must be measured at cost, net of any impairment losses.

Deferred tax assets and liabilities

The deferred tax calculation recognised in the MCBS was performed by applying the criteria identified in international accounting standards (IAS 12), suitably supplemented with the provisions of Articles 20-22 of IVASS Regulation no. 34 of 7 February 2017.

Other assets

For all other assets not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the consolidated financial statements and consequently applying IAS/IFRS and any relative updates in such standards to be applied in the current year.

²⁷ The equity investments are identified by the Regulation and the Directive as investments in associates or subsidiaries or for which the company holds at least 20% of the voting rights or capital.

D.1.2 Quantitative information on asset valuation

Intangible assets

In line with the regulatory provisions of the Directive, for solvency purposes the Company does not assign a value to goodwill, or to other intangible assets, as a listing of similar assets on an active market is not available.

Amounts in €k	Solvency II value	Statutory accounts value	Difference
Goodwill		122,902	(122,902)
Deferred acquisition costs		75,430	(75,430)
Intangible assets		556,248	(556,248)
Total		754,580	(754,580)

Following the necessary adjustments to the three items indicated above in the MCBS, the Company recorded a decrease in shareholders' equity in the financial statements for €754,580k, gross of related tax effects.

Land, buildings and other tangible fixed assets

Land and buildings were recognised in the MCBS at fair value, determined on the basis of expert independent appraisal reports. The value recognised in the Company's financial statements corresponds to the purchase cost, adjusted if necessary for any legally required revaluations, any merger surplus or deficit and any impairment losses, net of depreciation.

Tangible assets

Amounts in €k	Solvency II value		Difference
Property, plant & equipment held for own use	615,303	567,125	48,178
Property (other than for own use)	1,881,694	1,691,162	190,531
Total	2,496,997	2,258,287	238,710

The fair value measurement leads to an increase in the value of tangible assets by €238,710k compared to the financial statements, gross of tax effects.

Note that in reference to other tangible assets (e.g. equipment, plant, machinery and vehicles), the recognition value in the MCBS is consistent with the recognition value in the financial statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Financial assets for which investment risk is borne by policyholders

The MCBS item "Assets held for index-linked and unit-linked contracts" includes all the financial assets in class D of the balance sheet of the financial statements, which correspond to the financial assets for which investment risk is borne by the policyholders (unit-linked, index-linked and pension funds).

D Valuation for solvency purposes

Financial assets when the investment risk is borne by policyholders

Assets held for index-linked and unit-linked contracts	4,585,584	4,582,939	2,645
Amounts in €k	Solvency II value	Statutory accounts value	Difference
			T .

These assets were also measured at fair value in the financial statements. The difference recognised is due to the fact that, in the financial statements, the fair value measurement method used for financial instruments classed as unit-linked was consistent with the valuation of liabilities payable to the policyholders and the NAV for unit-linked products. This fair value measurement method for financial assets differs slightly to that used for the purpose of MCBS preparation. Also considering that for preparation of the MCBS the valuation of financial assets classed as unit-linked is in any event fully consistent with the measurement criteria for the corresponding liabilities to the policyholders, the slight differences in fair value measurement methods have no appreciable impact on the total difference between assets and liabilities in the MCBS and in the financial statements.

Other investments (excluding equity investments)

As a general principle, all investments are measured at fair value as required by the Directive, unlike in the Company's financial statements in which the values are determined as follows:

- for investments classed as long-term, at purchase cost net of any impairment losses;
- for other investments, at the lower between the purchase cost and the present value determined on the basis of market trends.

With reference to investments formed by deposits with financial institutions ("Deposits other than cash and cash equivalents") and by "Loans and mortgages", the recognition value in the MCBS is consistent with the recognition value in the financial statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Other financial investments

Amounts in €k	Solvency II value	Statutory accounts value	Difference
Equities	747,650	793,171	(45,521)
Equities - listed	574,837	620,404	(45,566)
Equities - unlisted	172,813	172,767	46
Bonds	34,210,455	32,638,109	1,572,345
Government Bonds	23,608,330	22,095,755	1,512,575
Corporate Bonds	9,852,401	9,714,258	138,142
Structured notes	749,724	828,096	(78,372)
Collateralised securities			
Collective Investments Undertakings	2,494,799	2,497,644	(2,845)
Derivatives	135,805	102,980	32,826
Deposits other than cash equivalents	50,778	50,778	
Other investments			
Loans and mortgages	839,592	839,592	
Loans on policies	23,151	23,151	
Loans and mortgages to individuals	375,063	375,063	
Other loans and mortgages	441,377	441,377	
Total	38,479,077	36,922,273	1,556,805

Taking into consideration that the statutory criteria (applied to the financial statements) are typically more prudent, the Company recorded an increase in assets by €1,556,805k in the MCBS compared to the financial statements, gross of the related tax effect.

Participations

Amounts in €k	Solvency II value	Statutory accounts value	
Holdings in related undertakings, including participations	3,607,773		

The different methods for calculating the value of equity investments led to a decrease in assets by €679,729k in the MCBS compared to the financial statements, gross of the related tax effect.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the MCBS and their value recognised for tax purposes.

D Valuation for solvency purposes

Deferred tax assets and liabilities

Amounts in €k	Solvency II value	Statutory accounts value	Difference
Deferred tax assets	483,473	817,677	(334,204)
Deferred tax liabilities		(63,481)	63,481
Net total	483,473	754,197	(270,723)

The differences compared to the financial statements are associated with the deferred tax effect of temporary differences deriving from adjustments to the asset and liability valuations commented in paragraphs D.1, D.2 and D.3. The following summary table provides a breakdown of deferred tax assets and liabilities recognised in the MCBS by nature of the temporary difference leading to their recognition and an indication of the time horizon forecast for reversal of the temporary differences.

At the reporting date there are no tax losses eligible to be carried forward or unused tax credits and consequently the corresponding deferred tax assets have not been recognised.

Nature of temporary differences and reversal expectations

Amounts in €k

Amounts in €k			
Breakdown deferred tax assets/(liabilities) recognised in the MCBS for nature of the temporary differences	IRES	IRAP	Time horizons expected for the reversal of the temporary differences
Intangible assets (released goodwill)	251,676	69,876	The item consists mainly of the benefit deriving from the release of the goodwill implied in the carrying amount of the equity investment, the reversal of which is expected in 10 years from 2019.
Intangible assets (other intangible assets)	88,219	8,130	The item consists of intangible assets that are not included in the MCBS. The reversal of the temporary difference, excluding early disposal, is related to the amortisation of intangible assets, the amortisation of which is expected on average in 3-5 years.
Real estate and tangible assets held for own use and for investment	24,507	11,145	The temporary differences will be reversed through the annual amortisation or on the disposal of the asset. This item includes of the realised capital gains, spread out pursuant to Art. 85, Par. 4 of Consolidated Income Tax Law (TUIR), for an amount equal to €21,571k.
Other financial investments (debt instruments)	(356,289)	(94,505)	The temporary differences relative to the bonds will be reversed gradually as the maturity approaches or to the disposal of the securities. This item includes realised capital gains, spread out pursuant to Art. 85, Par. 4 of TUIR, for an amount equal to €24,904k. The average duration of the bond portfolio of the Company is 3.12 years for Non-Life Business and 7.04 years for Life Business.
Other financial investments (equity instruments and UCITS)	8,951	4,786	The temporary differences relative to the equity instruments and UCITS will be reversed with the disposal of the securities.
Non-Life net technical provisions (claims provision changes)	137,396		The temporary differences deriving from the upward adjustments for increases of the provisions will be reversed in compliance with the provisions of Art. 111 Par. 3 of TUIR (18 years for the years up to 2014 and 5 years from 2014).
Non-Life net technical provisions (IFRS and SII adjustments)	(321,323)	(89,331)	The temporary differences deriving from the adjustments between financial statements and MCBS will presumably be reversed gradually with the release of the corresponding technical provisions. The average duration of Non-Life technical provisions is of approximately 2.8 years.
Life net technical provisions (provision changes)	17,190		The temporary differences deriving from the upward adjustments for increases of the provisions will be reversed in compliance with the provisions of Art. 111 Par. 1-bis of TUIR.
Life net technical provisions (IFRS and SII adjustments)	425,285	112,934	The temporary differences deriving from the adjustments between financial statements and MCBS will be reversed presumably gradually with the release of the corresponding technical provisions. The average duration of the Life technical provisions is of approximately 8.2 years.
Financial liabilities	(29,819)	(7,581)	The reversal of the modest differences will take place in compliance to the residual life of the loans (excluding early repayment if the financial and regulatory conditions were met).
Provisions for risks and charges	109,323		The reversal of the differences is related to the actual incurring of the expected charge, which is difficult to forecast since its timing cannot be influenced by the Company.
Receivables	108,695	9,707	The reversal of the temporary differences derives from the application of Art. 106 Par. 3 (time horizon 10 years according to the percentages set by this article).
Other assets and liabilities	(11,261)	5,764	Residual item for which it is reasonable to assume a reversal period of 2 years maximum.
Tax loss	/		Pursuant to Art. 84 of TUIR, the tax loss can be deducted from taxable income without time limit and up to a maximum of 80% of the taxable profit of each year.
Total	452,549	30,924	

Other assets

The differences recognised between other assets in the MCBS and their corresponding valuations in the financial statements are provided below.

	Solvency II	Statutory	
Amounts in €k	value	accounts value	Difference
Pension benefit surplus			
Deposits to cedants	12,325	12,325	
Insurance and intermediaries receivables	1,212,543	1,212,543	
Reinsurance receivables	43,125	43,125	
Receivables (trade, not insurance)	118,547	118,547	
Own shares (held directly)	3,558	2,731	827
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	584,850	584,850	
Any other assets, not elsewhere shown	1,335,795	1,335,779	16
Total	3,310,743	3,309,901	842

The difference in the value of own shares is attributable to the valuation of the Company's shares at listed price in the MCBS compared to that established for the financial statements, in which they have to be represented at purchase cost and deducted from shareholders' equity.

In reference to the other assets in the above table, the book value in the MCBS is consistent, except for some irrelevant differences, with the book value in the Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Leasing and rental agreements - assets

There are no assets leased to third parties under finance leases.

The operating leases refer exclusively to properties leased under arm's length contracts and on the basis of current regulations.

The property lease payments receivable recorded in 2018 amounted to €57,753k.

D.2 Technical provisions

D.2.1 Valuation criteria

Please first of all note that, when not specified otherwise, no changes were made to the valuation criteria, methods and models with respect to those used in the previous year.

In accordance with the Directive, the Solvency II technical provisions (Life and Non-Life) are calculated as the sum of the Best Estimate of Liabilities (BEL) and a Risk Margin.

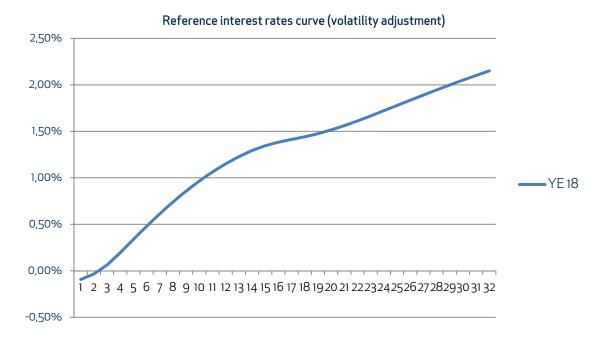
The main difference compared to the current applicable regulations for the preparation of the financial statements (see ISVAP Regulation no. 22 of 4 April 2008, subsequently amended and supplemented), which establishes that the valuation must be carried out in accordance with the criteria of prudence, is represented by the adoption of a "market" value. The value of the technical provisions, in fact, must correspond with "the amount that an insurance or reinsurance company would have to pay if its contractual rights and obligations were immediately transferred to another company".

In this sense, the risk margin assumes the meaning of risk premium or, in actuarial terms, safety loading, whereas the prudence is included in the retention of an adequate level of capital.

These principles are satisfied in the adoption of a Discounted Cash Flow (DCF) method for the BEL valuation, eliminating all forms of prudence (e.g. final cost valuation for claims provisions, inclusion of provisions for unexpired risks and supplementary provisions for the premium provision) and including - in the valuation - all variables that could affect the amount of future cash flows.

The BEL corresponds to the present estimated value of future cash flows calculated on the basis of the relevant due dates structure of risk-free interest rates, taking into account the volatility adjustment referred to in Art.77-quinquies of the Directive.

The due dates structure of reference rates used in the valuations is illustrated below:



The curve was formed on the basis of the following market benchmarks published by EIOPA:

- Last liquidity point: 20 years
- Ultimate long-term forward rate: 4.05%
- Convergence period: 40 years
- Method: Smith-Wilson
- Volatility adjustment: 24 bps
- Credit Risk adjustment: 10 bps

Best Estimate Liability Non-Life

The Best Estimate Liability, equal to the sum of the claims BEL and premiums BEL, was calculated in accordance with the principles stated in the regulation, by applying suitable statistical/actuarial models and net of amounts recovered from the policyholders and from third parties for the portion not already recognised as assets in the balance sheet.

D Valuation for solvency purposes

The calculation of the <u>claims BEL</u> is structured on a comparison between the final cost results deriving from the application of a Chain Ladder Paid model to the amounts gross of all deductions or discounts (Mack method with the option of expert judgement in the choice of certain growth factors) and the values of provisions in the Financial Statements. In particular, a confidence range is determined by assuming a log normal distribution benchmarked, respectively, to the final cost obtained from the model and the coefficient of variation obtained from application of the Mack closed formula. If the Local GAAP claims provision falls within this range, the two values are aligned. If not, the final cost obtained from the model is confirmed. Subsequently, the deduction component (recoveries) and discounted cash flow component are added to the model.

For the "Credit and Suretyship" and "Marine Aviation and Transport" businesses, the statistical/actuarial models were applied, but in view of the business type the documented analysis was considered more reliable (inventory reserve). Consequently, for these lines the calculation of the claims BEL was founded on provisions recorded in the financial statements, suitably discounted on the basis of the estimated growth in future payments over time. A similar approach was also adopted for the "Assistance" business, in light of the very high speed of settlements in this LoB and the stability of the phenomenon of claims incurred but not reported. Also for the non-proportional reinsurance LoBs, characterised by minimal volumes marginal to proportional direct and indirect business, so much so as to not allow sufficient qualitative data to be collected for the application of actuarial or statistical methods, the same simplified approach was used, also assuming that payments are all made in the year subsequent to the valuation date.

The <u>premiums BEL</u> was calculated on the cash flows obtained from the projection of the Company's historic ratios (loss ratio and expense ratio, estimated by considering an average for the last three years, or in certain cases the growth trend), applied to the existing portfolio values at the time of valuation, separately for each business line. The cash flows take into account all the items, incoming and outgoing, generated by the combination of future premiums, claims not yet received, allocated and unallocated settlement expenses, commissions and administrative expenses deriving from existing contracts. The total liabilities recognised in the financial statements against the provisions for profit-sharing and ageing were considered a reasonable estimate of the corresponding liabilities for recognition in the Market Consistent Balance Sheet (MCBS). These provisions were also recorded in the premiums BEL.

For non-proportional reinsurance-related LoBs, the premiums BEL was calculated on the assumption that all payments were concentrated on the first due date after the valuation date (a conservative assumption in that it minimises the impact of cash flow discounting) and the estimated combined ratio was 1 ("neutral" assumption compared to the valuation of estimated profits generated by the premium provision).

The comparison between Non-Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the financial statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks. The main differences between the two regulatory regimes are summarised below:

	Solvency II	Local GAAP
Valuation approach	Matching adjustment concept + explicit Risk Margin	Prudent assumption concept
Time value of money	Discounted cost	Final cost
Handling of recoveries	Net recoveries	Gross recoveries

As the Best Estimate Liability is a present value of estimated future cash flows, it is by definition an estimate subject to uncertainty in the final cost projection and in the assumed due dates structure for interest rates. In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out. The following, for example, shows the change in BEL as the interest rate structure changes.

BEL (Net of reins.) - Discount curve sensitivity analysis

Amounts in €k	Claims BEL	Premiums BEL	Total
Curve - 2017 - without VA	0.48%	0.45%	0.48%
Curve - 2017 - basic	0.37%	0.35%	0.36%
Curve - 2018 - without VA	0.70%	0.61%	0.68%
Curve - 2018 - basic	9,101,069	2,312,794	11,413,863
Curve - 2018 - basic +1%	(2.81)%	(2.44)%	(2.73)%

Compared to the curve used, a volatility adjustment of zero would lead to an upward change in BEL by around 0.7%. A 1% increase in the curve would result in a reduction of approximately 2.73%. Lastly, if the curve remained unchanged compared to 31 December 2017, the BEL would be higher by around 0.36%.

Best Estimate Liability Life

The Life BEL valuation method uses an ALM-type stochastic approach which allows an integrated "fair value" measurement of assets and liabilities.

As regards revaluable products, associated with returns of Segregated Funds, the typical quantities are projected at "point" level deriving from the non-destructive aggregation of information on individual policies that have the same characteristics, including the Company's technical and actuarial assumptions and also making use of standard stochastic simulation approaches for the financial variables.

ALM logic simulates the actions performed by the Company based on the future growth of amounts representing the policies portfolio (liabilities) and the underlying portfolio of financial securities (assets). In the specific case of products with performances that can be revalued in terms of returns of Segregated Funds, ALM logic envisages a circuitry that can be summarised in the following logical steps, repeated for every instant on the reference time horizon (monthly or annual):

- calculation of the returns for every Segregated Fund, according to the rules envisaged in the Segregated Funds regulations;
- revaluation of the benefits provided to the policyholders based on the returns calculated in the previous step;
- calculation of the net balance of liability items: tariff premiums collected benefits operating expenses for the period on the securities portfolio.

If the balance is negative, the model draws upon the liquidity in the assets portfolio, and if this is still not sufficient to cover commitments to the policyholders, the sale of financial securities in the portfolio is arranged, with subsequent gains/losses realised with an impact on returns of Segregated Funds for the next instant and therefore on subsequent indexed benefits.

D Valuation for solvency purposes

In the projection, the model also makes use of information related to "management actions", which translates into suitable conditioning factors for the simulation process, the strategic guidelines for financial portfolio management used by the Company. Taking into account the structure of the policies portfolio and the underlying assets portfolio, forecasts of financial market performance, but above all coherence with the Company's strategic guidelines, the management actions are defined by the Board of Directors based on the proposal from the Finance Department in concert with the Risk Management Department. It should be emphasised that the management actions are implemented in terms of asset allocation target and returns target. If in the values projection (for every instant on the reference time horizon) the asset allocation and returns targets assume values different from those defined, financial security purchase and sale mechanisms are triggered to bring the returns and/or asset allocation back to the defined levels. This obviously involves realising gains/losses that have an impact on the returns recognised to the policyholders. In addition, at the end of each year the "financial statement restriction control" is carried out, or the realignment, for each financial portfolio, of the carrying amount of the securities with the amount of the mathematical provision increased by a predefined percentage for each account and representative of "over-coverage" (or the excess of assets with respect to liabilities which usually occurs in operations) through: (i) the realisation, at current market values, of the excess share of assets, if the carrying amount of the assets is higher than the mathematical provision plus the target over-coverage percentage or (ii) the injection of liquidity if, vice versa, the mathematical provision, plus the target over-coverage percentage, exceeds the carrying amount of the assets and it is necessary to restore the minimum level of coverage as per regulations in force.

The comparison between Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the financial statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks. Deviation between the two quantities is particularly significant for tariffs envisaging benefits linked to the performance of segregated funds (i.e. revaluable).

In the financial statements, the provisions for such tariffs are calculated using methods consistent with ISVAP Regulation no. 22 of 4 April 2008, as subsequently amended and supplemented, which envisages that if the companies assess the assets representing provisions using the purchase cost method, a valuation of technical provisions using the discounted cash flow method is sufficiently prudent as, in considering future commitments, this uses the same technical bases adopted for calculating the premium. The provisions calculated in this manner are supplemented with "integrative" or "additional" provisions calculated on the basis of consolidated methods according to best practices or recommended by the Supervisory Authority, if the primary technical bases - financial and non-financial - prove unsuitable to meet the Company's future obligations. Overall, the financial statements approach to calculation of the Life technical provisions does not allow full expression of the cost of financial guarantees granted to the policyholders, or a possible unfavourable development in the options granted to the policyholders.

The Life BEL is instead determined in reference to a balance sheet in which all assets are measured at fair value, i.e. are directly associated with financial market performance. As previously mentioned, the BEL is calculated by discounting estimated cash flows at the valuation date using the most recent technical and financial assumptions. The distribution of the probability of estimated cash flows is obtained in a risk-neutral environment (thereby removing any subjective prudence) and, in addition to the event of death, takes into consideration the policyholders' behaviour by adopting the probability of surrender and the exercise of any options granted to the policyholders. Based on specific requirements of the regulations, the valuation also takes into consideration the financial guarantees of returns granted to the policyholders.

The projected insured capital is revalued on the expected returns of the portfolios, obtained through Montecarlo simulation models, i.e. simulating the returns of funds underlying the insurance contract. For this purpose an Economic Scenario Generator (ESG) is used, which makes use of specific projection models for sources of market risk and which is also adopted to measure the Life Underwriting risks. This approach allows the inclusion in technical provisions of a valuation of the cost of financial guarantees and options, if any.

A partial exception to that described above relates to index-linked products, for which the value of the Company's commitments to the policyholders is linked to the market value of the underlying financial structures. In such cases the characteristic amounts are projected for each policy based on the development of a benchmark representing the individual financial structure.

For the valuation of all products in the portfolio, standard approaches were used for the stochastic simulation of the financial variables.

In addition to the economic assumptions described previously, the calculations of Solvency II technical provisions are also based on a series of operating assumptions relating mainly to:

- Development of biometric risk factors (mortality, longevity);
- Operating expenses;
- Exercise frequency of options granted to the customer (surrender, withdrawal, conversion to annuity, maturity deferral, additional payments, reduction, interruption of payment of recurring single premiums).

These assumptions are determined as the best possible estimate at the valuation date on the basis of the Company's historic experience, if available, or of appropriate market benchmarks.

For many reasons, normally associated with the unavailability of all the necessary detailed and/or series of information which proves inefficient for tariffs with immaterial portfolio volumes, a part of the Company's portfolio is not accurately modelled in the actuarial platform adopted for the projection of cash flows. However, it is included in the overall estimation of the Company's BEL, albeit approximately, through assimilation with products in the same sub-portfolio of reference, accurately assessed by the actuarial platform. The percentage of the portfolio not accurately modelled, subject to simplified valuation, is less than 2%.

The description provided above is the main simplification adopted in the Life BEL calculation.

In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out on the main scenarios affecting the financial and non-financial value. Each valuation was performed by keeping all other scenarios unchanged, including the management actions.

It should be emphasised that the scenarios subject to sensitivity analysis are often correlated, and therefore it is unlikely that the impact of two events occurring simultaneously would be the sum of the impacts of the two respective sensitivities.

The following table illustrates the sensitivity analyses of the Life BEL, recorded in the MCBS at 31 December 2018 as €31,318,752k, with related descriptions expressed as the percentage change in the total.

Sensitivity	Sensitivity description	
IR -20bps	Downward shift of 20 basis points of the risk-free curve	1.54%
IR +20bps	Upward shift of 20 basis points of the risk-free curve	(1.48)%
EQ-20%	20% decrease of equity market value	(0.57)%
EQ+20%	20% increase of equity market value	0.60%
Spread +50bp	Increase of 50 basis points of the spread	(0.72)%
Spread -50bp	Decrease of 50 basis points of the spread	1.04%
Surrenders -50%	50% decrease of redemption rates (multiplier factor, ie 50% of the best estimate redemption assumption)	(0.24)%
Surrenders +50%	50% increase of redemption rates (multiplier factor, ie 150% of the best estimate redemption assumption)	(0.25)%
Mortality +15%	15% increase in mortality (multiplication factor, i.e 115% of death probabilities is considered)	(0.12)%
Mortality -20%	20% drecrease of mortality (multiplier factor, i.e. 80% of death probabilities is considered)	0.21%
Expenses +10%	10% increase of management costs and 1% increase of the expected inflation rate	0.28%
No volatility adjustment	Reduction of the reference rate curve equal to the amount of volatility adjustment	1.47%
No Over-coverage	Cancellation of the over-coverage constraint in the application of the budget constraint (see next point)	0.01%
No FS restrictions	Cancellation of the budget constraint	0.10%
No yeld target	The management rule for targeting a performance for each projection year is deactivated	0.04%

D Valuation for solvency purposes

The sensitivity with the greatest impact on the BEL is that relating to a 20 bps change in the reference rate curve. In particular, the 20 bps decrease in the reference curve entails an increase of 1.54% in the total BEL.

The sensitivity analysis of the technical variables instead has more limited changes. In particular, the overall BEL was down against growth and a decline in surrenders; this depends on the breakdown of the portfolio and the different effect had in the various LoBs.

The cancellation of financial statement restrictions and likewise cancellation of the operating rule concerning target returns in this economic scenario has a rather limited impact on the BEL total.

Technical Provisions - Reinsurers' share

NON-LIFE

Calculation of the reinsurers' share of provisions for the Non-Life and Health businesses was performed by applying on direct and indirect business volumes ceded - the results obtained for the gross direct business, and then estimating losses due to reinsurance counterparty default calculated on the basis of the volumes of provisions divided into reinsurer rating classes using the probability of default (PD) and loss given default (LGD) estimated by the Company.

In particular:

- the claims BEL for premiums ceded was calculated by applying to the corresponding financial statements aggregate the ratios between the BEL and financial statements provisions and the breakdown of provisions patterns estimated for each business segment on the gross premiums figures;
- the premiums BEL for premiums ceded was calculated using the loss ratios (net of indirect settlement expenses), withdrawal rates and the time allocation percentages estimated on gross premiums figures.

LIFE

As regards the calculation of the reinsurers' share of provisions for the Life business, note that in view of the reduced ceding of Life business through the reinsurance channel it was not necessary to develop a specific BEL valuation of the reinsurers' share, which was therefore approximated with the reinsurers' share of provisions indicated in the Company's financial statements, to which an adjustment was made to take into account the probability of default of the reinsurer. Again in consideration of the very limited volumes, the same approach is applied to the BEL for indirect business.

Methodology of valuation of the Risk Margin

The Risk Margin represents the cost of holding an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) needed to support insurance and reinsurance obligations assumed throughout their contractual life.

The method adopted involves calculating the Risk Margin, separate and diversified for Non-Life and Life business, so as to take into account the specific features of the two businesses, and calculating the total Risk Margin as the sum of the figures indicated previously.

The Risk Margin is calculated on the basis of the following input data:

- SCR related to operational risk;
- SCR related to credit risk;
- SCR related to Non-Life and Health underwriting risks (including CAT risk) or Life underwriting risks quantified according to the different risk assessment methods;
- SCR related to Ring Fenced Funds;
- settlement speed estimate for the best estimate component of technical liabilities;
- risk-free rate curve.

To estimate the Solvency Capital Requirement for future instants, the simplified method number 2 described in the EIOPA document "Guidelines on technical provisions valuation" (no. 62), which envisages the option of approximating the SCR for all future years based on the ratio between the BEL for each future year and the BEL at the valuation date.

D.2.2 Quantitative information on the valuation of the technical provisions

Non-Life technical provisions

The MCBS recognition value of Non-Life technical provisions corresponds to their fair value determined using the methods described above in paragraph D.2.1.

The values of Non-Life technical provisions broken down by line of business (LoB) are illustrated below.

Segmentation of Non-Life technical provisions by Line of Business

		Best estimate		Recoverable amounts from	
Am	nounts in €k	(gross)	Risk Margin	reinsurance	Total
	Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	11,852,144	473,902	(453,076)	11,872,969
1	Medical expense insurance	145,184	5,567	(903)	149,849
2	Income protection insurance	455,218	27,541	(10,693)	472,066
3	Workers' compensation insurance				
4	Motor vehicle liability insurance	6,040,391	202,579	(46,535)	6,196,435
5	Other motor insurance	328,267	16,254	(2,457)	342,064
6	Marine, aviation and transport insurance	82,536	3,520	(21,077)	64,980
7	Fire and other damage to property insurance	1,332,450	56,879	(132,241)	1,257,088
8	General liability insurance	2,931,553	126,052	(63,706)	2,993,899
9	Credit and suretyship insurance	348,688	24,802	(136,397)	237,093
10	Legal expenses insurance	82,506	4,366	(38,222)	48,649
11	Assistance	69,223	1,706	(269)	70,660
12	Miscellaneous financial loss	36,128	4,636	(577)	40,187
	Line of business for: accepted non-proportional reinsurance	14,796	515		15,311
13	Non-proportional health reinsurance	430	17		447
14	Non-proportional casualty reinsurance	8,410	294		8,703
15	Non-proportional marine, aviation and transport reinsurance	469	15		484
16	Non-proportional property reinsurance	5,487	189		5,676
	Total	11,866,939	474,417	(453,076)	11,888,280

At 31 December 2018 there were no amounts recoverable from SPVs.

The following table summarises the differences in value found between the valuation for Solvency purposes and the valuation for the Company's financial statements in Non-Life technical provisions (direct and indirect business), net of amounts ceded to reinsurers.

Non-Life technical provisions

Amounts in €k	Solvency II value	Statutory accounts value	Difference
Technical provisions - Non-life	12,341,356	13,795,451	(1,454,095)
Other technical provisions		-	-
Reinsurance recoverables from: Non-life and health similar to Non-life	(453,076)	(595,796)	142,720
Total	11,888,280	13,199,655	(1,311,375)

For further information on the existing differences between the technical provisions calculation methods for the non-life segment for the Solvency Capital Requirement and that recorded in the financial statements, reference should be made to the comments in paragraph D.2.1 above.

The overall difference between the Technical Provisions in the financial statements and the Solvency II value, net of reinsurance, amounts to \in 1,311m. Note that the SII technical provisions value does not include equalisation provisions (\in 76m) and supplementary provisions (\in 202m) as these are considered to be of a precautionary/equalising nature.

Net of amounts reversed in relation to these provisions, the difference totals €179m on the Premiums BE and €1,328m on the Claims BE. These effects are partly offset by the addition of the Risk Margin (€474.4m).

Life technical provisions

The MCBS recognition value of Life technical provisions corresponds to their fair value determined using the methods described above.

The values of Life technical provisions broken down by LoB (line of business) are illustrated below.

Segmentation of Life technical provisions by Line of Business

An	nounts in €k	Best estimate (gross)	Risk Margin	Recoverable amounts from reinsurance	Total
	Direct business	31,312,167	175,659	(36,307)	31,451,519
_1	Health insurance				
2	Insurance with profit participation	26,825,936	126,212	(33,954)	26,918,194
3	Index-linked and unit-linked insurance	4,547,292	28,320	-	4,575,612
4	Other life insurance	(61,061)	21,127	(2,353)	(42,288)
5	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	-		-	
6	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations				
	Indirect business	6,585	11	(4,100)	2,496
	Total	31,318,752	175,670	(40,407)	31,454,015

The following table summarises the differences in value found between the valuation for Solvency II purposes and the valuation for the Company's financial statements in Life technical provisions (direct and indirect business, net of reinsurance).

Life technical provisions

Amounts in €k	Solvency II Value	Statutory Accounts Value	Difference
Technical provisions - Life (excluding Index-linked and unit-linked)	26,918,810	25,144,670	1,774,140
Technical provisions - Index-linked and unit-linked	4,575,612	4,597,776	(22,165)
Recoverables from reinsurance: Life and health similar to Life, excluding Health, Index-linked and unit-linked	(40,407)	(40,413)	6
Recoverables from reinsurance: Life Index-linked and unit-linked			
Total	31,454,015	29,702,033	1,751,981

For further details on the existing differences between the technical provisions calculation methods for the life segment for the Solvency Capital Requirement and that recorded in the financial statements, reference should be made to the comments in paragraph D.2.1 above.

For the traditional Life policies segment (excluding index-linked or unit-linked insurance policies), the main source of the difference is the financial impact (summarised in: the level of reference rates vs. guaranteed rates, market volatility and the impact of estimated revaluation of benefits in excess of the guarantee). The remaining differences are largely attributable to:

- the adoption of best estimates relating to estimated mortality levels (against prudent assumptions adopted in the calculation of provisions for the financial statements);
- the modelling of policyholder behaviour expected in the year for the various contractual options offered (surrender, reduction, withdrawal, additional payments, etc.), which are not specifically considered in the calculation of provisions for the financial statements;
- the adoption of operating expense assumptions based on the Company's actual experience (against assumptions adopted in the calculation of provisions for the financial statements, based on "first level" assumptions, i.e. those defined at the tariff pricing stage prior to verification of their sustainability);
- the explicit inclusion of the Risk Margin in the calculation of Solvency II technical provisions not envisaged in financial statements provisions.

The linked policies segment (index-linked or unit-linked), for which provisions are consistent with covering assets are measured at market value in the financial statements, and express instead a figure for Solvency II technical provisions in line with the financial statements provisions.

The Solvency II technical provisions relating to the amounts recoverable from reinsurance, given the low degree of materiality of the total volume, as previously mentioned, were derived on the basis of the value determined for the financial statements, adjusted to take into account expected losses deriving from reinsurer default.

D.2.3 Information on the effects of the application of volatility adjustment

For the fair value measurement of Non-Life and Life technical provisions, the Company has applied the option envisaged in Art. 77-quinquies of the Directive, defined as the volatility adjustment (VA).

The table below summarises the effect that non-application of the VA would have on technical provisions (gross of the effect of reinsurance) on the Solvency Capital Requirement, minimum capital requirement, basic own funds and eligible own funds to cover the minimum capital requirement and Solvency Capital Requirement.

Valuation for solvency purposes

Volatility Adjustment

D

			Difference
Amounts in €k	With VA (a)	Without VA (b)	(b)-(a)
Technical provisions	43,835,778	44,376,422	540,645
Basic own funds	7,057,066	6,685,491	(371,575)
SCR	2,788,509	2,863,253	74,744
MCR	1,254,829	1,288,464	33,635
Eligible amount of own funds to meet SCR	7,057,066	6,476,773	(580,293)
Eligible amount of own funds to meet MCR	5,931,518	5,302,839	(628,679)
SCR coverage ratio	2.53	2.26	(0.27)
MCR coverage ratio	4.73	4.12	(0.61)

D.3 Other liabilities

D.3.1 Valuation criteria

Please first of all note that, when not specified otherwise, no changes were made to the valuation criteria, methods and models with respect to those used in the previous year.

Financial liabilities

The fair value of other (non-technical) financial liabilities is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in that credit rating.

Other liabilities

For all other liabilities not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the consolidated financial statements drafted by the holding company and consequently applying the reference IAS/IFRS.

D.3.2 Quantitative information on the valuation of other liabilities

The differences recognised between other liabilities in the MCBS and their corresponding valuations in the financial statements are provided below.

Other liabilities

		Statutory accounts	Ducc		
Amounts in €k	Solvency II value	value	Difference		
Provisions other than technical provisions	327,881	327,881			
Pension benefit obligations	84,960	53,044	31,916		
Deposits received from reinsurers	163,800	163,800			
Derivatives	263,976	228,900	35,075		
Debts owed to credit institutions	2,346	2,346			
Insurance and intermediaries payables	60,321	59,861	460		
Reinsurance payables	49,911	49,911			
Payables (trade, not insurance)	75,479	75,479			
Subordinated liabilities	2,344,962	2,247,239	97,723		
Any other liabilities, not elsewhere shown	1,029,636	990,944	38,692		
Total	4,403,273	4,199,407	203,867		

The differences recorded in the following items:

- liabilities accrued to employees as post-employment benefits (pension benefit obligations);
- subordinated liabilities;
- other liabilities, "Any other liabilities, not elsewhere shown";
- liabilities to insurance companies and intermediaries (Insurance and intermediaries payables);
- derivatives,

derive from the different methods used to quantify these liabilities between Italian GAAP and international accounting standards in application of IAS 19, IAS 37, IFRS 2 and IFRS 4, which represent criteria consistent with those envisaged for preparation of the MCBS. The majority of these refer to liabilities associated with employee relations (post-employment benefits, seniority bonuses, share-based incentives for employees) and liabilities deriving from derivative contracts.

The total liabilities for defined benefit plans due to employees after termination is €84,960k, of which €54,255k relating to post-employment benefits, €30,586k as obligations deriving from the post-retirement policy for managers and €119k as obligations deriving from the agents' welfare fund. There are no assets serving such defined benefit plans.

Post-employment benefits accrued by 31 December 2006 that were not transferred to External Bodies in accordance with the provisions of Legislative Decree 252/05 on supplementary pension schemes come under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).

The same method is used to establish the effects of other defined benefits for employees for the post-employment period.

Future cash flows are discounted on the basis of the market yield curve, recorded at the end of the year, for corporate bonds issued by issuers with high credit standing.

Net interest is calculated by applying to the net value of liabilities for defined benefits existing at the start of the year the one-year interest rate taken from the yield curve used to discount the liability at the end of the previous year. The increase in liabilities (€35,075k) referring to derivative instruments recognised in the MCBS with respect to the financial statements was due to the different valuation criteria applicable to such accounting documents. In particular, in the MCBS all derivatives are measured at fair value in line with IAS/IFRS, while within the financial statements such instruments are subject to more detailed valuation criteria which also take into consideration any capital gains or losses on financial assets or liabilities connected to each derivative instrument.

D Valuation for solvency purposes

As regards <u>subordinated liabilities</u>, as indicated previously, these were measured at fair value (without considering the post-issue change in credit rating) for MCBS purposes. Such liabilities were instead measured at nominal value, adjusted for the effects of issue expenses and discounts for preparation of the financial statements.

With regard to other liabilities referred to as "Any other liabilities not elsewhere shown" in the above table, the difference is mainly due to the different valuation of the seniority bonus envisaged in the insurance policy for €39,507k in the Solvency II valuation and €12,450k in the financial statements, as well as to liabilities for long-term incentives relating to the share-based incentive plans for managers which have a recognition value of €26,109k in the MCBS and €25,185k in the financial statements.

Leasing and rental agreements - liabilities

At 31 December 2018 the Company is not a leaseholder of finance leases.

The Company has also signed payable operating lease agreements and property leases (which do not involve the transfer to the leaseholder of the majority of risks and benefits associated with the assets concerned), mainly in relation to vehicles, equipment and properties used for operations. The lease payments made in 2018 totalled €45,827k.

D.4 Alternative methods for valuation

Provided below is the breakdown by valuation method for assets and liabilities recognised in the MCBS, adopted to identify the portions of assets and liabilities for which alternative valuation methods were used, based on the premises stated in Art. 10 of the Regulation (absence of listed prices on active markets of assets and liabilities identical or similar to those under valuation, or other valuation methods defined in Articles 11 (contingent liabilities), 12 (intangible assets), 13 (equity investments), 14 (financial liabilities) and 15 (deferred taxes) and in CHAPTER III (technical provisions) of the Regulation.

Amounts in €k Assets	Total	Of which valued upon active markets quotations for the same assets and liabilities or for similar ones	Of which valued upon other valuation methods as set out in the Regulation	Of which valued upon alternative methods for valuation
Goodwill				
Deferred acquisition costs				
Intangible assets				
Deferred tax assets	483,473		483,473	
Pension benefit surplus				
Property, plant & equipment held for own use	615,303			615,303
Investments (other than assets held for index-linked and unit- linked contracts)	43,128,953	35,851,956	3,607,773	3,669,223
Property (other than for own use)	1,881,694			1,881,694
Holdings in related undertakings, including participations	3,607,773		3,607,773	
Equities	747,650	574,837		172,813
Equities - listed	574,837	574,837		
Equities - unlisted	172,813			172,813
Bonds	34,210,455	33,587,739		622,716
Government Bonds	23,608,330	23,313,021		295,309
Corporate Bonds	9,852,401	9,701,118		151,283
Structured notes	749,724	573,600		176,124
Collateralised securities				
Collective Investments Undertakings	2,494,799	1,558,452		936,347
Derivatives	135,805	130,929		4,876
Deposits other than cash equivalents	50,778			50,778
Other investments				
Assets held for index-linked and				
unit-linked contracts	4,585,584	4,579,295		6,288
Loans and mortgages	839,592			839,592
Loans on policies	23,151			23,151
Loans and mortgages to individuals	375,063			375,063
Other loans and mortgages	441,377			441,377
Reinsurance recoverables from:	493,483		493,483	
Non-life and health similar to non-life	453,076		453,076	
Non-life excluding health	441,480		441,480	
Health similar to non-life	11,596		11,596	
Life and health similar to life, excluding health, index-linked and unit-linked	40,407		40,407	
Health similar to life				
Life, excluding health, index-linked and unit-linked	40,407		40,407	
Life index-linked and unit-linked				
Deposits to cedants	12,325			12,325
Insurance and intermediaries receivables	1,212,543			1,212,543
Reinsurance receivables	43,125			43,125
Receivables (trade, not insurance)	118,547			118,547
Own shares (held directly)	3,558	3,558		
Amounts due in respect of own fund items or initial fund called up but not yet paid in				
Cash and cash equivalents	584,850	584,850		
Any other assets, not elsewhere shown	1,335,795			1,335,795
Total	53,457,131	41,019,660	4,584,730	7,852,741

		Of which valued upon active markets		
		quotations for the	Of which valued upon	Of which valued
		same assets and	other valuation	upon alternative
Amounts in €k	Total	liabilities or for similar ones	methods as set out in the Regulation	methods for valuation
Liabilities	1000	01100	the Hegalation	7010011011
Technical provisions – non-life	12,341,356		12,341,356	
Technical provisions – non-life (excluding health)	11,707,398		11,707,398	
Technical provisions calculated as a whole	,, 67,556		11,707,550	
Best Estimate	11,266,107		11,266,107	
Risk margin	441,291		441,291	
Technical provisions - health (similar to non-life)	633,958		633,958	
Technical provisions calculated as a whole	٥٠٠,٥٥٥		093,930	
Best Estimate	600,832		600,832	
Risk margin	33,126		33,126	
Technical provisions - life (excluding index-linked	33,120		33,120	
and unit-linked insurance contracts)	26,918,810		26,918,810	
Technical provisions - health (similar to life)				
Technical provisions calculated as a whole				
Best Estimate				
Risk margin				
Technical provisions – life (excluding health and index-linked				
and unit-linked insurance contracts)	26,918,810		26,918,810	
Technical provisions calculated as a whole				
Best Estimate	26,771,460		26,771,460	
Risk margin	147,350		147,350	
Technical provisions – index-linked and unit-linked	4,575,612		4,575,612	
Technical provisions calculated as a whole				
Best Estimate	4,547,292		4,547,292	
Risk margin	28,320		28,320	
Other technical provisions				
Contingent liabilities				
Provisions other than technical provisions	327,881			327,881
Pension benefit obligations	84,960			84,960
Deposits from reinsurers	163,800		163,800	
Deferred tax liabilities				
Derivatives	263,976	242,257		21,719
Debts owed to credit institutions	2,346		2,346	· -
Financial liabilities other than debts owed to credit institutions				
Insurance and intermediaries payables	60,321		60,321	
Reinsurance payables	49,911		49,911	
Payables (trade, not insurance)	75,479		75,479	
Subordinated liabilities	2,344,962		2,344,962	
Subordinated liabilities not included in Basic Own Funds				
Subordinated liabilities included in Basic Own Funds	2,344,962		2,344,962	
Any other liabilities, not elsewhere shown	1,029,636		15 1 115 7	1,029,636
Total	48,239,051	242,257	46,532,598	1,464,196

The description of the methods used and the valuation uncertainties is given in the comments on valuation criteria in paragraphs D.1.1 and D.3.1.

Based on past experience, no significant deviations emerged between the estimated valuation based on alternative valuation methods and the corresponding values deduced, for example, from subsequent market transactions involving these assets and liabilities.

D.5 Any other information

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.





E.10wn funds

E.1.1 Introduction

Own funds (hereinafter also "OF") represent the financial resources steadily acquired by the company and available to absorb losses and to overcome risks generated by business activities on a going concern basis.

The calculation process for own funds eligible to cover capital requirements (SCR and MCR) envisages, firstly, the determination of available own funds. The latter are then restated in accordance with the eligibility criteria envisaged in the Regulation in order to establish the eligible own funds.

The Directive divides available Own Funds into basic OF and ancillary OF.

The basic OF are formed from the surplus of assets over liabilities, both measured at fair value pursuant to Art. 75 of the Directive, and subordinated liabilities. The elements are classified in 3 tiers (Tier 1, Tier 2 and Tier 3) based on the technical characteristics and the objectives of stability and loss absorption.

Note that, among the Tier 1 elements, the reconciliation provision is equal to the amount representing the total excess of assets over liabilities, less the value of:

- own shares of the Company;
- expected dividends;
- Tier 2 and Tier 3 own funds;
- Tier 1 elements other than the reconciliation provision;
- the excess of own funds over and above the notional SCR of Ring Fenced Funds or any assets not considered eligible for SCR cover based on specific Supervisory Authority instructions.

The ancillary OF, of which the Company had none at 31 December 2018, are the elements other than basic that can be used to absorb losses.

The above category can include:

- share capital or initial funding not paid and not called;
- letters of credit and guarantees;
- any other legally binding commitment received by the Company.

These elements, whose inclusion among ancillary OF is subject to Supervisory Authority approval, cannot be calculated in Tier 1 and are not eligible for MCR cover.

The eligibility limits used are those established in Art. 82 of the Regulation, which envisages the following criteria to meet the Solvency Capital Requirement (SCR):

- the Tier 1 percentage must be at least 50% of the SCR;
- the total of Tier 3 elements must be less than 15% of the SCR;
- the sum of Tier 2 and Tier 3 elements cannot be higher than 50% of the SCR.

Within the above limits, Tier 1 subordinated liabilities (defined as "Tier 1 restricted") cannot exceed 20% of the total Tier 1 elements. The elements that should be included in the upper Tiers, but are in excess of the above limits, can be reclassified to the lower Tiers until those lower Tiers are completely saturated.

As regards compliance with the Minimum Capital Requirement (MCR), the eligibility limits used are the most stringent established in the Regulation:

- the Tier 1 percentage must be at least 80% of the MCR;
- the total of Tier 2 elements, therefore, cannot be higher than 20% of the MCR;

Own funds classifiable as Tier 3 are not eligible as MCR cover.

E.1.2 Capital management policy

The Company's capital management strategies and objectives are set out in the "Capital Management and Dividend Distribution Policy", which describes the reference framework and process for capital management and dividend distribution also in terms of the roles and responsibilities of the players involved. The document also identifies the principles for capital management and dividend distribution or other elements of own funds, consistent with the objectives of return on capital and with the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital Management and Dividend Distribution Policy" are:

- define in advance the allocated return on capital objectives, consistent with profitability objectives and in line with the risk appetite;
- maintain a solid and efficient capital structure, considering the growth targets and risk appetite;
- outline the capital management process for the definition of procedures to guarantee, among other things, that:
 - the elements of own funds, at the time of issue and subsequently, satisfy the applicable capital regime and are correctly classified;
 - the terms and conditions for each element of own funds are clear and undeniable;
- define in advance a sustainable flow of dividends, in line with the profit generated, available cash and the
 risk appetite, also identifying and documenting any situations in which the distributions of elements of own
 funds can be cancelled or postponed;
- outline the dividend distribution process for the definition of procedures to guarantee a solid and efficient capital structure, considering that growth targets and profitability objectives are in line with the risk appetite;
- define the roles, responsibilities and reporting on capital management, distribution of dividends and other elements of own funds.

The capital management and dividend distribution process is divided into five steps, closely associated with other corporate processes:

- final measurement of available capital and capital requirement;
- formulation of the medium-term capital management plan;
- operating monitoring and reporting;
- management actions on capital;
- distribution of dividends and other elements of own funds.

E.1.3 Information on available and eligible own funds

The table below illustrates the position at 31 December 2018 for the Company's available and eligible own funds, divided into the Tiers, with a demonstration of the changes occurring between 31 December 2017 and 31 December 2018.

:		ı				
Amounts in €k	31/12/2017	lssued	Redeemed	Movements in valuation	Regulatory action	31/12/2018
Total available own funds to meet the SCR	7,693,447	500,000	(717,561)	(418,820)		7,057,066
of which tier 1 unrestricted	5,564,822		(403,052)	(617,328)		4,544,442
of which tier 1 restricted	1,232,831			(2,420)		1,230,411
of which tier 2	895,794	500,000	(314,509)	33,266		1,114,551
of which tier 3				167,662		167,662
Adjustments for eligibility restrictions						
of which tier 1 unrestricted						
of which tier 1 restricted				(94,301)		(94,301)
of which tier 2				94,301		94,301
of which tier 3						
Total eligible own funds to meet the SCR	7,693,447	500,000	(717,561)	(418,820)		7,057,066
of which tier 1 unrestricted	5,564,822		(403,052)	(617,328)		4,544,442
of which tier 1 restricted	1,232,831			(96,720)		1,136,110
of which tier 2	895,794	500,000	(314,509)	127,567		1,208,852
of which tier 3				167,662		167,662

Taking into account that the Company has no ancillary OF, the own funds available as SCR cover coincide with the basic own funds.

Details are provided below of the annual changes in elements of the basic own funds, broken down by Tier:

Annual movements on basic own funds

Amounts in €k	31/12/2017	Issued	Redeemed	Movements in valuation	Regulatory action	31/12/2018
Paid-in ordinary share capital	2,031,456					2,031,456
Share premium account related to ordinary share capital	407,256					407,256
Reconciliation reserve	3,126,110		(403,052)	(617,328)		2,105,730
Other own fund items approved by the supervisory authority as basic own funds						
Total "Tier1 unrestricted"	5,564,822		(403,052)	(617,328)		4,544,442
Called up but unpaid ordinary share capital						
Subordinated liabilities	1,232,831			(2,420)		1,230,411
Total "Tier 1 restricted"	1,232,831			(2,420)		1,230,411
Subordinated liabilities	895,794	500,000	(314,509)	33,266		1,114,551
Total "Tier 2"	895,794	500,000	(314,509)	33,266		1,114,551
Subordinated liabilities						
Net deferred tax assets				167,662		167,662
Total "Tier 3"				167,662		167,662
Total basic own funds	7,693,447	500,000	(717,561)	(418,820)		7,057,066

Overall, there was a decrease in basic own funds of $\le 636,381$ k primarily due primarily to the reduction in the reconciliation reserve which fell from $\le 3,126,110$ k to $\le 2,105,730$ k. For a description of the breakdown and changes in the main items making up the reconciliation reserve, please refer to the subsequent paragraph.

The change in the item relating to subordinated liabilities in "Tier1 restricted" was due to the change in fair value with respect to the previous year.

Please note that, with reference to subordinated liabilities in "Tier 2", on 1 March 2018, the Company issued a subordinated bond loan for a nominal value of \leq 500m, maturing in March 2028 and with a coupon equal to 3.875%. The liquidity obtained from the placement was used in part, for the early repayment of subordinated bond loans, also eligible for calculation as tier 2 own funds, for a total nominal value of \leq 314.5m.

Lastly, the amount of net deferred tax assets in "Tier 3" was equal to €167,662k at 31 December 2018 with respect to a value of zero in the previous year.

Composition and characteristics of the Company's own funds

The ordinary share capital and share premium reserve correspond to the amount paid in by the Company's shareholders. Based on their level of stability and their loss-absorbing capacity, they qualify as "Tier 1 unrestricted" own funds.

The reconciliation reserve, based on Art. 69 of the Regulation, represents the residual amount of the Company's own funds eligible as an element of Tier 1 unrestricted own funds, determined by making suitable adjustments to the total obtained as the difference between assets and liabilities recorded in the MCBS. Details of the calculation of the reconciliation reserve are provided below.

Reconciliation reserve

Amounts in €k	2018	2017
Excess of assets over liabilities from MCBS (A)	5,218,080	6,081,152
Own shares (held directly and indirectly) (B)	98,921	107,667
Foreseeable dividends, distributions and charges (C)	403,052	402,298
Other basic own fund items (D)	2,606,374	2,438,712
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds (E)	4,002	6,364
Reconciliation reserve (A-B-C-D-E)	2,105,730	3,126,110

To determine the reconciliation reserve, the following adjusting items were deducted from the amount obtained as the difference between assets and liabilities set forth in the MCBS:

- the item "Other basic own fund items", amounting to €2,606,374k, (€2,438,712k at 31/12/2017), of which own funds to be classified in the category "Tier 1 unrestricted" for €2,438,712k (unchanged with respect to the previous year), which includes the total of the share capital paid in and the share premium reserve, and own funds to be classified in category "Tier 3" (equal to €167,662k classified at 31/12/2018 compared to zero at 31/12/2017), corresponding to the value of net deferred tax assets, the recoverability of which depends on future profitability;
- the total of own shares held directly and indirectly by the Company (€98,921k, compared to €107,667k at 31/12/2017);
- the total of foreseeable dividends, distributions and charges (€403,052k, compared to €402,298k at 31/12/2017);
- the total of own funds not available because they refer to segregated funds ("Ring fenced funds") for €4,002k, compared to €6,364k at 31/12/2017). This item includes:
 - any positive excess resulting from the difference between net assets and liabilities referring to ringfenced funds and the corresponding Solvency Capital Requirement of each ring-fenced fund. This excess was zero at 31 December 2018 and at 31 December 2017;
 - the excess of financial assets pledged compared to the corresponding positions in derivative liabilities in application of Art. 23 of IVASS Regulation no. 24 of 6 June 2016 amounting to €4,002k (€6,364k at 31/12/2017).

The reconciliation reserve is calculated by including within it the deferred tax assets the recoverability of which does not depend on future profitability, as they are transformable into tax credits (€344,600k, compared to €355,047k at 31/12/2017).

At 31 December 2018, no further deductions are applicable, other than those indicated in the reconciliation reserve calculation, to be applied to basic own funds against significant restrictions affecting the availability and transferability of own funds within the Company.

Included in the available Tier 1 restricted own funds are the subordinated liabilities indicated below, totalling €1,230,411k. All the subordinated liabilities in question were classified as elements of Tier 1 restricted own funds following application of the transitional provisions of Art. 308-ter of the Directive.

Subordinated liabilities - Tier 1

Amounts in €k	Issue date	Maturity date	Next call date	Further call dates	Nominal	SII Market value (clean price) A	Accrued interests B	SII Value (accrued interests included) C = A+B
Hybrid 2014 750M	18/06/2014	undated	18/06/2024	Every 3 months	750,000	797,475	23,158	820,633
Subordinated 2003 400M*	24/07/2003	24/07/2023	24/01/2019	Every 6 months	400,000	407,040	2,739	409,779
Total					1,150,000	1,204,515	25,896	1,230,411

^{*} The contract makes provision for early repayment, in 5 constant instalments, starting from the 16th year from issue, following IVASS authorisation.

With reference to the Company's available Tier 2 own funds, indicated in the following table, note that the subordinated liabilities which can be recorded in this tier on the basis of the transitional provisions of Art. 308-ter of the Directive amounted to €580,761k out of total which can be included among the basic Tier 2 own funds for a total of €1,114,551k.

Subordinated liabilities - Tier 2

Amounts in €k	Issue date	Maturity date	Next call date	Further call dates	Nominal	SII Market value (clean price) A	Accrued interests B	SII Value (accrued interests included) C = A+B
Subordinated 2001 300M	15/06/2001	15/06/2021	15/03/2019	Every 3 months	300,000	306,810	255	307,065
Subordinated 2003 300M	28/07/2003	28/07/2023	28/01/2019	7.0	261.689*	272,680	1,016	273,696
Subordinated 2018 500M**	01/03/2018	01/03/2028	-	-	500,000	517,600	16,190	533,790
Total					1,061,689	1,097,090	17,461	1,114,551

^{*} Total nominal value issued: €300,000k.

Eligible own funds

As stated in the introduction, in order to identify the total eligible own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), it is necessary to apply the rules of Art. 82 of the Regulation to the available own funds.

The following table illustrates the structure and amount of OF to meet SCR and MCR, determined for 2018, in comparison with the same data for the year ended at 31 December 2017.

Available and eligible own funds to meet the SCR

		A division and a face	Elizible aum funda	Elizible our funde
Amounts in €k	Available own funds	Adjustments for eligibility	Eligible own funds 2018	Eligible own funds 2017
Tier 1 unrestricted	4,544,442		4,544,442	5,564,822
Tier1restricted	1,230,411	(94,301)	1,136,110	1,232,831
Tier 2	1,114,551	94,301	1,208,852	895,794
Tier 3	167,662		167,662	
Total OF	7,057,066		7,057,066	7,693,447
Total SCR			2,788,509	2,925,918
Surplus/(shortage)			4,268,557	4,767,529

Available and eligible own funds to meet the MCR

Amounts in €k	Available own funds	Adjustments for eligibility	Eligible own funds 2018	Eligible own funds 2017
Tier 1 unrestricted	4,544,442		4,544,442	5,564,822
Tier1restricted	1,230,411	(94,301)	1,136,110	1,232,831
Tier 2	1,114,551	(863,585)	250,966	263,333
Total OF	6,889,404	(957,886)	5,931,518	7,060,986
Total MCR			1,254,829	1,316,663
Surplus/(shortage)			4,676,689	5,744,323

As seen from the above tables, the rules envisaged in the Regulation for the identification of own funds eligible to meet SCR and MCR resulted in:

- for the purposes of coverage of the SCR, a reclassification from "Tier 1 restricted" to "Tier 2 for an amount of €94,301k;
- for MCR coverage purposes, a decrease in Tier 2 following application of the more stringent eligibility rules summarised in the introduction.

Reconciliation with shareholders' equity from the financial statements

The MCBS at 31 December 2018 shows that assets exceed liabilities by €5,218,080k (€6,081,152k at 31/12/2017), €550,504k lower than the shareholders' equity recorded in the Company's financial statements at the same date (the "Financial Statements"). This difference is due to the different valuation of shareholders' equity components, as seen in the following statement of reconciliation:

Statement of reconciliation between Financial Statements and MCBS Shareholders' equity

Amounts in	n€k	2018	2017
A	Shareholders' equity (Financial Statements)*	5,768,584	5,832,122
	Adjustments by assets/liabilities type		
1	Intangible assets	(754,580)	(794,796)
2	Properties and tangible assets for investment and for own use	238,710	236,194
3	Other financial investments	844,645	2,798,475
4	Non-life technical provisions	1,454,095	1,346,611
5	Non-life reinsurance recoverables	(142,720)	(117,417)
6	Life technical provisions	(1,751,975)	(2,319,599)
7	Life reinsurance recoverables	(6)	(8)
8	Financial Liabilities	(97,723)	(97,888)
9	Other assets	1,614	(65,699)
10	Provisions		
11	Other liabilities	(71,840)	(74,739)
12	Deferred taxes	(270,723)	(662,104)
	Total adjustments	(550,504)	249,030
В	Shareholders' equity (MCBS)	5,218,080	6,081,152

^{*} It should be noted that the difference with the Total Shareholders' Equity, resulting from item 110 of the Financial Statements Liabilities of the Company's Annual Report (€5,765,853k at 31/12/2018) is due to the recognition, in that Statement, of the treasury shares (€2,731k) as an adjustment to the Shareholders' Equity.

Section D above illustrates the valuation criteria adopted for preparation of the MCBS, as well as more detailed quantitative information on the comparison with financial statements values.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As already mentioned, the Company calculates its Solvency Capital Requirement on the basis of the Partial Internal Model, without adopting the simplified calculations permitted by regulations. The valuations were performed by applying the Volatility Adjustment (VA) as the long-term measurement envisaged in the Solvency II regulations, the precise value of which as communicated by EIOPA at the reference date of 31 December 2018 was 24 basis points.

The SCR total for the Company UnipolSai at the end of the reference period was €2,788,509k, down by €137,409k compared to the SCR relating to 31 December 2017. The change in the SCR between the two periods subject to analysis was primarily due to the change in the value of the Non-Life and Health Underwriting Risks and Credit Risks; for an explanation of the reasons for this change, please refer to chapter C.

The total MCR of the Company at the end of the reference period was €1,254,829k. As represented in the attached QRT S.28.02.01¹⁷, the MCR is calculated on the basis of the MCR_{combined}, the value of which is higher than that of the Absolute Minimum Capital Requirement (AMCR). The MCR_{combined} is represented by the value of the MCR cap, as it is lower than that of the Linear MCR.

The amount of the SCR for each risk category established for the Partial Internal Model is shown below along with a comparison with the data relating to 31 December 2017:

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¹⁷ Column C0130, rows from R0300 to R0350 and R0400.

SCR - Partial Internal Model

Amounts in €k

7 III Odines III ex			1
Risk Modules	2018	2017	Change on 2017
Non-life and health underwriting risk ¹	1,874,950	2,011,159	(136,209)
Life underwriting risk	215,741	193,999	21,742
Market risks	2,089,426	2,051,666	37,760
Creditrisk	275,316	365,654	(90,338)
Diversification	(1,023,290)	(1,117,174)	93,884
BSCR	3,432,143	3,505,304	(73,161)
Operational risk	478,003	493,916	(15,913)
ALACTP	(363,707)	(276,433)	(87,274)
ALACDT	(804,422)	(847,262)	42,840
Model Adjustment	46,492	50,393	(3,901)
SCR	2,788,509	2,925,918	(137,409)

¹ It should be noted that the representation used in the current table for "Non-Life and Health underwriting Risk" includes the diversification between Non-Life and Health modules, whereas the QRT S.25.02.21 does not.

As part of the risk assessment carried out using the Partial Internal Model, UnipolSai quantifies the Non-Life tariff-setting and provisions risks for the lines of business (i) MV TPL, (ii) General Liability and (iii) Fire and other damage to property through the Standard Formula and use of the Undertaking Specific Parameters (USP).

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Company does not use the equity risk sub-module pursuant to Art. 304 of the Regulation to calculate the SCR.

E.4 Differences between the standard formula and any internal model used

The Company calculates its Solvency Capital Requirement using a Partial Internal Model in order to more adequately assess the real risk profile of the enterprise with respect to the standard formula. On 8 February 2017, the Company received from the Supervisory Authority the authorisation to use the Partial Internal Model for regulatory purposes, from 31 December 2016 onwards.

To provide a more complete representation of the risk profile, the Company has adopted risk classification criteria somewhat different from those proposed by the Standard Formula, which is the method used to calculate the Solvency Capital Requirement ("SCR") for companies that have not developed an internal model. In particular, with regard to market risk, as part of the PIM, the Company also considers the risks relating to the volatility of share prices and interest rates.

For the risk modules not within the scope of the PIM, the Standard Formula is used with the application of specific parameters of the company (Undertaking Specific Parameters or USP) to calculate premium risk and reserve risk relating to the following "Lines of Business" ("LoB"):

- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles, comprising business areas 4 and 16 as defined in Annex I to the Regulation. This segment is also referred to as "Motor third-party liability" or "Motor vehicle liability" or the acronym MVL;

- Segment 4, Proportional insurance and reinsurance against fire and other damage to property resulting, comprising business areas 7 and 19 as defined in Annex I to the Regulation. This segment is referred to as "Fire and other property damage" or "Fire and other Damage to Property" or the acronym FDP;
- Segment 5, Proportional insurance and reinsurance on general third-party liability, comprising business areas 8 and 20 as defined in Annex I to the Regulation. This segment is also referred to as "Third-party liabilities" or "General liability" or the acronym GLI.

In addition, within the Partial Internal Model the Company also assesses the following risks using the Market Wide Standard Formula:

- market concentration risk;
- the Credit risk exposure to residual counterparties for which no information has at present been obtained for PIM modelling;
- the Health and Non-Life Catastrophe risks other than Earthquake risk;
- the Non-Life and Health tariff-setting and provision risks for lines of business other than those indicated previously;
- Non-Life and Health surrender risk;
- Life business catastrophe risk;
- Operational risk;
- all Market risks and all Life underwriting risks in reference to index-linked policies, unit-linked policies and pension funds.

The risk aggregation process calls for a bottom-up approach and may be broken down into two phases:

- aggregation of the risk sub-modules that make up the Market, Non-Life and Health, Life and Credit risks;
- aggregation of the Market, Non-Life and Health, Life and Credit risk modules.

The aggregation of the sub-modules involves three distinct approaches:

- joint sampling of risk factors;
- aggregation by means of the Var-Covar method with a posteriori determination of the Probability Distribution Forecast ("PDF"):
- aggregation of multiple marginal distributions through copula functions.

More specifically:

- the joint sampling is a risk aggregation method involving the direct calculation of PDF values subject to the
 occurrence of scenarios with multiple variations of the risk factors in question. This approach allows
 projection of the Company's MCBS against the set of joint scenarios identified, and subsequent
 determination of the distribution of the probability of profit and losses aggregated over a time horizon
 consistent with the holding period of the risk assessment;
- the Var-Covar method is used to aggregate the components of the model adopting the Standard Formula with the components valued using the Internal Model. The main objective is to aggregate the Standard Formula component with the Internal Model component, preserving the PDF-related information;
- when at one point in the PIM aggregation hierarchy two or more empiric distributions meet, these
 distributions are aggregated using the copula functions. This aggregation method allows the determination
 of a joint distribution formed by two or more marginal distributions, and to subsequently sample the
 variable sum distribution.

After determining the PDFs for each risk model (Market PDF, Non-Life PDF, Credit PDF, Life PDF), they are aggregated through:

- determination of a Proxy PDF through scenario-to-scenario association of empiric margins;
- determination of the PDF by means of a Gaussian copula.

This process determines the joint PDF for the four risk modules, considered indispensable in order to adequately capture the Company's risk profile taking into account the dependencies between the various risks.

The loss recorded at the 99.5th percentile of the joint PDF represents the BSCR value of the Company.

The Solvency Capital Requirement is obtained by adding the components relating to operational risk, risk associated with ring fenced funds and those relating to adjustments for loss-absorbing capacity of technical provisions and deferred tax assets and liabilities to the BSCR.

Capital management

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The reasons for which it is considered that the PIM offers a more suitable representation of the Company's risk profile than the Standard Formula are provided below.

Life underwriting risk

The Internal Model measures Life business underwriting risk more accurately than the Standard Formula, mainly for the following reasons:

- it allows a maximum loss calculation based on scenarios calibrated on the specific portfolio of the Company, through actual analysis of the trend in Life underwriting risk factors. Whilst the Standard Formula adopts a scenario-based approach with scenarios predefined and calibrated on the European market situation, the Internal Model determines the maximum loss to which the Company could be exposed based on changes in the Life underwriting risk factors;
- it uses more granular and specific actuarial scenarios, defined on the basis of the risk characteristics of the Company's policies portfolio. Unlike the Standard Formula, in which scenarios for each Life underwriting risk are unambiguous for all product classes, in the PIM the scenarios that determine the Company's maximum loss are differentiated on the basis of standardised product classes;
- it allows periodic updating of the scenarios relating to each risk factor. In fact, with the PIM, the scenarios that determine the maximum loss are updated quarterly;
- it allows a more suitable valuation of the effects of mitigation deriving from the management strategies of financial portfolios underlying the Life insurance policies;
- it facilitates the use test, guaranteeing consistency with the assumptions and models used in the business valuations.

Market risks

The Internal Model measures the market risks of the Company's financial instruments more accurately than the Standard Formula, mainly for the following reasons:

- it allows more accurate measurement of the market risks, determining the maximum loss on the basis of effective changes in the total portfolio value against a combination of risk factors and not through the parameter-based approaches defined in the Standard Formula;
- it uses more granular and specific risk factors, defined on the basis of the risk characteristics of the financial instruments portfolio currently held by the Company;
- it allows constant calibration updating of the models that generate stochastic financial scenarios relating to risk factors identified on the basis of market developments, whilst these scenarios remain static in the Standard Formula;
- it allows calculation of the spread risk by applying stochastic financial scenarios calibrated on historical data and determination of the effective change in the asset value rather than using the parameter-based method envisaged in the Standard Formula;
- it allows calculation of the property risk on the basis of scenarios calibrated on indices representing the Italian real estate market, rather than indices calibrated on the European-UK markets, given the diversity characterising the different markets;
- it allows benefits of diversification between the market risk factors to be captured, based on historically verified correlations. For example, with reference to equity risk, the Internal Model considers the values of sector indices representing individual shares as risk factors, allowing benefits deriving from a diversified portfolio to be captured;
- from a use test point of view, it allows a risk measurement tool to be used that allows continuous dialogue and comparison with the operating departments that manage the investment portfolios, using logics shared with the lines of business. It combines the need for strict capital at risk measurement with the need to have an operating decision-making support tool to optimise the risk/return parameters of the portfolio.

The Market risk module of the Company's Internal Model includes the following sub-modules not envisaged by the Standard Formula:

- Equity volatility risk, i.e. the risk of a potential negative change in the value of available capital due to changes in the volatility of the equity instruments;
- Interest rate volatility risk, i.e. the risk of a potential negative change in the value of available capital due to changes in the volatility of the interest rate derivative instruments.

Credit risk

The Internal Model quantifies the maximum loss of all exposures for which specific financial information can be identified or the degree of risk determined based on historical information obtained internally. For such counterparties it is therefore possible to identify the specific risk parameters. Vice versa, the weighted averages envisaged in the Standard Formula do not allow the use of accurate information that distinguishes the counterparties analysed.

The decision to adopt the Internal Model to calculate the capital requirement for credit risk was, in addition to the purpose of accurately capturing the risk profile of exposures, also dictated by the need - for certain types of exposure - to envisage weightings in line with the effective level of risk detected.

The Internal Model provides the results necessary to fully characterise the Company's risk profile. In particular, the model calculates the entire distribution of losses, highlighting any concentration effects. These aspects are also set out on the basis of the business segment (Life, Non-Life) and the types of credit making up the Company's exposure: exposure to banks, insurance companies, co-insurers, reinsurers, insurance intermediaries (agencies and brokers), policyholders and other receivables.

Earthquake risk

The Internal Model measures Non-Life business earthquake risk more accurately than the Standard Formula, mainly because:

- it allows more granular geo-referencing of the Company's risks in a given area and a specific assessment of the risk mitigation effect guaranteed by the policy terms and conditions (deductibles, reimbursement limits, non-coverage). In addition, the modular composition allows separate assessment of the seismic dangers of a given area and the vulnerability of the assets insured, the latter assessed on the basis of construction, property usage, year of construction and building height characteristics;
- facilitate the use test by adopting models more aligned to those used by the business. In addition to calculation of the earthquake SCR, the model is also used in particular:
 - to support the pricing of Standardised Products and Corporate Risks, as well as valuation of the reliable estimate of losses if a seismic event occurs (post-event analysis);
 - to measure the reinsurance purchasing capacity for the catastrophe treaties and to estimate the related cost.

E Capital management

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

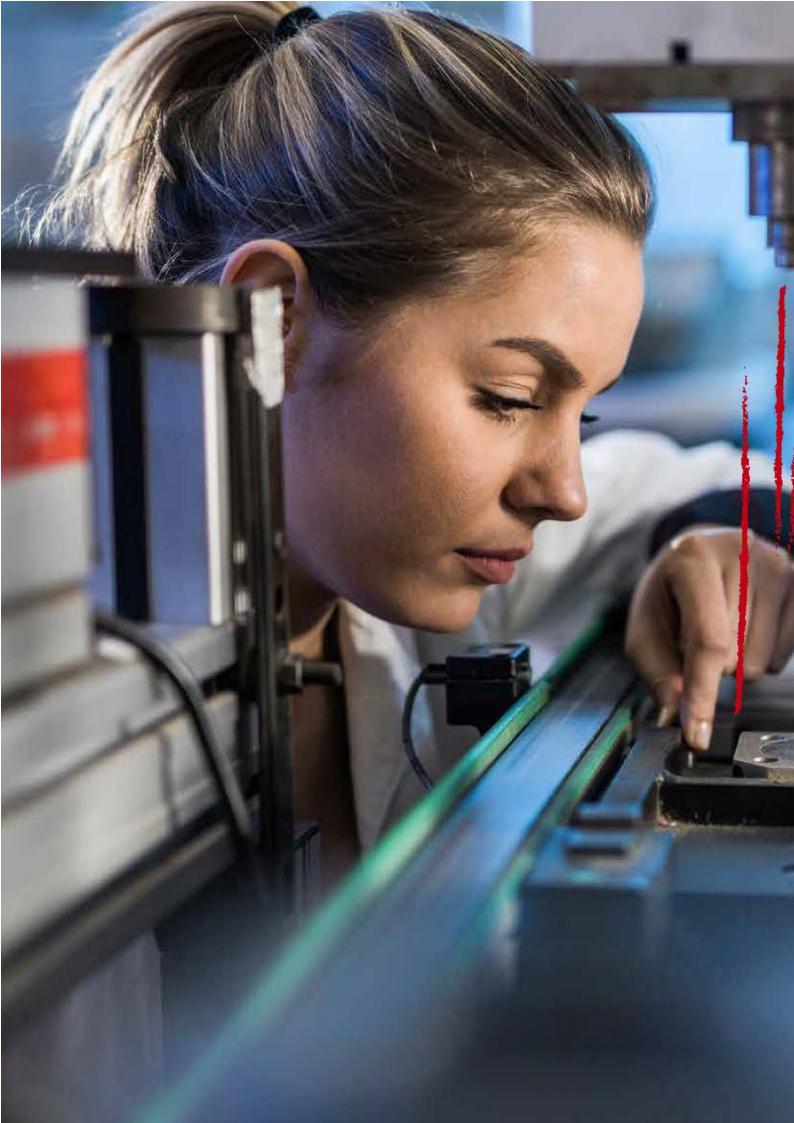
At no time, during the year, did the Company fail to meet its Solvency Capital Requirement or its Minimum Capital Requirement.

E.6 Other information

There is no significant additional information to report on the company's capital management.

Bologna, 17 April 2019

The Board of Directors





5.02.01.02

Balance sheet

Sheet .		Calmananill
Assets		Solvency II
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	483,473
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	615,303
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	43,128,953
Property (other than for own use)	R0080	1,881,694
Holdings in related undertakings, including participations	R0090	3,607,773
Equities	R0100	747,650
Equities - listed	R0110	574,837
Equities - unlisted	R0120	172,813
Bonds	R0130	34,210,455
Government Bonds	R0140	23,608,330
Corporate Bonds	R0150	9,852,401
Structured notes	R0160	749,724
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	2,494,799
Derivatives	R0190	135,805
Deposits other than cash equivalents	R0200	50,778
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	4,585,584
Loans and mortgages	R0230	839,592
Loans on policies	R0240	23,151
Loans and mortgages to individuals	R0250	375,063
Other loans and mortgages	R0260	441,377
Reinsurance recoverables from:	R0270	493,483
Non-life and health similar to non-life	R0280	453,076
Non-life excluding health	R0290	441,480
Health similar to non-life	R0300	11,596
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	40,407
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	40,407
Life index-linked and unit-linked	R0340	
Deposits to cedants	Ro350	12,325
Insurance and intermediaries receivables	R0360	1,212,543
Reinsurance receivables	R0370	43,125
Receivables (trade, not insurance)	R0380	118,547
Own shares (held directly)	R0390	3,558
$Amounts\ due\ in\ respect\ of\ own\ fund\ items\ or\ initial\ fund\ called\ up\ but\ not\ yet\ paid\ in$	R0400	
Cash and cash equivalents	R0410	584,850
Any other assets, not elsewhere shown	R0420	1,335,795
Total assets	R0500	53,457,131

Solvency II

Liabilities

Liabilities		
Technical provisions – non-life	R0510	12,341,356
Technical provisions – non-life (excluding health)	R0520	11,707,398
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	11,266,107
Risk margin	R0550	441,291
Technical provisions - health (similar to non-life)	R0560	633,958
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	600,832
Risk margin	R0590	33,126
Technical provisions - life (excluding index-linked and unit-linked)	R0600	26,918,810
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	26,918,810
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	26,771,460
Risk margin	R0680	147,350
Technical provisions – index-linked and unit-linked	R0690	4,575,612
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	4,547,292
Risk margin	R0720	28,320
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	327,881
Pension benefit obligations	R0760	84,960
Deposits from reinsurers	R0770	163,800
Deferred tax liabilities	R0780	
Derivatives	R0790	263,976
Debts owed to credit institutions	R0800	2,346
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	60,321
Reinsurance payables	R0830	49,911
Payables (trade, not insurance)	R0840	75,479
Subordinated liabilities	R0850	2,344,962
Subordinated liabilities not in Basic Own Funds	Ro860	
Subordinated liabilities in Basic Own Funds	R0870	2,344,962
Any other liabilities, not elsewhere shown	R0880	1,029,636
Total liabilities	R0900	48,239,051
Excess of assets over liabilities	R1000	5,218,080

QRT Disclosure

5.05.01.02 Premiums, claims and expenses by line of business

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				Line of	Business for: non-li	fe insurance and re	Line of Business for non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	ons (direct busine:	ss and accepted pr	oportional reinsur	ance)			Ä	Line of Bus cepted non-propol	Line of Business for: accepted non-proportional reinsurance		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor Insurance	Marine, aviation and transport insurance	Fire and other damage to (property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	09000	C0070	C0080	C0090	C0100	CO110	Coizo	COI30	C0140	COISO	COIGO	C0200
Premiums written																		
Gross - Direct Business	Romo	232,286	551,563		3.263.502	669,677	30,417	1,119,143	685,515	51,342	63,602	159,466	62,351					6,888,863
Gross - Proportional reinsurance accepted	Rotzo				-		240	4,022	4,691	15								8,969
Gross - Non-proportional reinsurance accepted	Rot30													284	1,029		492	1,805
Reinsurers' share	R0140	42,092	31,704		38,843	1,796	13.896	64,921	18,879	24,491	50,477	140,151	431	6	59		8/1	427,896
Net	R0200	190,194	519,859		3,224,660	088'299	16,761	1,058,245	671,326	26,866	13125	19,315	61,920	275	1,000		314	6,471,741
Premiums earned																		
Gross - Direct Business	Rozio	230,240	552,095		3,255,158	646,566	30,095	1,108,133	680,242	51,243	63.747	154,873	61,645					6,834,037
Gross - Proportional reinsurance accepted	R0220	0	0		1		257	3,995	4,901	28			96					9,279
Gross - Non-proportional reinsurance accepted	Rozao													284	1,029		492	1,805
Reinsurers' share	R0240	43.975	29,032		39,417	1,650	14,060	69,730	19,117	31,140	50,365	136,112	429	6	53		8/1	435,243
Net	R0300	186,264	523,063		3215742	644,916	16,292	1,042,399	920'999	20,131	13,382	18,761	61,312	275	1,000		314	6,409,879
Claims incurred																		
Gross - Direct Business	Ro310	117,674	252,921		2142,841	386,303	14,575	692,173	280,099	6,216	77.795	67,185	24,231					4,002,013
Gross - Proportional reinsurance accepted	R0320	2	40		92	0	134	2,239	669	267	9		(01)					3,475
Gross - Non-proportional reinsurance accepted	Roggo													164	359		258	780
Reinsurers' share	R0340	18,669	17,481		15,822	4.457	3226	79,319	28,961	6,943	19,905	59,000	(869)		28		170	253.284
Net	R0400	99,011	235,480		2,127,114	381,846	11,483	615.093	251,837	(459)	(2,105)	8,185	24,919	164	330		88	3,752,984
Changes in other technical provisions																		
Gross - Direct Business	R0410	2,445	(2773)			(1,487)	(09)	(30,421)		5267			(2)					(25,035)
Gross - Proportional reinsurance accepted	R0420							421										421
Gross - Non- proportional reinsurance accepted	R0430																	
Reinsurers'share	R0440																	
Net	R0500	2,445	(773)			(1,487)	(60)	(30,000)		5267			(2)					(24,614)
Expenses incurred	R0550	90,500	214,891		1,006,915	213687	15,264	472,386	297,282	26,937	(4,164)	15,870	25,633		0			2,375,200
Other expenses	R1200																	
Total expenses	R1300																	2,375,200

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

			Line	Line of Business for: life insurance obligations	insurance obligat	tions		Life reinsuran	Life reinsurance obligations	
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life Insurance	Annuitles no stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemning from non-life insurance contracts and relating to insurance obligations other than health insurance obligations obtained in the part of the par	Health	Life reinsurance	Total
		COZIO	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410		2,135,498	877,062	113,577				293	3,126,430
Reinsurers' share	R1420		1,548		4,479				19	6,088
Net	RISOO		2,133,950	877,062	860'601				233	3,120,343
Premiums earned										
Gross	RISIO		2,147,798	877,062	108,342				293	3,133,496
Reinsurers' share	RI520		1,504		4,522				19	6,088
Net	R1600		2,146,294	877,062	103,819				233	3,127,409
Claims incurred										
Gross	R1610		2,264,251	328,301	27,509				1,766	2,621,826
Reinsurers' share	R1620		8,852		190				69/	118'6
Net	R1700		2,255,399	328,301	27.319				266	2,612,016
Changes in other technical provisions										
Gross	RI710		(452,182)	(445,265)	(6,429)				2,562	(901,314)
Reinsurers' share	R1720		8,514		(73)				1,380	9,821
Net	R1800		(460,696)	(445,265)	(6,356)				1,182	(911,135)
Expenses Incurred	R1900		186,809	25,126	6,880				64	218,879
Other expenses	R2500									
Total expenses	R2600									218,879

QRT Disclosure

S.12.01.02 Life and Health SLT Technical Provisions

			Index-linke	d and unit-lin	ndex-linked and unit-linked insurance		Other life insurance		Annuities stemming from			Health in	Health insurance (direct business)	t business)	Annuities		
		Insurance with profit participation	- 0 00	Contracts C without options and guarantees	Contracts with options or guarantees		Contracts (without options and guarantees	Contracts with options or guarantees	insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted elnsurance	Total (Life other than health nsurance, incl. Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	from non- life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	R0010																
Total Recoverables from reinsurance/SPV and finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020																
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	R0030	26,825,936		507,075	4,040,216		(61,061)			6,585	31,318,752						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	Roo8o	33,954					2,353			4,100	40,407						
Best estimate minus recoverables from reinsurance/SPV and Finite Re- total	Roogo	26,791,983		507.075	4,040,216		(63,414)			2,485	31,278,345						
Risk Margin	R0100	212,921	28,320			21,127				111	175,670						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	Rono																
Best estimate	R0120																
Risk margin	R0130																
Technical provisions - total	R0200	26,952,148	4,575,612			(39,934)				6,596	31,494,422						

S.17.01.02 Non-life Technical Provisions

	•																	
						Direct bit	Direct business and accepted proportional reinsurance	proportional rein:	Surance					∢	ccepted non-propo	Accepted non-proportional reinsurance		
		Medical expense li Insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General lability Insurance	Credit and suretyship insurance	Legal expenses Insurance	Assistance	Miscellaneous financial loss	Non-proportional by health reinsurance	von-proportional casualty reinsurance	Von-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		Coozo	Соозо	C0040	C0050	C0060	C0070	C0080	C0090	C0100	СОПО	C0120	COI30	C0140	COISO	COIGO	C0170	CO180
Technical provisions calculated as a whole	Rooto																	
ę	R0050																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	Roo6o	56,866	151,363		1,055,176	212,428	12,108	505118	238,830	74,114	7.725	42,878	13,873					2,370,479
Total recoverable from reinsurance/SPV and Finite Reafter the adjustment for expected losses due to counterparty default	R0140	17	58		4,461	115	2,308	23.154	2,529	25,038			5					57,685
Net Best Estimate of Premium Provisions	Ro150	56,849	151,305		1,050,715	212,313	9,800	481,963	236,301	49,076	7,725	42,878	13,868					2,312,794
Claims provisions																		
Gross	R0160	88,318	303,855		4,985,215	115,839	70,428	827,333	2692723	274,574	74,781	26,345	22,255	430	8,410	469	5,487	9,496,460
Total recoverable from reinsurance/SPV and Finite Reafter the adjustment for expected losses due to counterparty default	R0240	886	10,635		42,074	2,342	18,769	109,087	61,777	111,359	38,222	569	173					395,391
Net Best Estimate of Claims Provisions	Rozso	87,432	293,220		4,943.141	113,496	51,660	718,246	2,631,546	163,215	36,558	26,076	21,683	430	8,410	469	5,487	9,101,069
Total Best estimate - gross	R0260	145,184	455,218		6,040,391	328,267	82,536	1,332,450	2,931,553	348,688	82,506	69,223	36,128	430	8,410	469	5,487	11,866,939
Total Best estimate - net	R0270	144,281	444.525		5,993,856	325,810	61,459	1,200,209	2,867,847	212,291	44,283	68,954	35,551	430	8,410	469	5,487	11,413,863
Risk margin	R0280	5,567	27,541		202,579	16,254	3,520	56,879	126,052	24,802	4,366	1,706	4,636	77	294	15	189	474,417
Amount of the transitional on Technical Provisions Tachnical Devolutions calculated as awhole	Dozog																	
STOLES CONTROL OF THE PROPERTY	00000																	
te	K0300																	
risk margin	neon																	
l echnical provisions - total	H0320	Comment of the	On many		000000000000000000000000000000000000000			00000	100000000000000000000000000000000000000	000 000		00000			0000	Ģ	0.00	Jan or or or
	1	150,752	482,759		6,242,970	344,521	86,057	1,389,329	3,057,605	373.490	86,871	70,929	40,764	447	8,703	484	5,676	12,341,356
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	903	10,693		46,535	2,457	21,077	132,241	63,706	136,397	38,222	569	277					453.076
Technical provisions minus recoverables from reinsurance/SPV and Finite Re-total	R0340	149,849	472,066		6,196,435	342,064	64,980	1,257,088	2,993,899	237,093	48,649	70,660	40,187	447	8,703	484	5,676	11,888,280

Sum of years (cumulative)

In Current year

C0180

C0170

6,559,529

82,403

7,336,674

4,810,005

93,349

5,531,457

3,323,483

459,163

3,035,244

1,316,520

43,707,432

4,457,659

Total R0260

3,784,941

3,269,710

195,441

5.19.01.21 Non-life Insurance Claims Information

2018
Z00Z0
Accident year / Underwriting year

Gross Claims Paid (non-cumulative)

solute amount)	unt)					٥	Development year	ar						
Year		0	-	7	m	4	2	9	7	æ	თ	10 & +		
		C0010	C0020	06000	C0040	C0050	09000	C0070	C0080	06000	C0100	C0110		
Prior	R0100											228,361	æ	R0100
6 2	R0160	2,922,843	2,233,184	748,102	445,814	316,849	216,235	170,880	140,157	87,095	55,514		æ	R0160
8 2	R0170	2,759,150	1,903,343	702,678	413,390	253,438	191,622	150,662	102,843	82,403			.	R0170
N-7	R0180	2,412,457	1,636,215	297,867	318,756	200'985	160,431	118,497	86,254				æ	R0180
9-V	R0190	2,079,049	1,541,656	531,406	265,779	171,884	126,882	93,349					æ	R0190
N-5	R0200	1,855,708	1,250,354	496,342	271,307	153,548	113,590						œ	R0200
7 4	Rozio	1,674,914	1,226,220	513,610	230,313	139,884							α_	R0210
K-3	R0220	1,412,732	1,239,988	421,549	195,441								æ	R0220
N-2	R0230	1,603,548	1,260,771	459,163									œ	R0230
ž	R0240	1,718,725	1,316,520										α .	R0240
z	R0250	1,687,180											<u>~</u>	R0250

Gross undiscounted Best Estimate Claims Provisions

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						å	Development year	늄						≻ 	Year end
Year		0	-	7	m	4	5	9	7	ω	თ	10 & +		į.	data)
		C0200	COZIO	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											1,314,153	R0100		1,307,182
6-N	R0160								519,285	360,938	273,764		Ro160		270,844
8-2	R0170							656,154	456,782	334,004			R0170		329,515
N-7	R0180						710,122	517,569	360,271				R0180		354,807
9-N	R0190					781,948	574,061	415,547					R0190		408,675
N-5	R0200				918,462	675,331	490,829						R0200		481,800
4 4	Rozio			1,158,600	816,771	598,274							R0210		585,819
K-3	R0220		1,455,017	941,561	686,811								R0220		672,793
N-2	R0230	2,776,580	1,451,598	958,572									R0230		939,024
ž	R0240	2,728,507	1,478,278										R0240		1,454,142
z	R0250	2,719,563											R0250		2,691,859

QRT Disclosure

S.22.01.21 Impact of long term guarantees measures and transitionals

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	43,835,778			540,645	
Basic own funds	R0020	7,057,066			(371,575)	
Eligible own funds to meet Solvency Capital Requirement	R0050	7,057,066			(580,293)	
Solvency Capital Requirement	R0090	2,788,509			74.744	
Eligible own funds to meet Minimum Capital Requirement	R0100	5,931,518			(628,679)	
Minimum Capital Requirement	R0110	1,254,829			33,635	

5.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	2,031,456	2,031,456			
Share premium account related to ordinary share capital Initial funds, members' contributions or the equivalent basic ownfund item for mutual and mutual-type undertakings Subordinated mutual member accounts	R0030 R0040 R0050	407,256	407,256			
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	2,105,730	2,105,730			
Subordinated liabilities	R0140	2,344,962		1,230,411	1,114,551	
An amount equal to the value of net deferred tax assets	R0160	167,662				167,662
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds Deductions Deductions for participations in financial and credit institutions	R0220					
	R0230					
Total basic own funds after deductions Ancillary own funds	R0290	7,057,066	4,544,442	1,230,411	1,114,551	167,662
Unpaid and uncalled ordinary share capital callable on demand Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type	R0300					
undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC						
	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	P0270					
Other ancillary own funds	R0370 R0390					
Total ancillary own funds	R0400					

Available and eligible own funds						
Total available own funds to meet the SCR	R0500	7,057,066	4,544,442	1,230,411	1,114,551	167,662
Total available own funds to meet the MCR	R0510	6,889,404	4,544,442	1,230,411	1,114,551	
Total eligible own funds to meet the SCR	R0540	7,057,066	4,544,442	1,136,110	1,208,852	167,662
Total eligible own funds to meet the MCR	R0550	5,931,518	4,544,442	1,136,110	250,966	
SCR	R0580	2,788,509				
MCR	R0600	1,254,829				
Ratio of Eligible own funds to SCR	R0620	2.5308				
Ratio of Eligible own funds to MCR	R0640	4.7270				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	5,218,080	
Own shares (held directly and indirectly)	R0710	98,921	
Foreseeable dividends, distributions and charges	R0720	403,052	
Other basic own fund items	R0730	2,606,374	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	4,002	
Reconciliation reserve	R0760	2,105,730	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	397,941	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	28,646	
Total Expected profits included in future premiums (EPIFP)	R0790	426,588	

QRT Disclosure

S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
1	Market risk	2,089,426	2,040,552	None	None
2	Counterparty default risk	275,316	224,778	None	None
3	Life underwriting	215,741	134,853	None	None
10	Non-life and Health underwriting risk	1,874,950	198,066	Segment 1 Standard deviation for non-life premium risk, Segment 1 Standard deviation for non-life reserve risk, Segment 4 Standard deviation for non-life premium risk, Segment 4 Standard deviation for non-life reserve risk, Segment 5 Standard deviation for non-life premium risk, Segment 5 Standard deviation for non-life premium risk, Segment 5 Standard deviation for non-life reserve risk	None
6	Intangible asset risk			None	None
7	Operational risk	478,003		None	None
8	Loss-absorbing capacity of technical provisions	(363,707)		None	None
9	Loss-absorbing capacity of deferred taxes	(804,422)		None	None
11	Conservative Margin	46,492		None	None

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	3,811,798
Diversification	R0060	(1,035,632)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	2,788,509
Capital add-ons already set	R0210	
Solvency capital requirement	R0220	2,788,509
Other information on SCR		
Amount/estimate of the overall loss- absorbing capacity of technical provisions	R0300	(363,707)
Amount/estimate of the overall loss- absorbing capacity ot deferred taxes	R0310	(804,422)
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	2,764,881
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	23,628
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

5.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

	Non-life activities	Life activities				
	MCR _(NL,NL) Result	$MCR_{(NL,L)}Result$	•			
	C0010	C0020				
Linear formula component for non-life insurance and reinsurance obligations	1,668,141					
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
	i		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance		R0020	144,281	195,191		
Income protection insurance and proportional reinsurance		R0030	444,525	522,810		
Workers' compensation insurance and proportional reinsurance		R0040				
Motor vehicle liability insurance and proportional reinsurance		R0050	5,993,856	3,224,631		
Other motor insurance and proportional reinsurance		R0060	325,810	667,880		
Marine, aviation and transport insurance and proportional reinsurance		R0070	61,459	16,761		
Fire and other damage to property insurance and proportional reinsurance		R0080	1,200,209	1,058,657		
General liability insurance and proportional reinsurance		R0090	2,867,847	671,326		
Credit and suretyship insurance and proportional reinsurance		R0100	212,291	26,866		
Legal expenses insurance and proportional reinsurance		R0110	44,283	13,125		
Assistance and proportional reinsurance		R0120	68,954	19,315		
Miscellaneous financial loss insurance and proportional reinsurance		R0130	35,551	62,015		
Non-proportional health reinsurance		R0140	430	284		
Non-proportional casualty reinsurance		R0150	8,410	1,029		
Non-proportional marine, aviation and transport reinsurance		R0160	469			
Non-proportional property reinsurance		R0170	5,487	492		

	ſ	Non-life activities MCR _(L,NL) Result C0070	Life activities MCR _(L,L) Result C0080	Non-life	activities	Life ac	tivities
Linear formula component for life insurance and reinsurance obligations	R0200		951,694				
				Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance/ SPV) total capital at risk
Obligations with profit participation - guaranteed benefits			R0210			25,732,581	
Obligations with profit participation - future discretionary benefits			R0220			1,061,482	
Index-linked and unit-linked insurance obligations			R0230			4,547,292	
Other life (re)insurance and health (re)insurance obligations			R0240				
Total capital at risk for all life (re)insurance obligations			R0250				32,792,690

Overall MCR calculation

Linear MCR
SCR
MCR cap
MCR floor
Combined MCR
Absolute floor of the MCR

	C0130
R0300	2,619,835
R0310	2,788,509
R0320	1,254,829
R0330	697,127
R0340	1,254,829
R0350	7,400
	C0130
R0400	1,254,829

Minimum Capital Requirement

Notional non-life and life MCR calculation

Notional linear MCR
Notional SCR excluding add-on (annual or latest calculation)
Notional MCR cap
Notional MCR floor
Notional Combined MCR
Absolute floor of the notional MCR
Notional MCR

	Non-life activities	Life activities
	C0140	C0150
R0500	1,668,141	951,694
R0510	1,775,541	1,012,968
R0520	798,994	455,835
R0530	443,885	253,242
R0540	798,994	455,835
R0550	3,700	3,700
R0560	798,994	455,835







UnipolSai Assicurazioni SpA

Independent auditor's report

in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 4, paragraph 1, points A and B, of the IVASS Regulation n° 42 of 2 August 2018

Templates "S.02.01.02 Balance sheet" and "S.23.01.01 Own funds" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2018



Independent Auditor's Report

in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 4, paragraph 1, points A and B, of the IVASS Regulation n° 42 of 2 August 2018

To the Board of Directors of UnipolSai Assicurazioni SpA

Templates "S.02.01.02 Balance sheet" and "S.23.01.01 Own funds" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2018

Opinion

We have audited the accompanying elements to the Solvency and Financial Condition Report (the "SFCR") of UnipolSai Assicurazioni SpA (the "Company") as at 31 December 2018, prepared in accordance with article 47-septies of Legislative Decree 7 September 2005, No 209:

- templates "S.02.01.02 Balance sheet" and "S.23.01.01 Own funds" (the "MVBS and OF Templates");
- sections "D. Valuation for solvency purposes" and "E.1. Own Funds" (the "Disclosures").

Our procedures have not covered:

- the technical provisions components related to the Risk Margin (lines Ro550, Ro590, Ro640, Ro680 and Ro720) on the template "S.02.01.02 Balance sheet";
- the Solvency Capital Requirement (line Ro580) and the Minimum Capital Requirement (line Ro600) on the template "S.23.01.01 Own funds",

that are out of scope from our opinion.

The MVBS and OF Templates and the Disclosures, with the exclusions listed above, compose the "MVBS and OF Templates and related disclosures".

In our opinion, the MVBS and OF Templates and related disclosures included in the SFCR of UnipolSai Assicurazioni SpA as at 31 December 2018 have been prepared, in all material respects, in accordance with the applicable EU requirements and with the Italian laws for the insurance business.

${\it Price water house Coopers\,SpA}$

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C. F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al nº 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gimma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957532311 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 - Genova 16121 Piazza Piccapietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422669011 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the MVBS and OF Templates and related disclosures section of this report.

We are independent of the Company pursuant to the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the templates and related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Enphasis matter - Basis of accounting, purposes and restriction of use

We draw attention to the section "D. Valuation for solvency purposes" which describes the basis of accounting. The MVBS and OF Templates and related disclosures have been prepared, for solvency supervisory requirements, in accordance with the applicable EU requirements and the Italian laws for the insurance business, which compose a special purpose framework. As a result, they may not be suitable for other purposes. Our opinion is not modified with reference to this aspect.

Other matters

The Company has prepared the financial statements for the year ended 31 December 2018 in accordance with the Italian laws governing the criteria for their preparation, that had been audited by us with report issued on 26 March 2019.

The Company has prepared the templates "S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model" and "S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance" and the related disclosures provided in section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" of the accompanying SFCR in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and the company's specific parameters, reviewed by us in accordance with article 4 paragraph 1 point c) of the IVASS Regulation n°42 of 2 August 2018, as a result of which today we issue a limited review report accompanying the SFCR.

Other matters in the SFCR

The Management is responsible for the preparation of the other information included in the SFCR in accordance with laws governing the criteria for their preparation.



Other information included in the SFCR are:

- templates "S.05.01.02 Premiums, claims and expenses by line of business", "S.12.01.02 Life and Health SLT Technical Provisions", "S.17.01.02 Non-life Technical Provisions", "S.19.01.21 Non-life Insurance Claims Information", "S.22.01.21 Impact of long term guarantees measures and transitionals", "S.25.02.21 Solvency Capital Requirement for undertakings using the standard formula and partial internal model", "S.28.02.01 Minimum Capital Requirement Both life and non-life insurance";
- sections "A. Business and performance", "B. System of governance", "C. Risk profile", "E.2. Solvency Capital Requirement and Minimum Capital Requirement", "E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement", "E.4. Differences between the standard formula and any internal model used", "E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement" e "E.6. Any other information".

Our opinion on the MVBS and OF Templates and related disclosures does not cover these other information.

With reference to the audit of the MVBS and OF Templates and related disclosures, our responsibility is to carry out a critical review of the other information and consider whether the same are significantly inconsistent with the MVBS and OF Templates and related disclosures or with our knowledge acquired during the audit or may be significantly incorrect. If we identify possible inconsistencies or significant errors, we are required to determine whether there is a significant error in the MVBS and OF Templates and related disclosures or in the other information. If, based on the work performed, we conclude that there is a significant error, we have to report this matter. With reference to this, we have nothing to report.

Responsibilities of Management and Those Charged with Governance for the MVBS and OF Templates and related disclosures

Management is responsible for the preparation of the MVBS and OF Templates and related disclosures in accordance with laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of the MVBS and OF Templates and related disclosures that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the MVBS and OF Templates and related disclosures, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the MVBS and OF Templates and related disclosures, management uses the going concern basis of



accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the MVBS and OF Templates and related disclosures

Our objectives are to obtain reasonable assurance about whether the MVBS and OF Templates and related disclosures 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 International Standards on Auditing (ISAs) 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 the MVBS and OF Templates and related disclosures.

As part of an audit conducted in accordance with International Standards on Auditing (ISAs), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the MVBS and OF Templates
 and related disclosures, whether due to fraud or error; we designed and performed audit
 procedures responsive to those risks; we obtained audit evidence that is sufficient and
 appropriate to provide a basis for our opinion. The risk of not detecting a material
 misstatement resulting from fraud is higher than for one resulting from error, as fraud may
 involve collusion, forgery, intentional omissions, misrepresentations, or the override of
 internal control:
- we obtained an understanding of internal control relevant to the audit of the MVBS and OF
 Templates and related disclosures in order to design audit procedures that are appropriate in
 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the
 Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- we concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the SFCR or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



We communicated with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable in accordance with the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Milan, 23 April 2019

PricewaterhouseCoopers SpA

Antonio Dogliotti (Partner)

This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.



UnipolSai Assicurazioni SpA

Independent auditor's report

in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 4, paragraph 1, point C, of the IVASS Regulation n°42 of 2 August 2018

Templates "S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model" and "S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2018



Indipendent Auditor's Report

in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 4, paragraph 1, point C, of the IVASS Regulation n° 42 of 2 August 2018

To the Board of Directors of UnipolSai Assicurazioni SpA

Templates "S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model" and "S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2018

Foreword

We have reviewed the Templates "S.25.02.21 Solvency Capital Requirement - for undertakings using the standard formula and partial internal model" and "S.28.02.01 Minimum Capital Requirement - Both life and non-life insurance activity" (the "SCR and MCR Templates") and related disclosure reported in section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" (the "disclosures" or the "related disclosures") of the accompanying Solvency and Financial Condition Report (the "SFCR") of UnipolSai Assicurazioni SpA (the "Company") as at 31 December 2018, prepared in accordance with article 47-septies of Legislative Decree 7 September 2005, No 209.

The SCR and MCR Templates and related disclosures, have been prepared by Managements in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and the Company's specific parameters as described in the SFCR disclosure and as approved by IVASS.

Responsibilities of Management

Management is responsible for the preparation of the SCR and MCR Templates and related disclosures in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and the Company's specific parameters as described in the SFCR disclosure and as approved by IVASS and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of the SCR and MCR Templates and related disclosures that are free from material misstatement, whether due to fraud or error.

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Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C. F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al nº 119644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Totti 1 Tel. 0712132311 - Bari 70122 Via Abate Gimma 72 Tel. 0805640211 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 0957523211 - Firenze 50121 Viale Gramsci 15 Tel. 0552488211 - Genova 16121 Piazza Piccapietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 - Pescara 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Viale della Costituzione 33 Tel. 0461237004 - Treviso 31100 Viale Feissent 90 Tel. 042696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Varese 21100 Via Albuzzi 43 Tel. 0332285039 - Verona 37135 Via Francia 21/C Tel. 0458263001 - Vicenza 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Auditor's Responsibilities

Our responsibility is to express a conclusion on the SCR and MCR Templates and related disclosures. We conducted our review in accordance with International Standard on Review Engagements ISRE 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the SCR and MCR Templates and related disclosures, taken as a whole, are not prepared in all material respects in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and the Company's specific parameters as described in the SFCR disclosure and as approved by IVASS. This Standard also requires us to comply with relevant ethical requirements.

A review of the SCR and MCR Templates and related disclosures in accordance with *ISRE 2400* (*Revised*) is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs).

Accordingly, we do not express an audit opinion on these SCR and MCR Templates and related disclosures.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these SCR and MCR Templates and related disclosures included in the accompanying SFCR of UnipolSai Assicurazioni SpA for the year ended 31 December 2018, do not present fairly, in all material respects in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and the Company's specific parameters as described in the SFCR disclosure and as approved by IVASS.

Basis of accounting, purposes and restriction of use

Without modifying our conclusion, we draw attention to the section "E.2 Solvency Capital Requirement and Minimum Capital Requirement" of the SFCR which describes the basis of preparation of the SCR and MCR Templates. The SCR and MCR Templates and related disclosures have been prepared, for solvency supervisory requirements, in accordance with the applicable EU requirements and the Italian laws for the insurance business, the Partial Internal Model and the Company's specific parameters as described in the SFCR disclosure and as approved by IVASS, which collectively compose a special purpose framework.

Therefore, in accordance with article 13 of the IVASS Regulation n° 42 of 2 August 2018, the approvals, waivers or other decisions taken by IVASS, including the structure of the model, were considered by us as part of the standard for our work and the SCR and MCR Templates and related disclosures may not



be suitable for other purposes. In particular, as per articles 46-bis and 46-ter of Legislative Decree 7 September 2005, n° 209, the model briefly described in the SFCR disclosure was approved by IVASS in carrying out its own duties and can differ from the models approved for other insurance companies.

Milan, 23 April 2019

PricewaterhouseCoopers SpA

Antonio Dogliotti (Partner)

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UnipolSai Assicurazioni S.p.A.

Registered Office Via Stalingrado, 45 40128 Bologna (Italy) unipolsaiassicurazioni@pec.unipol.it Tel.: +39 051 5077111 Fax: +39 051 7096584

> Share capital €2,031,456,338.00 fully paid-up Bologna Register of Companies Tax No. 00818570012 VAT No. 03740811207 R.E.A. No. 511469

A company subject to management and coordination by Unipol Gruppo S.p.A., entered in Section I of the Insurance and Reinsurance Companies List at No. 1.00006 and a member of the Unipol Insurance Group, entered in the Register of the parent companies – No. 046

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