CARAVELA
COMPANHIA DE SEGUROS

Prudential Management Office

Solvency and Financial Condition Report – 2021

CARAVELA
COMPANHIA DE SEGUROS

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DOCUMENT MONITORING

Version history

Version no.	Date	Change Requester	Description of the change

EXECUTIVE SUMMARY

In the scope of solvency II information requirements provided for in Articles 51 to 56 of Directive 2009/138/EC of the European Parliament and of the Council, in Article 83 of the Legal Framework for Insurance and Reinsurance Activity Access and in Articles 290 to 303 of Commission Delegated Regulation (EU) 2015/35, Caravela – Companhia de Seguros, S.A. (hereinafter referred to as Caravela or Company) hereby presents its **Solvency and Financial Condition Report** for the year 2021.

All amounts in this report are presented in euros, unless stated otherwise.

Activity and performance

Caravela operates mainly on national territory, in the Non-Life line of business, with greater emphasis on the segments of Motor, Fire and Other Damage, and Workers Compensation. The Company's portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance and Marine, and Cargo.

In June 2021, Caravela started to exercise, from its headquarters in Portugal, for the first time, its activities under the freedom to provide services (FPS) in the French Republic's territory. The nature of the risks or commitments that the Company covers or undertakes under the FPS regime in the French Republic's territory are those covered by the lines of business or lines of business groups of Fire and Other Damage and Third Party Liability.

Within the scope of Workers Compensation and Personal Accidents lines of business, the Company operates, through a proportional treaty with a cession of 90%—95% until June 2020—and in partnership with a group of international reinsurers, products related to the professional practice of sports. Also, in the case of Health products, it should be noted that there is a protocol signed with Médis, which allows the marketing of products in this segment, without, however, having to undertake risks in this area as they are covered by a full reinsurance treaty.

Caravela closed the 2021 financial year with a GWP total of 116.380 thousand of euros, which accounts for an increase of 15.661 thousand euros in production, +15,5%, compared to the value calculated in 2020.

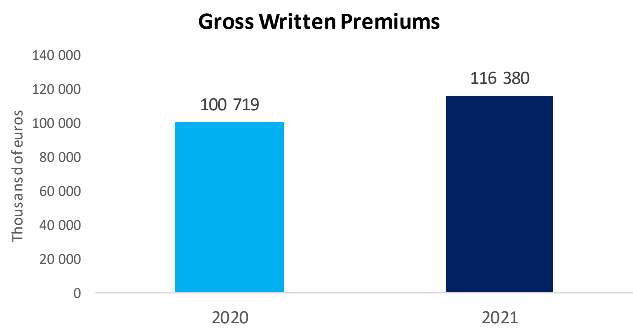


Figure 1: Evolution of Gross Written Premiums (2020-2021)

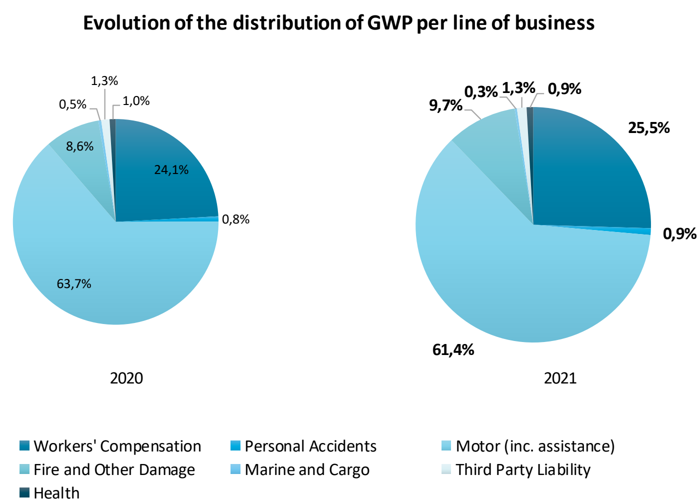


Figure 2: Evolution of the GWP distribution per line of business (2020-2021)

In 2021, claims costs amounted to 76.885 thousand euros, before the allocation of costs, accounting for an increase of +22,9% (+14.328 thousand euros) compared to the previous financial year. Net of reinsurance, the claims costs show an increase of 27,5%.

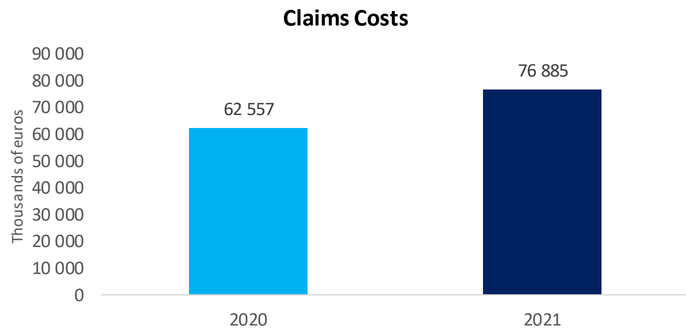


Figure 3: Evolution of Claims Cost (2020-2021)

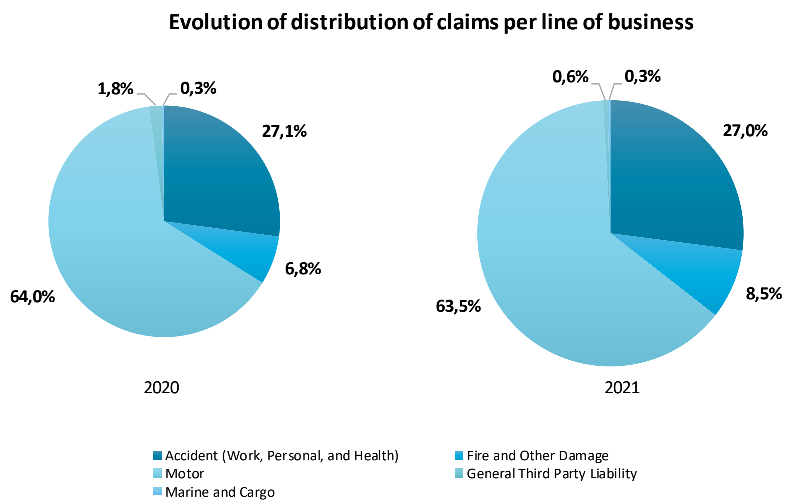


Figure 4: Evolution of the distribution of claims per line of business (2020-2021)

These values led to a general claim's ratio of 67,8%, above what was registered in 2020, which stood at 65,.2%. This ratio, net of reinsurance, stood at 68,1%.

The reinsurance programme—approved by Caravela for 2021—has undergone minor changes when compared to the previous year, in relation to the 2020's reinsurers involved in its treaties.

As to proportional treaties, including Fire and Other Damage, Marine, Cargo, and Engineering lines of business, the share withholding and the surplus limit have been maintained, except for the Fire and Multi-risk Treaty, whose surplus limit increased to 17,000 thousand euros, and the Engineering Treaty, whose surplus limit changed to 7,500 thousand euros.

With regard to the Excess of Loss treaties, which cover the Motor, Personal Accidents, Workers Compensation, and Third Party Liability lines of business, these remained unchanged—in terms of priority—with the exception of the Motor line of business, whose priority increased to 500 thousand euros. Regarding capacities, the only one that changed was the Motor Treaty—Own Damage, whose aggregate annual limit increased to 6.500 thousand euros.

The technical margin, net of reinsurance, was 32.190 thousand euros, representing an increase of 8,9% (+2.638 thousand euros) comparatively to 2020.

As for the combined ratio, there is a slight increase of 1,5 p.p., compared to 2020, with a negative contribution from the technical ratio, net of reinsurance (+3,6 p.p.) which will, however, continue to require continuous and proactive monitoring. As for the contribution of the operational ratio, this showed a decrease of 2,2 p.p..

The net result was 3,396 thousand euros, accounting for 2,9% of gross written premiums, thus continuing Caravela's positive results.

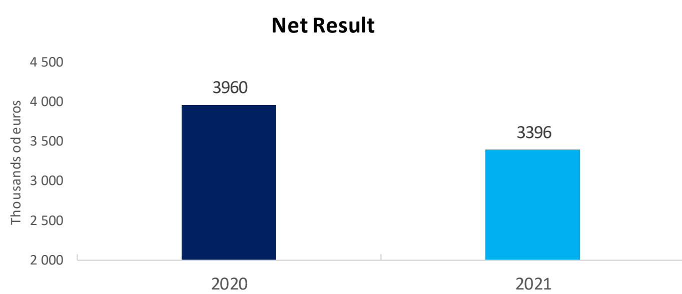


Figure 5: Evolution of the Net Result (2020-2021)

Financial investments, mainly Financial Assets, grew by 14,398 thousand euros in 2021, which translates into a 15,0% increase compared to 2020.

The management of financial assets—in partnership with OFI Asset Management—has been carried out in accordance with the investment policy of the Company, being guided, as in previous years, by caution, safety, and liquidity criteria and in compliance with the recommendations from EIOPA and the National Supervisory Authority.

As to the rate of return, the total assets portfolio registered a positive average return of 1,3%.

As of the date of this report, Caravela has no investments in securitisations.

The costs by nature to be imputed 14.396 thousand euros, representing an increase of 7,7% comparatively with 2020, due to a generalised increase in the heading 'expenses'.

The number of staff increased from 129 to 133 permanent staff members (68 men and 65 women).

Governance system

As of December 31, 2021, Caravela's share capital, fully subscribed and partially paid up, amounted to 44.388.315,20 euros, and is represented by 79.056.677 shares with no par value, and is distributed among various shareholders, individuals and companies.

The current Board of Directors has a 2019-2022 term and is comprised of seven managers, one being the President, a Vice-President, and five Members. There was no change in relation to the previous year.

The supervision of management acts is exercised by a Supervisory Board composed of three full members, at least one of whom must have a higher education degree appropriate to the performance of their duties, and an alternate member, with terms of office equal to those of the Board of Directors, and who may be re-elected.

As for the Statutory Auditor, Mazars & Associados – Sociedade de Revisores Oficiais de Contas, S. A., is still represented by Pedro Miguel Pires de Jesus.

Risk profile

In operational terms, Caravela has a top-down process for identifying and assessing the Company's main risks and a set of risk policies that seek to disseminate, through the Company's main processes and risks, principles, methodologies, reports, and responsibilities related to risk management.

The risk assessment is based on the standard formula used in the Solvency Capital Requirement calculation. For other risks, not included in that formula, the Company performs stress tests or reverse stress tests to quantify their impact on its capital requirements.

Caravela, in view of the risks undertaken and in order to allow an adequate protection for its policyholders, has outlined its capital target to a minimum threshold of 125% of the solvency capital requirement and the minimum acceptable capital to 110%.

The Solvency Capital Requirement (SCR) as at 31.12.2021 is structured as follows:

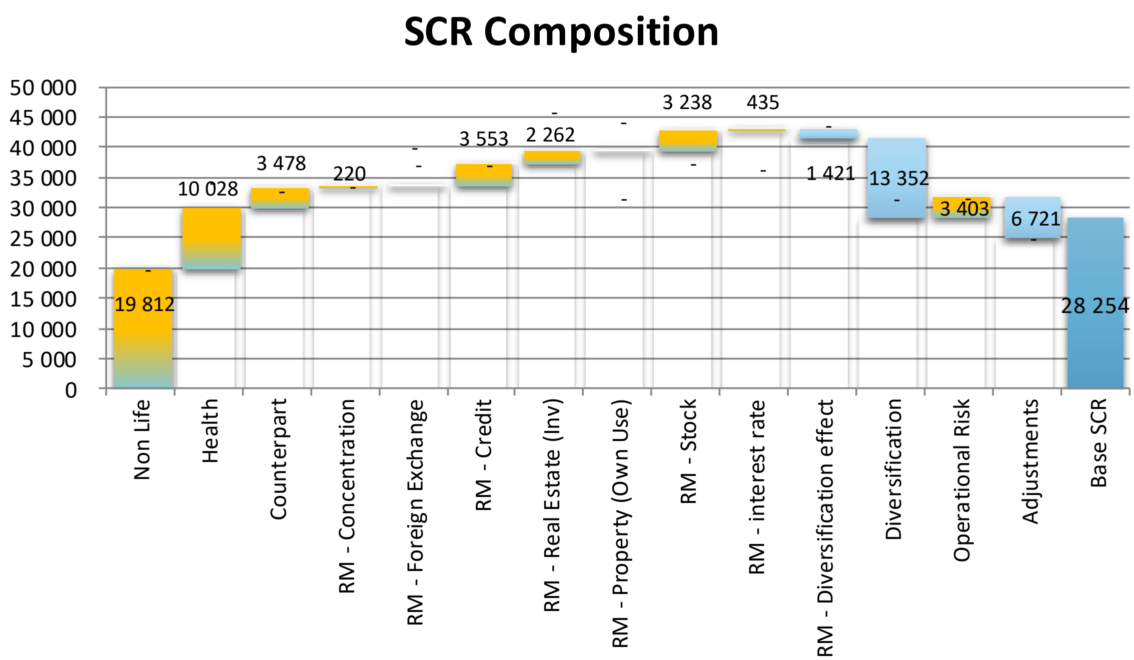


Figure 6: Composition of the SCR 2020

Assessment for solvency purposes

In this report, Caravela details the amounts and processes for identifying and valuing assets and liabilities from a Solvency II Balance Sheet perspective, in comparison with the IFRS (Statutory) balance sheet, presenting its variations.

Revalued assets decrease by 18 thousand euros while liabilities increase by 7.603 thousand euros generating a negative impact on its own funds, totalling a variation of 7.621 thousand euros in 2021.

The main adjustments to assets relate to the elimination of deferred acquisition costs, which are not recognised in solvency II, and the revaluation of intangible assets and reinsurance recoverables.

On the liabilities, the adjustment is essentially justified by the revaluation of technical reserves. The impact of these adjustments is further corrected by deferred taxes, at a rate of 21,231%, and are presented on a net basis as an increase in liabilities.

Capital management

This chapter presents the reconciliation of equity between IFRS own funds and those eligible under solvency II.

The structure, amount, and quality of its own funds are also presented.

Own funds are essentially made up of tier 1 items.

In 2020, Caravela had as ancillary own funds 10.000 thousand euros of subscribed capital which was completely paid up in December 2021.

The Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are fully covered by unrestricted Tier 1 items, meeting the eligibility criterion, namely that the proportion of this item should be at least 50% of the SCR and 80% of the MCR.

On December 31, 2021, the coverage ratio of the SCR and MCR are 204,2% and 435,6%, respectively, presenting, respectively, an excess of 25,993 and 37,653 thousand euros.

This chapter details the process for determining the amount of the adjustment to the loss-absorbing capacity for deferred taxes which, on December 31, 2021, amounts to 6,721 thousand euros, corresponding to a recovery of losses amounting to 26,786 thousand euros, i. e. 100% of the expected instantaneous loss.

Not using the adjustment for the deferred tax loss absorbing capacity would set the solvency ratio at 161%, corresponding to an excess of 19,272 thousand euros.

In view of the use of long-term and transitional measures, namely the volatility adjustment and the deduction of technical reserves, the impacts of their use were calculated by comparing the results obtained with those that would be obtained if the measures were not applied. The global impact of all measures in technical provisions is of 1,207 thousand euros.

Not applying the transitional measures for technical reserves and the long-term volatility adjustment measure would lead to a reduction of the solvency capital requirement by 1,6% and 0,1% respectively, totalling an impact of -1,7%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 200,8%, translating into an excess of 25.124 thousand euros.

A. ACTIVITY AND PERFORMANCE

A.1. ACTIVITY

Caravela – Companhia de Seguros, S.A. is a public limited company registered at the Commercial Registry Office of Lisbon under the single registration and taxpayer number 503 640 549.

Headquartered in Lisbon, at Avenida Casal Ribeiro, n.º 14, since January 2015, Caravela has offices in Faro, Leiria, Lisbon, and Porto.

The Company carries out Non-Life insurance and reinsurance business, under authorisation No. 1133 granted by the Insurance and Pension Funds Supervisory Authority, hereinafter referred to as ASF, and with the legal identification code (LEI): 635400TDFKL4ZSPVXC31 – Caravela – Companhia de Seguros, S.A..

The Company was established in 1996 under the corporate name Euresap – Euresa Portugal Companhia de Seguros, S.A., which was changed in 2001 to Companhia de Seguros Sagres, S.A., and in 2010 to Macif Portugal – Companhia de Seguros, S.A. It was fully acquired by AAA, SGPS, S.A. on November 12, 2014.

On June 26, 2017, 26.600.000 shares were transferred from the Shareholder AAA, SGPS, S.A.—representing 100% of the share capital—to several Shareholders; in addition, the capital was increased by 6.000.101,96€.

During 2019, a new IPO was carried out to a new shareholder, TPIF Douro Bidco, S.à r.l., a company that is part of the Private Equity Tosca Fund, an English Entity whose conglomerate has around 4 billion assets under management and which now holds a qualified stake of 48% of Caravela's share capital and voting rights. Following this increase, the Company's share capital stands at a total of 44.388.315,20€.

Caravela's Supervisor is the Insurance and Pension Funds Supervisory Authority located in Lisbon, at Avenida da República, n.º 76, with telephone number +351 21 790 31 00 and e-mail asf@asf.com.pt.

The external auditor responsible for certifying the quantitative and qualitative information within the scope of the annual solvency II report is Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A. – Audit Firm No. 51, located at Rua Tomás da Fonseca, Centro Empresarial Torres de Lisboa, Torre G, 5.º, 1600-209 Lisbon, with telephone number +351 21 721 01 80.

Caravela operates exclusively in the Non-Life line of business, with greater emphasis on the segments of Motor, Fire and Other Damage, and Workers Compensation. The Company's portfolio also covers the marketing of products in other segments, namely Health, Personal Accidents, Third Party Liability, Assistance and Marine, and Cargo.

In June 2021, Caravela initiated, from its headquarters in Portugal, for the first time, its activities under the freedom to provide services (FPS) in the French Republic's territory. The nature of the risks or commitments that the Company covers or undertakes under the FPS regime in the French Republic's territory are those covered by the lines of business or lines of business groups of Fire and Other Damage and Third-Party Liability.

Within the scope of Workers Compensation and Personal Accidents lines of business, the Company operates, through a proportional treaty with a cession of 90%—95% until June 2020—and in partnership with a group of international reinsurers, products related to the professional practice of sports. Also, in the case of Health products, it should be noted that there is a protocol signed with Médis, which allows the marketing of products in this segment, without, however, having to undertake risks in this area as they are covered by a co-insurance agreement covered by a full reinsurance treaty.

Until the 2018 financial year, the Company favoured risks from individuals or small companies over large risks, as well as risks that have a history of good results over risks from which it is not possible to obtain a history or whose experience proves a previous situation of poor results. With the capital reinforcement, which occurred in 2019, Caravela began a new growth cycle, with the strengthening of the retail segment and the start-up of the larger companies segment.

A.2. UNDERWRITING PERFORMANCE

A.2.1. PRODUCTION

Caravela closed the 2021 financial year with a GPW volume of 116.380 thousand euros, which represents an increase in production of 15.661 thousand euros and a growth rate of 15,5% compared to the figure established for 2020.

It is worth noting that the market quota, including the activity in Portugal and abroad, grew from 1,8% in 2020 to 2,0% in 2021.

The strong organic and consolidated growth over the last few years was sustained by the private customers and small business segments and by rigorous and careful underwriting of risks, oriented towards the profitability of all lines of business.

The good performance obtained was transversal to all business areas, except for the Marine and Cargo lines of business, where the effects provoked by the pandemic still have impact, resulting in a decrease in production of 18,1%.

Despite having a growth rate above the market value, there is, comparatively with previous years, a decrease in the growth of the Motor line of business, with +11,4% below the growth rate of Caravela. On the other hand, the very positive evolution of the Personal Accidents, Fire and Other Damage, and Workers Compensation stands out.

In 2021, the beginning of Caravela’s commercial activity abroad also contributes to the growth of the portfolio, particularly in the Fire and Other Damage line of business.

The charts below provide a very clear overview of the evolution and structure of Caravela’s portfolio.

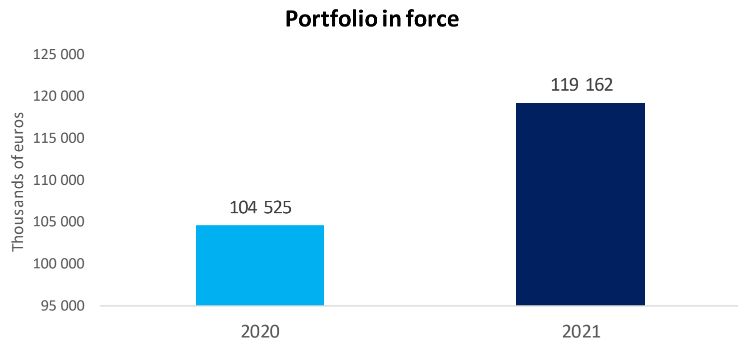


Figure 7: Evolution of the current portfolio (2020-2021)

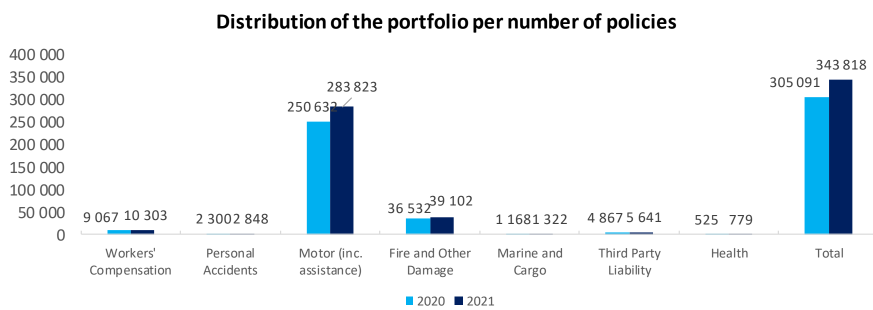


Figure 8: Evolution of the distribution of the portfolio in terms of number of policies (2020-2021)

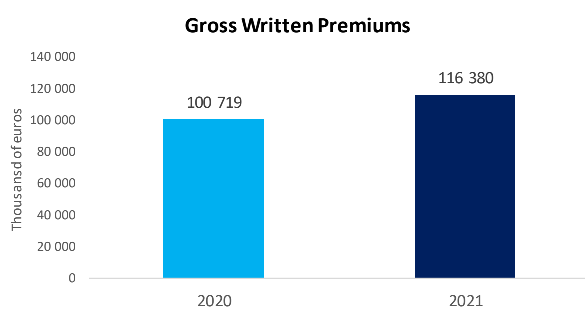


Figure 9: Evolution of gross written premiums (2020-2021)

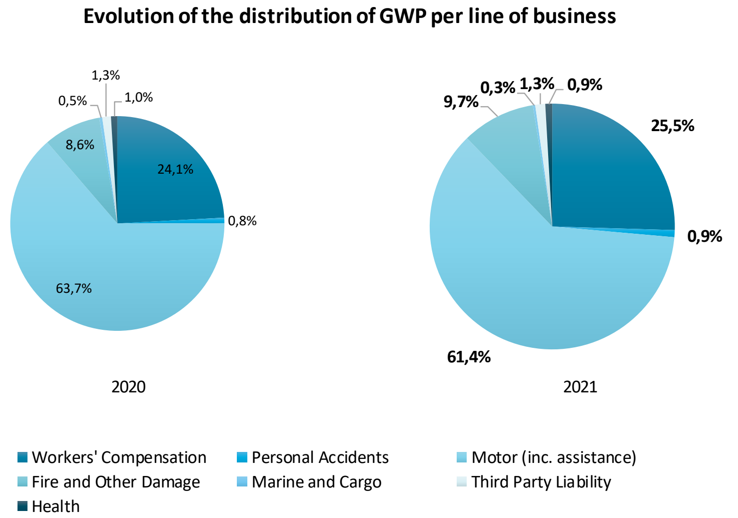


Figure 10: Evolution of the distribution of GWP per line of business (2020-2021)

A.2.2. CLAIMS

In 2021, claims costs had an increase of 22,9% (+14.327 thousand euros in absolute value) compared to the previous financial year, totalling 76.885 thousand euros, before the allocation of other expenses.

Except for the Third Party Liability, which presented a reduction in the claims ratio of 60,1% (-673 thousand euros), all the remaining business segments impacted the increase of expenses with claims.

The Motor line of business, in absolute value, presented the larger increase in expenses, which was of 8.837 thousand euros (+22,1%). However, it was in the Fire and Other Damage segment that the greatest growth in relative terms was verified, which was of 53,3% (+2.269 thousand euros).

In the Accidents and Health lines of business, the increase was set in 22,6% (+3.837 thousand euros).

In the less representative lines of business, Marine and Cargo, there was an increase of lesser extent: 28,1% (+56 thousand euros).

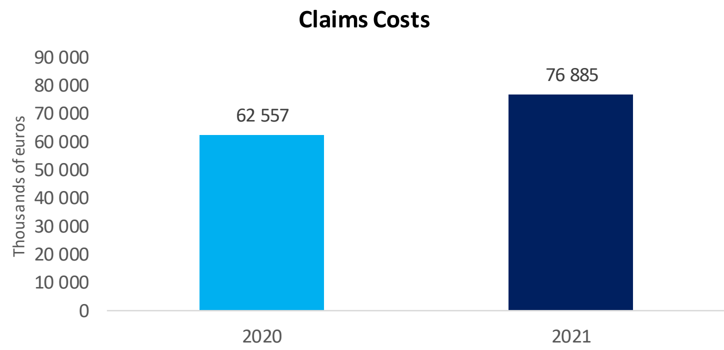


Figure 11: Evolution of claims costs (2020-2021)

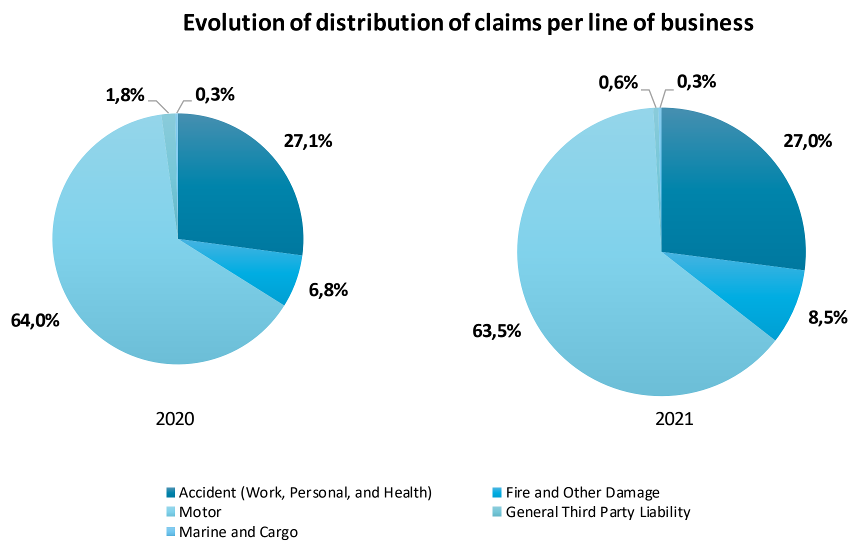


Figure 12: Evolution of the distribution of claims per line of business (2020-2021)

These figures led to an overall claims rate of 67,8%, higher than in 2020, which had stood at 65,2%. This ratio, net of reinsurance, stood at 68,1% in 2021.

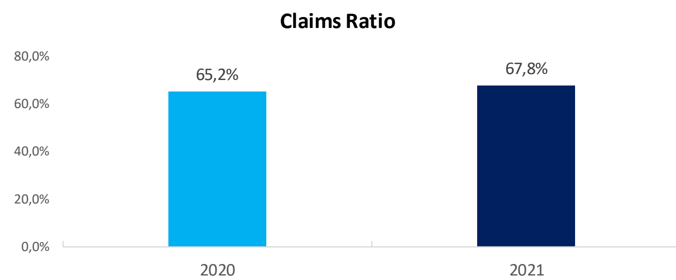


Figure 13: Evolution of the Claims Ratio (2020-2021)

In the year 2021, the total number of claims stood at 24,7%, and the Motor line of business was the one that most contributed to this fact, reaching a growth of 24,5%.

In the group of Accidents and Health lines of business, the increase was of 38,1% comparatively with the previous year. Such a significant change is directly related with the reduction in the number of claims that occurred in 2020, because of the general and prolonged co-financing verified throughout the year due to the pandemic, with compulsory teleworking for a significant part of the population.

In the Fire and Other Damage line of business, the increase of the claims number decreased, being of 6,9%, following the evolution of the number of policies in force for these products.

With a reduced impact, because they are the least representative lines of business, the number of claims in Third Party Liability increased by 55,2% in relative terms, with a total of 185 occurrences in absolute terms, while in the Marine and Cargo the number of claims was the same as the one verified in the previous year.

The policies in force increased by 12,7%, comparatively with 2020, while the number of claims increased by 24,0%. This translated in an increase of the claims frequency rate. The reduction of the frequency verified in 2020 contributed greatly for this fact due to the general confinement.

Thus, the financial year of 2021 closed with a global frequency claims rate of 13,5%, 0,4 p.p. above 2020.

However, it should be noted that in the Motor line of business, the most representative of all the lines of business, the increase of the frequency rate was only of 1,1%.

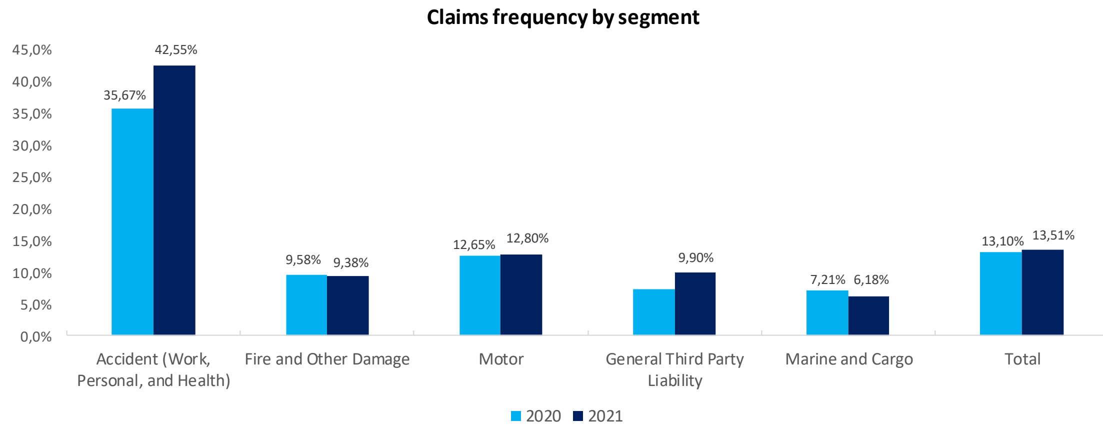


Figure 14: Evolution of claims frequency per line of business (2020-2021)

A.2.3. REINSURANCE

In Caravela's reinsurance policy there are Proportional and Non-Proportional Reinsurance Treaties, as well as Facultative Reinsurance and other modalities suitable for the protection of accepted risks.

The reinsurance programme, approved by Caravela for 2021, suffered, in relation to the 2020's reinsurers involved in its treaties, minor changes in its structure when compared to the previous year.

Regarding the Proportional treaties, which encompass the Fire and Other Damage, Marine, Cargo, and Engineering lines of business, the withholding tax and surplus was maintained, except for the Fire and Multi-Risk Treaty, whose surplus increased to 17.000 thousand euros, and in the Engineering Treaty, whose surplus changed to 7.500 thousand euros.

Regarding Excess of Loss treaties, which cover the Motor, Personal Accidents, Workers Compensation, and Third-Party Liability lines of business, these remained unchanged in terms of priority, except for the Motor Treaty – Own Damage, whose priority increased to 500 thousand euros. Regarding capacities, there were changes only in the Motor Treaty – Own Damage, where the annual aggregate limit increased to 6.500 thousand euros.

The Reinsurers involved are selected considering their reliability and financial solvency, as well as their service provision, follow-up, and availability presented. In this sense, it was decided to maintain Nacional Re as leader, in most treaties, with a 40% stake.

On treaty renewals, the minimum rating required of a Reinsurer was "A-", according to the rating agencies S&P and/or AM Best.

The table below shows the range of the main reinsurers, as well as their rating as at 31.12.2021:

REINSURANCE 2021	
Reinsurer	**Rating S&P**
Nacional Re	A
CCR Re	AA
Helvetia	A
Qbe	A+
Hannover Re	AA-
R+V	A+
Covea	A+
Odyssey	A-

Table 1: Main reinsurers 2021

A.2.4. TECHNICAL MARGIN

The technical margin, net of reinsurance, was 32.190 thousand euros, representing an increase of 8,9% (+2.638 thousand euros).

This increase was mainly due to the favourable evolution of the Accident (+20,5%, that is, 1.872 thousand euros) and Fire and Other Damage (19,1%, that is, 637 thousand euros) lines of business.

The evolution of the Motor line of business stands out as negative, with a decrease in the technical margin of -4,2%, -697 thousand euros.

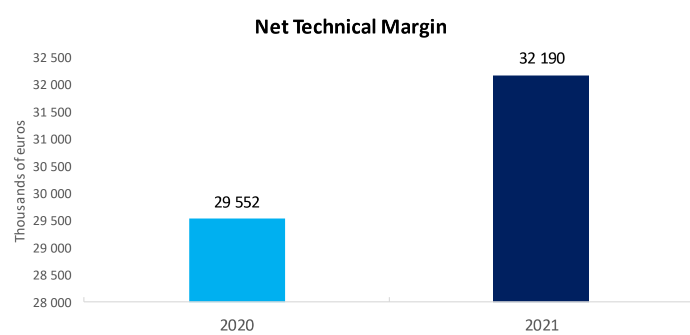


Figure 15: Net technical margin (2020-2021)

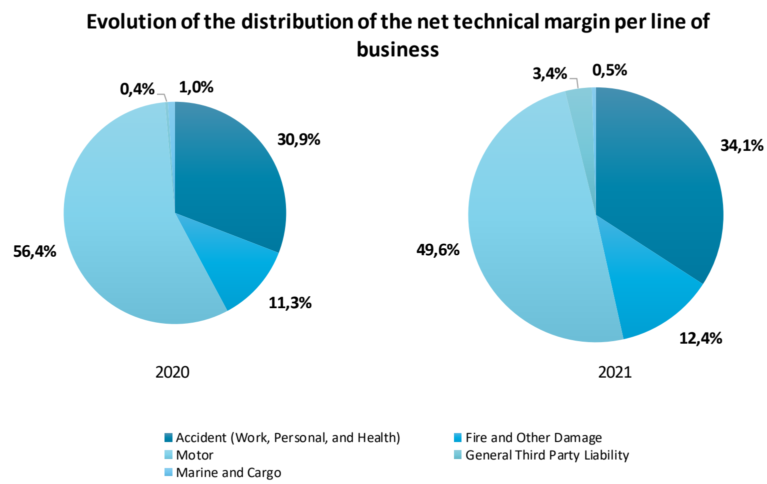


Figure 16: Evolution of the distribution of the net technical margin per line of business (2020-2021)

A.2.5. COMBINED RATIO

As for the combined ratio, there is a slight increase of 1,5 p.p., when compared with 2020, negatively contributing to the technical ratio, net of reinsurance (+3,6 p.p.), which will continue to require a continuous and proactive monitoring. As for the contribution of the operational ratio, it showed a decrease of 2,2 p.p..

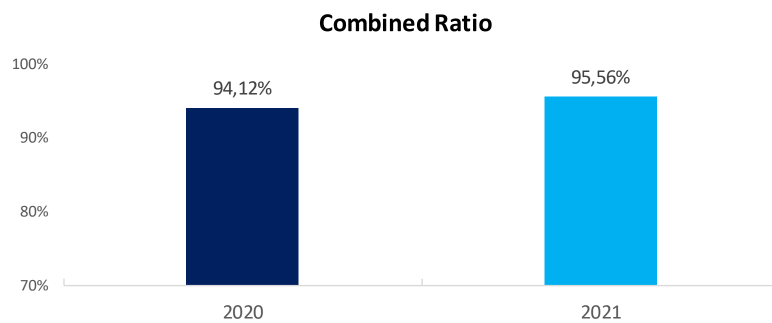


Figure 17: Combined Ratio (2020-2021)

A.3. INVESTMENT PERFORMANCE

Financial investments, mainly financial assets, grew by 14.398 thousand euros in 2021, reflecting a growth of 15,0% compared to 2020.

The management of financial assets—in partnership with OFI Asset Management—has been carried out in accordance with the investment policy of the Company, being guided, as in previous years, by caution, safety, and liquidity criteria and in compliance with the recommendations of both EIOPA and the National Supervisory Authority.

The following table summarizes the situation registered as at December 31:

ASSETS PORTFOLIO (thousands of euros)		2020			2021			VAR 21/20 %
		VALUE	%	%	VALUE	%	%	
1. REPRODUCTIVE INVESTMENT								
Financial Assets								
Government Bonds	(1)	11 967	13%	12%	11 179	10%	9%	-7%
Corporate Bonds	(1)	46 389	50%	47%	46 662	43%	39%	1%
Shares and Investment Funds		3 062	3%	3%	5 451	5%	5%	78%
Loans		252	0%	0%	50	0%	0%	-80%
Liquidity	(2)	31 660	34%	32%	44 386	41%	37%	40%
Subtotal		93 330	100%	95%	107 727	100%	90%	15%
Other Property Assets								
Real Estate		1 232		1%	9 049		8%	635%
Subtotal		1 232		1%	9 049		8%	635%
TOTAL (1)		**94 561**		**97%**	**116 777**		**98%**	**23%**
2. OPERATING INVESTMENT								
Equipment, Furniture, and Material		3 241		3%	2 930		2%	-10%
TOTAL (2)		**3 241**		**3%**	**2 930**		**2%**	**-10%**
TOTAL (1) + (2)		**97 802**		**100%**	**119 706**		**100%**	**22%**

Notes:

(1) Valuation with accrued interest

(2) Fixed-term and demand deposits with accrued interest and Treasury funds

Table 2: Composition of the portfolio of assets (2020-2021)

Exposure to government bonds decreased by 7,0% compared to 2020, while the exposure to shares and investment funds increased by 2.389 thousand euros. This exposure is primarily due to the compliance with the asset allocation strategy defined in the investment policy.

Liquidity between Demand Deposits, Fixed-Term Deposits, and Treasury Funds remained in line with 2020, justified by the capital increase made at the end of the year, but is in line with the risk and capital management parameters.

The financial results in 2021 increased by 858 thousand euros (+107,0%), compared to the same period, essentially due to a greater realisation of capital gains and to an increase in income generated of 135,6%.

Income, net of expenses (thousands of Euros)	2020	2021	VAR 21/20 %
Government bonds	63	40	-36,7%
Corporate bonds	323	318	-1,4%
Shares and investment funds	4	288	6373,4%
Deposits	2	0	-72,8%
Real Estate	76	480	529,5%
Loans granted	13	6	-52,3%
TOTAL Income	**481**	**1 133**	**135,6%**

Table 3: Income, net of expenses (2020-2021)

Gains, net of investments (thousands of Euros)	2020	2021	VAR 21/20 %
Government bonds	259	-2	-101,0%
Corporate bonds	5	484	10244,5%
Shares and investment funds	56	44	-21,6%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Loans	0	0	0,0%
TOTAL Net gains	**321**	**526**	**64,1%**

Table 4: Gains, net of investments (2020-2021)

In 2021, potential investment gains and losses recognised directly in equity stood at 187 thousand euros.

Net gains recognised in equity (thousands of Euros)	2020	2021	VAR 21/20 %
Government bonds	362	75	-79,3%
Corporate bonds	1 300	271	-79,2%
Shares and investment funds	-23	-159	-584,7%
Deposits	0	0	0,0%
Real Estate	0	0	0,0%
Loans	0	0	0,0%
TOTAL Net gains in Equity	**1 639**	**187**	**-88,6%**

Table 5: Net Gains recognised in Equity (2020-2021)

Emphasis should be given to the fact that there was no impairment in financial assets during the last six years, demonstrating the large caution in choosing the applications that make up Caravela's investment portfolio.

As to the rate of return, the total assets portfolio registered a positive average remuneration of 1,3%.

As of the date of this report Caravela has no investments in securitisations.

A.4. PERFORMANCE OF OTHER ACTIVITIES

A.4.1. MANAGEMENT COSTS

The total cost allocation by nature reached 14.396 thousand euros, representing an increase of 7,7% comparatively with 2020, due to a generalised increase either in the 'acquisition expenses' or 'other expenses' headings.

Management Costs (thousands of Euros)	2020	2021	VAR 21/20 %
Personnel Expenses	6 691	6 731	0,6%
External Services and Supplies	4 173	4 915	17,8%
Taxes and Fees	971	1 059	9,1%
Amortisation for the Financial Year	1 237	1 357	9,7%
Risks and Charges Reserves	0	0	-
Interest Incurred	29	26	-11,5%
Commissions	260	308	18,3%
Total	**13 362**	**14 396**	**7,7%**

Table 6: Evolution of management costs

A.4.2. STAFF

The number of staff increased from 129 to 133 permanent staff members.

	2020	2021	VAR 21/20 %
Permanent staff at the beginning of the period	*120*	*129*	*7,5%*
Entries	*12*	*10*	*-16,7%*
Exits	*3*	*6*	*100,0%*
Permanent staff at the end of the period	**129**	**133**	**3,1%**

U: Thousands of euros

Gross premium written / no. of employees	**781**	**875**	**12,0%**

Table 7: Evolution of staff

It is important to stress out the 12,0% increase in the direct insurance premiums ratio per permanent staff member, primarily due to the production growth.

Out of these 133, 68 are male and 65 are female:

Age group	Men	Women
Up to 29 years old	11	5
From 30 to 39 years old	11	15
From 40 to 49 years old	26	37
From 50 to 59 years old	15	7
Over 60 years old	5	1
Total	**68**	**65**

Table 8: Distribution of staff per age group

A.4.3. LEASES

Caravela holds operational and financial lease contracts regarding transportation equipment.

The detail as of December 31, 2021, by years of maturity of the financial and operating lease contracts, is shown in the table below:

Contractual Term	No. of vehicles	Minimum payable amount
2022	17	37 441
2023	8	52 071
2024	9	130 148
Total	**34**	**219 660**

Table 9: Operating Leases

Contractual Term	No. of vehicles	No. of Equipment	Payable Amount Interests	Payable Amount Equity
2023		1	61 633	2 701
2023	1		304	25 225
2023	1		303	25 150
2023	1		2 113	32 638
2025	1		1 530	54 910
Total	**4**	**1**	**65 883**	**140 624**

Table 10: Financial Leases

A.5. ANY ADDITIONAL INFORMATION

Not applicable.

B. GOVERNANCE SYSTEM

B.1. GENERAL INFORMATION ON THE GOVERNANCE SYSTEM

Caravela's governance system, in line with article 65 of the RJASR, has as its fundamental objectives:

a) To permanently ensure the necessary operational bases for a sound, cautious, and transparent management of the Insurer to safeguard the interests of all its stakeholders, naturally including all its employees;

b) To ensure the monitoring and maintenance of the company's internal control systems under the terms established by the ASF rules;

c) To ensure and promote, within the scope of its attributions, a fluid, available, and collaborative relationship with the ASF and other supervisory entities that may request information pertaining to the Insurer;

d) To control the monitoring of the company's risk activities regarding their operation and their reporting to the supervisory authority;

e) To monitor the systematic application of the determinants of the code of conduct of Caravela's employees.

B.1.1. GOVERNING BODIES

Caravela's governance follows the Latin model in accordance with article 278 of the Commercial Companies Code, and the Management and Supervision of the Company are carried out respectively by a Board of Directors and a Supervisory Board.

The supervision of the Company also includes a Statutory Auditor, who is not a member of the Supervisory Board.

Under the terms of the Company's Articles of Association, the following aspects concerning its Governance System should be highlighted:

a) The Shareholders' General Meeting is responsible for electing the members of the Board of Directors, as well as its President and Vice-President, for four-year periods, which may be re-elected more than once;

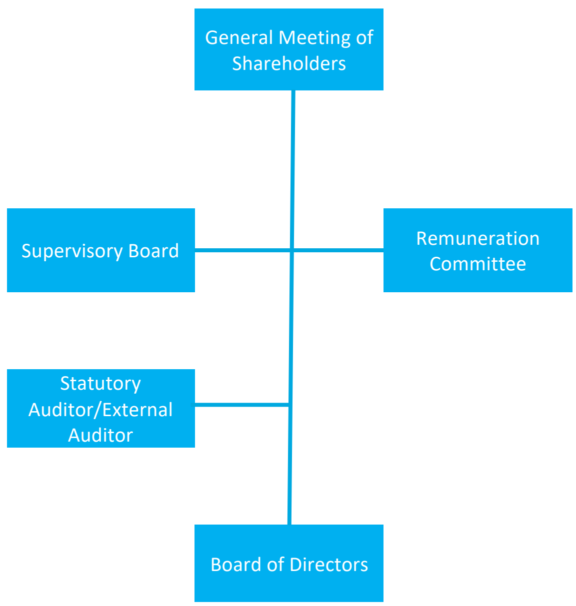
b) The Supervisory Board is also elected at a Shareholders' General Meeting, for four-year periods, with the possibility of re-election, in accordance with the independence rules set out in article 414 of the Commercial Companies Code regarding the qualitative composition of the Supervisory Body;

c) The Statutory Auditor is elected by General Meeting of Shareholders, with the respective mandate having the same duration as that of the other corporate bodies and in accordance with the rules established in article 414 of the Commercial Companies Code;

d) The Board of the General Meeting consists of a President and a Secretary, elected by the General Meeting of Shareholders for renewable periods of four years;

e) The General Meeting of Shareholders also elects the Remuneration Committee, for four-years periods, which may be re-elected more than once.

Such organisational structure is shown in the following chart:



Under the terms of the Company's Articles of Association, the Board of Directors is responsible for fully representing the Company and has the broadest management powers and competencies established by law and in the Articles of Association and may create, at its initiative and decision, councils of a consultative nature.

The Board of Directors deliberates on its organisation and functioning in accordance with article 407 of the Commercial Companies Code.

Based on good management practices and in compliance with the legally imposed regulations, Caravela has, within its operational structures, its own internal audit and control apparatus covering the various operational areas.

According to the Company's Articles of Association, the day-to-day management falls on a Board of Directors composed of three to nine members elected for four-year terms, who can be re-elected.

The current Board of Directors has a 2019-2022 term and is comprised of seven managers, one being the President, another the Vice-President, and five Members.

The governing bodies, identified below, are composed of:

General Meeting	
Nuno Miguel Marques dos Santos Horta	President
Nuno Miguel Novais Grangeon Cárcomo Lobo	Secretary

Board of Directors	
Luís Filipe Sampaio Cervantes	President
David Angulo Rubio	Vice-President
António Manuel Nestor Ribeiro	Member
Fabrizio Cesario	Member
George Koulouris	Member
Gonçalo Lopes da Costa de Ramos e Costa	Member
José Paulo de Castro Trigo	Member

Supervisory Board	
Manuel Augusto Lopes de Lemos	President
Humberto Manuel Martins Carneiro	Member
José Elísio Lopes da Silva Quintas	Member
José António Truta Pinto Rabaça	Alternate Member

Statutory Auditors	
Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A. - SROC nº 51, representada por Pedro Miguel Pires de Jesus - ROC nº 1930	Permanent
Paulo Jorge Damião Pereira - ROC nº 1219	Alternate

The Remuneration Committee is composed of three members:

Remuneration Committee	
Fabrizio Cesario	President
George Koulouris	Member
António Manuel Nestor Ribeiro	Member

The members of the Remuneration Committee are not remunerated and have no family links between them.

B.1.2. ORGANISATIONAL STRUCTURE

Management body

Caravela's management body is by excellence the Board of Directors, which is responsible for implementing and maintaining an appropriate and effective internal control system, defining the principles and objectives assigned to it, as well as ensuring compliance by all employees linked to the Company.

The Board of Directors is also responsible for establishing and maintaining a clear and cautious risk management system which, together with an efficient information and communication system, is the basis for the adequacy and effectiveness of Caravela's internal control system.

This way, the Board of Directors relies on five specialised committees responsible for assisting and advising it before decisions are taken in relevant areas which fall exclusively within the competence of the Board.

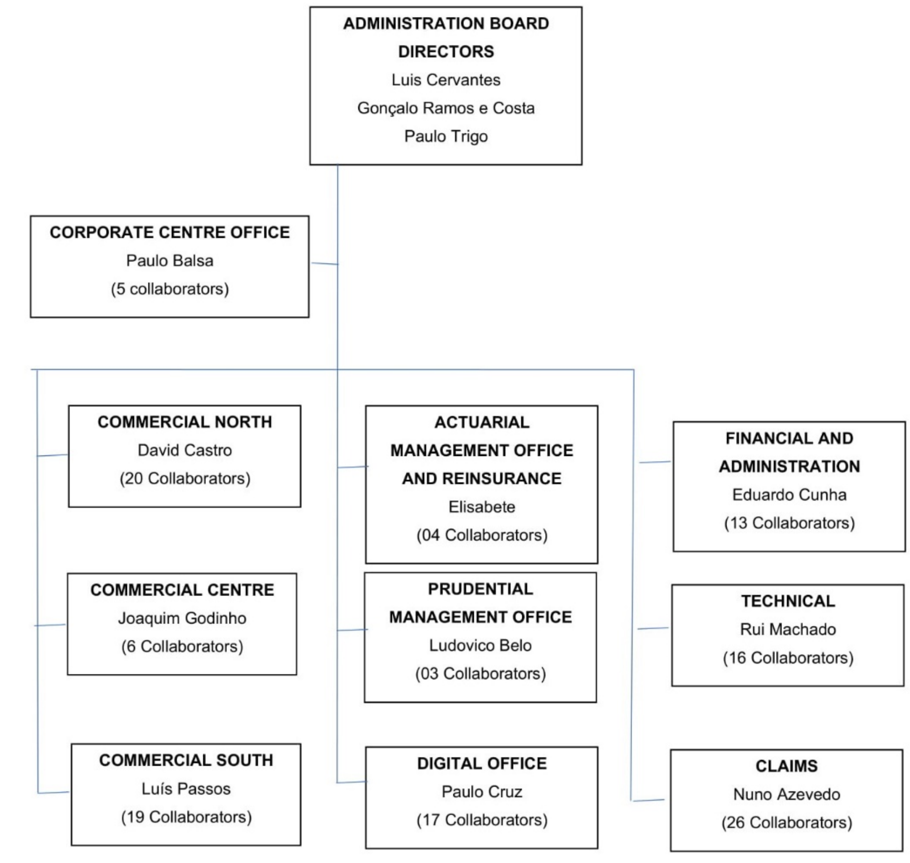
Bodies and members holding key functions

For the purposes of this governance system, the following are considered to be key-function holders in accordance with Article 5(1) of the RJASR:

a) Members of the management body;
b) Those responsible for the functions of Risk Management and Internal Control, Compliance, Internal Audit, and Actuarial;
c) Other employees in key-functions who show significant influence over the management of the company.

Internal Organization

GENERAL ORGANISATIONAL CHART OF CARAVELA-COMPANHIA DE SEGUROS, S.A.



Top management:

The fundamental autonomous areas of Caravela, represented in the organisation chart above, are directed by top-level managers identified therein, who report directly to the Management Body.

The above-mentioned managers include the Caravela key-function holders who also meet the Qualification and Suitability requirements demanded for the exercise of the function, namely, the suitability, experience, and professional qualifications, as set forth in article 65 of the RJASR.

São The following senior directors are ke- function holders:

- Elisabete Nora – Actuarial Function;
- Ludovico Belo – Risk Management and Compliance Function;
- Paulo Balsa – Internal Audit Function.

The operational proximity between the Board of Directors and the different levels of the organisational structure of the Company constitutes one of the added values of the day-to-day management of the Company, without prejudice to the practiced philosophy of empowerment, according to the principle of subsidiarity with room for creative affirmation of all functional levels.

During 2020, in view of the demands arising from the Company's development, the Board of Directors decided to give the Audit and Quality Department the name of Corporate Centre Office (GCC). The GCC's main target is to promote a rational and effective management of various obligations emerging from several back-office areas and is coordinated by Paulo Balsa. GCC incorporates the following areas: a) Human Resources, b) Secretariat, c) Internal Audit, and d) Complaints Management.

Specialised committees:

Complementing and standardising, through transparent and horizontal communication, the strategy defined by the Board of Directors, Caravela's organisational and functional structure also includes the five committees mentioned below:

- Executive Management Committee/Douro Project;
- Claims Committee;
- Risk Management Committee;
- Financial Committee; and
- Subscription Committee.

The Company's Board of Directors is represented on all these Committees, as well as the heads of the key-areas and functions directly related to each of these Committees, and all the operational departments are represented in the Executive Management Committee.

As previously described, these Committees constitute an essential instrument of the internal reflection process leading to the preparation of decision-making, regarding risk identification and monitoring, from a horizontal viewpoint, allowing for the appropriate capture of contributions with different perspectives, enabling decisions to be taken with consideration, incidence, and systemic effects.

In addition, for projects considered to be of a structural nature, specific working groups are formed to monitor them, in which members of the Board of Directors are present.

Control activities and segregation of functions

Notwithstanding its current dimension, Caravela already adopts the necessary measures for the identification and segregation of functions with incompatible overlapping or which require specific monitoring procedures, in order to mitigate the perverse effects of insufficient positioning and differentiated treatment.

B.1.3. REMUNERATION POLICY

The remuneration policy aims to systematise in a clear and objective manner the fundamental aspects associated with the fixed and variable components of the remuneration of both the members of the governing bodies and the heads of key-functions and other company functions.

The Company's remuneration policy complies with Regulatory Standard No. 5/2010-R of April 1 (Disclosure of information on the remuneration policy of insurance companies and pension fund management companies) and, of the same date, Circular No. 6/2010 (Remuneration policy of insurance or reinsurance companies and pension fund management companies).

Such remuneration policy is based on a cautious and appropriate monitoring in order to avoid any conflict of interests and is in line with the growth and profitability policy defined by the Company's shareholders.

1. Approval of the remuneration policy

The remuneration policy for Caravela's governing bodies is defined by the Remuneration Committee.

2. Disclosure

The remuneration policy is disclosed in the different areas as required by the law and rules in force.

3. Composition of the Remuneration Committee

The above-mentioned Committee is composed of 3 members elected by General Meeting:

- Fabrizio Cesario - President
- George Koulouris - Member
- António Manuel Nestor Ribeiro - Member

4. Remuneration Policy

Apart from the fixed remuneration, the members of the Board of Directors can have a variable remuneration which is granted according to the Company's net results.

5. External Consultants

In defining the remuneration policy of the members of Caravela's governing bodies, the services of External Consultants are not used.

6. Remuneration of the Statutory Auditor

The Statutory Auditor is remunerated in accordance with the conditions set out in articles 59 and 60 of D.L. no. 487/99, of November 16, as amended by D.L. no. 224/2008 of November 20. The fees are proposed by the Statutory Auditor and approved by the Board of Directors, with the Supervisory Board's opinion.

In 2021, the amounts paid including VAT were:

Fees Description	Amount
Solvency II Certification	**18 450**
Statutory Audit	**36 900**
year 2020	*36 900*
Total	**55 350**

Table 11: Statutory Auditor Remuneration

7. Composition of Caravela's Governing Bodies and respective remunerations in 2021

	Remuneration		
	Fixed	Variable	Total
Board of Directors			
Luís Filipe Sampaio Cervantes	211 576,80	0,00	211 576,80
David Angulo Rubio	50 000,00	0,00	50 000,00
Gonçalo Lopes da Costa de Ramos e Costa	198 288,55	0,00	198 288,55
José Paulo de Castro Trigo	197 390,65	0,00	197 390,65
Supervisory Board			
Manuel Augusto Lopes de Lemos	7 200,00	0,00	7 200,00
Humberto Manuel Martins Carneiro (a)	23 900,00	0,00	23 900,00
José Elísio Lopes da Silva Quintas	6 600,00	0,00	6 600,00

(a) Amount relating to the financial year and settlements of previous years' accounts

Table 12: Composition and Remuneration of the Governing Bodies

8. Employees Remuneration Policy

a) The remuneration policy for Caravela's Employees shall be proposed by the Human Resources Department for subsequent approval by the Board of Directors and assessed by the Company's control bodies;

b) The remuneration policy is disclosed in all its mandatory legal aspects;

c) Apart from fixed remuneration, Caravela's employees can have a variable remuneration, based on the following assumptions:

   i. The balance between both remunerations, in order to achieve easy and clear planning of the variable part;

   ii. The fact that the variable remuneration stems from a system of objectives and performance specially emphasising Caravela's goals, which must be clear, precise, determinable, and achievable.

9. Other employee benefits

Apart from the above-mentioned elements, Caravela's employees receive the following benefits:

a) Workers Compensation Insurance;

b) Personal Accidents Insurance;

c) Health Insurance;

d) Life Insurance;

e) Permanency Allowance, defined in the company's agreement subscribed and published in 2019;

f) Support specifically defined for the current Covid-19 pandemic period.

B.1.4. ASSESSMENT OF THE GOVERNANCE SYSTEM SUITABILITY

Caravela, considering its current governance system, concludes that the model is suitable to the nature, size, and complexity of the activity and risks to which the Company is exposed.

Caravela continuously monitors the suitability of its governance system, making any necessary changes as and when relevant and important.

B.2. QUALIFICATION AND SUITABILITY REQUIREMENTS

Caravela's policy for selecting and assessing the suitability of those responsible for key-functions is intended to comply with the provisions of Articles 65 to 71 of the RJASR and to ensure that the company adopts the highest standards of governance required by law.

This policy is formulated in a specific document that is an integral part of Caravela's governance system in force and has the following structure:

1. Scope;

2. Risk Management Committee (CGR);

3. Policy for selecting and appointing members of the management and supervisory bodies;

4. Policy on selection and suitability of other members holding key-functions;

5. Assessment of fitness and suitability;

6. Ongoing training plan for the members of the management and supervisory body and other members holding key-functions;

7. Specific prevention of conflicts of interest;

8. Accumulation of positions;

9. Diversity policy;

10. Review of the selection and evaluation policy;

11. Attachments.

The selection and suitability of the members of the management and supervisory body shall describe, with reference to collective abilities, the technical competence, availability, and diversity of the management and supervisory body and, with reference to individual abilities, the suitability, experience and professional qualifications, independence, and availability.

In the selection and suitability of members holding key-positions, the Board of Directors proactively develops the best efforts to identify possible candidates, as well as to prepare the respective succession process in a timely manner, being assisted in this process by the CGR, which will identify the people who, in its opinion, have the most suitable profile for the position.

In the evaluation and selection of candidates for key-positions, it is verified that they meet the requirements of suitability, professional qualifications, independence, and availability set out in Caravela's 'remuneration' policy, formulated in a specific document.

In addition to the requirements referred to in the previous number, it is particularly valued in the evaluation process: 1) the candidate's demonstration of high ethical principles, moral values, and behaviour compatible with the standards required to Insurance Companies (namely diligence, neutrality, loyalty, discretion, and conscientious respect for the interests entrusted to them), 2) their sensitivity to risk, as well as 3) their ability to make considered and constructive critical judgements and not influenced by third parties in relation to the situations in question.

The Company provides, on a continuous training basis, reasonable and necessary resources and time to ensure the acquisition, maintenance, and deepening of the knowledge and skills required for the proper performance of the functions attributed to the management and supervisory body and to the holders of key-positions.

The members of the management and supervisory bodies, as well as those in key-positions, shall avoid any situation liable to give rise to a conflict of interest. To this end, a conflict of interest exists whenever private or personal interests may influence, or appear to influence, the impartial and objective performance of the functions attributed. Private or personal interest means any potential advantage for oneself, one's family and relatives, or one's circle of friends and acquaintances.

B.3. RISK MANAGEMENT SYSTEM

The risk management system, at the operational level, is centralised in the Prudential Management Office, hereinafter called Prudential Management, an independent body from the operational departments that integrate the business areas, consistently incorporating the concepts of systemic risk in the strategy and decisions of the company with effects on its results.

Prudential Management is defined as an autonomous structure whose value judgements are based on best management practices, ensuring, with an independent status, but in compliance with the guidelines of the management body, strict compliance with the rules established by the supervisory body in matters of risk management and implementation of the methodologies necessary for the judicious identification, measurement, and mitigation of systemic or individually relevant risks, namely through:

a) Formalisation of the risk management operational model, ensuring its compliance with the regulatory requirements in the context of the RJASR;

b) Up-to-date maintenance of the conceptual models for management by risk class, ensuring the compliance of protective strategic guidelines approved by the Board of Directors;

c) Creation of risk control and mitigation programmes, guaranteeing that the materialisation of such cannot jeopardise the Company's financial stability and solvency;

d) Drawing up contingency plans for potential adverse scenarios so as to prevent relevant losses that jeopardise the Company's solidity;

e) Monitoring any needs to reinforce material solvency means and any unfavourable deviations in Caravela's risk profile, considering the levels and requirements defined under the RJASR;

f) Definition of the tolerance levels to be respected for each risk, with periodic review of such levels;

g) Creating and monitoring automatic alert indicators to enable the timely detection of any adverse risk deviations;

h) Development of methodologies and policies that ensure risk management and internal control, in accordance with the model in force, with a view to adapting them to the level of exposure and organisational structure that Caravela adopts at any given time;

i) Standardisation of procedures applicable to the entire Caravela structure, through the various committees created, liaising with the statutory auditor and external auditor on the certification of the internal control system;

j) Training of the risk managers appointed in the respective operational areas;

k) Support in the identification, management, and control of new risks arising from the different activities of the company;

l) Periodic updating of the documentation on the internal control processes;

m) Study and implementation of measures that enable the safety of human and material capital that make up the Company's operational structure;

n) Supporting the development of continuous training and awareness programmes for employees, in accordance with their functions, concerning operational risks and best practices for their mitigation;

o) Definition of procedures and information necessary for Caravela to be prepared to respond to external sectorial or extra-sectorial—national or international—risk events;

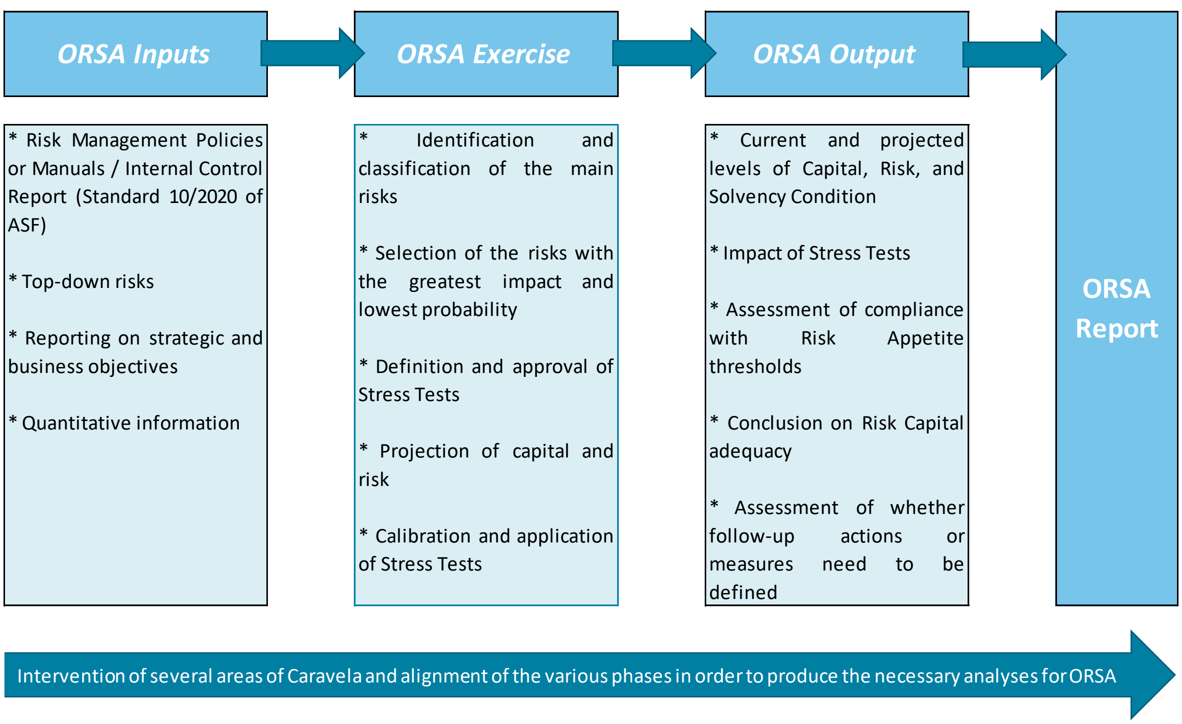
p) Supporting the Board of Directors and the different directorates in the preparation of documents aimed at formalising the main risk management and internal control strategies and processes.

B.3.1. PROSPECTIVE RISK SELF-ASSESSMENT

The ORSA[1] (Prospective Risk Self-Assessment) Policy has as its main objectives:

i. To define the broad principles to be adopted in the prospective risk self-assessment exercise;
ii. To define an ORSA process that allows for the development and adoption of an adequate methodology;
iii. To define the structure of the ORSA report for internal use and for submission to the regulator;
iv. To establish the governance and reporting mechanisms associated with the ORSA exercise and policy.

To carry out the prospective risk and capital self-assessment, Caravela has defined an ORSA process, consisting of four distinct phases, which establishes the order in which the various activities should be carried out, ensuring that all the analyses required for the process are prepared and carried out.



[1] *ORSA – Own Risk and Solvency Assessment*

Figure 18: Stages of the ORSA Process

The ORSA report is submitted to the Supervisor at least annually, and within two weeks of the completion of the ORSA process with the approval of the Board. The report shall be composed of the processes, analysis, and outcomes of the ORSA Process according to the following reporting flow:

i. Preparation of the Report by the Prudential Management Office, together with other Directorates whenever necessary;
ii. Preparation of the Management Declaration;
iii. Validation from the Risk Management Committee;
iv. Board approval;
v. Submission to the Supervisor and making available to internal and relevant Stakeholders.

In addition, the Board shall decide, in accordance with the parameters set out in the policy, on the need to conduct a Non-Regular ORSA. If this is done, and although it is a shorter exercise, it should also follow the defined reporting flow.

In the ORSA governance chapter, which looks at the functions associated with the ORSA process and report, we highlight the elements of Caravela responsible for the different stages.

1. Board of Directors

The Board has as its main responsibilities the approval of the ORSA Process and Report, and the submission of the latter to the Supervisor and internal Stakeholders. However, it is also responsible for:

i. Approving the assumptions, inputs, and methodologies used for the multi-year projection of risks and capital under the ORSA;
ii. Approving the Stress Tests or sensitivity analyses performed;
iii. Analysing and validating the results of the projection of risks and capital and the application of Stress Tests or sensitivity analyses;
iv. Approving recovery and follow-up measures and actions, if proposed;
v. Ensuring linkage between ORSA results and the annual strategy and budget setting process;
vi. Deciding on the need for a Non-Regular ORSA;
vii. Approving the ORSA Process and ORSA Report;

2. Risk Management Committee

The main responsibility of this Committee is the validation of the ORSA Process and Report. It is also responsible for:

i. Approving the assumptions, inputs, and methodologies used for the multi-year projection of risks and capital under the ORSA;
ii. Validating Stress Tests or sensitivity analyses to be applied;

iii. Analysing and validating the results of the projection of risks and capital and the application of Stress Tests or sensitivity analyses;
iv. Analysing and validating the proposed recovery and follow-up measures and actions;
v. Promoting alignment between ORSA outcomes, risk appetite and strategy and budget setting process;
vi. Giving its opinion on the need for a Non-Regular ORSA;
vii. Approving the ORSA Process and ORSA Report;

3. Prudential Management Office

The Prudential Management Office concentrates the operational responsibilities related to the ORSA Process as well as the preparation of the ORSA Report. In addition, it accumulates the following responsibilities:

i. To propose the assumptions and methodologies to be used in the multi-year projection of risk and capital and collect the different inputs;
ii. To propose the various Stress Tests or sensitivity analyses to be applied;
iii. To carry out ORSA calculations and analyse and prepare the results for discussion and validation;
iv. To propose follow-up and recovery actions and measures, when appropriate and necessary;
v. To analyse the triggers defined and proposing the implementation of a Non-Regular ORSA;
vi. To develop the ORSA report.

4. Outras Unidades Orgânicas

Whenever necessary, other Caravela Organic Units may be called to intervene in the ORSA Process. The main responsibilities are for collecting and preparing inputs, as well as providing them at the level of:

i. Information on the business and strategy;
ii. Identification and evaluation of the main risks to which Caravela is exposed;
iii. Multi-year budget, accounting information or investment details.

They should also prepare and make available any additional information that may be considered necessary.

B.4. INTERNAL CONTROL SYSTEM

Caravela's internal control system is part of the Prudential Management of the Company, constituting an autonomous and dedicated structure, whose mission is to create procedures that ensure the reliability of the relevant information and the appropriate prevention and monitoring of risks, in addition to verifying compliance with the defined operational procedures.

In designing the internal control system, principles were adopted that are based on the following basic assumptions:

a) The control culture promoted internally by the organisation is a determining factor in the awareness and conduct of its employees;

b) All employees are responsible for the internal control;

c) Internal control is a dynamic process that should be integrated into the business processes and respective support;

d) The definition of policies and procedures contributes to ensure the achievement of objectives, reducing operational risks and waste of resources;

e) The internal control system must be supported by a permanent monitoring process.

Caravela's internal control policy has as its mission:

a) To create a formal environment of permanent surveillance of the existing internal controls in all physical locations where Caravela services exist;

b) To convey to employees a culture that makes them aware of the need for effective and efficient internal control mechanisms;

c) To provide the management and supervisory bodies with assurance of the integrity of internal controls.

Internal control is part of the corporate risk management and is a permanent process developed to ensure, without problematic deviations, that the company's objectives are achieved, along the following axes:

a) Estratégico: referem-se às orientações de nível mais elevado, fixados pelo órgão de Administração alinhadas com a missão da Caravela;

b) Operational: efficient use of the available resources;

c) Communicational: concerns ensuring the reliability, clarity, and trustworthiness of management reports and financial reports;

d) Conformity: compliance with the laws and regulations in force.

Regarding the control and supervision culture, Caravela takes into consideration the following methodology:

The Board of Directors approves and periodically reviews the main business strategies and policies of the Company, based on the perception of the risks to be addressed; establishes the degree of acceptable risk exposure and ensures that the senior managers take the necessary measures to identify, measure, and control these risks, constantly assessing the integrity of the existing controls;

Regarding risk identification and assessment:

Caravela follows a policy of cautious management for framing the various risks defined in legislation, which is subject to specific reports and periodic reviews.

<u>Compliance unit</u>

The autonomous compliance unit is part of the Prudential Management Office and is responsible for:

a) Automating and keeping up to date the list of legal and regulatory obligations of each Directorate, as well as the guidelines related to Caravela's code of conduct;

b) Monitoring compliance with the internal rules and processes in place;

c) Assessing the risk of compliance regarding the use of the personal databases held by Caravela, proposing the measures and actions it deems appropriate with a view to the judicious use of those elements;

d) Participating in projects involving the implementation of legal procedures or requirements, as well as those relating to the definition of governance principles, applicable to the activity carried out by the company;

Promoting the necessary controls to prevent money laundering and the financing of terrorism.

B.5. INTERNAL AUDIT FUNCTION

The Internal Audit Department functionally reports to the Board of Directors and its mission is to evaluate the results, effectiveness, and suitability of the risk management, internal control, and governance processes inherent to the company's activity, so that the interests of shareholders, policyholders, insured parties, beneficiaries, employees, and other entities directly interested in the good performance and solvency of the Company are not jeopardised.

It is also responsible for providing quality services in the various areas of its intervention, according to criteria of productivity, promptness, and efficiency, in accordance with the strategies, guidelines, and policies issued by the Board of Directors.

According to the RJASR the internal audit directorate is a body independent from the operational functions that should mainly focus on specific insurance, credit, market, liquidity, operational, reputational, and strategic risks.

Within the scope of its specific attributions, it is responsible in particular for:

a) Analysing the operational and business processes, assessing their compliance with the applicable internal and external regulatory texts;

b) Collaborating with all Caravela's bodies to support the correct observance of the policies defined above;

c) Ensuring and promoting, within the scope of its duties, frank and fluid relations with supervisory bodies, as well as to respond to relevant requests from other public and private institutions;

d) Participating in the definition, disclosure, and practice of normative texts, with a view to preventing incidents that may interrupt the normal continuity of the Company's operations;

Autonomy:

a) The Internal Audit Department is granted autonomy and freedom to access documentary records, physical facilities, and contact with Caravela's employees relevant to the performance of its functions;

b) The employees of the Internal Audit Department respect the impact and ownership of the information they receive and do not disclose it without due authorization, except in cases of legal or professional obligation;

c) All the employees of the Internal Audit Department shall meet the fit & proper standards required for the exercise of their functions.

Independence:

All internal auditing activities must remain free from interference from any element of the organisation, so that the independence and impartiality essential to the drawing of conclusions may be maintained.

Field of Action:

The Internal Audit Department's field of action covers the analysis and evaluation of the overall efficiency of governance, the individual or aggregate results of risk management, the internal control system, and the quality of performance of the execution of functional responsibilities assigned individually in pursuit of the established objectives and targets.

B.6. ACTUARIAL FUNCTION

Actuarial management is responsible for the actuarial function and has as its core objectives:

a) To prepare technical and actuarial studies and analyses for the various business areas of the company, previously approved by the Board of Directors;

b) To study and implement new techniques and methodologies for the development of studies in its area of action;

c) To strive for consistency and reliability of the information collected for the preparation of the studies and analyses entrusted to it;

d) To ensure, at regular intervals, correct evaluation of the technical reserves, informing the Board of Directors of their suitability and sufficiency, foreseeing possible deviations and proposing measures to correct any dysfunctions upstream of the results observed, particularly with regard to subscription and/or reinsurance agreements;

e) To collaborate with the different areas involved in the preparation of timely responses to requests for information required by external entities;

f) To collaborate in the preparation and supply of statistics and maps for the ASF and the Portuguese Insurers' Association (APS), involving the technical skills of the actuarial;

g) To develop tariffs for new products, whenever requested to do so, using sensitivity analyses;

h) Within the scope of the RJASR, develop techniques that make it possible, among other things, to determine the best estimate and risk margin in the value of technical reserves, calculate future cash flows, economic capital, test Stress Test scenarios, and assess the impact of reinsurance;

i) To ensure the preparation of studies and technical and actuarial analyses requested by the heads of technical areas and by the Board of Directors;

j) To ensure the sufficiency, quality, and reliability of the data used in the calculation of technical reserves.

B.7. SUBCONTRACTING

The policy of subcontracting operational functions or activities considered relevant to Caravela, aims to provide the company with the best services and resources, necessary for the pursuit of the company's objectives, and whose providers meet the same requirements demanded of key-function holders, under the terms of the RJASR.

This policy is formulated in a specific document that is part of Caravela's governance system.

The subcontracting of operational functions or activities to individual or collective entities shall be mandatorily supported by a written service provision contract under the legal provisions in force.

In the process of subcontracting functions or activities inherent to the company itself, Caravela takes responsibility for complying with the obligations arising from the RJASR.

Whenever there is the intention to outsource fundamental or important functions or activities, as well as any subsequent significant events that affect these functions or activities, Caravela will inform the ASF in advance, under the terms of paragraph 3 of article 78 of RJASR.

The procedures for selecting subcontracted entities—individual or collective—are the responsibility of the duly authorised top management, which may be assisted by areas that identify with it.

The entities to be subcontracted must meet the suitability requirements considered necessary for the performance of these functions or activities, especially regarding suitability, professional qualification, independence, availability, and capacity for good professional performance, with a view to the desired result.

Caravela's management body is always responsible for the final decision on subcontracting.

B.8. ANY ADDITIONAL INFORMATION

B.8.1. CODE OF CONDUCT

Caravela has created its own Code of Conduct, disclosed on the company's website, which sets out the guidelines on individual behaviour and ethical principles in the professional field, which is part of the Caravela's Governance System.

B.8.2. STATUTORY AUDITOR

Under the terms of the law and the company's articles of association, the supervision of Caravela's business, records, and results will also be exercised by a statutory auditor or firm of statutory auditors who is not a member of the Supervisory Board; this person is elected at the General Meeting and can be re-elected, in compliance with the rules established in the Commercial Companies Code.

The Statutory Auditor annually certifies the information to be provided and the elements of the report on the solvency and financial condition of the company and is obliged to immediately communicate to the ASF any fact or decision, which may constitute a violation of legal standards, affect the continuity of the business, or lead to non-compliance with the solvency capital requirements.

B.8.3. RESPONSIBLE ACTUARY

Under the terms of the regulations in force, it is the responsibility of the responsible actuary to certify the quantitative information that entities must report to the ASF for supervisory purposes, with regard to the adequacy to the applicable legal, regulatory, and technical reserves of the calculation of technical provisions, under Solvency II, the amounts recoverable from reinsurance contracts and entities with the specific purpose of securitisation of insurance risks and the components of the Solvency Capital Requirement related to these items.

Due to incompatibility of the Actuarial and Responsible Actuary functions, Caravela opted to outsource the latter, being guaranteed by an actuary duly certified for the purpose by ASF.

B.8.4. REVISION OF THE GOVERNANCE SYSTEM

Under the terms and scope of Article 41 of the Solvency II Directive, the governance system will be reviewed within the scope of the risk management functions, after being discussed and assessed by the risk management committee, on a three-yearly basis and submitted in a specific report to the management body with the recommendations deemed necessary and appropriate for its improvement.

After receiving the report on the governance system, the Board of Directors shall approve the recommendations presented or present grounds for its refusal, identifying alternative solutions, should weaknesses or outdatedness have been detected in some of the concepts that are a part thereof, in relation to the applicable regulations.

C. RISK PROFILE

Taking risks is intrinsic to the activity of any insurer. Therefore, Caravela's Risk assessment assumes that it is aware of the characteristics of its risk profile, namely at the level of its material risks and the amount of risk it is willing to accept in order to achieve its strategic and business objectives. To this end, and in order to ensure a consistent approach to identifying, assessing, and monitoring risks, Caravela presents its risk appetite objectives and thresholds, as well as the main risks to which it is exposed arising from the 2021 financial year.

Caravela understands the concept of Risk Appetite as being the level of unexpected losses that it is willing to accept in order to achieve its strategic objectives. As part of its Risk Appetite Methodology, and as referred to above, the Company has defined Risk Appetite objectives and thresholds that must be met in both base case and Stress Test scenarios.

Based on the defined risk strategy and objectives, Caravela has established two quantitative risk appetite metrics involving the Company's capital and profitability dimensions.

Capital Metrics (Solvency)

The Solvency metric aims to ensure that the Company has an adequate level of capital to meet current and emerging risks, thus allowing adequate protection for its policyholders. For this metric, made tangible through the Solvency Margin, Caravela has defined the following thresholds:

	Risk Appetite Dimension	Threshold	Threshold Type
Solvency	Capital target	125%	Rigid
	Minimum Acceptable Capital	110%	Rigid

Table 13: Risk Appetite Threshold – Solvency Metric

Profit and Loss Metric (ROE)

The Profit & Loss metric aims to ensure that Caravela does not take risks that may significantly jeopardise the profitability of the business. For this metric, made tangible through Return on Equity[2] (ROE), Caravela has defined the following thresholds:

	Risk Appetite Dimension	Minimum Threshold	Threshold Type
Results	Current Profitability Target	10%	Flexible
	Minimum acceptable return	0%	Flexible

Table 14: Risk Appetite Thresholds – Results Metric

C.1. SPECIFIC INSURANCE RISK

The specific insurance risk corresponds to the risk inherent in the trading of insurance contracts, associated to product design and their pricing, to the underwriting process, liabilities provisioning, and claims and reinsurance management.

In Non-Life insurance, the specific risk of insurance includes, among others, premiums, reserves, and catastrophic risks.

The underwriting, provisioning, and reinsurance processes are duly documented with respect to the main activities, risks, and controls.

In summary, the most important control mechanisms are:

- Delegation of Competencies formally defined for different processes;
- Segregation of functions between the areas that carry out risk analysis, calculate tariffs, issue technical opinions, and issue policies;
- Limited access to different applications according to their user profile;
- Documentation scanning in issuing processes and claims management;
- Procedures of case-by-case cross-checks.

[2] Return on net equity

Underwriting risk is monitored, within the scope of the risk management committee, through the evaluation of reports and technical studies prepared by the Actuarial Management Office and, complementarily, through the analysis of the KRI[3] disclosed by the Prudential Management Office. The technical studies focus on the Company's main products, namely motor, workers compensation, and multi-risks.

The level of claims reserve is monitored monthly, with quarterly reviews to all claims processes, being implemented stochastic assessment models to fill insufficient reserves.

The development of the direct insurance claims reserve, gross of reinsurance and net of reimbursements, excluding mathematical reserves of the Workers Compensation line of business and claims reserve management costs, can be analysed as follows through the triangles of claims costs and payments of the last 10 years:

(thousands of euros)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Initial estimate of claims cost, gross of reinsurance and net of reimbursements (*)	26 307	14 091	13 569	14 759	16 900	18 275	24 388	27 887	35 428	44 266	55 902
Accumulated Payments											
One year later	20 896	10 497	10 240	10 593	14 741	16 958	25 599	30 270	39 115	44 699	
Two years later	21 713	11 218	11 227	11 592	15 990	18 106	27 015	31 875	40 921		
Three years later	22 469	11 691	11 769	11 889	17 089	18 830	27 490	32 690			
Four years later	23 043	11 759	12 074	12 043	17 319	19 773	28 558				
Five years later	23 287	12 158	12 155	12 338	17 889	19 859					
Six years later	23 501	12 178	12 175	12 384	18 084						
Seven years later	23 547	12 224	12 451	12 474							
Eight years later	23 555	12 256	12 876								
Nine years later	23 562	12 676									
Ten years later	23 525										
Final Estimate of Claims Costs											
One year later	24 227	13 179	13 815	14 167	17 801	19 816	27 908	32 369	41 440	48 644	
Two years later	24 027	13 457	13 397	13 391	18 034	19 923	28 522	33 359	42 850		
Three years later	23 789	13 375	13 430	13 166	17 877	20 440	28 740	34 233			
Four years later	23 918	13 019	13 291	13 173	18 048	20 509	29 084				
Five years later	23 907	12 730	13 244	12 811	18 238	20 541					
Six years later	23 749	12 827	13 261	12 791	18 286						
Seven years later	23 607	12 729	13 238	12 908							
Eight years later	23 592	12 982	13 303								
Nine years later	23 587	12 986									
Ten years later	23 548										
	2 759	1 105	265	1 851	-1 385	-2 266	-4 696	-6 346	-7 422	-4 377	

(*) excluding mathematical provisions, management costs provision, IBNR and IBNER

[3] *Key Risk Indicator*

Table 15: Evolution of claims costs

Caravela practices a ceded reinsurance policy based on proportional and non-proportional treaties. In 2021, the reinsurance structure consists of proportional treaties (Share and Surplus) and non-proportional treaties (Excess of Loss and Catastrophic Coverage), as according to the following table:

Line of business	Reinsurance Type
Worker's Compensation	Excess of loss (XL) and Proportional
Personal Accidents	Excess of loss (XL) and Proportional
Health	Fronting
Property	Quota-share
Property (Natural Catastrophes)	Excess of loss (XL)
Engineering	Quota-share
Motor	Excess of loss (XL) and Proportional
Marine and Transports	Quota-share
Cargo	Quota-share
Third Party Liability	Excess of loss (XL)

Table 16: Reinsurance structure

C.1.1. Underwriting Risk (Non-Life)

The exposure to Non-Life Underwriting Risk, compared to the previous year's reporting, shows an increase of 24,2%, reaching a value of 19.812 thousand euros in 2021.

In a more detailed analysis, it is possible to conclude that the sub-risk that contributes most to its increase is the Premium and Reserve risk, as this has a weight of approximately 99%. The increase in this risk accompanies the increase in the premiums volume measure (+14,2%), as well as the increase in the reserves volume measure (+82,9%).

The Lapse risk, although growing by 19,2%, is immaterial, corresponding to about 1%, and the Capital Requirement of the Catastrophic risk increased by 7,1%, although materially irrelevant, as there were small changes in the existing reinsurance treaty.

The results obtained for each sub-risk that makes up the Underwriting Risk (Non-Life) can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Non-life Underwriting Risk	**15 955**	**19 812**
Premium and Reserve Risk	15 741	19 586
Lapse Risk	161	192
Catastrophic Risk	781	837

Table 17: Non-Life Underwriting Risk SCR

C.1.2. Underwriting Risk (Health)

The exposure to Health Underwriting Risk shows growth compared to 2020, reaching around 10.028 thousand euros in 2021.

Looking in more detail at the Health SCR, it can be concluded that the Health Non-Similar to Life Techniques (NSLT) component, consisting of Premium and Reserve risk, has the highest weight and the largest increase. This increase is justified by both the growth in production of the Worker's Compensation line of business and the growth in the provisioning verified in 2021.

The Health Similar to Life Techniques (SLT) risk is made up of the Longevity, Expense, and Revision risks. All these risks are calculated by applying a shock to the Best Estimate of Health Similar to Life Techniques subject to each of the risks.

The results obtained by the Company for each sub-risk that makes up the Health Underwriting Risk can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Health Underwriting Risk	**9 147**	**10 028**
NSLT Health Risk	**8 642**	**9 498**
Premium and Reserve Risk	8 642	9 498
SLT Health Risk	**937**	**986**
Longevity risk	421	368
Expense Risk	445	583
Revision Risk	391	349

Table 18: Non-Life Underwriting Risk SCR

C.2. MARKET RISK

Market risk consists of risk of loss or adverse movements in the value of assets related to changes in the market prices of financial instruments.

This risk includes exchange rate, stock, real estate, interest, spread, and concentration risks.

The Investment policy defines the guiding principles for prudent investment management as well as monitoring and reporting activities.

In order to assure a prudent and adequate risk management, portfolio exposure limits were set out based on 6 specific criteria:

- Asset class;
- Type of issuer (legal form);
- Rating level;
- Activity sector;
- Geographical area;
- Concentration per issuer.

The allocation of assets is characterised as conservative with the exposure to rate risk, namely debt securities, being around 79% and to stock risk 13%, before the diversification effect. The debt securities must have a high credit quality, greater than BBB, at the date of acquisition. Rating downgrades are assessed on a case-by-case basis in a specific meeting, deciding whether to maintain or sell the asset.

Although not included in the investment policy, it should be noted that the majority of Caravela's investment portfolio is invested in Socially Responsible Investments – SRI[4], with a score of 3,13/5 as at December 31, 2021 (3,13/5 as at December 31, 2020).

Market risk is monitored monthly, within the scope of the Financial Committee, by assessing the KRI developed for this purpose, which are the responsibility of the Prudential Management Office, and quarterly by assessing the reports prepared by the management entity.

The reports incorporate analyses of the asset structure—allocation strategy by asset type, issuer credit risk, diversification by issuer, geographic area, and activity sector and are complemented by verifying the thresholds stipulated in the investment policy, by a sensitivity analysis of the bond and share portfolio.

[4] Socially responsible investments (SRI), also referred to as ethical investments, differ from others as they include environmental, social, and corporate governance variables in their investment options.

Investment in derivatives and similar products, repo and securities lending transactions are only permitted with the express authorisation of the Board of Directors, and at the present time there is no investment in these products.

Market risk is assessed in Solvency II environment, in the quarterly calculation of the regulatory capital requirement.

Interest rate risk arises from changes in the temporal structure or the instability of interest rates. Assets (bonds and fixed-term deposits) and liability (technical reserves, especially the mathematical reserve of Workers Compensation) are exposed to interest rate risk. Exposure to interest rate risk is measured as the difference between assets and liabilities for each time period. In 2021, the interest rate risk derives from a falling rate scenario, as it proves to be the most damaging, contrary to the homologous period.

Equity risk results from the instability of stock market prices, with equity securities being exposed to such risk, particularly investments funds totally or partially composed of said titles. Stock risk increased in view of the market risk diversification strategy adopted in 2021.

Property risk results from the instability of real estate price market. In 2021, this risk remained unchanged in relation to the capital requirement since the assets in exposure did not change.

Spread risk consists of unexpected losses caused by the depreciation of credit quality or default of a business partner, reflecting the instability of credit spreads along the risk-free of interest rates curve. The securities exposed to this risk are mainly corporate bonds and fixed-term deposits. Spread risk, on debt issuers and the banking entities where fixed-term deposits are placed, shows an increase of 9,6%, justified by the increase in the assets in exposure (+9,8%), despite the decrease in their weighted average duration (4,5 years in 2021 against 4,3 in 2020). The average rating of the asset's portfolio suffered a slight upgrade (A) compared to the previous year (A-).

Currency rate risk is caused by the instability of exchange rates against the Euro. Exposure to such risk is residual due to the non-authorisation of investment in foreign currency established in the investment policy. Indirectly, through the transparency of investment funds held, there is reduced exposure to foreign currency in a given financial year. In view of the reduced exposure, the exchange rate risk also presents a residual capital requirement.

Concentration risk refers to additional instability in a very concentrated portfolio. Exposure to concentration risk, measured according to the concentration in the portfolio of issuer groups, shows an increase of 2,7%, with a requirement of 220 thousand euros.

The increase in exposure to Market Risk of 70,1%, is justified by the increase in the investment portfolio (+11,4%).

The results obtained by the Company for each sub-risk that makes up the Market Risk can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Market Risk	**4 871**	**8 288**
Interest Rate Risk	630	435
Upward shock	*630*	*244*
Downward shock	*256*	*435*
Equity Risk	1 669	3 238
Property Risk	308	2 262
Spread Risk	3 242	3 553
Currency Risk	3	0
Concentration Risk	214	220

Table 19: Market Risk SCR

C.3. CREDIT RISK[5]

Credit risk consists of the risk of loss due to default or deterioration of counterparty credit levels which is mitigating existing risk, such as reinsurance contracts, receivable amounts by intermediaries, as well as other credit exposures that have not been considered in the spread risk.

The Company has control procedures to mitigate such risk regarding clients and agents, particularly the systematic monitoring of the amounts and seniority of receivable receipts. This procedure is guaranteed by the Financial and Administrative Management and assessed by the Risk Management Committee.

As far as reinsurers are concerned, they are carefully selected not only due to their economic and financial strength, but also to their technical capacity. An analysis is performed periodically to the development of the reinsurer's ratings.

Exposure to Counterparty Default Risk increased by 17,5% in 2021, due to the increase in counterparty default risk of both type I and type II.

The results obtained by the Company for each sub-risk that makes up the Counterparty Default Risk can be seen in the following table:

[5] Type I - reinsurance and coinsurance contracts and demand deposits
Type II - amounts receivable from agents, policyholders, and third parties

SCR (thousands of Euros)	2020	2021
Counterparty Default Risk	**2 959**	**3 478**
Counterparty Default Risk Type I	1 634	1 808
Counterparty Default Risk Type II	1 529	1 909

Table 20: Counterparty Default Risk SCR

C.4. LIQUIDITY RISK

Liquidity risk arises from the possibility of the Company not holding assets with enough liquidity to meet the obligations to policyholders and other creditors as they mature.

For risk mitigation purposes, it should be noted that the Company has a monthly liquidity plan which is reviewed weekly and analysed daily.

The liquidity plan also aims at the financial investment of surplus capital, particularly in short and medium-term deposits to the safeguard of advanced mobilisation.

Whenever there are strong outflows, the Financial and Administrative Management together with Investment Management, foresees liquidity needs.

The investment portfolio held as at December 31, 2021, when analysed in terms of its liquidity, shows 100% convertibility within a period of 2 to 7 days.

C.5. OPERATIONAL RISK

Operational risk is the risk of significant losses resulting from inadequacy or failures in processes, people, or systems, or external events.

The following point, which refers to the internal control system, includes the operational risks with highest granularity.

The operational risk management aims to identify and know the risks that the Company face and to monitor them in accordance with the tolerances set.

The methodological approach used follows three stages:

1) Identification and classification of risks

The identification of the risks is carried out through interviews with the managers in charge for the Company's main areas.

In these interviews the main top-down risks of the area will be identified and categorised according to ASF guidelines.

In addition to the risk category and subcategory, the Company defines the risk to which it is exposed, as well as the causes and consequences.

2) Control's assessment and its effectiveness

This assessment is very important for the correct identification of inherent and residual risks of each risk, being crucial to identify mitigation actions/additional controls to be carried out.

In order to calculate the impact and probability (inherent and residual), it is necessary to resort to a set of methods such as: data on internal losses; data on external losses; experience and intuition of risk owners.

3) KRI identification and action plans

KRI is related to a specific risk and is used as an alert for a possible change in probability and impact of a risk occurring.

After identifying and classifying the main top-down risks of the Company, the risks that will be subject to Stress Tests in the scope of the prospective self-assessment process are identified.

Such risks should reflect high impact and medium/low probability risks to ensure the use of budget variables to test their impact.

The quantification of the operational risk is obtained through two components, earned premiums and technical reserves, and may not exceed 30% of the Basic Solvency Capital Requirement.

Operational risk is obtained, as in the previous year, from the perspective of premiums, as can be seen in the following table:

SCR (thousands of Euros)	2020	2021
Operational Risk	**3 159**	**3 403**
Basic capital requirement	3 159	3 403
Based on earned premiums	3 159	3 403
Based on technical reserves	1 546	2 109

Table 21: Operational Risk SCR

C.6. OTHER MATERIAL RISKS

As already mentioned, and within the scope of the Company's risk management, Caravela has a top-down process for identifying and assessing the main risks to which it is exposed. From among these risks, identified by the different areas of the Company, those of low probability and high impact are selected, that is, risks that may jeopardise the achievement of its main objectives.

The risks selected and presented below represent the extreme but plausible risks that are not covered by Solvency II Pillar I risks, or that, despite being covered in this pillar, have an impact beyond that represented by the standard formula.

Risk	Description
Market Risk / Specific Insurance Risk	Increase in interest rates by 100 b.p.
Strategic Risk / Specific Insurance Risk	Degradation of the Technical Portfolio
Specific Insurance Risk	Increase of the claim's ratio, in Motor and Workers Compensation line of business, to the level of minimum capital required

Table 22: Caravela's main risks

To test the impact of these events the following Stress Tests and Reverse Stress Tests were carried out:

<u>Stress Tests</u>

- **Increase of interest rates**

The purpose of this Stress Test is to quantify the impact of an interest rate increase of 100 b.p. during 2021, remaining at that level for the rest of the study period. The results obtained show a decrease both in Own

Funds and in the solvency capital requirements between 2022 and 2025. After the Stress Test it is possible to verify that the increase of interest rates currently represents a favourable scenario for the three years of the ORSA financial year of 2021, being unfavourable in the last two years. However, the threshold set for the Capital Target will not be breached in the period under review.

- **Degradation of the technical portfolio**

This Stress scenario aims to evaluate the impact arising from the degradation of the technical portfolio, caused by a subscription of new production during 2021, on average 10% below the tariff currently in force in the Company for the various products. The results obtained lead to a decrease in the Solvency Ratio in all years of the Multi-Year Budget period to values between 195% and 218%, with the greatest impact in 2021. Even with this impact, the Solvency Ratio remains above the Capital Target.

<u>Reverse Stress Tests</u>

Reverse Stress Tests are particularly useful in assessing the level of resilience of the Company's balance sheet and solvency position. The evolution of the claims rate of the two main operating lines of business was identified as the main strategic risks, having simulated an evolution of this risk until it reaches the point of non-compliance with the minimum capital requirement (100%).

- **On Motor and Workers Compensation lines of business claims**

The results of this Stress scenario indicate that, in 2021, to each additional percentage point in the claims ratio corresponds a decrease in the Solvency Ratio of 5,2 p.p.. The recovery of this impact on the Solvency Ratio is relevant, being 40,5 p.p. after one year and 49,8 p.p. after two years, reaching a recovery of 94,0 p.p. in 2025. The economic recovery is sufficient to meet the Minimum Acceptable Capital established in the risk appetite policy, in the very first year after the shock.

C.7. ANY ADDITIONAL INFORMATION

Not applicable.

D. ASSESSMENT FOR SOLVENCY PURPOSES

The determination of available capital is fundamental for the determination of the Solvency ratio. When comparing the different Solvency regimes, an increase in the capital requirement may not necessarily be negative if there is a greater or equal increase in the capital available (e. g. through the discounting of technical reserves).

The available capital is determined based on the economic balance sheet, i. e. a balance sheet with assets and liabilities at fair value.

The Solvency II Directive (2009/138/EC of the European Parliament and Council) established principles complemented by level 2 (Delegated Acts and Technical Specifications) and level 3 (Guidelines) measures.

Article 75 of the Solvency II Directive on Valuation of assets and liabilities states that:

1. *Unless otherwise stated, Member States shall ensure that the valuation of assets and liabilities by insurance and reinsurance undertakings is carried out as follows:*

    a) *Assets are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction;*

    b) *Liabilities are valued at the amount for which they can be traded between informed parties acting freely in an arm's length transaction;*

    For the purpose of valuation of liabilities under point (b), no adjustments for the purpose of taking into account the credit standing of the insurance or reinsurance undertaking may be made.

2. *The Commission shall adopt implementing measures specifying the methods and assumptions to be used in the valuation of assets and liabilities as laid down in paragraph 1.*

    Those measures, designed to amend non-essential elements of this Directive by supplementing it, shall be adopted in accordance with the regulatory procedure with scrutiny referred to in Article 301(3).

The reconciliation between the IFRS balance sheet and the Solvency II balance sheet is detailed as follows:

	IFRS balance sheet	Adjustments	Solvency II Balance Sheet
Assets			
Goodwill	0	0	
Deferred acquisition costs	4 515 580	-4 515 580	
Intangible assets	3 438 511	-3 438 511	0
Deferred tax assets	41 996	2 054 331	2 096 327
Tangible fixed assets for own use	1 684 467	0	1 684 467
Investments (other than assets held under index-linked and unit-linked contracts)	116 571 430	0	116 571 430
Real Estate (other than for own use)	9 049 484	0	9 049 484
Interests in related companies, including participations	0	0	0
Shares and other equity securities	498 867	0	498 867
Bonds	57 840 909	0	57 840 909
Collective Investment Schemes	46 333 305	0	46 333 305
Derivatives	0	0	0
Deposits other than cash equivalents	2 848 865	0	2 848 865
Loans and mortgages	49 700	0	49 700
Amounts recoverable from reinsurance contracts	34 016 490	5 969 038	39 985 528
Deposits in ceding companies	0	0	0
Receivables	14 961 448	0	14 961 448
Cash and cash equivalents	6 015 601	0	6 015 601
Any other assets, not included elsewhere	422 963	-87 521	335 442
Total assets	**181 718 187**	**-18 244**	**181 699 943**
Liabilities			
Technical reserves – non-life	69 880 001	-1 608 181	68 271 820
Technical reserves – life (excluding index-linked and unit-linked contracts)	36 044 444	9 514 903	45 559 347
Other technical provisions	303 116	-303 116	
Pension benefit liabilities	174 400	0	174 400
Reinsurer's deposits	529 947	0	529 947
Deferred tax liabilities	42 030	0	42 030

Continuation			
Financial liabilities other than debts owed to credit institutions	1 378 183	0	1 378 183
Amounts payable	13 252 389	0	13 252 389
Subordinated liabilities	0	0	0
Any other liabilities, not included elsewhere	1 563 342	0	1 563 342
Total liabilities	**123 167 852**	**7 603 606**	**130 771 458**
Assets surplus over liabilities	**58 550 335**	**-7 621 850**	**50 928 485**

Table 23: Balance sheet adjustments

D.1. ASSETS

Caravela uses the IFRS accepted by the European Commission (EC), which is generally considered to be a good approximation of the fair value concept. However, as the IFRS have different valuation methods, there are certain standards that do not reflect fair value, for which it will be necessary to make changes.

The Chart of Accounts for Insurance Companies has adopted the IFRS accepted by the EC, except for IFRS 4, of which it only considered the component of the classification of contracts. In this sense, the adjustments to be made tend to be aligned with the requirements established by the technical specifications.

D.1.1. Hierarchy of Evaluation Principles

The Company uses the following hierarchy in asset valuation principles:

i. Market prices, quoted in active markets for the same or similar assets;

ii. Where this is not possible, market prices of similar assets with adjustment to reflect the differences;

iii. When there are no active market values, mark-to-model techniques are used;

iv. As an alternative to the previous three principles, the Company considers as much observable market information as possible and reduces as much as possible the Company-specific inputs to perform the valuation.

D.1.2. Valuation and adjustments by asset category

The valuation of the main balance sheet, IFRS and Solvency II headings, and their adjustments on conversion, are presented in the following points.

Deferred acquisition costs

The value of deferred acquisition costs allows the acquisition costs of an insurance contract to be linearised over its term.

For solvency purposes, the value of deferred acquisition costs is not considered as an asset and is therefore written off from the balance sheet, generating an impact of -4.515 thousand euros.

Deferred tax reserve

Deferred tax reserve (IDA) corresponds to the tax amounts recoverable in future periods relating to temporary differences at the balance sheet date and are valued, under IFRS, in accordance with IAS 12.

In Solvency II the same principle is used, the difference being justified by the deferred tax on the adjustments made when converting the IFRS balance sheet to the Solvency II balance sheet.

Goodwill and intangible assets

Under IFRS, Goodwill is valued in accordance with IFRS 3 and intangible assets in accordance with IAS 38.

In solvency II, Goodwill is not valued and intangible assets, provided that it is not demonstrated that they can be sold separately, and it is not demonstrated that there is a value for the same or a similar asset that was derived from market prices verified in an active market, as was the case in Caravela, are set at zero value, this adjustment being -3.438 thousand euros.

Tangible fixed assets for own use

Under IFRS, property and equipment are valued in accordance with IAS 16.

In solvency II, the tangible fixed assets recognised in the balance sheet are valued at the historic acquisition cost less the implicit wear and tear, but we consider, given the immateriality of the amount in question, that it is not justifiable to apply the revaluation model (Net value, of amortisations and liabilities, as at 31.12.2021 of 306 thousand euros).

Leases

The Company classifies lease agreements as finance leases or operating leases according to the underlying asset and the right of control over that asset.

Operations are classified as finance leases when the risks and rewards incidental to ownership of an asset have been transferred to the lessee, the financial charges being recognised in the income statement in the period to which they relate, and the amount of depreciation deducted from liabilities, all other lease transactions being considered as operating leases.

Payments made under these leasing contracts are recorded by the Company in third party accounts, the amounts relating to the reimbursement of capital, and in costs the interest for the period to which they relate.

The aforementioned assets shall be subject to depreciation and the depreciation policy used is consistent with other depreciable assets held by the Company. The recognised depreciation is calculated in accordance with IAS 16.

With the entry into force of IFRS 16-Leases on January 1, 2019, the Company has the right to use an underlying asset against a liability for future payments associated with the use of that asset.

In solvency II, the fair value model is considered adequate and so no adjustment is made to this asset.

Investments – Real Estate (other than for own use)

Under IFRS, investment property is valued in accordance with IAS 40.

In solvency II, the fair value model is considered adequate and so no adjustment is made to this asset.

Investments – Bonds

The bonds in the portfolio are valued in accordance with IAS 39 and classified as Financial assets available for sale.

In solvency II, these assets are valued following criterion i. of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

Investments – Collective investment undertakings

Investment funds held are valued in accordance with IAS 39 and classified as Financial assets available for sale.

In solvency II, these assets are valued following criterion iii. of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

Investments – Deposits other than cash equivalents

Fixed-term deposits held are valued in accordance with IAS 39 and classified under Loans and receivables.

In solvency II, these assets are valued following criterion ii. of the previous point, based on the discounted cash flow method, consistent with the IFRS rule, so no adjustment is recorded.

Reinsurance recoverables

The valuation and adjustments of these assets are detailed in section D.2.5 of this report, under Technical Reserves.

Receivables

Receivables are valued following criterion ii. of the previous point, based on the discounted cash flow method, consistent with the IFRS rule, so no adjustment is recorded.

Cash and cash equivalents

The valuation of this asset is based on the level i. method of the previous point, consistent with the IFRS rule, so no adjustment is recorded.

Any other assets, not included elsewhere

In this class of assets, we highlight the inventories which, under IFRS, are recorded at acquisition cost, being subsequently, when used, totally written off against costs, while under Solvency II they are not valued, justifying the impact of -88 thousand euros.

D.2. TECHNICAL RESERVES

D.2.1. Principles and assumptions

The assumptions and methodologies for the calculation of economic-based technical reserves follow the stipulations of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, corresponding to the sum between the best estimate and the risk margin.

Technical Reserves are determined separately, within the following trenched scopes:

- Claims Reserve;
- Premiums Reserve, assuming as future premiums:
  - Non-acquired premiums (PNA);
  - Premiums due but not yet processed, type I and II;
  - Future contract premiums that follow the rules established by the so-called contract boundary, which, in the particular case of Caravela, relate to multi-year contracts with public entities.
- Mathematical Reserves for Workers Compensation (AT) and Lifetime Assistance (AV).

The best estimate of the Claims and Premiums Reserve was calculated using the interest rate curve, provided by EIOPA, with Volatility Adjustment.

The values included in this valuation are gross of reinsurance, unless otherwise stated.

D.2.2. Procedures

D.2.2.1. Calculation of the best estimate for the claims reserve

It is understood that the best estimate of the claims provisions corresponds to the mathematical expectation of expected claims over time as well as claims management, administrative, and investment costs.

Calculation algorithms

To determine indemnity cash flows, other than Workers Compensation pensions and Lifetime Assistance indemnities, it was assumed that the best estimate corresponds to the discounted values of the amounts estimated through the stochastic Thomas-Mack, Merz & Wüthrich, and Bootstrap models, basing on the Chain Ladder method, using the VaR methodology to 75%, where the amounts that result from the model with the lowest standard deviation are considered as future cash-flows, and the management expenses with claims by the Chain Ladder model, with average link ratios, on indemnities paid at current costs.

To ascertain the cash flows of expenses, indicated in Article 31 of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, other than claims management expenses, the history of the no. of outstanding claims per claim year was constructed and the no. of future outstanding claims was estimated. Assuming as valid the average cost of these expenses, per claim under management for the last two years, this value was applied to the estimated number of pending claims, thus obtaining future cash flows.

To define the cash flow values inherent to Workers Compensation pensions and costs with Lifetime Assistance, the TV 88/90 mortality table was used.

D.2.2.2. Calculation of the best estimate for the premium reserve

In the valuation of the provision for premiums, the premiums regarding Non-Acquired Premiums (PNA), premiums due but not yet processed—types I and II—, assuming the latter, net of annulment rates of Caravela, where the medium annulment rate relative to the last 3 years, per line of business, was considered. Besides, future premiums that comply with the rules established in the contract boundary were considered (currently without premiums to be considered).

The estimated claims costs result from the application of the medium combined ratio of the past 2 years to future premiums, including investment costs. The way they are distributed, by year of payment, results from the application of the model used in the compensation projection.

In the particular case of AT, it is worth noting the difficulty in evaluating the cash flows, due to the impossibility of separating the premiums of pension coverage and AV of other expenses.

This way, it was impossible to obtain a combined ratio only for pensions and AV and another for the remaining indemnities, reason why the expected amounts for payment were obtained based on the combined aggregate ratio. Its projection was according to the percentages obtained from the considered model, based on AT indemnities different from Pensions and AV.

D.2.2.3. Risk Margin

The risk margin is determined by applying the Cost of Capital method, with a rate of 6%. The simplification indicated in Article 58(a) of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014 has been used, which corresponds to approximating the SCR(t) for each future year using the proportionality principle, not applying the volatility adjustment nor the transitional measures on technical reserves.

D.2.3. Comparison between IFRS technical reserves versus Solvency II

The following table provides a reconciliation between technical reserves calculated based on IFRS and Solvency II:

	IFRS	Adjustment	SII
Technical Reserves — Non-life	**101 711 981**	**13 144 213**	**114 856 194**
Technical Reserves - Non-Life (excluding Accidents and Medical Expenses)	**56 605 980**	**1 014 040**	**57 620 020**
Motor Civil Liability	31 832 307	1 950 669	**33 782 976**
Best Estimate			31 521 228
Risk Margin			2 261 747
Other insurances from Motor line of business	11 824 502	-1 538 133	**10 286 369**
Best Estimate			9 597 703
Risk Margin			688 665
Marine and Transports	328 307	56 919	**385 225**
Best Estimate			359 435
Risk Margin			25 791
Fire and Other Damage	7 791 954	194 048	**7 986 002**
Best Estimate			7 451 345
Risk Margin			534 657
Third Party Liability	1 685 766	125 007	**1 810 773**
Best Estimate			1 689 543
Risk Margin			121 230
(Continuation)			
Legal Protection	86 545	6 210	**92 755**
Best Estimate			*86 545*
Risk Margin			*6 210*
Assistance	3 056 600	219 321	**3 275 921**
Best Estimate			3 056 600
Risk Margin			219 321
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of non-life line of business)	**8 758 440**	**2 001 209**	**10 759 649**
Medical expenses	66 300	4 757	**71 057**

Best Estimate			66 300
Risk Margin			4 757
Income Protection	468 073	-153 233	**314 840**
Best Estimate			293 762
Risk Margin			21 078
Workers Compensation	8 224 067	2 149 685	**10 373 752**
Best Estimate			9 679 237
Risk Margin			694 516
Technical Reserves - Accidents and Medical Expenses (on similar technical basis of life line of business)	**36 044 444**	**10 432 080**	**46 476 524**
Best Estimate			43 364 952
Risk Margin			3 111 572
Other Technical Reserves	**303 116**	**-303 116**	0

Table 24: IFRS Balance Sheet Reserves vs Solvency II Reserves

The adjustments result from the fact that Solvency II technical reserves are calculated using different methodologies when compared to IFRS. The differences are justified as follows:

- Use of a risk-free interest rate curve, with volatility adjustment, to discount the future cash flows;
- Application of future inflation rate;
- Acquisition, administrative, and investment costs considered under Solvency II in accordance with Article 31 of the Commission Delegated Regulation (EU) 2015/35 of October 10, 2014;
- Different methods for determining the best estimate for the claims reserve;
- Different methods for determining the best estimate for the premium reserve;
- Different methods for risk margin;
- IFRS provisions are deduced of deferred acquisition costs of 4.516 thousand euros.

The reserve for claims deviations, included in the heading 'Other Technical Reserves', is not considered a technical reserve under Solvency II, and is therefore fully cancelled in the amount of 303 thousand euros.

D.2.4. Uncertainty level

Technical reserves are calculated according to various deterministic and stochastic methodologies, allowing in the estimation process used to quantify the degree of uncertainty or variability of the estimates obtained, as well as to establish and quantify the level of prudence that one wishes to reflect in the reserving process.

The technical reserves are calculated using specific software, applying various stochastic actuarial models.

In the calculations as of 31.12.2021 the following stochastic methods were applied: Thomas Mack, Bootstrap, and Merz & Wüthrich models, based on the method that presented the slightest standard deviation, assuming as cash flows the amounts resulting from VaR to 75%, which was considered adequate to the type of risk, to calculate the cash flows for the calculation of the best estimate of the claims reserve.

The goodness of the statistical models used can be confirmed by comparing, by line of business, the evolution of the best estimate of the existing claims reserve in 2020 versus 2021.

Line of business	Best Estimate – Claims Reserve 2020	Cash Flows 2021	Best Estimate – Claims Reserve 2021	Change in Best Estimate – Claims Reserve
Workers Compensation	41 920 186	7 794 231	43 564 740	9 438 785
Pensions	35 272 966	2 780 491	40 416 240	7 923 765
Other Expenses	6 647 220	5 013 740	3 148 500	1 515 020
Income Protection	346 427	224 965	117 279	-4 183
Motor Civil Liability	13 222 904	11 954 653	9 876 134	8 607 883
Motor – Other Coverages	3 872 922	4 764 297	550 558	1 441 933
Fire and Other Damage	1 518 370	2 117 915	225 213	824 758
Third Party Liability	1 316 470	327 129	881 226	-108 115
Marine and Transports	59 935	78 585	159 840	178 490
Medical Expenses	0,00	4 809	0	4 809
Assistance + Legal Protection	761 669	1 093 459	0	331 790
	63 018 883	**28 360 044**	**55 374 990**	**20 716 151**

Table 25: Change in Best Estimate

D.2.5. Recoverable Amounts from Reinsurance Agreements

In the valuation of the financial statements, for proportional reinsurance, claims reserves are estimated as a percentage of direct insurance reserves depending on the share, while in non-proportional reinsurance the claims reserves are estimated on a case-by-case basis and correspond to the amount over the capital surplus.

In both cases the IBNR is calculated according to the average percentage of direct insurance IBNR in recent years.

Reinsurance recoverables have been calculated considering the interest rate term structure, provided by EIOPA, with Volatility Adjustment, and are calculated separately between premium reserves and claims reserves.

The best estimate of receivables, both claims and premiums, has been adjusted taking into consideration the expected value of losses due to counterparty default. This counterparty default adjustment was determined using the calculation simplification indicated in Article 61 of Commission Delegated Regulation (EU) 2015/35 of October 10, 2014:

- It assesses counterparty risk based on a deterministic mean value of cash flows rather than a pure cash flow analysis;
- It allows counterparties to be grouped by rating type, and assesses group risk as opposed to individual assessment;
- Using a deterministic probability of default applied to the entire exposure as opposed to a rate that varies over time;
- It is based on a single, static estimate of the recovery rate in the event of default as opposed to a random change.

D.2.5.1. Claims reserve of reinsurance recoverables

Cash flows relating to claims reserves include payments for compensation in respect of claims considered in Caravela's gross claims reserves.

The best estimate corresponds to the discounted values of the amounts estimated by the stochastic model, in the calculation of the best estimate of the gross reinsurance reserve, thus presenting the same time structure between claims payments and recoverables:

Line of Business	Balance Sheet Reserve	Best Estimate – Claims Reserve
Workers Compensation	23 665 139	27 680 441
Pensions	21 114 173	25 074 817
Other Expenses	2 550 967	2 605 624
Income Protection	82 211	83 717
Motor Civil Liability	2 397 776	2 456 251
Motor – Other Coverages	1 173 181	1 185 868
Fire and Other Damage	3 570 292	3 606 315
Third Party Liability	256 882	263 565
Marine and Transports	167 631	169 186
Medical Expenses	0	0
Assistance + Legal Protection	0	0
	31 313 113	**35 445 343**

Table 26: Best Estimate vs IFRS Balance Sheet Reserves

D.2.5.2. Premium reserve of reinsurance recoverables

Cash flows relating to premium reserves include all payments included in the determination of the gross reinsurance premium reserve.

For the calculation of future reinsurance premiums ceded, the ratio of reinsurance premiums ceded over premiums earned from direct insurance was determined, per line of business, according to the Company's history, and this ratio was applied to the future premiums used in the best estimate of the gross reinsurance premiums reserve.

Likewise, to obtain the costs of claims from reinsurance ceded, the ratio of costs of claims from reinsurance ceded over costs of claims from direct insurance was calculated, per line of business, in accordance with the Company's history, and this ratio was applied to the costs of claims used in the best estimate of the provision for gross reinsurance premiums.

After obtaining the future premiums as well as the ceded reinsurance claims costs, the calculation of the premium reserve follows the same philosophy as the calculation of this gross reinsurance reserve.

The balance sheet reserve corresponds to the unearned premium reserve (PPNA) ceded, booked as at 31.12.2021 and the best estimate shows the following distribution per line of business:

Line of Business	Balance Sheet Reserve	Best Estimate – Premium Reserve
Workers Compensation	10 838	672 897
Income Protection	8 834	11 747
Motor Civil Liability	5 441	376 699
Motor – Other Coverages	10 493	642 864
Fire and Other Damage	2 556 667	2 513 243
Third Party Liability	0	179 232
Marine and Transports	43 985	78 657
Medical Expenses	64 194	64 847
Assistance + Legal Protection	49	0
	2 700 501	**4 540 185**

Table 27: Best Estimate vs IFRS Balance Sheet Reserves

D.2.6. Impact of excluding volatility adjustment and transitional measure on technical reserves

Caravela uses the volatility adjustment measure and the technical reserves transition measure, approved by the ASF on September 1, 2016. The following table illustrates the impact on technical reserves of not applying these measures:

	Amount with Long-Term Guarantees and Transitional Measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No volatility adjustment and no other transitional measures	Impact of setting volatility adjustment to zero	Impact of all LTG and transitional measures
Technical Reserves	113 831 167	114 856 194	1 025 026	115 038 410	182 216	1 207 243

Table 28: Impact of the different adjustments to technical reserves

Caravela does not use the transitional measure at the interest rate level or the long-term measure of the matching adjustment.

D.3. OTHER LIABILITIES

The valuation of liabilities other than technical, accounting and Solvency II reserves, and their translation adjustments are detailed below by category.

Pension benefit liabilities

Defined Benefit Pension Plan

Plan associated with the funding quota of responsibilities falling within the scope of the 2008 Collective Labour Contract, which is independent from the public Social Security system, covering employees from labour unions admitted in the activity until June 22, 1995 and that have not joined other proposed solutions.

Pensions to be granted are determined in accordance with the provisions of the 2008 Collective Labour Contract, wherefore this benefit is granted to employees who retire within the insurance activity.

This plan now only covers one participant in old age retirement, with the remaining three active employees who were part of this plan having been transferred to the Defined Benefit Pension Plan.

With the transition of the active population of this Defined Benefit Plan to the Defined Contribution Plan, the Company's liabilities associated with this plan were extinguished.

Defined Contribution Pension Plan

Plan associated with the funding quota of the Individual Retirement Plan (PIR) beginning on January 1, 2012.

The financing vehicle of this Plan is "Zurich Life Open Pension Plan for Companies" of Zurich Vida, S.A. (Fund No. 287), which covers all the Company's employees in a homogeneous manner.

The contributions to this plan are the percentages given in Annex V of the Company Agreement, applied based on the annual base salary of the employee, and the contribution in the year 2021 was 76.237 euros.

Permanency Allowance

According to clause 42 of ACT 2016, published in the Bulletin of Work and Employment no. 4, of January 29, whenever the employee completes one or more multiples of five years of service in the Company, is entitled to receive a single premium corresponding to 50% of his monthly salary, in monetary expression, or in kind (granting of days of leave with pay).

Reinsurers deposits

The valuation of these liabilities follows the hierarchy described in section D.1.1 and is subject to the same valuation as the asset's category cash and cash equivalents.

Deferred tax liabilities

Deferred tax liabilities (IDP) correspond to the tax amounts recoverable in future periods relating to temporary differences at the balance sheet date and are valued, under IFRS, in accordance with IAS 12.

As in IDA, In Solvency II the same principle is used, the difference being justified by the deferred tax on the adjustments made when converting the IFRS balance sheet to the Solvency II balance sheet.

Thus, the position of IDA/IDP in the Solvency II balance sheet is adjusted mainly by:

- IDA – write-off of deferred acquisition costs and intangible assets, corrected for a higher revaluation of reinsurance recoverables;
- IDP – lower revaluation of technical reserves.

According to the delegated regulation the position of deferred tax assets and liabilities should be presented on a net basis in the balance sheet. In this case, both the asset readjustments (440 thousand euros) and the liability readjustments (1.614 thousand euros) result in IDA, totalling 2.054 thousand euros.

Payable amounts

The valuation of these liabilities follows the hierarchy described in section D.1.1 and is subject to the same valuation as the asset's category receivable amounts.

The remaining liabilities headings are valued using similar principles and there are no adjustments between the statutory financial position and the Solvency II balance sheet.

Any other liabilities, not included elsewhere

These liabilities are made up of accrued expenses and are valued according to the hierarchy described in paragraph D.1.1.

D.4. ALTERNATIVE METHODS OF VALUATION

Caravela does not apply alternative methods of valuation.

D.5. ANY ADDITIONAL INFORMATION

Not applicable.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

In accordance with Solvency II regulatory requirements, Own Funds are classified into different levels taking into account principles such as Permanent Availability and Subordination and are subject to eligibility conditions.

Reconciliation between IFRS own funds and those eligible under Solvency II is presented in the following table:

Own Funds	IFRS Balance Sheet	Adjustments Gross of taxes	Adjustments Net of taxes	Solvency II Balance Sheet
Ordinary share capital	44 388 315	0		44 388 315
Share premium account related to ordinary share capital	0	0		0
Equity	0	0		0
Other equity instruments	0	0		0
Reserves	14 162 019	0		14 162 019
Other reconciliation reserve elements	0	-9 676 181	-7 621 850	-7 621 850
Asset adjustments	0	-2 072 575	-1 632 551	-1 632 551
Liability adjustments	0	7 603 606	5 989 299	5 989 299
Total basic own funds after deductions	**58 550 335**	**-9 676 181**	**-7 621 850**	**50 928 485**

Table 29: Reconciliation of own funds

The analysis carried out on the Company's own funds provides the following breakdown by Capital levels:

Capital Available (thousands of Euros)	2020	2021
Own Funds	**54 570**	**50 928**
Level 1 unrestricted	44 511	48 874
Level 1 restricted	0	0
Level 2	10 000	0
Level 3	59	2 054

Table 30: Composition of available capital

Caravela's Own Funds are essentially made up of Level 1 items, these being represented in full by unrestricted items and consisting of 44.388 thousand euros of Share Capital and 4.486 thousand euros of reconciliation reserve.

The essential elements of the reconciliation reserve follow the following structure:

Reconciliation Reserve (thousands of Euros)	2020	2021
Surplus of assets over liabilities	45 439	50 928
Own shares (directly and indirectly held)	0	0
Foreseeable dividends, distributions, and charges	0	0
Other basic own funds items	35 316	46 443
Adjustments for own funds items with restrictions in respect of matching adjustment portfolios and ring-fenced funds	0	0
Reconciliation Reserve	**10 123**	**4 486**

Table 31: Reconciliation reserve

The Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) are fully covered by unrestricted Tier 1 items, meeting the eligibility criterion, namely that the proportion of this item should be at least 50% of the SCR and 80% of the MCR. The threshold for Tier 1 restricted items of 20% in relation to the total Tier 1 does not apply as there is no equity with this classification. The Company also complies with the threshold for Tier 3 elements, which should not exceed 15% of the SCR.

In 2020, Caravela had as Complementary Own Funds 10.000 thousand euros of subscribed capital which was fully paid up by December 2021.

he Capital eligible to cover the Solvency Capital Requirement and the Minimum Capital Requirement is summarised in the following table:

Eligible Capital (Thousands of Euros)	2020	2021
Of solvency	54 570	50 928
Minimum	44 511	48 874

Table 32: Eligible capital

E.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1. CAPITAL REQUIREMENTS

Caravela's Solvency Capital Requirement and Minimum Capital Requirement are as follows, indicating, for information purposes, the requirements as at January 1, 2022 as they include a further amortisation of the transitional measure relating to technical reserves:

Solvency Capital (Thousands of Euros)	2020	2021	2022 (January 1)
Solvency Capital Ratio	**271,2%**	**204,2%**	**203,9%**
Own Funds	54 570	50 928	50 855
Solvency Capital Requirement	**20 118**	**24 936**	**24 936**
Adjustment	-5 397	-6 721	-6 721
Operational Risk	3 159	3 403	3 403
Basic Solvency Capital Requirement	**22 357**	**28 254**	**28 254**
Diversification effect	-10 576	-13 352	-13 352
Sum of risk components	32 933	41 606	41 606
Market risk	4 871	8 288	8 288
Counterparty risk	2 959	3 478	3 478
Health risk	9 147	10 028	10 028
Non-Life risk	15 955	19 812	19 813

Table 33: Solvency capital

Minimum Capital (Thousands of Euros)	2020	2021	2022 (January 1)
Minimum Capital Ratio	**491,7%**	**435,6%**	**434,7%**
Own Funds	44 511	48 874	48 781
Minimum Capital Requirement	9 053	11 221	11 221

Table 34: Minimum Capital

To obtain the capital requirement, we inform you that Caravela does not use simplified calculations or use Company-specific parameters, applying the standard formula both for obtaining the Solvency Capital Requirement and the Minimum Capital Requirement.

The prospective assessment of risk and capital is one of the main components of the ORSA, allowing conclusions to be drawn about the future solvency of the Company in relation to the strategy defined and reflected in the multi-annual budget. For Caravela, it is the main element of capital management, as it allows testing, over a 5-year period, through stress tests and sensitivity analyses, the resilience of the Company to adverse scenarios.

E.2.2. ADJUSTMENTS

With the primary objective of identifying the variation caused in the headings 'Deferred tax assets and liabilities', the Company carried out an analysis of the impact of a possible loss corresponding to the Basic Solvency Capital Requirement plus the capital requirement for operational risk, allocating the instantaneous loss to its origins and constructing the economic balance sheet after shock, as provided for in guideline 7 of document EIOPA-BoS-14/177 on the loss-absorbing capacity of technical reserves and deferred taxes.

As mentioned, the adjustment for loss-absorbing capacity of deferred taxes should only recognise the estimated increase in deferred tax assets to the extent that the Company is able to support the amount calculated by an assessment showing that it is probable that future taxable profits will be available in sufficient amounts after suffering such an instantaneous loss.

To perform the recoverability test of deferred tax assets, Caravela considered the 2021-2025 business plan that supported the ORSA 2021 financial year approved by the Board of Directors on December 29, 2021.

In this exercise the projections of future results were substantiated, namely:

- The outlook for future production evolution;
- The main operating indicators that underpin the estimated profits;
- Any recapitalisation needs of the Company.

The post-shock business plan projection was prepared taking into consideration the following principles:

a) Shocks, risk events, are assumed to occur during the year following that in which the instantaneous loss is calculated, in this case in 2022; and

b) All losses related to the shocks were fully recognised in 2022, and no losses related to this event are expected in the following years.

c) The strategic repositioning of Caravela after the instant loss would be operated in the following years by implementing several specific actions:

I. Revision of the investment policy;

II. Reinforcement of the internal control measures; and

III. Recovery of the company’s profitability.

d) It is considered that with these measures, given the Company's recent capacity to attract new business from the retail segment without harming the profitability of the portfolio, there would not be a setback in the organic growth plan in force, detailed in the 2021-2025 business plan for this segment;

e) However, the corporate segment, given its recent activation, would be strongly affected, with a significant impact on growth;

f) Redefining the post-shock Profit and Loss Account, losses were allocated with the following distribution:

I. Heading ‘Direct insurance and reinsurance claims cost’ – amount of Non-Life underwriting risk; amount of Health underwriting risk; and amount of interest rate risk (shock on liabilities);

II. Heading ‘Investment Profits and Losses’ – amount of market risk, less the portion of interest rate risk on liabilities;

III. Heading ‘Other Costs’ – amount for counterparty risk; and amount for operational risk.

Based on this new business plan, the tax result was projected assuming the following assumptions:

a) There are no significant differences in the criteria for depreciation or revaluation of assets, and therefore the tax result arising from these adjustments is similar to the accounting result;

b) Benefit expenses and benefit payments do not differ significantly and therefore the tax result of these adjustments is similar to the accounting result;

c) The tax benefits arising from patronage expenses, APS and Green Card Office subscriptions evolve in the same proportion as the Gross Written Premiums;

d) Based on the history, the remaining possible tax corrections to be added or deducted are considered immaterial;

e) Temporary differences arising from different accounting criteria between IFRS accounts and Tax accounts are not deducted during the recovery test period as they have no recovery period (example: impairments);

f) Temporary loss, corresponding to the amount of the Market risk except for the concentration risk, will be deducted in the four years following the shock if it has an impact on the Profit before Taxes; if this loss is recognised in Capital, as it happened in this year, no adjustment will be made to the taxable result;

g) Temporary differences resulting from the adjustments between the IFRS balance sheet and the Economic balance sheet (Solvency II balance sheet), are deducted in each year from the pre-tax result.

After calculation of the taxable profit, the profit to be taxed was deducted using tax losses on a FIFO[6] basis, either IFRS or Solvency II.

Taking into account the current tax rules, the maximum deduction corresponding to 70% of taxable income would amount to 29,671 thousand euros.

The sum of the instantaneous loss with IFRS tax losses, to be deducted from taxable income, amounts to 26,785 thousand euros.

Thus, the capacity to recover the assumed instantaneous loss would be 100.0%, that is, applying the average tax rate of solvency II, calculated for 2021, of 21.231%, we obtain an Adjustment for Deferred Taxes of 6,720 thousand euros.

Not using the adjustment of the loss-absorbing capacity of deferred taxes would set the solvency ratio at 161%, corresponding to an excess of 19,272 thousand euros.

E.2.3. IMPACT OF TRANSITIONAL AND LONG-TERM MEASURES

Caravela uses the volatility adjustment measure and the technical reserves transition measure, approved by the ASF on September 1, 2016. The following table illustrates the financial impact of not applying these measures:

[6] FIFO – First In First Out, i.e. use in chronological order from oldest to newest

	Amount with Long-Term Guarantees and transitional measures	Impact of Long-Term Guarantees (LTG) and transitional measures				
		No transitional measures on technical reserves	Impact of transitional measures on technical reserves	No volatility adjustment and no other transitional measures	Impact of setting volatility adjustment to zero	Impact of LTG and transitional measures
Basic Own Funds	50 928 485	50 121 080	-807 405	50 060 204	-60 876	-868 281
Own funds eligible to meet the Solvency Capital Requirement	50 928 485	50 121 080	-807 405	50 060 204	-60 876	-868 281
Solvency Capital Requirement	24 935 760	24 936 408	648	24 935 768	-639	8
Own funds eligible to meet the Minimum Capital Requirement	48 874 187	47 849 161	-1 025 026	47 771 877	-77 284	-1 102 310
Minimum Capital Requirement	11 221 092	11 221 383	291	11 221 096	-288	4

Table 1: Financial impact of the different adjustments

Not applying the transitional measure on technical reserves and the long-term measure on volatility adjustment would lead to a reduction of the Solvency Capital Requirement by 1.6% and 0.1% respectively, totalling an impact of -1.7%. However, the solvency ratio II, without any measure, would maintain a comfortable level of 200.8%, translating into an excess of 25,124 thousand euros.

E.3. USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE FOR THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

Caravela does not use the duration-based equity risk sub-module for the calculation of the Solvency Capital Requirement.

E.4. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Caravela uses the standard formula because it considers that it gives a consistent interpretation and sufficient transparency of the level of risk to which it is subject.

E.5. NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

As at December 31, 2021 Caravela maintains an adequate coverage of the solvency capital requirements and for this reason it is not necessary to consider the adoption of any type of corrective measures for this purpose.

In the coming years, the dividend distribution policy may be adjusted, if necessary, by the objective of maintaining the Solvency II ratio above the 125% threshold defined in the Risk Appetite Policy.

E.6. ANY ADDITIONAL INFORMATION

There is no other additional information of relevance.

Lisbon, on March 29, 2022

Prudential Management	Executive Members of the Board of Directors
Ludovico Belo	Luis Cervantes
	Paulo Trigo
	Gonçalo Ramos e Costa

ATTACHMENTS

1. QUANTITATIVE TEMPLATES

S.02.01.02 – Balance Sheet

	Solvency II Value
ASSETS	
Intangible assets	0,00
Deferred tax assets	2 096 327,30
Surplus pension benefits	0,00
Property, plant, and equipment for own use	1 684 467,08
Investments (other than assets held under index-linked and unit-linked contracts)	116 571 429,95
Property (other than for own use)	9 049 484,16
Interests in related companies, including holdings	0,00
Equity securities	498 867,00
Equity - exchange-traded	0,00
Shares - not listed on exchange	498 867,00
Bonds	57 840 909,06
Government bonds	13 877 458,45
Corporate bonds	43 963 450,61
Structured debt securities	0,00
Collateralised debt securities	0,00
Collective investment schemes	46 333 304,95
Derivatives	0,00
Deposits other than cash equivalents	2 848 864,78
Other investments	0,00
Assets held under index-linked and unit-linked contracts	0,00
Loans and mortgages	49 700,00
Loans on insurance policies	0,00
Loans and mortgages to individuals	0,00
Other loans and mortgages	49 700,00
Amounts recoverable from reinsurance contracts in classes:	39 985 527,97
Non-life and accident and sickness with similar technical bases as non-life	14 910 710,88
Non-Life other than health insurance	11 471 879,44
Health with similar technical bases to non-life	3 438 831,43
Life and health on a similar technical basis to life, excluding health insurance and index-linked and unit-linked contracts	25 074 817,09
Accidents and health on a similar technical basis to life	25 074 817,09
Life, excluding health insurance and index-linked and unit-linked contracts	0,00
Life, index-linked and unit-linked	0,00
Deposits with ceding companies	0,00
Amounts receivable from insurance operations and intermediaries	12 602 160,03
Receivables from reinsurance operations	1 033 419,55
Receivables (from commercial operations, not insurance)	1 325 868,51
Own shares (held directly)	0,00
Amounts due in respect of own fund items or initial funds called up but not yet paid in	0,00
Cash and cash equivalents	6 015 600,62
Any other assets, not included elsewhere in the balance sheet	335 442,19
TOTAL ASSETS	181 699 943,20

LIABILITIES	
Technical provisions - non-life	68 271 820,08
Technical provisions - non-life (excluding health)	57 589 054,47
EN calculated as a whole	0,00
Best Estimate	53 731 432,91
Risk Margin	3 857 621,55
Technical provisions - health (similar to non-life)	10 682 765,61
TP calculated as a whole	0,00
Best Estimate	9 962 414,33
Risk Margin	720 351,28
Technical provisions - health (similar to non-life)	45 559 347,12
Technical provisions - health (similar to life)	45 559 347,12
EN calculated as a whole	0,00
Best Estimate	42 447 775,17
Risk margin	3 111 571,95
Technical provisions - life (excluding health insurance, index-linked and unit-linked)	0,00
TP calculated as a whole	0,00
Best Estimate	0,00
Risk margin	0,00
Technical provisions — contracts linked to indexes and holding units	0,00
TP calculated as a whole	0,00
Best Estimate	0,00
Risk margin	0,00
Contingent liabilities	0,00
Provisions other than technical provisions	0,00
Pension obligations	174 400,46
Reinsurers' deposits	529 947,07
Deferred tax liabilities	42 029,62
Derivatives	0,00
Amounts owed to credit institutions	0,00
Financial liabilities other than debts owed to credit institutions	1 378 183,22
Amounts payable in respect of insurance operations and intermediaries	5 810 825,20
Payables related to reinsurance operations	3 966 639,53
Payables (from commercial operations, not from insurance)	3 474 924,17
Subordinated liabilities	0,00
Subordinated liabilities not classified in Original Own Funds (Tier 1)	0,00
Subordinated liabilities classified in Original Own Funds (Tier 1)	0,00
Any other liabilities not included elsewhere in the balance sheet	1 563 341,98
TOTAL LIABILITIES	130 771 458,45
SURPLUS OF ASSETS OVER LIABILITIES	50 928 484,75

S.05.01.02 - Premiums, Claims and Expenses of Non-Life Line of Business

	Line of Business: **Non-life insurance and reinsurance liabilites** (direct insurance and accepted proportional reinsurance)												**Non-proportional reinsurance accepted**				
	Medical expenses insurance	**Income protection insurance**	**Workers Compensation Insurance**	**Motor Civil Liability insurance**	**Other motor vehicles insurance**	**Marine, aviation, and transports insurance**	**Fire and Other damage insurance**	**Third Party Liability insurance**	**Credit and surety insurance**	**Legal protection insurance**	**Assistance**	**Miscellaneous pecuniary losses**	**Accidents and health**	**Accidents**	**Marine, aviation, transports**	**Real Estate**	**TOTAL**
Written premiums																	
Gross - Direct business	1 059 812,06	1 081 196,02	29 636 132,85	37 989 243,07	26 712 873,25	370 432,43	11 243 945,50	1 515 702,52	0,00	256 726,19	6 513 947,73	221,94	0,00	0,00	0,00	0,00	###############
Gross - Proportional reinsurance accepted																	
Gross - Non proportional reinsurance accepted																	
Reinsurers' share	1 059 812,06	38 089,36	9 637 014,77	3 669 600,36	4 763 608,99	283 629,57	8 955 224,46	27 646,42	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**28 434 625,99**
Net	0,00	1 043 106,66	19 999 118,08	34 319 642,71	21 949 264,26	86 802,86	2 288 721,04	1 488 056,10	0,00	256 726,19	6 513 947,73	221,94	0,00	0,00	0,00	0,00	**87 945 607,57**
Earned premiums																	
Gross - Direct business	1 024 199,81	977 275,07	29 497 802,98	37 176 469,85	26 390 198,90	369 779,48	9 958 407,42	1 491 747,12	0,00	248 232,43	6 297 014,27	130,93	0,00	0,00	0,00	0,00	###############
Gross - Proportional reinsurance accepted																	
Gross - Non proportional reinsurance accepted																	
Reinsurers' share	1 028 026,38	53 266,20	9 631 689,86	3 669 126,39	4 761 822,47	283 153,95	7 970 494,58	27 646,42	0,00	0,00	0,00	-49,34	0,00	0,00	0,00	0,00	**27 425 176,91**
Net	-3 826,57	924 008,87	19 866 113,12	33 507 343,46	21 628 376,43	86 625,53	1 987 912,84	1 464 100,70	0,00	248 232,43	6 297 014,27	180,27	0,00	0,00	0,00	0,00	**86 006 081,35**
Claims occoured																	
Gross - Direct business	0,00	103 270,20	10 121 900,34	29 743 583,63	14 477 234,53	255 735,84	6 518 690,38	439 964,26	0,00	28 511,48	4 597 387,77	0,00	0,00	0,00	0,00	0,00	**66 286 278,43**
Gross - Proportional reinsurance accepted																	
Gross - Non proportional reinsurance accepted																	
Reinsurers' share	0,00	-7 535,05	3 050 530,46	1 805 712,98	1 643 597,65	226 649,62	5 036 639,67	41 150,19	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**11 796 745,52**
Net	0,00	110 805,25	7 071 369,88	27 937 870,65	12 833 636,88	29 086,22	1 482 050,71	398 814,07	0,00	28 511,48	4 597 387,77	0,00	0,00	0,00	0,00	0,00	**54 489 532,91**
Changes in other technical reserves																	
Gross - Direct business	0,00	0,00	0,00	0,00	0,00	0,00	36 050,25	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**36 050,25**
Gross - Proportional reinsurance accepted																	
Gross - Non proportional reinsurance accepted																	
Reinsurers' share																	
Net	0,00	0,00	0,00	0,00	0,00	0,00	36 050,25	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**36 050,25**
Expenses incurred	-57 679,74	322 472,49	8 788 414,70	8 378 017,93	6 060 763,32	-7 006,79	-77 785,22	415 005,41	0,00	7 433,36	211 131,68	-2,21	0,00	0,00	0,00	0,00	**24 040 764,93**
Other expenses	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Total expenses	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**24 040 764,93**

S.05.01.02 - Premiums, Claims and Expenses of Non-Life STL Line of Business

	Line of business: **Life insurance responsibilities**						**Life reinsurance obligations**		
	Accident and health insurance	**Insurance with profit participation**	**Index-linked and unit-linked insurance**	**Other life insurances**	**Annuities stemming from non-life insurance contracts and relating to health insurance obligations**	**Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations**	**Accident and health reinsurance**	**Reinsurance of the life line of business**	**TOTAL**
Written Premiums									
Gross					0,00				**0,00**
Reinsurers' share					0,00				**0,00**
Net					0,00				**0,00**
Earned Premiums									
Gross					0,00				**0,00**
Reinsurers' share					0,00				**0,00**
Net					**0,00**				**0,00**
Claims Occurred									
Gross					10 506 816,16				**10 506 816,16**
Reinsurers' share					6 532 821,51				**6 532 821,51**
Net					**3 973 994,65**				**3 973 994,65**
Changes in other technical reserves									
Gross					0,00				**0,00**
Reinsurers' share					0,00				**0,00**
Net					**0,00**				**0,00**
Expenses incurred					0,00				**0,00**
Other expenses									**0,00**
Total expenses									**0,00**

S.12.01.02 - Technical Reserves of Non-Life SLT

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurances			Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Reinsurance accepted	Total (Life other than health insurance, including unit-linked)	Health insurance (direct insurance)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health insurance (reinsurance accepted)	TOTAL (Health insurance on a similar technical basis to life insurance)
			Contracts without options nor guarantees	Contracts with options or guarantees		Contracts without options nor guarantees	Contracts with options or guarantees					Contracts without options nor guarantees	Contracts with options or guarantees			
Technical provisions calculated as a whole																
Total Recoverables from reinsurance/SPV and Finite Reinsurance after the adjustment for expected losses due to counterparty default associated to technical provisions calculated as a whole																
Technical provisions calculated as a sum of BE and RM																
Best Estimate																
Gross Best Estimate														43 364 951,73		43 364 951,73
Total Recoverable from reinsurance/SPV and Finite Reinsurance after the adjustment for expected losses due to counterparty default														25 171 207,98		25 171 207,98
Best Estimate minus recoverable amount of reinsurance/SPV and Finite Reinsurance - total														25 074 817,09		25 074 817,09
														3 111 571,95		3 111 571,95
Amount of the transitional on technical provisions (a)																
Technical provisions calculated as a whole																0,00
Best Estimate														-917 176,56		-917 176,56
Risk Margin																0,00
TECHNICAL PROVISIONS - TOTAL														45 559 347,12		45 559 347,12

S.17.01.02 - Non-Life Technical Reserves

	Direct insurance and accepted proportional reinsurance												Non-proportional reinsurance accepted				TOTAL NON-LIFE LIABILITIES
	Medical expenses insurance	Income protection insurance	Workplace accident insurance	Motor vehicle liability insurance	Other insurances of motor vehicles	Maritime, aviation and transport insurance	Fire and other damage insurance	Insurance General Liability	Insurance credit and surety	Insurance legal protection	Assistance	Miscellaneous pecuniary losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation, and transport reinsurance	Non-proportional property damage reinsurance	
Technical provisions calculated as a whole																	
Total Recoverables from reinsurance/SPV and Finite Reinsurance after the adjustment for expected losses due to counterparty default associated to technical provisions calculated as a whole																	
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Premium provisions																	
Gross	66 299,88	70 528,39	835 721,76	9 333 796,45	4 408 846,35	79 062,39	3 147 759,31	255 432,26	0,00	0,00	2 297 092,00	0,00	0,00	0,00	0,00	0,00	20 494 538,80
Total Recoverable from reinsurance/SPV and Finite Reinsurance after the adjustment for expected losses due to counterparty default	64 846,54	11 746,81	672 897,02	376 698,60	642 863,84	78 657,01	2 513 243,02	179 231,89	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	4 540 184,75
Net best estimate for premium provisions	1 453,34	58 781,58	162 824,74	8 957 097,84	3 765 982,52	405,38	634 516,29	76 200,37	0,00	0,00	2 297 092,00	0,00	0,00	0,00	0,00	0,00	15 954 354,05
Claims Provisions																	
Gross	0,00	223 233,17	8 843 514,95	22 187 431,70	5 188 856,87	280 372,13	4 303 585,61	1 434 110,45	0,00	0,00	846 053,37	0,00	0,00	0,00	0,00	0,00	43 307 158,24
Total Recoverables from reinsurance/SPV and Finite Reinsurance after the adjustment for expected losses due to counterparty default	0,00	83 717,10	2 605 623,96	2 456 251,01	1 185 868,03	169 186,27	3 606 315,15	263 564,62	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	10 370 526,13
Net best estimate for outstanding claims provisions	0,00	139 516,07	6 237 890,99	19 731 180,69	4 002 988,84	111 185,86	697 270,46	1 170 545,84	0,00	0,00	846 053,37	0,00	0,00	0,00	0,00	0,00	32 936 632,11
Total best estimate - gross	66 299,88	293 761,56	9 679 236,71	31 521 228,15	9 597 703,22	359 434,53	7 451 344,92	1 689 542,71	0,00	0,00	3 143 145,37	0,00	0,00	0,00	0,00	0,00	63 801 697,04
Total best estimate - net	1 453,34	198 297,65	6 400 715,72	28 688 278,53	7 768 971,35	111 591,24	1 331 786,75	1 246 746,20	0,00	0,00	3 143 145,37	0,00	0,00	0,00	0,00	0,00	48 890 986,16
Risk Margin	4 757,23	21 078,32	694 515,74	2 261 747,46	688 665,45	25 790,56	534 657,48	121 230,01	0,00	0,00	225 530,59	0,00	0,00	0,00	0,00	0,00	4 577 972,83
Amount of the transitional on technical provisions																	
Technical provisions calculated as a whole																	
Best estimate	0,00	0,00	-76 883,81	0,00	0,00	-9 931,29	0,00	-21 034,70	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-107 849,80
Risk Margin																	
TECHNICAL PROVISIONS - TOTAL																	
Technical Provisions - Total	71 057,11	314 839,87	############	33 782 975,61	############	375 293,80	7 986 002,40	1 789 738,03	0,00	0,00	3 368 675,96	0,00	0,00	0,00	0,00	0,00	68 271 820,08
Recoverable from reinsurance/SPV and Finite Reinsurance after the adjustment for expected losses due to counterparty default - total	64 846,54	95 463,91	3 278 520,98	2 832 949,62	1 828 731,87	247 843,28	6 119 558,17	442 796,51	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	14 910 710,88
Technical provisions minus recoverables from reinsurance/SPV and Finite Reinsurance - total	6 210,56	219 375,96	7 018 347,65	30 950 025,99	8 457 636,81	127 450,52	1 866 444,23	1 346 941,52	0,00	0,00	3 368 675,96	0,00	0,00	0,00	0,00	0,00	53 361 109,20

S.19.01.21 - Non-Life Triangles

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

Year occured / Year of development	0	1	2	3	4	5	6	7	8	9	10&+	Current year	Sum of years (cumulativa)
Previous											352 040,93	352 040,93	272 706 592,50
N-9	7 786 346,42	2 710 582,01	720 863,09	473 300,48	68 339,01	398 527,80	20 490,67	45 104,68	32 189,72	420 699,51		420 699,51	12 676 443,39
N-8	7 333 421,25	2 906 555,73	987 338,07	541 590,34	305 259,87	80 379,95	20 595,45	276 166,82	425 025,10			425 025,10	12 876 332,58
N-7	7 472 727,50	3 120 397,67	999 258,28	296 492,39	154 306,26	294 383,23	46 714,28	88 890,84				88 890,84	12 473 170,45
N-6	9 305 474,66	5 435 426,04	1 248 552,37	1 099 247,42	229 568,51	565 958,42	181 649,99					181 649,99	18 065 877,42
N-5	11 304 369,78	5 653 593,93	1 148 389,96	724 136,46	942 217,83	86 390,16						86 390,16	19 859 098,12
N-4	16 285 560,75	9 313 224,36	1 416 543,94	474 367,23	1 068 403,71							1 068 403,71	28 558 099,99
N-3	19 701 256,21	10 565 532,21	1 605 115,87	814 803,34								814 803,34	32 686 707,63
N-2	25 560 095,29	13 552 445,49	1 806 019,31									1 806 019,31	40 918 560,09
N-1	27 266 696,91	17 431 942,57										17 431 942,57	44 698 639,48
N	35 623 488,98											35 623 488,98	35 623 488,98
											TOTAL	58 299 354,44	531 143 010,61

Gross undiscounted best estimate of claims provisions
(absolute amount)

Year occured / Year of development	0	1	2	3	4	5	6	7	8	9	10&+	Year-end (deducted data)
Previous											354 309,67	354 309,67
N-9	0,00	0,00	0,00	0,00	1 035 121,04	613 410,59	483 149,58	322 475,15	329 073,55	320 975,31		320 975,31
N-8	0,00	0,00	0,00	1 894 015,35	1 399 679,83	1 036 539,31	745 036,70	49 951,25	452 568,76			452 568,76
N-7	0,00	0,00	2 250 155,69	1 343 193,09	1 071 586,34	139 073,65	546 719,42	358 164,06				358 164,06
N-6	0,00	2 660 867,08	1 896 058,00	819 752,90	344 048,99	540 508,98	776 366,72					776 366,72
N-5	10 746 890,38	3 554 671,82	1 958 360,16	1 195 853,18	662 512,33	703 501,00						703 501,00
N-4	12 866 053,60	3 569 338,68	1 941 984,98	1 008 439,64	1 216 244,16							1 216 244,16
N-3	11 693 538,25	2 710 391,73	1 908 766,47	1 993 244,56								1 993 244,56
N-2	12 926 055,52	4 323 537,16	3 387 351,90									3 387 351,90
N-1	17 364 699,31	5 305 756,82										5 305 756,82
N	28 312 881,77											28 312 881,77
											TOTAL	43 181 364,73

S.22.01.21 - Impact of long-term guarantees and transitional measures

	Amount with long term guarantee and transitional measures	Impact of transitional measures on technical provisions	Impact of transitional measures on interest rates	Impact of volatility adjustment set to zero	Impact of the congruence adjustment set to zero
Technical provisions	113 831 167,20	1 025 026,36	0,00	182 216,43	0,00
Original own funds	50 928 484,75	-807 404,98	0,00	-60 875,63	0,00
Eligible own funds to meet Solvency Capital Requirement	50 928 484,75	-807 404,98	0,00	-60 875,63	0,00
Solvency Capital Requirement	24 935 759,91	647,74	0,00	-639,38	0,00
Eligible own funds to meet Minimum Capital Requirement	48 874 187,07	-1 025 026,36	0,00	-77 283,56	0,00
Minimum Capital Requirement	11 221 091,96	291,48	0,00	-287,72	0,00

S.23.01.01.01 - Own Funds

	TOTAL	Level 1 - unrestricted	Level 1 - with restrictions	Level 2	Level 3
Basic own funds before deduction for participations in other financial sectors as provided for in Article 68 of Delegated Regulation 2015/35					
Ordinary share capital (without deduction of own shares)	44 388 315,20	44 388 315,20		0,00	
Share premium account related to ordinary share capital	0,00	0,00		0,00	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	0,00	0,00		0,00	
Subordinated mutual member accounts	0,00		0,00	0,00	0,00
Surplus funds	0,00	0,00			
Preference shares	0,00		0,00	0,00	0,00
Share premium account related to preference shares	0,00		0,00	0,00	0,00
Reconciliation reserve	4 485 871,87	4 485 871,87			
Subordinated liabilities	0,00		0,00	0,00	0,00
An amount equal to the net value of deferred tax assets	2 054 297,68				2 054 297,68
Other own fund items approved by the supervisory authority as basic own funds not specified above	0,00	0,00	0,00	0,00	0,00
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	0,00				
Deductions					
Deductions for participations in financial and credit institutions	0,00	0,00	0,00	0,00	0,00
TOTAL ORIGINAL OWN FUNDS AFTER DEDUCTIONS	**50 928 484,75**	**48 874 187,07**	**0,00**	**0,00**	**2 054 297,68**
Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0,00			0,00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	0,00			0,00	
Unpaid and uncalled preference shares callable on demand	0,00			0,00	0,00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0,00			0,00	0,00
Letters of credit and guarantees pursuant to Article 96(2) of Directive 2009/138/EC	0,00			0,00	
Letters of credit and guarantees falling outside the scope of Article 96(2) of Directive 2009/138/EC	0,00			0,00	0,00
Additional membership contributions in accordance with the first subparagraph of Article 96(3) of Directive 2009/138/EC	0,00			0,00	
Increases in membership contributions - other than those covered by the first subparagraph of Article 96(3) of Directive 2009/138/EC	0,00			0,00	0,00
Other ancillary own funds	0,00			0,00	0,00
TOTAL ANCILLARY OWN FUNDS	**0,00**			**0,00**	**0,00**
Available and eligible own funds					
Total available own funds to meet the SCR	50 928 484,75	48 874 187,07	0,00	0,00	2 054 297,68
Total available own funds to meet the MCR	48 874 187,07	48 874 187,07	0,00	0,00	0,00
Total eligible own funds to meet the SCR	50 928 484,75	48 874 187,07	0,00	0,00	2 054 297,68
Total eligible own funds to meet the MCR	48 874 187,07	48 874 187,07	0,00	0,00	0,00
RCS	**24 935 759,91**				
MCR	**11 221 091,96**				
Ratio of eligible own funds to SCR	**204,24%**				
Ratio of eligible own funds to MCR	**435,56%**				

S.23.01.01.02 - Reconciliation reserve

	TOTAL
Reconciliation reserve	
Surplus of assets over liabilities	50 928 484,75
Own shares (directly and indirectly held)	0,00
Foreseeable dividends, distributions and charges	0,00
Other basic own fund items	46 442 612,88
Adjustments for own fund items with restrictions in respect of matching adjustment portfolios and ring-fenced funds	0,00
Reconciliation reserve	**4 485 871,87**
Expected Profits	
Expected profits included in future premiums (EPIFP) - Life	0,00
Expected profits included in future premiums (EPIFP) - Non-Life	0,00
Total Expected Profits included in future premiums (EPIFP)	**0,00**

S.25.01.21 - Solvency Capital Requirement

	Gross solvency capital requirement	Undertaking Specific Parameter (USP)	Simplifications
Market risk	8 287 943,46		0,00
Counterparty default risk	3 477 825,97		
Life insurance specific risk	0,00	0,00	0,00
Health insurance specific risk	10 027 595,62	0,00	0,00
Non-life insurance specific risk	19 812 378,99	0,00	0,00
Diversification	-13 351 939,67		
Intangible asset risk	0,00		
Basic Solvency Capital Requirement	**28 253 804,38**		

Operating risk	3 402 937,75
Loss-absorbing capacity of technical reserves	0,00
Loss-absorbing capacity of deferred taxes	-6 720 982,22
Capital requirement for activities carried out pursuant to Article 4 of Directive 2003/41/EC	0,00
Solvency Capital Requirement excluding capital additions	24 935 759,91
Capital increases already decided	0,00
SOLVENCY CAPITAL REQUIREMENT	**24 935 759,91**
Further information on SCR	
Capital requirement for duration-based equity risk sub-module	
Full amount of Notional Solvency Capital Requirement for remaining part	
Full amount of Notional Solvency Capital Requirement for ring-fenced funds	
Full amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
Diversification effects due to SCSI aggregation of FCFEs for the purposes of Article 304	

S.28.01.01 - Minimum Capital Requirement - Only life and non-life insurance and reinsurance business

Linear formula component for non-life insurance and reinsurance liabilities

S.28.01.01.01

RCM_{NV} Result	11 992 049,49

S.28.01.01.02	Net amount (of reinsurance/SPV contracts) of best estimate and TP calculated as a whole	Net amount (of reinsurance contracts) of written premiums in the last 12 months
Medical expenses insurance and proportional reinsurance	1 453,34	0,00
Income protection insurance and proportional reinsurance	198 297,65	1 043 106,66
Workers' compensation insurance and proportional reinsurance	6 400 715,72	19 999 118,08
Motor insurance and proportional reinsurance - civil liability	28 688 278,53	34 319 642,71
Motor insurance and proportional reinsurance - other lines of business	7 768 971,35	21 949 264,26
Marine, aviation, and transports insurance and proportional reinsurance	111 591,24	86 802,86
Fire and other property damage insurance and proportional reinsurance	1 331 786,75	2 288 721,04
Third Party liability insurance and proportional reinsurance	1 246 746,20	1 488 056,10
Credit and surety insurance and proportional reinsurance	0,00	0,00
Legal protection insurance and proportional reinsurance	0,00	256 726,19
Assistance and proportional insurance	3 143 145,37	6 514 169,67
Miscellaneous financial loss insurance and proportional reinsurance	0,00	0,00
Non-proportional accident and health reinsurance	0,00	0,00
Non-proportional accident reinsurance	0,00	0,00
Non-proportional marine, aviation, and transports reinsurance	0,00	0,00
Non-proportional property damage reinsurance	0,00	0,00

Linear formula component for life insurance and reinsurance liabilities

S.28.01.01.03

RCM_V Result	384 092,83

S.28.01.01.04

	Net amount (of reinsurance/SPV contracts) best estimate and TP calculated as a whole	Net amount (of reinsurance/SPV contracts) total capital at risk
Profit-sharing obligations - guaranteed benefits	0,00	
Profit-sharing obligations - future discretionary benefits	0,00	
Index-linked and unit-linked insurance liabilities	0,00	
Other life and health (re)insurance liabilities	18 290 134,64	
Total capital at risk for all life (re)insurance liabilities		0,00

Overall MCR calculation

S.28.01.01.05

Linear MCR	12 376 142,32
SCR	24 935 759,91
MCR's upper threshold	11 221 091,96
MCR's lower threshold	6 233 939,98
Combined MCR	11 221 091,96
MCR's absolute lower threshold	3 700 000,00
MINIMUM CAPITAL REQUIREMENT (MCR)	**11 221 091,96**