

ANNUAL REPORT ON THE ACTIVITIES AND REPORT ON THE SOLVENCY AND FINANCIAL CONDITION OF IC "LEV INS" JSC FOR 2022

Summary

The current Solvency and Financial Status Report (SFCR) of IC "LEV INS" JSC is published in fulfillment of the requirements of Art. 51 - Art. 56 of Directive 2009/138/EU Solvency II, which are mandatory for every insurance company a company based in an EU member state. Solvency II is harmonized regulatory regime in the territory of the EU, the purpose of which is to improve the protection of users of insurance services and to modernize the supervision of insurers, carried out by national supervisory authorities. SFCR is a report with standardized structure and contains descriptive information in quantitative and qualitative form supplemented by samples with quantitative data. The SFCR consists of 5 sections, which together give a comprehensible insight into the business strategy of the company, its performance and results, the management system, the risk profile, the assessments for Solvency II purposes, the capital management approach and the current capital position.

The data in the report is based on information as of 31.12.2022, such as the management of the company has analyzed and evaluated two important world events: the ongoing the COVID-19 pandemic and the start of hostilities between Russia and Ukraine.

The solvency and financial condition report for 2022 has been approved by The Management Board of the Company, pursuant to the Solvency II Directive. Not always an unambiguous comparison of the amounts presented in the annual financial can be made report and in this report, as a result of the different methods used in IFRS and Solvency II.

1. Activity and results

1.1. Activity

IC "Lev ins" JSC is a joint-stock company registered in the Sofia City Court under company case No. 12744 of 2001 with headquarters and address of management in Sofia, Cherni Vrah Blvd. No. 51D. The National Insurance Board gives permission for carrying out insurance activities of the Company under No. 98 of 06.01.2000. The company has a capital of 51,800,000 (fifty one million and eight hundred thousand) BGN, distributed in 51,800,000 registered shares with a nominal value of BGN 1 every one. The company has a two-tier management system - Supervisory Board and Management Board, according to Art. 241 - 243 of the Commercial Law. The company is represented by the executive directors, together with two of the four executive directors.

IC "Lev ins" JSC was founded in 1996 and is among the first companies in the industry with a fully private capital. The equity capital was formed by Israeli

and Bulgarian investors. The company is part of a financial group operating in the field of general insurance, Life Insurance, Health Insurance and Supplementary Pension Insurance.

The sustainable development of IC "Lev Ins" JSC is due to the anticipatory approach at risk management by applying the philosophy of "Active Corporate security". This makes it possible to realize growth and profitability. The key to the success of the company is also good communication with the client.

The main shareholder in IC "Lev Ins" JSC is "Lev Corporation" JSC - an economic group with over 90 companies from various sectors of the Bulgarian economy. "Lev Corporation" is a member of Union for Citizens' Business Initiative, the Bulgarian Chamber of Commerce and Industry and is a partner of leading Bulgarian manufacturing and trading companies.

Since 2007 with two of its funds in IC "Lev Ins" JSC, the shareholder is Julius Baer Investment Management, now Artio International Equity Fund, one of the world's largest asset management companies. Julius Baer Investment Management is also known as one of the largest private banks in Switzerland, managing assets in Germany, Austria, Luxembourg, the Caymans, etc.

Since 2010, IC "Lev Ins" JSC attracted the interest of new Israeli shareholders with great experience in insurance, with the current capital structure as follows:

Shareholder	Number of shares	Relative share (%)
"LEV CORPORATION" JSC	25 396 748	49.03%
"ECOTUR" OOD	11 936 501	23.04%
"CYBER LEVEL INS" OOD	6 994 972	13.5%
GROUP OF NATURAL PERSONS	5 263 559	10.16%
"PELA" EOOD	1 937 929	3.74%
EUZHENIA II Investment Holding Limited	270 291	0.53%

Pursuant to Appendix No. 1 to Article 29, Paragraph 1, Item 2 of the Insurance Code, the Company has permission to carry out insurance operations under the following insurances:

- Accident insurance;
- Insurance of land vehicles, excluding rail vehicles funds;
- Vessel insurance;
- Cargo insurance during transport;
- "Fire" and "Natural disasters" insurance;

- Property Damage Insurance;
- Liability insurance related to the ownership and use of motor vehicles;
- Liability insurance related to owning and the use of vessels;
- General civil liability insurance;
- Credit insurance;
- Guarantee insurance;
- Insurance of various financial losses;
- Travel assistance insurance.

The scope of the Company's activities according to the license issued by the Commission for Financial Supervision includes offering almost the entire spectrum of insurance products and services in the field of general insurance. The company is a leader in the introduction and confirmation of trends in insurance, a high culture of service and non-conventional insurance protection. The offered insurance products also correspond to the company's strategy, mission and vision, which are permanent tied to the philosophy of active security.

IC Lev Ins JSC has focused its efforts on attracting an ever-increasing number of people individual customers. Although they are the most important part of the portfolio structure of the company serves and is in partnership with quite a number of corporate ones customers. Our goal is to build partnership and friendly relations with customers, based on mutual respect and cooperation.

The team of IC "Lev Ins" JSC, working on security issues, analyzes, recommends, takes measures and supports the development of insurance products and the determination of optimal insurance solutions, taking into account the needs of the individual customer. In their work, our specialists use the research and analysis of internationally recognized security experts.

IC "Lev Ins" JSC has won the trust and support of the world's majors reinsurers and maintains high-capacity reinsurance programs by the main lines of business. Main reinsurers we work with are Swiss Re, Lloyds, Sirius, Scor, etc.

Over the past few years, IC "Lev Ins" JSC has been the undisputed market leader in car insurance, which makes up the largest share of the portfolios of general insurance companies in Bulgaria. The company's market share in the non-life insurance portfolio is 14.94% (according to FSC data for realized direct general insurance income).

1.2. Results of signing activity

During the reporting period, the gross premium income from insurance premiums amounted to BGN 446,290,823, which represents a 30.04% increase compared to 12/31/2021. The company strengthens its position as a market leader against the background of the

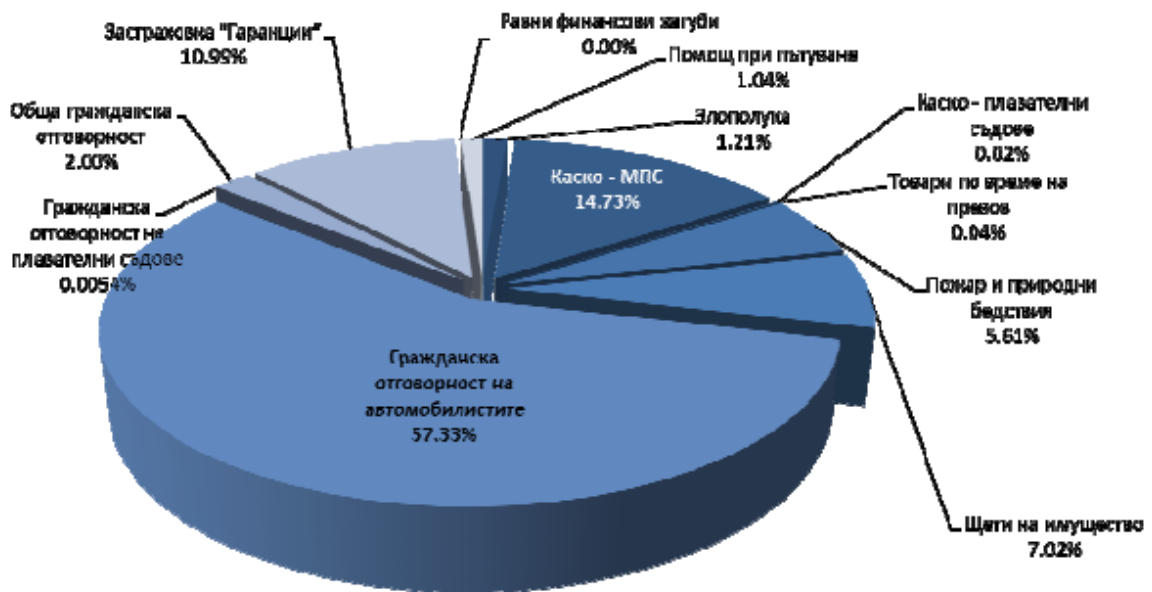
pandemic situation and the uncertainty of the national insurance market, the instability in the economy and the manifestation of catastrophic risks. In the table below is placed the size of premium income in BGN and its dynamics over the last three years:

Type of insurance	2019 year	2020 year	Increment	2020 year	2021 year	Increment	2021 year	2022 year	Increment
An accident	1 666 761	2 007 032	20.42%	2 007 032	4 066 246	102.60%	4 066 246	5 385 082	32.43%
Casco - motor vehicles	43 223 012	43 199 687	-0.05%	43 199 687	55 352 982	28.13%	55 352 982	65 756 000	18.79%
Casco - marine dishes	44 891	34 025	-24.21%	34 025	59 651	75.32%	59 651	111 283	86.56%
Loads during carriage	194 419	223 181	14.79%	223 181	143 051	-35.90%	143 051	178 728	24.94%
Fire and natural disasters	5 983 429	3 342 648	-44.13%	3 342 648	4 329 452	29.52%	4 329 452	25 043 211	478.44%
Property damage	2 130 909	2 283 445	7.16%	2 283 445	2 684 777	17.58%	2 684 777	31 312 409	1066.29%
Civil responsibility of motorists	247 862 882	239 344 057	-3.44%	239 344 057	255 312 655	6.67%	255 312 655	255 860 485	0.21%
Civil responsibility of sailing vessels	10 721	13 641	27.24%	13 641	18 378	34.73%	18 378	24 316	32.31%
General civil responsibility	3 591 136	4 787 816	33.32%	4 787 816	5 313 877	10.99%	5 313 877	8 930 305	68.06%
Insurance of credits	0	0	-	0	0	-	0	0	-
Insurance "Guarantees"	11 141 808	10 417 789	-6.50%	10 417 789	13 475 627	29.35%	13 475 627	49 042 815	263.94%
Various financial lost	174 579	58 570	-66.45%	58 570	6 270	-89.29%	6 270	6 216	-0.86%
Travel assistance	661 299	807 768	22.15%	807 768	2 440 546	202.13%	2 440 546	4 639 973	90.12%
TOTAL	316 685 846	306 519 659	-3.21%	306 519 659	343 203 512	11.97%	343 203 512	446 290 823	30.04%

The main product line - "Civil liability" does not change, but with "Casco" on Motor vehicles saw a significant growth of 18.79%. In the medium term, the goal of the company is to maintain a leading market position and to increase the market share by the most popular voluntary insurances. The aim is to achieve sustainable growth of at least 10% per year, through an increase in premium income from optional insurances.

The relative shares of individual insurance products in the portfolio vary in broad limits. The main reason is related to the low insurance culture of the population in the country and distrust in the financial system and market trends to a reduction in premium income from voluntary insurances. At these circumstances, the negative result of the manifestation of the risk under insurance with a large relative shares, cannot be compensated by the positive financial results under another type of insurance with a smaller share. In order to mitigate the risk, the company has concluded a number of reinsurance contracts.

Structure of the insurance portfolio by types of insurance according to realized premium income



To balance the portfolio, it is necessary, on the one hand, a significant increase in the scope of insurance with a small relative share, and on the other hand the provision of adequate reinsurance coverage under insurance with a large relative share. The first task can be implemented through constant training of the company's agent network with a goal stronger offering of the voluntary insurances that the company offers. The other option is related to the development of new attractive products that respond to consumer demand for insurance services and offer non-standard solutions in the field of prevention and insurance.

On the occasion of the second task, the company builds a good image in front of its partners in the field of reinsurance through correct and timely exchange of information, payment documents and payment of obligations.

A more conservative policy can be noted as a positive trend offering some types of insurance, for example Loan and Miscellaneous insurance Financial losses, which is related to risk assessment, through a scoring system and limiting the amount of risks taken to zero. Thus, through its more cautious risk assessment, the company has decided not to carry out a similar one type of insurance given the greater probability of risky events occurring, especially in the conditions of financial and economic crisis. At the thus created market conjuncture this is a very important decision to achieve good economic results. However, it is necessary to make greater efforts to increase the share of non-motor insurance, as it is evident from the market data that it is one profitable line of business.

The realized premium income in the last year orders IC "Lev Ins" JSC to leading place among insurance companies on the local market.

Type of insurance	Gross premium income (BGN)			
	2019 year	2020 year	2021 year	2022 year
An accident	1 666 761	2 007 032	4 066 246	5 385 082
Casco - motor vehicles	43 223 012	43 199 687	55 352 982	65 756 000
Casco - vessels	44 891	34 025	59 651	111 283
Loads in transit	194 419	223 181	143 051	178 728
Fire and natural disasters	5 983 429	3 342 648	4 329 452	25 043 211
Property damage	2 130 909	2 283 445	2 684 777	31 312 409
Civil liability of a car	247 862 882	239 344 057	255 312 655	255 860 485
Civil liability of vessels	10 721	13 641	18 378	24 316
General civil liability	3 591 136	4 787 816	5 313 877	8 930 305
Credit insurance	0	0	0	0
Insurance "Guarantees"	11 141 808	10 417 789	13 475 627	49 042 815
Miscellaneous financial losses	174 579	58 570	6 270	6 216
Travel assistance	661 299	807 768	2 440 546	4 639 973
TOTAL	316 685 846	306 519 659	343 203 512	446 290 823

Of the premiums received during the reporting period, BGN 69,287,476 are under contracts concluded in the previous year. This shows a good collectability of receivables related to deferred payment under insurance contracts.

Out of the total BGN 446,290,823 gross insurance premiums accrued during the reporting period, BGN 293,606,245 were collected, or a collection ratio of 0.66. This value slightly decreases, as a result of the large growth that marked the company in the year. However, this value is higher than the market average. This is due to mainly the introduced innovations in the field of service. Multiple insurance Intermediaries also introduced various systems (eg SMS notification) to remind about due installments. However, this is not a sufficient guarantee of collectability deferred receivables. For this reason, an automatic system has been introduced termination of concluded insurance contracts in case of non-payment of the next one installment for deferred payment of the premium. The system is built in accordance with the requirements of the Insurance Code and its provisions.

1.3. Results of investments

In 2022, the income from investments for the reporting period is in the amount of 548 thousand BGN, and expenses – BGN 10,374 thousand. The realized return on investment for 2022 is negative value in the amount of BGN 9,826 thousand.

In accordance with the investment policy of IC Lev ins JSC, the company strives to invests only in assets and instruments whose risks it is able to correctly determine, measure, monitor, control and report, as well as take into account appropriate way in assessing one's aggregate needs in terms of solvency. The company invests in a way that guarantees security, the quality, liquidity and yield of the aggregate portfolio. The company locates its assets in a way that ensures their availability.

1.4. Results of other activities

INFORMATION ON ENVIRONMENTAL AND EMPLOYEE ISSUES

The activity of IC Lev Ins JSC has no relation to ecology and does not have a negative effect impact on environmental protection.

- 1.5. In 2022, IC Lev ins JSC has 656 persons appointed in employment, of them 364 are women. 37 persons have been appointed to management positions,

of which 14 are women. Through the year the newly appointed employees are 104. The persons employed under a management contract and there are 9 in control, of which 6 are women.

2. Management system

2.1. General information about the management system

The company has a two-tier management system. Governing bodies of Lev Ins Insurance Company JSC are the General Meeting of Shareholders /GMS/, Supervisory Board /SB/ and Management Board /MB/.

2.1.1. General meeting of shareholders /GMS/ - Consists of all shareholders holding dematerialized registered shares with voting rights, presented in person or by proxy. The members of the National Assembly and the Board of Directors can take participation in the work of the OSA. They have no voting rights unless they are shareholders. A representative of the company's employees can also take part in the AGM. He does not have the right to an advisory vote.

Powers:

- amends and supplements the Articles of Association of the Company;
- increases and decreases the capital of the Company;
- transforms and terminates the Company;
- elects and dismisses the members of the Supervisory Board and determines the remuneration them, including their right to receive part of the company's profits, as well as acquire shares and bonds of the company;
- appoints and dismisses the registered auditors;
- approves the annual accounting report after certification by the appointed auditors, takes profit distribution decision, incl. replenishment of the funds and reserves of it and for the payment of a dividend;
- decides on the issuance of bonds;
- appoints liquidators upon termination of the Company, except in the case of an announced one bankruptcy;

- exempts the members of the Supervisory Board and the Management Board from liability;
- elects the head of the Specialized Service for Internal Control;
- chooses a responsible actuary;
- solves other issues provided in its competence by the law and the Statute;

The general meeting is regular or extraordinary. It can be convened by the MB, SB or by request of shareholders holding for more than three months at least five percent of the capital. The regular meeting shall be convened at least once a year, no later than 6 months after the end of the reporting year and takes place at the headquarters of the company.

The extraordinary general meeting is convened in case of urgent need of making a decision that is within the competence of the GMS. In case you lose exceed one second of the capital, an extraordinary general meeting is held no later than three months after the losses are established.

2.1.2. The Supervisory Board /SB/ - the SB is a body of the company, authorized to carry out prior, ongoing and subsequent control over the activity of the company. The SB has the right to inspect all books, documents and reports concerning the activities of the company and to require written or oral information on all matters from all members of the Board and all employees of the company. In its activity, the SB can be assisted by external experts, the remunerations of which are at the expense of the company. The SB cannot rule the company. He represents the company only in relations with the SB. SB consists of three to seven members selected by the GMS. The members of the SB may be re-selected without limitation.

The SB selects its chairman and deputy chairman from among its members. The Chairman convenes the meeting of the SB in his own way, as well as at the request of a member of the SB or members of the MB. Meetings are held at least once each two months. The chairman and members of the MB, as well as other experts, if they are previously invited by the chairman of the SB. In the event that they were invited to agree, the chairmen, the members of the MB and experts do not have the right to an advisory vote in decision-making.

Powers of the Supervisory Board:

- The supervisory board cannot participate in the management of the company. He represents the company only in relations with the management board;
- elects and dismisses the members of the Supervisory Board, concludes contracts with them for management and representation, and determines their remuneration;
- approves the Rules of Procedure of the Supervisory Board;
- convenes the General Assembly and proposes appropriate measures to the General Assembly when the interests of the Company require this;
- makes proposals to the General Assembly for the release of responsibility of the members of the Management Board;
- through a designated member represents the Company in disputes with the Management Board or individual members thereof;
- gives prior consent for the Management Board to make decisions on:
 - transfer or grant the use of the entire commercial enterprise;
 - disposal of assets whose total value in the current year exceeds half of the value of the assets of the company according to the latter certified annual accounting report;
 - assuming obligations or providing collateral to a person or to related parties, the amount of which in the current year exceeds half from the value of the company's assets according to the last certified annual report accounting report;
 - significant internal organizational changes, including but not limited to: changes in staffing; opening, closing, merging directorates and other structural units, change in their functions;
 - long-term cooperation essential for the Company or termination of such cooperation;
 - acquisition of real estate, encumbrance and sale thereof, sale or lease of a significant part of the Company's assets;
 - taking loans and securing obligations of third parties;
 - establishment or acquisition of subsidiaries;

- acquisition or disposal of shares and shares of other commercial companies in accordance with the law;
- all investment projects of the Company;
- increasing the company's capital and issuing bonds.
- approves the decisions of the Management Board for:
 - the distribution of functions between the members of the Management Board and the authorization of one or more persons from the composition of the Management Board to represent the Company;
 - the authorization of the Company's Procurator/s and conclusion of a contract for prosecutor;
 - acceptance of the forecast for the company's activity; the program for investing the temporarily free funds; general terms and conditions insurances and their rates, other forecasts and programs;
 - the Company's internal rules containing provisions regarding the scope and the procedure for carrying out the operations and the internal organization and the Regulations for the internal rules of the Company; The Supervisory Board can also rule on any other issue raised before him by the Management Board.

2.1.3. The Management Board /MB/ - the MB decides all issues that do not are of the exclusive competence of the GMS or the SB, subject to the provisions of the law and the Statute, in accordance with the decisions of the GMS and under the control of the SB. It's the MB a collective governing body consisting of three to nine elected members by the SB for a period of five years and after prior approval of a proposed application by the Deputy Chairman of the Financial Supervision Commission, "Insurance Supervision" department. The members of the Management Board can be reselected without restriction.

The Management Board reports on its activities at least once every three months to the Supervisory Board. MB immediately informs the SB of all circumstances that are essential importance to the company. The Management Board holds regular meetings at least once monthly. The Chairman of the Management Board convenes the meetings at his own

discretion or at the request of another member of the council or a member of the SB.

Powers of the Management Board:

- the company is managed and represented by a management board, which carries out its activity under the control of a supervisory board;
- determines the general guidelines in the Company's activities;
- organizes and directs the implementation of the decisions of the General Assembly of The Company;
- adopts internal rules for claims settlement activity;
- adopts internal rules for the procedure for disclosure of conflict of interest and ensuring confidentiality;
- adopts internal rules for the organization and activity of the service for internal control;
- with the prior consent of the Supervisory Board decides on the taking of loans and securing obligations of third parties;
- with the prior consent of the Supervisory Board, makes decisions regarding investment projects of the Company.
- with the prior consent of the Supervisory Board, makes acquisition decisions or disposition of shares and shares of other commercial companies compliance with the law;
- develops and adopts with the prior consent of the Supervisory Board the organizational structure, the staff list, the officials characteristics and the Rules for determining labor remunerations and the holidays of the Company's employees;
- with the prior consent of the Supervisory Board, makes decisions on material matters change in the Company's activity or for essential organizational ones changes;
- with the prior consent of the Supervisory Board, makes long-term decisions cooperation essential to the Company or termination of such cooperation;
- with the prior consent of the Supervisory Board, makes acquisition decisions, encumbrance and alienation of real estate of the Company or of real rights to them;
- adopts the internal rules for the Company's activities and Regulations for their work, which are approved by the Supervisory Board;
- with the approval of the Supervisory Board authorizes one or more of its members - executive members, to represent the Company and implement its operational management. When the authorization is for more than one executive member, the Company is represented by two executives

members - together;

- with the approval of the Supervisory Board, makes a decision on the authorization of Procurator/s and concluding a contract for a procurator;
- with the approval of the Supervisory Board, accepts forecasts for the Company's activities and programs for investing temporarily free cash;
- with the approval of the Supervisory Board, decides on the selection of others monetary funds not specified in this Statute and in the law;
- develops other forecasts, programs and plans for the Company's activities and organizes and coordinates their implementation;
- accepts the general terms and conditions of the insurances and their tariffs;
- prepares and proposes for approval by the Supervisory Board of the annual accounting report, the report on the company's activities, the distribution proposal of the profit, which he will make before the General Meeting of Shareholders and the annual report on the set aside insurance reserves;
- hears and accepts the reports of the managers of the territorial structures;
- coordinates and controls relations with insurance companies intermediaries, the insurance agents, with the partners and with the customers of The Company;
- determines the form, content and periodicity of the financial statements; is responsible for the timely preparation and content of the annual report financial statement, as well as for its publication in accordance with the requirements of the law; if necessary, adopts measures related to financial recovery of the company;
- performs other functions assigned to him by the General Meeting of Shareholders, The Supervisory Board and this statute.

2.1.4. Executive member/s - Executive Director/s of the Management Board chooses from among its members to whom it entrusts the management and representing the Company. Lev Ins Insurance Company JSC performs a preliminary and ongoing check for compliance with the requirements of the law and the Articles of Association of the persons, members of the Management Board and the persons occupying key functions in the company.

The company is represented by executive member(s), selected by the Management Board, after prior approval of the application by the Deputy Chairman of the FSC, head of the "Insurance Supervision" department and after approval of the decision decision of the Management Board regarding the manner of representation by the Supervisory Board.

The powers of the Executive Member/s are:

- represents the Company in its relationships with other physical and legal entities, public organizations and state bodies in the country and in abroad;
- organizes the activities of the Company, carries out its operational activities management, ensures management and protection of property;
- debits the Company's accounts with his signature;
- appoints the Company's employees and terminates their employment legal relations with them;
- delegates rights, authorizes individual employees to carry out actions related to their official functions, secondment in the country and in abroad, exercises disciplinary authority in the Company;
- performs other functions granted to him/her by the law, this Statute, the decisions of the General Meeting of Shareholders, the Rules of Procedure of The Management Board and the Rules for the internal rules of the Company.

2.1.5. Audit Committee

The Audit Committee of Insurance Company "Lev Ins" JSC consists of three members elected by the General Meeting of Shareholders on the basis of Art. 40 is from The Independent Financial Audit Act. The audit committee helps raise of the quality of the financial reporting process in the company and for the minimization of financial and operational risk, as well as the risk of non-compliance of the legislation.

The audit committee performs the following functions:

- monitors financial reporting processes in the company;
- monitors the effectiveness of the company's internal control systems;
- monitors the effectiveness of risk management systems in the company;
- supervises the independent financial audit in the company;
- reviews the independence of the company's registered auditor in accordance with the requirements of the law on the independent financial audit and The Code of Ethics of Professional Accountants.

2.1.6. Security Council

The general management of the company's activities in emergency situations carried out by the Management Board, assisted by a Security Council, called hereinafter "Council". The composition of the Council is determined by order of the executive director, works and includes the directors of the following directorates in the company: "ACS" Directorate; Actuarial, risk statistics, risk monitoring and analysis'; Directorate "Information Technologies" and Directorate "Financial and Accounting".

The advice:

- assists the Management Board in the management of emergency activities situations;
- examines projects of normative, planning and reference documents, related to the company's activities in emergency situations;
- analyzes the probability of occurrence of emergency situations and decides taking preventive measures;
- proposes to the Management Board the creation of temporary bodies for direct supporting the activities of the company's management for each specific in the event of an emergency;
- adopts an annual report on the company's activities in emergency situations.

2.2. Qualification and reliability requirements

The company selects its employees according to the data received the educational and qualification degree, the completed specialty, the acquired professional experience in the specialty and their relevance to the position and related to it functional responsibilities applied for. The Company considers whether the person is competent and can demonstrate, through his experience and training, that he is able to performs basic functions.

The management team includes all persons directly engaged in management functions and control of the company's activities. Specifically, the management team of the company consists of all members of the Management Board, all members of the Supervisory Board and all other persons who hold positions with significant influence on the activities of the company, as well as the performing key functions. Society requires advance information and data as well as evidence regarding compliance of each application for a position, part of the management team. In pursuance of this obligation the company collects evidence in advance regarding professional qualifications, acquired knowledge and experience, as well as reliability of each application. Before submission of a candidacy for the

position of head of the "Human Resources" department prepares an assessment of compliance of the submitted application with the requirements of the law. In the prepared assessment examines all the requirements of the law for borrowing the relevant one position and the compliance documents submitted by the applicant, as well as being entered the results of the performed inspection. The company regularly collects additional information regarding compliance with the requirements of the law of the persons holding the position part of the management team, requiring them to have up-to-date criminal records, as well as a new declaration of the circumstances for which the law has provided proof, through declaration. In case of changes in the regulatory framework or in other circumstances of a repeat the reliability of persons occupying management positions is subject to assessment, part of the management team. Look up details prepares an assessment of compliance of the submitted application with the requirements of the law. In the prepared assessment examines all the requirements of the law for borrowing the relevant one position and the compliance documents submitted by the applicant, as well as being entered the results of the performed inspection. The company regularly collects additional information regarding compliance with the requirements of the law of the persons holding the position part of the management team, requiring them to have up-to-date criminal records, as well as a new declaration of the circumstances for which the law has provided proof, through declaration. In case of changes in the regulatory framework or in other circumstances of a repeat the reliability of persons occupying management positions is subject to assessment, part of the management team.

The qualification of the persons who actually lead the company - members of the management team is judged on the basis of:

- acquired educational and qualification degree;
- specialty;
- additional courses/specializations to increase the professional qualification;
- professional experience – positions held and related functions performed;
- participations in the management of other commercial companies, including open ones bankruptcy or liquidation proceedings, as well as those with revoked license for performing an activity subject to a licensing regime;
- family status from the point of view of preventing conflict of interest;
- occupying other paid positions under employment law/for the executive members/;
- CV signed by the candidate.

The reliability of the management positions, part of the management team, is assessed in relation to the requirements of the law and on the basis of documents required for proving the stated circumstances. The assessment of reliability also includes teamwork skills, analytical abilities in evaluating information, the ability to make adequate decisions, as well as the results shown at conducted stress tests.

The reliability of the persons who actually lead the company - members of the management team is judged on the basis of:

- criminal record data;
- right to occupy a materially responsible position;
- dismissal from office on the basis of a coercive administrative measure;
- participations in the management of other commercial companies, including open ones bankruptcy or liquidation proceedings, as well as those with revoked license for performing an activity subject to a licensing regime;
- CV signed by the candidate.

2.3. Risk management system including own risk assessment and solvency

In 2015, the Company took measures to introduce the management function of the risk. A risk management manager should report to the MB on risks, which have been identified as potentially material. The report can be own initiative or at the express request of the MB.

Characteristics of performed duties:

- Performs analysis and assessment of risk related to investments managed by IC "Lev Ins" JSC and approved by the Financial Supervision Commission (FSC);
- Performs analysis and assessment of the risk associated with the underwriting activity carried out by IC "Lev Ins" JSC, approved by the Commission for Financial Supervision (FSC);
- Assists in the implementation of investment transactions with securities and deposits with the assets of the Company;
- Participates in the preparation of the reports for the FSC concerning its main activity;
- Participates in working groups and committees within IC "Lev Ins" JSC;
- Assists in implementing the risk management system by being responsible for compliance with a risk management policy in the company's activities;

- Monitors the enterprise's risk profile and reports on cases of deviation from assumptions;
- Protects the official secret to which he has access in the performance of the set his tasks;
- Performs other professional duties arising from the assigned his function, as well as when required by management.

Responsibilities:

- Responsible for the identification, assessment and monitoring of risks related to the signing activity;
- Responsible for the identification, assessment and monitoring of risks related to investments and for the correctness and legality of those given by him opinions and consultations in this regard;
- Responsible for the accuracy and timely presentation of information in connection with its activity, required by the Executive Director, the authorities of management of the company, the supervisory authorities, etc., including the FSC and Deputy — the chairman, managing the "Insurance Supervision" department;
- Responsible for the protection of official and commercial secrecy.

The company is exposed to risks in relation to its activity. The general definition risk is the uncertainty that an expected event or forecast will come true. The accepted one risk management approach makes it possible to implement some of them the effect of their implementation is minimized or they are completely removed, whichever is the case ensure the financial condition of the company.

The market on which the company realizes the packages of insurance services is characterized by a high degree of competition. This means that in the short term the company may fail to realize previously expected results and yes lost part of its market positions. Success depends on the company's ability to withstand the competitive pressure by improving the quality of the products offered insurance services, additional diversification of the product portfolio, through expanding the scope of the already issued license and expanding the market presence as well as a fully built and well managed system to control all risks inherent in it.

In accordance with the provisions of Order No. 301, IC Lev Ins JSC prepares the Self-Assessment of risk and solvency (SARS), which by its very nature is an instrument for strategic analysis and management decision-making by the management of the company on the occasion of its long-term development program. By preparing the Guidelines on the estimated assessment of own

risks apply to the report the enterprise, supporting the estimated assessment of own risks and confirm the results, and the same are presented to the regulator.

As part of the plan to implement the provisions of the Solvency II Directive, IC Lev Ins JSC prepares a report on its own assessment of risk and solvency at least once a year, including the following required legally established elements:

- Assessment of the general capital adequacy according to the requirements of the Directive Solvency II;
- Analysis and evaluation of the risk profile through the application of the standard formula;
- System of management and control over the overall activity of the company.

2.4. Internal control system

The internal control system includes the overall policy and procedures for internal control to achieve the following objectives to a reasonable extent: to ensure order and efficiency in carrying out the activity with economical and efficient use of resources, including adherence to management policy, asset protection of the company, detection and prevention of fraud and errors, completeness and correctness of accounting documentation, as well as timely preparation of reliable Financial information. Control is a comprehensive and continuous process integrated into the activity of the company, including the management bodies, the persons of management positions, the specialized control bodies and all other persons who work on contract with the insurer, in order to reasonably ensure:

- achievement of goals and performance of tasks;
- economical and efficient use of resources;
- assessment of the various risks and their management;
- protection of assets;
- reliability and comprehensiveness of financial and management information;
- performing the transferred insurance activities according to the requirements, established by the insurer;
- compliance with measures to prevent money laundering and financing of terrorism;
- legality of the activity, compliance with the programs, plans, the company's internal rules and procedures.

Each person in the company has a certain responsibility in relation to the internal control. The role of managers at all management levels is key, as according to their functions and the hierarchy in the company, they manage those they lead units and organize their internal control. All employees of the company as well participate and have specific roles in the implementation of internal control accordingly their functional competencies.

Internal control is a management activity that ensures and ensures that objectives of the company will be achieved through:

- compliance with legislation, internal acts and contracts;
- reliability and comprehensiveness of financial and operational information;
- economy, effectiveness and efficiency of the activities;
- protection of assets and information.

2.4.1. The internal control system of IC "Lev Ins" JSC

The control activity has been implemented at all levels of the activity carried out by IC "Lev Inc" JSC. Processes, methods and interactions in the company in connection with the implementation of internal control.

2.4.1.1. Head Compliance Function

The compliance function is objective and independent of other functions and is expressed as:

- advising the management and supervisory bodies of the company regarding compliance with the laws, by-laws, immediately applicable acts of competent bodies of the European Union and internal acts of the company;
- assessment of the possible effect of changes in the legal environment on the activity of the company;
- identification and assessment of the risk arising from non-compliance with the laws, the by-laws, the directly applicable acts of the competent authorities of The European Union and the internal acts of the company.

The head of the compliance function is appointed by the management board. All directorates and territorial structures assist the Head of the Compliance Function at carrying out its assigned activity.

The head of the compliance function:

- immediately informs the management authorities about the violations he finds in the activity of the Company;
- prepares an annual report and presents it to the Management Board, the Supervisory Board and GMS;
- immediately informs the deputy chairman of the Financial Supervision Commission in the cases where, as a result of an inspection, violations were found and weaknesses in the Company's management that have led or may lead to significant damages and for which he believes that the governing bodies have not taken action sufficient measures for their removal;
- the legality and effectiveness of the company's policy under human resource Management;
- the effectiveness of actions to eliminate identified gaps and violations;
- the legality and expediency of the concluded contracts and their performance;
- the adequacy and compliance with the internal rules and procedures for concluding insurance contracts, for acceptance and consideration of claims that have occurred insurance events and to determine payments for them;

2.4.1.2. Head of the internal audit function

- The internal audit function is objective and independent from other operative functions.
- prepares an annual report on the activities of the unit performing internal audit and presents it to the Supervisory Board, the Audit Committee and the GMS
- prepares and submits an annual plan for the audits that are accepted by Administrative board;
- After completion of the procedure for the implementation of each audit engagement with the conclusions of the internal auditors, the audit report is presented with the applications before the company's Board of Directors.
- In case of detected violations and damages, the representative of the company issues an order to take action to remove them. The order is served against the signature of the head of the inspected object.

- A copy of the order is attached to the materials on the audit engagement and at necessity is also handed over to other officials who are responsible for its implementation.
- Prepares quarterly reports to the Audit Committee on the results of the activity;
- In case of significant violations, a copy of the relevant audit a report is submitted to the Management Board, the Supervisory Board and the Audit Committee of the company.
- In cases where no measures have been taken by the governing bodies of the company, the report is submitted to the FSC, Department "Insurance supervision".
- Compiles an annual activity report to the Management Board, containing information on:
 - the main results of the implementation of audit engagements;
 - the measures taken and their implementation;
 - the problems of the organization;
 - - the main tasks to solve in the next year or in the future.

2.5. Actuarial function

The actuarial function in IC Lev Ins JSC should be effective and is carried out by responsible actuary. Main functions, responsibilities and relationships of the responsible actuary:

- organizes, manages and is responsible for the actuarial services of the company;
- develops premiums sufficient in size, with the exception of premiums under insurance of major risks;
- forms sufficient technical reserves for the correct calculation of the limit of solvency, as well as for the correct use of actuaries methods in the company's practice;
- monitors the correctness of the scheme for the distribution of income from investments the assets between the insured and the company;
- prepares and certifies the company's reports in connection with the actuarial activity;
- to prepare and submit to the FSC an annual actuarial report - by March 31 of the year, following the year to which the report refers;
- to immediately notify the FSC of any circumstance that has become known to him in the performance of his functions and which relates to the company and constitutes a material violation of the Insurance Code or the acts on its implementation or may adversely affect the performance of the business of the company.

- The responsible actuary is responsible to the GMS, MB and SB.

2.6. Outsourcing activities

The company begins to entrust third parties with the implementation of activities and the functions for which it does not have the necessary capacity and resource, as well as prepared personnel, including the implementation of activities that it would perform through self-employed personnel would lead to a conflict of interest to the detriment of the rights of the insured persons. Accompanying activities are subject to outsourcing to third parties the provision of an adequate insurance service, which essentially represent other commercial activity, other than the activity of providing insurance coverage of risks under contracts, expressed in raising and spending funds intended for the payment of benefits, etc. sums of money, upon occurrence of events or fulfillment of conditions. No transfer of key functions or other important functions or activities of outsiders:

- when the quality of the management system significantly deteriorates;
- when operational risk increases unreasonably,
- when insurance supervision is hindered,
- when the interests of users of insurance services are threatened.

Activities subject to outsourcing to third parties are:

- activities of reception and processing of primary information about incidents insurance events (call center);
- insurance service provision activities – specialized medical transport (air and ground);
- activity of providing an additional service for providing road traffic assistance and primary technical assistance (tyre change, power supply, repatriation);
- activities to recover damages in kind (auto repair shops, suppliers of auto parts and equipment);
- insurance claims settlement activity on behalf of the insurer;
- activity of assigning expert evaluations to independent external experts in connection with the settlement of insurance claims;
- any other activity at the discretion of the Management Board of the company, which is not related to insurance risk assessment, determination of the insurance premium, management of the insurer's assets.

The outsourcing of activities is done on the basis of a contract in which the rights and obligations of the parties are clearly defined. Before concluding a contract for awarding an activity with an external contractor must be checked

for compliance of the applicant's activity with the specific regulatory requirements, for example, does it hold a license in case it is subject to a licensing regime, company and professional reputation, execution of contracts with other counterparties, value of the required service with a view to protecting the interest of users of insurance services, availability of sufficient personnel capacity and technical security of the external contractor with a view to the possibility of performing the assigned functions in the interest of users of insurance services Results and quality are assessed on an ongoing basis through feedback from users of insurance services - analysis of data from objections, reports, requests; through analysis of risk manifestations – execution quarterly review of customer service and value/performance of the service provided by comparing it with the prices and quality of other external ones contractors; through an internal survey using the "pretend customer" method - an employee of the company takes on the role of a user of insurance services for the purpose of checking the the service provided; by checking the subcontractors, if any are used by the external contractors through the methods described above.

3. Risk profile

3.1. Underwriter's risk

This risk is associated with the activity of concluding new contracts, manifested as incorrect assessment of the risk to which the client is exposed and incorrect determination of the price of insurance policy for a specific product. The measures for its minimization are lead to a unified approach in assessing the risk profile of the application client of medical and financial criteria by the company, various declarations (health, tax, financial and others) on a certain scale, including for the older ones sums insured. The company reserves the right to refuse the conclusion of a given insurance product in the presence of high medical or financial risk that is not ready to accept. Ongoing training is also provided to agents at locations, as well as specializations of officials in order to increase their qualifications and reducing the risk of an improperly conducted evaluation and pricing process at issuing new policies.

In connection with the management of this risk, the company adopts mechanisms in its activity and procedures to limit underwriter risk. There are rules for signature limits of company employees directly involved in the assessment of the insurance risk, the commercial structure of the company – employees in agencies, sales related and insurance intermediaries brokers and agents compliant with relevant insurance products.

The adopted rules are applied in insurance agency contracts and insurance brokerage. Depending on the professional qualification of the insurance intermediary is approved limits of insurance sums up to can be offered, respectively conclude an insurance contract. Centrally management of the company takes over the methodical control and management of the conclusion of insurance contracts above certain amounts.

There is a mandatory authorization procedure for concluding insurance policies contracts above certain sums insured, including advance collection of information about the customer's individual risk profile, damage and expected amount of the probability of the realization of damage in the future. Mandatory part of this procedure is a specification of the provided insurance coverage corresponding to the risk customer profile.

Insurance contracts above a certain sum insured or by specific classes insurances are offered and concluded only by Central Management according to the authorization table.

In the case of high risk data, the conclusion of an insurance contract may be refused or an insurance contract is concluded in the event of a tariff increase or they are given mandatory prescriptions to limit a specific risk. On each of insurance contracts are practiced a different set of measures representing preventive measures.

The present severely limits the risk in terms of competence in the issuance of policies and realization of losses from occurrence of insurance risk which was underestimated or misjudged.

Underwriter risk is also related to the risk of loss in connection with the conclusion of insurance and reinsurance contracts, given the conditions agreed upon, in case of incorrect assessment of the risk profile, found during reassessment of issued contracts. To limit this manifestation of this risk is necessary most strictly compliance with the insurance tariffs and adherence to the relevant General Terms and Conditions type of insurance.

Current control of concluded insurance contracts, such as The "Acquisition" Directorate at the Central Office has been assigned an inspection of insurance contracts at the time of their reporting. The check includes: full reassessment of the client's risk profile, compliance of the concluded insurance with the effective tariff for the given risks, justification of the discounts provided, as well as writing out the specific insurance contract in accordance with the

current ones rules. In case of detected violations, the prescribed sanctions are imposed in the contracts and internal regulations of the company, including but not limited to termination of the insurance contract.

Additional follow-up control of the signing activity is carried out by Specialized "Internal Control" service. In the scope of the inspection carried out under occasion of a specific audit engagement, compliance with the planned is included acquisition costs in each insurance policy concluded by the verified insurer an intermediary. The implementation of the sanctions imposed on the specific person is also subject to verification insurance intermediary for established incorrect or unreasonable pricing providing discounts in case of violation of the current tariffs.

3.2. Risk of cancellation

For the company, we assume that this risk is expressed in the early termination of insurance by customers. The measures we take to reduce this risk are: flexible insurance premium rescheduling schemes agreed with the client, reduction of the insured amount or the number of covered risks, etc. the measures described above are aimed at keeping the client in the group of insured, keeping the level of risk equalization in this aggregate, ensuring the adequacy of the separate reserves for this type of insurance, from there and reducing the risk of realization of future losses in relation to the main business.

The risk of cancellation is the result of other attractive insurance products or promotional packages /lower price/ offered by other participants of the insurance market, negative feelings in relation to benefits, from disloyal market practices or the result of a customer's personal decision.

To manage this risk, the company maintains a feedback communication channel relationship with its customers, built at all levels and structures in the company. The opposite communication from the client regarding his needs and wants is collected by the insurance intermediary, being sent to the Central Office for making an adequate decision and building an attractive insurance product or overcoming another problem, led to the cancellation. A special structure was also built - a call center for servicing incoming signals from customers in connection with service under their policies.

3.3. Investment risk

It is related to the probability of realizing a negative result from the investment of given assets in certain investment products and their management. In case of manifestation of this risk the company realizes losses as a result of changes related to market quantities such as inflation, exchange rates, interest rates, badly made and managed investment, nationalization or the collapse of an economy. To what extent a large part of the company's technical reserves are invested in government securities papers and bonds issued by the Bulgarian state and by issuers with headquarters in Bulgaria, the general risks for repayment of the debts and the Bulgarian economy have a direct impact on the risk of the investments made. That is why rules have been adopted for valuation of the company's assets corresponding to the market situation.

The financial instruments owned by the Company are determining for investment risk. Some of the following data, factors and analyses:

- Issue value announced in the issuer's public offering prospectus of similar securities;
- Decisions to increase or decrease the issuer's capital;
- Decisions on conversion of the issuer and announced in the conversion plan, value or exchange ratio of the securities;
- Any changes in the commercial activity of the issuer that affect the price of its securities;
- Changes in the issuer's articles of association;
- Formed claim, collateral or enforcement proceedings, on which the issuer is the defendant;
- Analysis of the business sector in which the issuer operates;
- Analysis of the general state of the securities market;
- Availability of option contracts for the given securities;
- Data regarding the trading and quotations of the securities of a regulated domestic or foreign market.

Sources of information for valuation of financial instruments held by the company are:

- Register of public companies in the FSC;
- The official bulletin of the Bulgarian Stock Exchange;
- Three-year national and international reports of the issuers;
- Prospectuses for public offering of issuers' securities;
- Official quotations of the primary dealers of securities;
- Official bulletins of NSI and BNB;

- Quotations, bulletins and analyzes of Bulgarian and foreign regulated markets and investment intermediaries;
- Ratings of internationally recognized rating institutions.

The Company has adopted and maintains specific rules for the valuation of its assets which updates periodically in order to fully respond to developments or the emergence of new ones risk circumstances in connection with the realization of this risk.

3.4. Currency risk

It arises from the risk associated with the price of the currency in which the instruments are issued constituting the investment portfolio of the company and the probable loss of difference in the exchange rate. We accept this risk as part of the investment risk.

Currency risk is largely negligible due to the fact that the company's investments are mainly in deposits and securities in BGN euro at a fixed rate. This circumstance limits the possibility of currency losses, associated with a downward movement of exchange rates or a collapse in economies associated with investment currencies.

As a safeguard against this risk, the company maintains a balance sheet of diversification in terms of investment, both in terms of type and where. Regular monitoring is carried out related to the development of investments and at detection of negative trends, corrective measures are applied.

3.5. Interest rate risk

It is associated with the change in the value of debt securities as a result of a change in interest rates and is part of the pool of risks associated with investment risk. The price of debt securities is affected by interest rates, such as the increase in interest rates lead to a decrease in their price. The company manages interest risk through an active investment policy, as the effective duration of the portfolio se changes depending on expected changes in interest rates. To minimize the negative effect of the expected rise in interest rates in the country, the company prefers to invest in medium-term debt securities maturity.

The company is exposed to price risk regarding price changes of valuables papers listed on the Bulgarian Stock Exchange. That is why we perceive it as part of investment. The market value of each security changes in the direction

of increase or decrease, sometimes very quickly and unpredictably. Price risk can affect a certain issuer, a sector of the economy, as well as the entire economy. The price the risk of individual securities in the company's portfolio is minimized through its diversification.

3.6. Liquidity risk

It arises from the inability of the company to meet certain monetary obligations with available assets. In order to manage this risk, the management of the company maintains sufficient free cash reserves in order to ensure permanent liquidity.

As a mechanism for controlling this risk, the company carries out periodic controls on the liquidity of your financial means by preparing a report on liquidity ratio. The liquidity ratio shows that the Company is in able to cover its current liabilities with available short-term assets. At a trend in the development of the ratio indicating a problem in liquidity and impossibility to cover counter costs, measures related to providing the necessary means to meet them.

The company applies as another measure related to liquidity control, the implementation of measures under the Solvency II Directive. Regular ones are prepared reports by the audit functions of the company leading to certain corrective measures if necessary.

3.7. Risk from the realization of major insurance events, resp. the payment of substantial benefits

It is minimized by a correctly performed acquisition process, correctly assessed risk customer profile and risk cession through reinsurance and co-insurance contracts. As specific measures related to this risk, the company carries out regular monitoring of the damage quota by products, channels of distribution and certain intermediaries and when concentrations are found, it performs corrective measures described under the risks above. Such measures are: conduct of additional training in relation to the risk profile of clients, integration of risk prevention systems, raising the level of qualification of assessors of insurance claims, etc.

3.8. Risk of insurance fraud

The Company assumes that manifestations of this risk are fraud at the entrance (ie fraud at initial conclusion of an insurance contract), fraud during

the operation of insurance contract and liquidation fraud. As the main sources of this risk we accept: the insured, resp. insurance applicants, insurers and insurance intermediaries.

After a regular risk assessment, the company has adopted the division described above, which includes:

- Risk of fraud at the entrance - we mainly associate the manifestation of this risk with providing inaccurate and incomplete information regarding the circumstances, related to the risk profile of the insurance applicant or himself insured. The main bearers of this risk are, in addition to the listed and insurance intermediaries, as a major part of the evaluation process of the risk.

The consequence of realizing the risk is an inaccurate risk assessment, underestimation or overestimation of the risk, incorrect pricing and wrongful payment of insurance compensation.

The measures that the company applies in relation to limiting this risk are: training to improve the professional skills of mediators, subsequent control when issuing the policies and regular monitoring of the insured population.

- Regarding the risk during the policy, the company is considered its manifestations to be minor as they are primarily related with sudden changes in risk circumstances. That's why we take it as a risk, subject to relatively good control. We also foresee a follow-up management. The Company through its overall service policy of the client assumes that this risk has been minimized and overcome.
- In connection with the risk caused by fraud during insurance liquidation claims, the company applies conservative, preventive measures and subsequent overall control by means of process mechanization and authorization table entered.

An organizational unit was introduced in the company - a separate directorate, directly engaged in the prevention and control of insurance fraud. In the imputed duties of the employees of the directorate include the activity when checking before conclusion of an insurance contract, verification of applicants for insurance at insurances with a high insurance amount, verification of the validity of the claims circumstances when realizing insurance events and subsequent verification including the value of the compensation paid.

To reduce this risk, strict control is applied to the movement of blanks under strict accountability of the company and monitoring of insurance fraud and by Specialized Service "Internal Control", Directorate "Financial and Accounting", Directorate "Acquisition" and Directorate "Information Service". The impact of this risk is also limited by the established organization for internal control in the company, which is part of the policy for modern methods of risk management.

3.9. Reputational risk

This is the risk of realization of which the influence of the name is reduced and the positive reputation of the company on the insurance market. From the reduction of this one reputation, expressed in the accumulation of negative attitude on the part of users of insurance services, the company mainly realizes financial lost.

Bearers of this risk are all the main units in the company, having access to work with customers and outsiders as well as management itself through its actions or inaction in certain situations. As the main units related to this risk, the company accepts and defines: the units related to sales, the units related to the examination of insurance claims, as well as engaged in servicing of customers in general. The impact of this risk in management decisions is related to the overall management regarding the customer service policy.

Result of the incorrect attitude of the customers during the conclusion of the policy, incorrectly and inaccurately submitted pre-contractual information, created wrong expectations, unsatisfactory liquidation of claims, "administrative" approach at service, reputational risk manifests itself in negative media appearances, negative rumours, campaigns and more.

As a mechanism for limiting this risk, the company has adopted a completely new and customer-oriented service policy with training of intermediaries, change in the forms of customer communication and gathering feedback about the service.

Regular reports are prepared and periodic trainings related to communicating with the client, resolving conflict situations, etc.

3.10. Risk in connection with the performance of activities assigned to external contractors

This risk is mainly related to the company's counterparties, to whom it assigns part of its main activities - call center, round-the-clock insurance assistance and trusted repair shops. The manifestations of this risk are: incorrect execution of the assigned activity, delay in time and non-compliance with deadlines, misleading payments. The minimization of manifestations of this risk leads to a reduction in costs, opportunities for fraud and increases revenue. The activities that the company carries out in relation to this risk are related to a uniform policy for all levels of working with external suppliers, theirs check and verify. Regular monitoring of the services provided by external contractors, as in case of non-compliance with the established rules contracts are subject to termination.

3.11. Intermediate risk

It is related to the overall work of insurance intermediaries, and mainly from this part from the own network over which the company has control and for whose work it carries responsibility. Risk arises as bad training, bad attitude towards customers, non-compliance with company rules and regulations, insurance attempts fraud and misuse of cash funds, all leading to financial losses and manifestation of reputational risk. The company applies as optimization measures continuous training, control at several levels and periodic conferences (national meetings), related to the legal framework and the management system of the company.

3.12. Risk of changes in the regulatory framework

The company considers this risk as one whose manifestation it cannot influence, but can be minimized through the application of all legal acts in the specified terms, thereby reducing possible losses from administrative acts and others.

4. Assessment for solvency purposes

4.1. Assets

The value of the Company's assets as of 31.12.2022 is presented in the following table:

Assets	Value by Solvency II in BGN	Value by the mandatory ones Accounting reports in BGN
Intangible assets	0	45 319

Real property, plant and equipment owned for own use	4 568 016	1 371 859
Investments (other than assets held for the related index and for the purpose of investment fund contracts)	176 199 218	174 555 639
Immovable property (other than own usage)	57 326 760	57 326 760
Equity interests in related enterprises, including holdings	17 980 935	16 388 050
Capital instruments	312 280	279 380
Equity instruments — which are traded on a stock exchange	312 280	279 380
Bonds	12 296 542	12 278 748
Government bonds	8 028 457	8 010 883
Corporate bonds	4 268 085	4 267 866
Deposits other than cash equivalents	88 282 701	88 282 701
Reinsurance reimbursements under:	296 778 496	411 466 650
General insurance and health insurance similar to general insurance	296 778 496	411 466 650
General insurance, excluding health insurance	296 778 496	411 466 650
Insurance receivables and receivables from intermediaries	36 147 817	216 651 479
Receivables (trade, not insurance)	2 597 693	2 597 693
Cash and cash equivalents	15 616 597	15 616 597
Total assets	531 907 837	822 305 237

4.2. Technical reserves

The value of the Company's technical reserves as of 31.12.2022 is presented in following table:

Technical reserves	Value by Solvency II in BGN	Value by the mandatory ones Accounting reports in BGN
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Technical reserves — general insurance	405 353 041	670 029 631
Technical reserves — general insurance (except health insurance)	403 839 802	667 950 324
Technical reserves calculated in aggregate	0	0
Best Estimate	398 594 699	0
Risk allowance	5 245 103	0
Technical reserves — health insurance (similar to general insurance)	1 513 239	2 079 307
Best Estimate	1 493 861	0
Risk allowance	19 378	0

4.3. Other liabilities

The value of the other liabilities of the Company as of 31.12.2022 is presented in the following table:

Passives	Value by Solvency II in BGN	Value by the mandatory ones Accounting reports in BGN
Pension benefit obligations	456 855	456 855
Deferred tax liabilities	5 015 044	3 526 950
Insurance obligations and obligations to intermediaries	84 304	84 304
Reinsurance obligations	0	40 601 756
Liabilities (commercial, non-insurance)	10 482 855	10 482 855
Subordinated liabilities	4 845 000	4 845 000
Subordinated liabilities that are in basic own funds	4 845 000	4 845 000
Total liabilities	426 237 099	540 428 817
Excess of assets over liabilities	105 670 739	82 231 801

4.4. Alternative assessment methods

The general assessment of capital adequacy is carried out in accordance with the assessment rules laid down in the Solvency II directive and all norms, related to her. This assessment is based on an equity calculation and the financial results for 2022. Development scenarios (stresses) are applied according to the predictions of the standard formula.

4.5. Other information

The company's activity is developing with a healthy growth, as this will allow fulfillment of both the solvency requirements and the stipulated pre the company's short- and medium-term tasks, which will ensure sustainability in adverse environment. In any case, it will be necessary to examine and analyze them systematically the attitudes of all those involved in the external economic environment for the company – customers, shareholders, competitors, regulatory authorities, partners, including distribution channels, etc.

The main indicators for determining the risk situation are:

- The financial result;
- Return on capital;
- Amount of own funds;
- The requirement for own funds (requirement for solvency of capital) and solvency ratio.

Risk profile and adequacy of the risk profile against the standard formula

The risk profile summarizes the main risk factors that can significantly to affect the solvency of the company. These are – market risk, risk related to receivables from counterparties, underwriter risk, operational risk, catastrophic risk and currency risk.

Risk factors are assessed quantitatively or qualitatively, taking into account and their correlation. The main risks applicable to the company are technical and financial risks: these risks are modeled in the standard formula. At this stage, IC Lev Ins JSC considers that the standard formula corresponds to the risk profile in view of the assessment of equity needs.

Results in this research are based on actual company data for 2020, and the same have been audited and disclosed to the Financial Supervision Commission. They cover the entire portfolio of products offered by the company, having been fully evaluated of its assets and liabilities, in order to establish the actual (according to the requirements of Solvency II)

excess of assets over liabilities, i.e. evaluation of own funds according to Solvency II requirements

Regarding Solvency II calculations, they are based on the standard formula as described in the "Technical Specification for Preparatory Phase".

Above in this report we have described the main risk factors that influence and determine the required solvency of the company according to the requirements of the directive Solvency II.

Each of the risk factors is a combination of certain specific risks to which the company is exposed in carrying out its activity. For example, the market one risk as a factor is a combination of interest rate risk, equity risk, risk associated with real estate, spread risk, currency risk and concentration risk. By grouping of risks and the application of a correlation matrix for individual dependencies risks on the example of the standard formula is determined the general requirement for own funds, according to the Solvency II directive.

The company's own funds are like the difference between the assets and liabilities of the company. For this purpose, a revaluation of all tangible and intangible assets was carried out assets, receivables and liabilities of the company. Revaluations have been made accordingly with the technical specifications for the implementation of the Solvency II Directive.

The excess of assets over liabilities of the company covers the financial requirements, according to Solvency II. This is a sufficient guarantee for the long-term stability of the company by the end of 2022.

5. Capital management

5.1. Equity, Solvency Capital Requirement and Minimum capital requirement

Own funds, the minimum capital requirement, the capital requirement for solvency and, accordingly, their coverage:

31.12.2022
SCR in BGN

Market risk	19 756 395
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Counterparty Default Risk	14 427 458
Life insurance underwriting risk	0
Health insurance underwriter risk	1 748 487
General underwriting risk	64 258 001
Diversification	-19 786 052
Risk from intangible assets	0
Base Capital Requirement	80 404 289
Operational risk	12 002 657
The ability of technical reserves to cover losses	0
The ability of deferred taxes to cover taxes	-9 240 695
Solvency Capital Requirement (SCR)	83 166 252

Minimum Capital Requirement (MSR)	33 768 884
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SCR coverage	133%
MCR coverage	327%

Data analysis shows that the most significant component affecting coverage of the requirement for capital adequacy of the Company is the general insurance underwriting risk – BGN 64,258 thousand. Market risk has an impact on capital requirement in the amount of BGN 19,756 thousand. The risk of non-fulfillment of the obligations of counterparties is estimated at BGN 14,427 thousand, and the operating one at BGN 12,003 thousand. With at least quantitative impact of the Solvency Capital Requirement is health insurance underwriting risk – BGN 1,748 thousand.

As of 31.12.2022, the coverage of the capital adequacy requirement was 132.89%, and on the minimum capital adequacy requirement is 327.27%. These coverage values show that the Company is well capitalized and is able to meet negative manifestations of the risks involved in the Solvency II scenarios.

5.2. Differences between the standard formula and any internal model used

To calculate the Solvency Capital Requirement representing starting point for own risk assessment and solvency are set standard formula patterns.

5.3. Violations of the minimum capital requirement and violations of the capital solvency requirement

In 2022, the company did not report violations of the minimum capital requirement and violations of the Solvency Capital Requirement.