

SUPERVISORY REPORT AND OWN ASSESSMENT OF RISK AND SOLVENCY

ACTIVITY AND RESULTS

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 ones offered insurance products also correspond to the strategy, mission and vision of the company, which are permanently bound 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 it serves and is in partner relations with a considerable number corporate clients.

Our goal is to build partnership and friendly relationships with customers based on of 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 12.03% (according to the FSC data on realized direct general insurance income).

The amount of premium income for the last four years by type of insurance is as follows:

Type of insurance	Gross premium income (BGN)			
	2013 year	2014 year	2015 year	2016 year
an accident	1 196 812	1 290 844	1 167 237	1 400 169
Casco - motor vehicles	21 541 235	27 626 115	35 074 735	42 528 959
Casco - vessels	31 936	34 007	28 564	53 439
Loads in transit	61 467	59 317	78 134	54 695
Fire and natural disasters	1 958 072	2 969 902	3 746 820	3 749 699
Property damage	1 055 270	1 123 918	1 591 537	1 633 254
Civil responsibility of motorists	154 716 147	135 313 574	119 189 008	143 443 212
Civil liability of vessels	1 735	3 638	3 474	7 429
General civil liability	1 162 720	1 361 999	1 489 168	1 612 927
credit insurance	0	0	0	0
Insurance "Guarantees"	0	0	0	0
Various financial problems	0	0	0	1 168
Travel assistance	338 005	348 413	506 852	996 867
TOTAL	182 063 399	170 131 767	162 875 528	195 481 818

The realized financial results of the company, own funds, the minimum capital requirement, the solvency capital requirement and respectively, their coverages are as follows:

Indicator	Value
Financial result	877 542
Own funds	60 736 930
MCR (Minimum Capital Requirement)	21 635 563
Coverage (MCR)	281%
SCR (Solvency Capital Requirement)	51 054 401
Coverage (SCR)	119%

Mid-term forecasts and development plan until 2019.

The last three years have seen a steady, healthy growth, especially for voluntary insurance, which enables the company to be set ambitious goals for the future. In the short term, they are about conservation and increasing the company's market share in the most advocated insurances and achieving growth within 10-15% per year.

The development of new, unique for the Bulgarian market products is planned European model to meet changing consumer demand. Growth is predicted in property and personal insurance. That way

you will resort to balancing the insurance portfolio and reducing the the company's reliance on insurance with a large share of its portfolio.

During the reporting period, the gross premium income from insurance premiums was in the amount of BGN 195,481,818, which represents a 20.02% increase compared to 31.12.2015.

Type of insurance	2013 year	2014 year	Increment	2014 year	2015 year	Increment	2015 year	2016 year	Increment
An accident	1 196 812	1 290 884	7.86%	1 290 884	1 167 237	-9.58%	1 167 237	1 400 169	19.96%
Casco – motor vehicles	21 541 235	27 626 115	28.25%	27 626 115	35 074 735	26.96%	35 074 735	42 528 959	21.25%
Casco – marine dishes	31 936	34 007	6.48%	34 007	28 564	-16.01%	28 564	53 439	87.09%
Loads during carriage	61 467	59 317	-3.50%	59 317	78 134	31.72%	78 134	54 695	-30.00%
Fire and natural disasters	1 958 072	2 969 902	51.67%	2 969 902	3 746 820	26.16%	3 746 820	3 749 699	0.08%
Property damage	1 055 270	1 123 918	6.51%	1 123 918	1 591 537	41.61%	1 591 537	1 633 254	2.62%
Civil responsibility of motorists	154 716 147	135 313 574	-12.54%	135 313 574	119 189 008	-11.92%	119 189 008	143 443 212	20.35%
Civil responsibility of sailing vessels	1 735	3 638	109.68%	3 638	3 474	-4.52%	3 474	7 429	113.87%
General civil responsibility	1 162 720	1 361 999	17.14%	1 361 999	1 489 168	9.34%	1 489 168	1 612 927	8.31%
Credit insurance	0	0	-	0	0	-	0	0	-
Insurance "Guarantees"	0	0	-	0	0	-	0	0	-
Various financial lost	0	0	-	0	0	-	0	1 168	-
Travel assistance	338 005	348 413	3.08%	348 413	506 852	45.47%	506 852	996 867	96.68%
TOTAL	182 063 399	170 131 767	-6.55%	170 131 767	162 875 528	-4.27%	162 875 528	195 481 818	20.02%

The company strengthened its position as a market leader against the background of the uncertainty of the national insurance market, the instability in the economy and the manifestation of catastrophic risks, which also led to the deterioration of financial indicators of the majority of insurers. In the table below is placed the size of premium income in BGN and its dynamics over the last three years:

For the last year, a decline was observed only in the "Cargo by transit time", which represent a minor part of the portfolio. The main ones product lines - "Civil liability" and "Casco" of motor vehicles, grow accordingly with 20.35% and 21.25% each, as growth is also reported for all other voluntary insurances. In the medium term, the company's goals are to maintain leadership market position and increase market share on the most popular voluntary personal injury insurance with that of the

company as a whole. Aims to achieve sustainable growth of at least 10% per year, through an increase in premium income by optional insurances.

The relative shares of individual insurance products in the portfolio vary in broad limits. The main reason is related to the economic crisis in the country and market trends towards a decrease in voluntary premium income insurances. Under these circumstances, the negative result of the manifestation of the risk on insurances with a large relative share, cannot be offset by the positives financial results under other types of insurance with a smaller share.

The structure of the insurance portfolio by types of insurance according to realized premium income

Balancing the portfolio requires, on the one hand, a significant increase of 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 accomplished through constant training of the agent network of the company with the aim of more intensively offering the voluntary insurances which the company offers. The other option is related to the development of new ones attractive products to meet consumer demand of insurance services and to 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 certain types of insurance, for example Financial insurance risks, Loans and Guarantees, the reduction in premium income is related to assessment of the risk, through a scoring system and limiting the amount of risks taken to zero. Thus, through its more cautious assessment of risk, the company has taken decision not to carry out a similar type of insurance given the larger one probability of occurrence of risky events, especially in conditions of financial and economic crisis. In the current market situation, this is very important decision to achieve good economic results. It can be seen that in the last year saw a growth in all voluntary insurances, which growth is above the market average. This shows that the structure of the insurance portfolio changes in the direction of increasing and decreasing the share, and from there the dependence, from certain type of insurance. However, greater efforts are needed to increasing the share of non-automotive insurances, as it is also evident from the market ones data it is a profitable line of business.

The realized premium income in the last year orders IC "Lev Ins" JSC to first place among insurance companies on the local market. Thanks to the efforts made in the last 3 years, the negative ones were overcome circumstances that occurred for the company in 2010 and the trends of development of voluntary insurance.

Amount of premium income for the last four years by types insurances:

Type of insurance	Gross premium income (BGN)			
	2013 year	2014 year	2015 year	2016 year
an accident	1 196 812	1 290 884	1 167 237	1 400 169
Casco - motor vehicles	21 541 235	27 626 115	35 074 735	42 528 959
Casco - vessels	31 936	34 007	28 564	53 439
Loads in transit	61 467	59 317	78 134	54 695
Fire and natural disasters	1 958 072	2 969 902	3 746 820	3 749 699
Property damage	1 055 270	1 123 918	1 591 537	1 633 254
Civil responsibility of motorists	154 716 147	135 313 574	119 189 008	143 443 212
Civil liability of vessels	1 735	3 638	3 474	7 429
General civil liability	1 162 720	1 361 999	1 489 168	1 612 927
credit insurance	0	0	0	0
Insurance "Guarantees"	0	0	0	0
Various financial problems	0	0	0	1 168
Travel assistance	338 005	348 413	506 852	996 867
TOTAL	182 063 399	170 131 767	162 875 528	195 481 818

Of the premiums received during the reporting period, BGN 17,558,870 are under contracts with deferred installments from the previous year. This shows a good collection of receivables related to deferred payment under insurance contracts.

From the total BGN 195,481,818 gross insurance premiums charged during the reporting period, BGN 151,498,333 were collected, or a collection ratio of 0.775. This one value is almost equal to the value of the coefficient in the previous years. This is mainly due to the introduced innovations in the field of service. A multitude insurance intermediaries have also introduced various systems (e.g. SMS notification) for a reminder of overdue installments. However, this is not a sufficient guarantee for collectability of deferred receivables. For this reason, a system for automatic termination of concluded insurance contracts in case of non-payment on a regular installment with deferred payment of the premium. The system was built in compliance with the requirements of the Insurance Code and its provisions.

In 2016, the premium income for all types of voluntary increased insurances offered by the company, with the exception of "Cargo during transport", with the average increase being around 20%. The main product line, "Civil responsibility" of motorists, notes even higher than the average for portfolio growth – over 20%, which is the result of the company's policy of strict signatory policy and application of allowances for customers with proven dangerous risk profile. It is envisaged that the company will direct its efforts to more solvent ones customers to be comprehensively insured. Thus, it is possible to reduce the number of insured persons at the expense of increasing the average amount of the insurance premium paid by one person. This will lead to an increase the share of combined insurance in the structure of the company's portfolio.

The number of concluded insurance contracts also varies widely. It depends on the nature of the insurance - mandatory or voluntary, its own the possibility of mass consumption - Auto Casco or Casco of vessels and from the traditions of each insurance company in a given type of insurance. The number of the concluded insurance contracts and the number of insured objects in 2016 are visible from fig. 4.

Number of contracts and insured objects for 2016 year.

Type of insurance	Number of contracts	Number of insured objects
an accident	13 337	97 125
Casco - motor vehicles	56 114	56 114
Casco - vessels	37	37
Loads in transit	205	205
Fire and natural disasters	16 443	16 443
Property damage	9 626	9 626
Civil responsibility of motorists	562 136	562 136
Civil liability of vessels	47	47
General civil liability	4 183	4 183
credit insurance	0	0
Insurance "Guarantees"	0	0
Various financial problems	0	0
Travel assistance	66 583	66 583
TOTAL	728 711	812 499

The benefits paid during the reporting period by types of insurance and by years of event are visible from fig.6. A total of 74,754 claims were filed during the reporting period, from which 6,982 by events of past years. 60,149 claims were paid, of which 20,561 were on events from previous years. Amounts received and accrual receivables under recourses and abandonments by type of insurance are as follows:

Casco - motor vehicle – BGN 10,028,014;

Civil liability of motorists – 21 315 204 лв..

Structure of benefits paid during the reporting period

Type of insurance	Damages paid		From past years		Income from regressions
	number	amount	number	amount	
an accident	171	131 986	74	104 689	0
Casco - motor vehicles	34 371	20 300 420	6 334	6 087 787	10 028 014
Casco - vessels	2	3 565	0	0	0
Loads in transit	1	2 382	0	0	0
Fire and natural disasters	249	530 764	50	199 609	0
Property damage	379	119 404	87	35 576	0
Civil responsibility of motorists	24 740	96 720 878	13 889	84 379 796	21 315 204
Civil liability of vessels	0	0	0	0	0
General civil liability	74	117 709	27	78 813	0
credit insurance	0	0	0	0	0
Insurance "Guarantees"	0	0	0	0	0
Various financial problems	0	0	0	0	0
Travel assistance	162	220 420	100	188 198	0
TOTAL	60 149	118 147 528	20 561	91 074 468	31 343 218

According to the requirements of the regulatory framework, the same amounts are deducted from the amount of the benefits paid in the annual financial statement. For the reporting period, the total financial result is positive. Payments related to the manifestation of the risk, are also within expectations. The problem encountered in determining the technical result is related to the maintenance of the insurances and the large number terminated policies, especially under the compulsory insurance "Civil responsibility" of motorists.

The distribution of administrative costs by type of insurance has been carried out based on realized premium income. The specific values of the allocated costs by type of insurance are presented in fig.7. Done administrative costs amount to BGN 11,582,231 and include:

Costs for materials – BGN 286,724;

Costs for external services – BGN 3,388,490;

Depreciation expenses – BGN 234,730;

Salary expenses – BGN 5,540,047;

Expenses for social insurance – BGN 753,922;

Other administrative expenses – BGN 1,378,318.

Administrative costs by type of insurance

Type of insurance	Administrative costs
	Actually
an accident	110 934
Casco - motor vehicles	3 736 885
Casco - vessels	4 576
Loads in transit	6 754
Fire and natural disasters	389 360
Property damage	178 270
Civil responsibility of motorists	6 860 273
Civil liability of vessels	636
General civil liability	214 284
credit insurance	0
Insurance "Guarantees"	0
Various financial problems	139
Travel assistance	80 120
TOTAL	11 582 231

Acquisition costs are related to the sale of insurance products. Direct acquisition costs refer to a specific insurance policy from specific species. These costs are allocated according to their actual performance. Indirect acquisition costs are generally intended to stimulate sales through advertising and other means. These costs are distributed according to the same principle as well as administrative costs - according to the realized income according to separate types of insurance (fig. 8).

The incurred acquisition costs amount to BGN 42,338,163 and include:

direct acquisition commissions – BGN 30,147,918;

other direct acquisition costs – BGN 4,917,626;

indirect acquisition costs for advertising – BGN 784,008;

other indirect acquisition costs – BGN 6,488,611.

Acquisition costs by type of insurance

Type of insurance	Acquisition costs
-------------------	-------------------

	Actually
an accident	454 169
Casco - motor vehicles	16 835 535
Casco - vessels	30 237
Loads in transit	32 093
Fire and natural disasters	2 014 579
Property damage	932 969
Civil responsibility of motorists	21 052 502
Civil liability of vessels	4 744
General civil liability	682 667
credit insurance	0
Insurance "Guarantees"	0
Various financial problems	566
Travel assistance	298 102
TOTAL	42 338 163

In 2016, revenues were realized from investment management of the company are in the amount of BGN 2,729,694. In this amount, the company received interest payments on government securities in the amount of BGN 193,384, dividends from held shares in the amount of BGN 6,255 and interest on deposits in the amount of BGN 364,395.

MANAGEMENT SYSTEM - MANAGEMENT BODIES.

The company has a two-tier management system.

The governing bodies of Lev Ins Insurance Company JSC are the General meeting of the shareholders /GMS/, Supervisory Board /SB/ and Management Board /MB/.

General Meeting of Shareholders /GMS/

Consists of all shareholders holding non-cash registered shares with the right to vote, represented in person or by proxy. The members of the SB and MB can take participation in the work of the GMS. They have no voting rights unless they are shareholders.

A representative of the company's employees can also take part in the GMS. He does not right to an advisory vote.

The Supervisory Board /SB/

The Supervisory Board is a body of the company, authorized to carry out preliminary, current and subsequent control over the company's activities. The SB has the right to check 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 MB and all employees of the company. In its activity, the SB may be assisted by external parties experts, whose fees are paid by the company.

The SC cannot manage the company. He represents the company only in relations with the National Assembly.

The SB consists of three to seven members elected by the GMS. The mandate is five years. The members of the SB may be re-elected without limitation.

The Management Board /MB/

The MB resolves all issues that are not the exclusive competence of the GMS or the SB, in compliance with the provisions of the law and the Statute, in accordance with the decisions of the GMS and under the control of the SB. The MB is a collective management body consisting of three to nine members elected by the SB for a term of five years and after prior approval of candidacy proposed by the Deputy Chairman of the Finance Committee supervision, management "Insurance supervision". The members of the MB can be reelected without restriction.

Executive Member/s – Executive Director/s

The MB chooses them from among its members, to whom it entrusts the management and representing the Company. Insurance company "Lev Ins" JSC carries out a preliminary and ongoing inspection for compliance with the requirements of the law and the Articles of Association of the members of the MB and the persons occupying key positions in the company.

General meeting of the shareholders

Powers:

- amends and supplements the Company's Articles of Association;
- increases and decreases the capital of the Company;
- transforms and terminates the Company;
- elects and dismisses the members of the Supervisory Board and appoints their remuneration, including their right to receive a share of the profits of the company, as well as to acquire shares and bonds of the company;
- appoints and dismisses certified accountants;

- approves the annual accounting report after certification by the appointed auditors, makes a decision on profit distribution, incl. fund replenishment and the reserves from it and for dividend payment;
- decides on the issuance of bonds;
- appoints liquidators upon dissolution of the Company, except in the case of declared bankruptcy;
- releases the members of the Supervisory Board and the Management Board from liability advice;
- elects the head of the Specialized Internal Control Service;
- chooses a responsible actuary;
- resolves other issues assigned to its competence by the law and the Statute;

Summons:

The general meeting is regular or extraordinary. It can be convened by the MB, SB or by request of shareholders holding at least five percent of the capital for more than three months.

The regular meeting is convened at least once a year, no later than 6 months after the end of the accounting year and takes place at the company's headquarters.

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.

Supervisory Board

The SB selects its chairman and deputy chairman from among its members. The Chairman convenes the sessions of the SB at his own discretion, as well as at the request of a member of the SB or members of the MB. Meetings are held at least once every two months. The meetings can be attended by the chairman and the members of the MB, as well as other experts, if invited in advance by the President of the SB. In case they are invited to attend, the chairman, the members of the MB and the experts do not have the right to consult voice in decision making.

Powers of the SB:

- elects and dismisses the members of the Management Board, concludes contracts with them for management and representation, and determines their remuneration;
- approves the Rules of Procedure of the Management Board;
- convenes the General Assembly and proposes appropriate measures to the General Assembly, when the interests of the Company require it;
- 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 its individual members;

- gives prior consent for the Management Board to make decisions on:
 - o transfer or grant the use of all commercial enterprise;
 - o disposal of assets whose total value in the current year exceeds half of the value of the assets of the company according to the last certified annual accounting report;
 - o assuming obligations or providing guarantees to a person or to related parties whose amount in the current year exceeds half of the value of the assets of the company according to the latter certified annual accounting report;
 - o significant internal organizational changes, including but not limited to: changes in staffing; opening, closing, merging directorates and other structural units, change in their functions;
 - o long-term cooperation essential for the Company or termination of such cooperation;
 - o acquisition of real estate, encumbrance and sale thereof, sale or lease of a significant part of the Company's assets;
 - o taking loans and securing obligations of third parties;
 - o establishment or acquisition of subsidiaries;
 - o acquisition or disposal of shares and shares from other businesses companies in accordance with the law;
 - o all investment projects of the Company;
 - o increasing the company's capital and issuing issues bonds.
- approves the decisions of the Management Board for:
 - o the distribution of functions between the members of the Management Board and the authorization of one or several persons from the composition of the Management Board to represent the Company;
 - o the authorization of the Company's Procurator(s) and conclusion of a contract for the prosecutor's office;
 - o 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;

o the internal rules of the Company, containing provisions regarding the scope and order of operations and internal organization and The internal regulations of the Company;

The Supervisory Board can also rule on any other matter raised before it by the Management Board.

Board of Directors:

The MB reports on its activities at least once every three months to the SB. MB immediately informs the SB of all circumstances that are essential importance to the company. The Board holds regular meetings at least once monthly. The Chairman of the MB convenes the meetings at his own discretion or by request of another member of the council or a member of the SB.

Powers of the MB:

- determines the general guidelines in the Company's activity;
- 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 activity 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 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 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.

Executive Director/s

The company is represented by executive member(s), elected by the MB, 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 MB regarding the manner of representation by the SB.

The powers of the Executive Member/s are:

- represents the Company in its relationships with other individuals 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 Board of Directors and the Rules of Procedure of the Company.

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 of the Law for the independent financial audit.

The audit committee helps to increase the quality of the financial process reporting in the company and for the minimization of financial and operational risk, as well as the risk of non-compliance with 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;
- monitor 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 independent financial audit and the Ethical Code of Professional Accountants.

The general management of the company's activities in emergency situations carried out by the Management Board, assisted by a Security Council, hereinafter referred to as the "Council". The composition of the Council is determined by executive order director, works and includes the directors of the following directorates in the company:

"ACS" Directorate; Directorate "Actuarial, risk statistics, monitoring and analysis of the risk"; 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.

Organizational structure

The structure of Insurance Company "Lev Ins" JSC includes central management and territorial divisions - agencies that function on the principle of self support. Central management functions at the headquarters of the company and carries out management, control, methodological and coordinating functions. Develops General and special conditions, tariffs, rules and limits for conclusion, instructions, documents and controls the entire insurance process. Implements investment activity and reinsurance program. Organizes the financial accounting activity and the compilation of financial and management reports of the company. Provides the company's material and technical service. Central management consists of general-functional and insurance-functional (branch) directorates.

Specialized internal control service.

The specialized internal control service assists the authorities of management, when making decisions, in relation to the activity and monitors for their performance. The internal control office is headed by a person, which is chosen by the GMS.

In carrying out its activity, the internal control service checks and evaluates:

- compliance with applicable laws, regulations and administrative acts in carrying out the company's activities;
- compliance with internal acts, including internal rules and company procedures;
- implementation and effectiveness of internal control procedures;
- reporting systems and the information system;
- the accuracy, completeness and timeliness of the prepared accounting and other documents and reports;
- management systems and risk assessment methods;
- protection of the company's assets from insolvency and abuse;
- the legality and expediency of the concluded contracts and their performance;
- the adequacy and compliance with the internal rules and procedures for conclusion of insurance contracts, for accepting and considering claims under insurance events that have occurred and to determine payments for them;
- the performance and reporting of all activities transferred by the company, as well as the activity and accountability of insurance intermediaries;
- compliance with the requirements of the company's current program of measures under preventing "money laundering";
- the presence of risks in the inspected objects and activities, as well as the undertaken ones actions to overcome them;
- information security and stability of information systems;
- the legality and effectiveness of distribution functions and the competences within and between the structural units of the company;
- the coordination between the structural units and the availability of mechanisms for feedback;
- the legality and effectiveness of the company's policy on human resource Management;
- the effectiveness of the actions to eliminate identified gaps and violations;
- signals, complaints and complaints received by the company.

Head of the Specialized Service "Internal Control":

- immediately informs the management authorities about the findings he has made violations in the Company's activity;
- prepares an annual report on the activities of the internal control service and it presents to the Supervisory Board, the Audit Committee and the GMS, as well as to The Deputy Chairman of the FSC, Head of the "Insurance supervision;
- prepares and presents rules for the organization and activity of the Office for internal control, which are accepted by the GMS;

- immediately informs the vice-chairman of the Finance Committee supervision in cases where, as a result of an inspection, they have been found violations and weaknesses in the management of the Company that have resulted or can lead to substantial damages and for which he believes that the authorities of management, sufficient measures have not been taken to eliminate them.

"Financial and Accounting" Directorate

Main activities and functions of the directorate

- the "Financial-Accounting" Directorate carries out the overall financial accounting activities of the Company;
- prepares economic analyzes for the activity;
- prepares interim and annual financial statements.

The directorate is headed by a chief accountant.

Chief Accountant.

Basic functions:

- organizes, plans, directs and controls the overall financial and accounting enterprise activity;
- participates in the formation and implementation of the company's policy, according to his activity, participates in meetings under operational management, formulates and thoroughly clarifies upcoming tasks;
- organizes the accounting reporting, in accordance with the requirements of the Law on accounting, International Financial Reporting Standards, Code of insurance and related regulations;
- directs and prepares and prepares annual, quarterly and current reports financial statements and information services in the financial sphere, leads, organizes and implements preliminary, ongoing and subsequent internal financial control for financial and payment compliance discipline;
- maintains strict financial relationships with the company's counterparties. Responsible for the preparation of reports and timely payment of taxes, social and health insurance, etc.;
- studies, analyzes, develops and gives expert proposals and solutions on the problems of financial activity. Recognizes income and expenses monthly of the organization, monitors

financial performance. Controls the submission of data on calculation of wages, current expenses and income;

- manages the company's financial activities on an operational level and prepares reports on the work done;
- organizes and manages relationships with financial institutions, auditors, control and executive bodies;
- provides competent assistance to the management and specialists from the company in the area for which he is responsible;
- provides the necessary information to the management of the collection company of management decisions;
- participates in the development of the Company's internal regulatory documents;
- performs other specifically assigned tasks related to the position.

Responsibilities:

- for high-quality and on-time execution of supervised tasks;
- the given opinions and consultations in the field of competences of the position;
- responsible for the state of financial discipline and disallowance of conditions for waste and abuse;
- is responsible for the reliability of financial and accounting documents;
- is responsible for meeting the deadlines for repaying the obligations of the company;
- to protect company secrets.

Organizational-management connections, relationships and contacts.

- the chief accountant is directly subordinate to the Executive Director;
- directly supervises the activities of the Directorate "Financial and Accounting and administrative";
- in the performance of his duties he makes organizational connections and relationships with all directors, heads of departments, employees and materially responsible persons in the company;

- makes contacts with employees of banks, financial institutions and control authorities.

Directorate "Administrative"

Human Resources Department

Basic functions:

- preparation of employment contracts, additional agreements, orders, notifications, certificates, etc. documents on labor-legal relations;
- preparation of official and staff schedules of the company;
- creating and maintaining an archive with files of the company's employees;
- development of internal normative documentation on the whole wages, as well as social security;
- participation in the process of planning/designing the jobs in the company;
- participation in the development of employee labor protection programs of the company;
- answering and carrying out the necessary activities in relation to The Law on Health and Safety at Work;
- performance of other professional duties as required by side of the Executive Director.

Head of Human Resources Department

Basic functions:

- leads and coordinates the activity of human resources management in the company;
- participates in the development and implementation of organizational-management structures, job schedules by structural units, official staff characteristics;
- organizes the development and coordination of internal documents for management of human resources in the company;
- organizes the selection of employees for all positions in the company also monitors compliance with the minimum requirements for the loan Position;
- organizes the development of estimates for the expenditure of funds for work salary in general for the company and by structural units;
- organizes activities to increase education and professional development personnel qualification;
- organizes the employee attestation activity;
- prepares and submits for approval by the Executive Director of the projects for job descriptions.

Responsibilities:

- is responsible for compliance with labor and social security legislation, updating internal documents in accordance with upcoming legislative changes;
- is responsible for the objectivity and legality of those developed by the Department internal acts of the company in the field of human resources management resources;
- is responsible for the quality and timeliness of internal and external reporting of the human resources management activity;
- control over the fulfillment of the requirements for safe working conditions and fire protection of the working environment;
- is responsible for the fulfillment of other obligations arising from his job description. Organizational-management connections, relationships and contacts
- the head of the "Human Resources" sector is directly subordinate to the executive director;
- when performing the position, organizational connections are made and relationships with heads of departments and employees in the company;
- makes contacts with the National Insurance Institute and Social Affairs, the Labor Inspection, as well as all others control bodies in relation to personnel.

Department "Recording and Archives"

2.3.2.1. Basic functions:

supporting the document processing process from the moment of their acceptance until the completion of work on them; protection of information, documents and means of working with them; matching the movement of documents with the technological one consistency of management and clerical operations; control of compliance with internal requirements for working with documents; entry of documents and correspondence received by the company and keeping an incoming log; keeping an outgoing log for correspondence leaving the company and documents; the reliable storage of the company's documentation; execution of other tasks assigned by the Executive Director.

Director of the Administrative Directorate

Basic functions:

- directs, organizes, coordinates and controls the activities of the administration for the exact observance of the company's internal rules in relation to the document flow;
- implements an organizational connection between individual administrative units in the company;
- organizes and assigns the development of reports, analyses, information and references for the activity of the administration upon request;
- organizes the office, document flow and archive.

Responsibilities:

- responsible for administrative service;
- controls the storage of documents in the administration;
- carries out control over the implementation of assigned administrative tasks tasks.

Organizational-management connections, relationships and contacts

- the administrative secretary is directly subordinate to the Chief Accountant;
- when performing the position, organizational connections are made and relationships with heads of departments and employees in the company;
- makes contacts with state and municipal institutions, as well as all others authorities in connection with the implementation of administrative activities.

Main Directorate "Acquisition"**Basic functions:**

- performs marketing and activity analysis;
- develops new products;
- administers and controls the acquisition process;
- prepares training methodology, trains employees and insurance agents;
- works with regional structures;
- carries out direct sales with corporate clients, as well as develops new products for corporate clients;
- prepares documentation for participation in procedures under the Law on public procurement;
- provides methodological assistance to the regional structures at work with corporate clients;
- performs analysis of all market trends in the field of corporate insurance;
- monitors and assists by providing timely comprehensive information of regional structures, brokers and agents, for the timely payment of deferred and periodic installments under the concluded policies, as well as for expiring ones subject to renewal insurances;
- performs other tasks assigned by the Executive Director.

Director of the Main Directorate "Acquisition"**Basic functions**

- assists and actively participates in the development of new products;
- carries out methodical management of employees in the directorate;
- plans, organizes and controls the training and performance of employees, directly involved in the conclusion of insurance contracts and maintenance of already concluded;
- prepares reports and analyzes in the field of corporate insurance;

- controls and confirms offers and special conditions for corporate customers of the company by participating in the negotiation process;
- performs other tasks assigned by the Executive Director.

Responsibilities

- responsible for the overall acquisition process;
- is responsible for the quality implementation of the acquisition strategies of the company;
- is responsible for increasing and decreasing the concluded insurance policies contracts;

Organizational-management connections, relationships and contacts

- directly subordinate to the Executive Director;
- when performing the position, organizational connections are made and relations with the company's management and employees;
- makes contacts with individuals and legal entities / clients of the company/.

Directorate "Regional Structures"

Basic functions:

- organizes and coordinates the activity on various distribution channels of all types of insurance products offered by the company;
- builds, maintains and coordinates a network of agents and brokers to carry out sales through them;
- organizes and implements the reporting of issued insurance policies;
- checks all details and the correct issuance of insurance policies and reporting documents;
- carries out current and periodic marketing analysis for the performed activity.

Director of the "Regional Structures" Directorate

Basic functions:

- supervises and supports his team in consultation and information customer service of the company, including the activity, conditions and the procedures for providing the services;
- supervises and supports the promotion of new products;
- distributes policies and other documents under strict reporting to regionals structures, brokers and agents, being drawn up bilaterally signed transmission and reception protocols for this;
- enters the data on the distributed policies into the information system of the company;

- monitors the availability of pre-printed forms, their consecutive numbering and promptly submit a request for the printing of forms so as not to interrupt the work process in the company;
- monitors the timely reporting of concluded policies;
- promptly enters the data on the concluded policies in the information system of the company;
- registers concluded insurance agency contracts;
- supervises and supports the implementation of direct sales of customers' insurance products;
- monitors and strives to retain the company's customers;
- carries out its activities in strict compliance with all procedures of the employer, related to his position;
- manages the process of developing short-term and long-term marketing strategies for the company's activities in connection with its promoting and increasing the volume of sales;
- lead the preparation of marketing studies and analysis of consumer demand;
- based on the results of the analysis, it proposes the development of new insurance policies products;
- develops and offers innovative distribution channels;
- builds and controls a sales system;
- implements career development plans in the sales system;
- control over the accountability of insurance intermediaries;
- performs other tasks assigned by the Executive Director.

Responsibilities:

- responsible for the control and support of the current customer service;
- is obliged to perform all activities assigned by the governing bodies of the company in connection with the offering of products to its customers;
- responsible for the active search and attraction of new customers;
- is obliged to keep secret the information that constitutes official and company information a secret he can access.

Organizational-management connections, relationships and contacts:

- the head of the department is directly subordinate to the Executive Director;
- liaises with the employees of the Acquisition Directorate, as well as with others employees of the company in connection with its activities;
- establishes relations with clients and insurance intermediaries of the company.

General Directorate "Compensation"

Main activities and functions of the directorate:

- receives notifications from customers or through the regional structures claims for the payment of sums and benefits, to monitor them complete with the required documents proving the claim under occurrence and amount and together with the trusted doctor of the company to prepare and signs a liquidation report;
- compiles an insurance file containing all the documents under its conclusion, maintenance and liquidation;
- proposes changes to the general and special conditions and tariffs under the insurances and together with the actuary to prepare a motivated proposal to The executive director for changes and / or development and implementation of new products;
- performs other tasks assigned by the Executive Director.

Director of the "Insurance Payments" Directorate

Basic functions:

- proposes changes to the insurance product;
- supervises the activity of examining and approving the insurance claims;
- supervises and supports the activities of all employees of the Directorate "Compensation";

Responsibilities:

- is responsible for the overall activity of the directorate;
- is responsible for compliance with all deadlines related to the work of the directorate;
- is responsible for proper record keeping as well as its storage;
- provides assistance during inspections in the company by the control institutions;
- participates in the liquidation board and decision-making in connection with determining the amount of insurance benefits;
- prevention of insurance fraud against the Company.

Organizational-management connections, relationships and contacts.

- director of the "Compensation" directorate is directly subordinate to the Executive director;
- liaises with all other directors of directorates, as well as with department heads;

Directorate "Legal"

Basic functions:

- serves the company legally, in accordance with the law of the Republic of Bulgaria and international law;
- carries out the procedural representation of the company;
- drafts contracts, agreements and other similar documents, as well as projects for internal departmental acts;

- assists in the preparation of General and special insurance conditions;
- proposes to the Executive Director, together with the Compensation Directorate, Directorate "Acquisition" and the actuary changes in the General and special conditions, as well and projects of new ones;
- prepares and submits powers of attorney and others for signature to the Executive Director similar documents, as well as assist in their notarization, when necessary;
- participates in the preparation of the documentation for the application in procedures under the Public Procurement Act;
- prepares annual and periodic reports, within the scope of its competence;
- performs other tasks assigned by the Executive Director.

Chief Legal Counsel/Director of the Legal Department

Basic functions

- prepares draft contracts, powers of attorney and other legal documents activity of the Company;
- gives legal opinions;
- if necessary, ensures the performance of notarial proceedings;
- performs procedural representation of the Company in civil and administrative cases;
- represents the Company before all courts, bailiffs, judicial enforcement services, regional directorates of the Ministry of the Interior, state and municipal bodies and offices, commercial banks and to all third parties, when it is necessary, in connection with the activity of the Company.

Responsibilities

- to comply with all obligations arising from the Labor Code, Law on safe working conditions, Rules for internal labor rules and the individual contract;
- to protect the interests of the Company in the court, the prosecution and the investigation;
- to act in good faith when carrying out the legal protection of The Company;
- to keep as an official secret the circumstances that became known to him at or by occasion of his professional activity and he cannot use them for his own or someone else's favoring;
- participates in the liquidation board and decision-making in connection with determining the amount of insurance benefits.

Organizational-management connections, relationships and contacts directly subordinate to the Executive Director;

- in connection with its activities, the main Directorate "Acquisition", main directorate "Compensation", directorate "Regional structures", directorate "Information Technologies" and the "Financial and Accounting" Directorate, as well as with The specialized service "Internal Control";

- carries out relationships and contacts with all judicial instances, state institutions and third parties in connection with the Company's activities.

Directorate "Information Technologies".

Main activities and functions of the directorate:

- to prepare references, appendices to periodicals and annuals accounting reports of the company;
- to maintain the information system of the company in a constant state fitness for work;
- to maintain and service the electronic equipment of the company;
- to periodically prepare analyzes and risk assessment of the company;
- to prepare and propose a draft reinsurance program of the company;
- to prepare proposals to the Executive Director for changes in the general and special conditions for insurance, tariffs and insurance technical plans, depending on the development of the risk and market conditions, as well as for new products;
- perform other tasks assigned by the Executive Director.

Director of the "Information Technologies" Directorate.

Basic functions:

- plans, manages and coordinates the activities of the Directorate;
- assists in the generation of inquiries and reports in connection with the activity of the company and for carrying out the supervisory functions;
- proposing management decisions, controlling their implementation and monitoring for results;
- fixes the software problems that occurred during the operation of the software products;
- advises users of the software in relation to its correct and effective use work.

Responsibilities:

- supervises the activities of the personnel involved in computer maintenance systems;
- is 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 Chairman, Head of the "Insurance Supervision" Department;
- responsible for the protection of official and commercial secrecy;
- controls and directs the processes of updating the computer equipment of the company;
- controls access levels to the information system;
- is responsible for the high-quality maintenance of archival documentation.

Organizational-management connections, relationships and contacts.

- The Director of the Information Technology Directorate is directly subordinated of the Executive Director;
- maintains relationships with all managers and employees in The Company;
- makes contacts with software and hardware companies and suppliers in connection with the overall maintenance of the information system and its technical collateral.

Directorate "Actuarial, risk statistics, risk monitoring and analysis"

Main activities and functions of the directorate:

- to prepare references, appendices to periodicals and annuals accounting reports of the company;
- to periodically prepare analyzes and risk assessment of the company;
- to prepare proposals to the Executive Director for changes in the general and special conditions for insurance, tariffs and insurance technical plans, depending on the development of the risk and market conditions, as well as for new products;
- perform other tasks assigned by the Executive Director.

Director of the Directorate "Analyses, forecasts and information Service"/Risk Management Manager.

Basic functions:

- plans, manages and coordinates the activities of the Directorate;
- proposing management decisions, controlling their implementation and monitoring for results;
- performs analysis and assessment of the risk associated with the investments managed by the company;
- performs an analysis and assessment of the risk associated with the underwriting activity carried out by the company;
- assists in the implementation of 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.

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 the given his opinions and consultations in this regard;
- is 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

Chairman, Head of the "Insurance Supervision" Department; responsible for the protection of official and commercial secrecy;

Organizational-management connections, relationships and contacts.

- risk management manager is directly subordinated to the Executive director;
- maintains relationships with all managers and employees in The Company;

Actuary in charge

Main Functions, Responsibilities and Interrelationships:

- 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 at the limit of solvency, as well as for the correct use of the actuarial methods in the company's practice;
- monitors the correctness of the scheme for the distribution of income from investments of 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 occurred to him known in the performance of his functions and which relates to the company and constitutes a substantial violation of the CC or the acts on its implementation or may adversely affect the conduct of the business of the company.

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

Agencies

Main activities and functions:

- Agencies are structural units within the company in which provides comprehensive customer service within the defined their powers and limits from central management. Insurance activity is carried out by the company and by its regional structures - agencies.
- The agency is the company's main point of sale, where carry out direct sales of insurance products. It's up to the agencies imputed obligations to accept documents in connection with presentation of claims from users of insurance services.
- The agencies are administratively and methodologically subordinate to the central management of the company. The agencies are opened at the proposal of the GP of basis for a previously submitted business plan for the development and maintenance of the opening agency.

Head of agency

The agency is managed by a manager who organizes, directs and controls the overall process in the agency, recruits external network and qualification. The head of the agency is a materially responsible person with the resulting consequences Rights and obligations.

Basic functions:

- plans, organizes, directs, coordinates and controls all activities of the agency;
- prepares the business plan and budget of the agency for which I am responsible;
- participates in the research of the insurance market, in the development of new ones insurance products, gives suggestions for improvement of the existing insurance products and the optimization of work with customers;
- responsible for expanding market share;
- supervises the activities of the employees in the agency;
- offers the training necessary to increase the qualification of agency employees;

Responsibilities:

- is responsible for effective management of material in the agency entrusted to him assets, financial resources, human resources;
- responsible for maintaining the client's trust;
- is responsible for the reliability of the information provided to an agent, client or broker;
- responsible for compliance with professional ethics;
- is responsible for protecting company and trade secrets.

Organizational-management connections, relationships and contacts

The head of the agency is directly subordinate to the executive director and administratively and methodologically subordinate to the central administration of the company.

Within the management system of Insurance Company "Lev Ins" JSC are the following functions are distinguished:

- risk management function;
- function monitoring compliance with regulatory requirements (function for conformity);
- internal audit function and
- actuarial function.

Management of the company is carried out by persons holding positions that influence effective on decision-making.

Management team consists of the following persons:

Chairman of the SB	Iva Petkova Pavlova
Member of the SB	Lozana Ljubenova Slavchova
Independent member of the SB	Adriana Vladimirova Cherneva
Chairman of the MB and Executive director	Maria Stoyanova Maslarova-Grkova
Member of the MB	Miroslava Spasova Spasova
Member of the MB	Pavel Valeriev Dimitrov
Member of the MB	Galabin Nikolov Galabov
Actuary in charge	Angel Kostov Terziev
Matching function	Albena Tsvetanova Dimitrova
Internal auditor	Christina Ivanova Tsanekova
Risk Management Manager	Veselin Simeonov Evtimov

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 her functional responsibilities for which she is applying. The company assesses whether the person is competent and can demonstrate, through his experience and training, that he is able to perform basic functions. All previous dismissals or dismissals, including for alcohol or drug abuse or other intoxicants are also taken into account.

The management team includes all persons directly engaged in functions under management and control of the company's activities. Specifically the management team of the company consists of all members of the Supervisory Board, all members of The Board of Directors and all other persons who hold positions with substantial influencing the company's activities by performing key functions.

The management team of Lev Ins Insurance Company JSC includes the following positions:

- the members of the Management Board;
- members of the Supervisory Board;
- responsible actuary;
- risk manager;
- head of internal control service;
- Correspondence function

The company requires information and data as well as evidence in advance on compliance of any application for office, part of the management team. In fulfillment of this obligation, the company collects prior evidence of professional

qualifications acquired knowledge and experience as well as reliability of each application.

Before submitting a candidacy for the position of head of the "Human resources" prepares an assessment of compliance of the submitted application with the requirements of the law. The prepared assessment examines all the requirements of the law for borrowing the relevant position and the compliance documents submitted by the applicant, as well and the results of the performed inspection are entered.

Accordingly, the competent authority - Supervisory Board, General Meeting of Shareholders decides on the preliminary approval of the application based on the submitted documents and the evaluation prepared by the head of the "Human resources", then proceed to request approval of the application from the deputy chairman of the FSC, in case the law has provided for it in advance approval for the position held.

Applications for the members of the Management Board are subject to advance notice approval by the Deputy Chairman of the FSC, managing management "Insurance Supervision". A copy of the documents that served as a basis for proof of compliance with the requirements of the law, presented by the relevant candidate in front of the company and in front of the Financial Supervisory Service, together with the evaluation prepared by the manager "Human Resources" sector are stored in the "Human Resources" department at the "Lev Ins" IC JSC. The decision of the Deputy Chairman of the FSC is attached to the file, head of the "Insurance Supervision" department.

Applications for members of the Supervisory Board are subject to advance notice approval by the Deputy Chairman of the FSC, managing management "Insurance Supervision". A copy of the documents that served as a basis for proof of compliance with the requirements of the law, presented by the relevant candidate in front of the company and in front of the Financial Supervisory Service, together with the evaluation prepared by the manager "Human Resources" sector are stored in the "Human Resources" department at the "Lev Ins" IC JSC. The decision of the Deputy Chairman of the FSC is attached to the file, head of the "Insurance Supervision" department.

Applications for a responsible actuary; risk manager; head of service for internal control and compliance function subject to prior review to prove compliance with the requirements of the law. A copy of the documents served as a basis for proving compliance with the requirements of the law presented by the relevant candidate

before the company and/or before the Financial Supervisory Service, together with the evaluation prepared by head of the "Human Resources" sector are stored in the "Human Resources" department at the company.

The company regularly collects additional information regarding compliance with the requirements of the law of the persons occupying a position as part of the management team, such as requires them to have up-to-date criminal record certificates, as well as a new declaration of the circumstances for which the law has provided proof, by means of a declaration.

Human Resources conducts an additional follow-up for compliance the compliance of the data declared by a member of the management team.

In case of changes in the regulatory framework or in other circumstances of reassessment subject to the reliability of the persons occupying management positions, part of the management team.

Succession planning in the company is done to ensure continuity when key positions in the management team remain on a temporary basis vacant. The aim is to maintain the stability and continuity of the management approach and set tasks and goals.

The MB is responsible for putting in place an appropriate succession plan for the executive company director and other key members of the management team. These questions are reviewed by the MB once a year or more often if necessary.

Risk management system (Guideline 23)

In 2015, the Company took measures to introduce the management function of risk. The function of risk manager is included in the designated position "Risk Management Manager" to the Directorate "Actuarial, Risk, Statistics, monitoring and risk analysis'. A risk management manager should report of the Board regarding the risks that have been identified as potential essential. The report may be on its own initiative or upon express request of the Board of Directors. The responsibility for implementation rests with the risk management manager of the risk enforcement policy. Until the position is filled, the duties are imputed with assignment as part of the duties of an expert from the Actuarial Directorate, risk, statistics, risk monitoring and analysis.

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 ZK "Lev Ins" JSC;
- Assists in the implementation of 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 tasks 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.

Internal control system (Guideline 24)

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 economically and efficiently use of resources, including adherence to management policy, protection of company assets, detection and prevention of fraud and errors, completeness and correctness of accounting documentation, as well as timeliness preparation of reliable financial information.

Control is a comprehensive and continuous process integrated into the company's activities, including management bodies, persons in managerial positions, the specialized control authorities and all other persons who work under 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 led by them units and organize their internal control.

All employees of the company also participate and have specific roles in the implementation of internal control according to its functional competencies.

Internal control is a management activity that ensures and ensures that the 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.

The internal control system of IC "Lev Ins" JSC

The activity of control is implemented at all levels of the activity carried out by the IC "Lev Ins" JSC. The specialized internal control service has assigned powers of independent and subsequent control, such as the control system functions in parallel with the regular activities carried out at each level the company.

Processes, methods and interactions in the company in relation to implementation of internal control.

General meeting of the shareholders

The head of the Specialized Service for Internal Control selects The company adopts the rules for the organization approved by the Management Board and the activities of the Office.

The Supervisory Board and/or the Management Board

Accepts the report of the Head of the Internal Control Office upon finding of violations in the Company's activities.

The specialized internal control service

Assists the management bodies in making decisions in connection with the activity and monitors their implementation. The internal control office is headed by a person, which is chosen by the GMS.

The specialized Internal Control Service advises the individual structural units and employees of the company regarding the proper implementation and compliance of internal rules, procedures, etc. with a view to avoiding, not allowing essential errors and omissions.

In carrying out its activities, the Internal Control Service checks and evaluates:

- assists the management bodies of the company to achieve the goals, through applying a systematic and disciplined approach to the assessment of the processes;
- giving recommendations to improve the control environment and increase risk management effectiveness;
- compliance with the law and internal acts, when carrying out the activity of The Company;
- the reporting and information system;
- the accuracy, completeness and timeliness of the prepared accounting and other documents and reports;
- management systems and risk assessment methods;
- the protection of the company's assets from insolvency and abuses through systematic control activity;
- monitors the adequacy of the established system of internal company rules relative to the external regulatory environment;
- the adequacy and compliance with the internal procedures for the conclusion of insurance contracts, for accepting and considering claims and for determination of payments thereon;
- the performance and reporting of all activities transferred by the company.
- Head of the Specialized Service "Internal Control":
- immediately informs the management authorities about the findings he has made violations in the Company's activity;
- prepares an annual report on the activities of the internal control service and it presents to the GP of the company and the GMS;
- prepares and presents rules for the organization and activity for approval by the Board of Directors of the Internal Control Office, which are accepted by the GMS;
- immediately informs the vice-chairman of the Finance Committee supervision in cases where, as a result of an inspection, they have been found violations and

weaknesses in the management of the company that have led to or can lead to substantial damages and for which he believes that the authorities of management, sufficient measures have not been taken to eliminate them.

Chief Accountant

Controls the overall financial and accounting activities of the company. Controls and organizes the accounting reporting, in accordance with the requirements of the Law on accounting, International Financial Reporting Standards, Code of insurance and related regulations. Responsible for the status of financial discipline and does not allow the creation of conditions for waste and abuses in the company. The chief accountant is directly subordinate to The Executive Director and reports to him in case of detected violations and inconsistencies with the current legislation.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

Head of the "Human Resources" Department

Performs periodic and ongoing internal control in relation to compliance with labor discipline and labor safety requirements. He is responsible for compliance with labor and insurance legislation and updating of internal documents in accordance with upcoming legislative changes. Also thus carries out internal control over the fulfillment of safety requirements working conditions and fire protection of the working environment. When found violations and inconsistencies with the current legislation, report to The executive director.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

Head of "Administrative" Directorate

Controls compliance with internal requirements for working with documents and supervises the activity of the administration for the exact observance of the internal rules of the company in relation to the document flow. He exercises control over the storage of the documents in the administration and monitors compliance with the deadlines when performing the administrative service. It also implements internal control over the implementation of assigned administrative tasks. At detected violations and inconsistencies with the company's internal rules and current legislation, reports to the Chief Accountant.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

Director of the Main Directorate "Acquisition"

Monitors the accurate determination of risk factors in the underwriting activity. Observes the internal rules of the company and performs internal control over the activities of the Directorate. Monitors compliance with measures to prevent money laundering. When establishing customers and objects of insurance with high risk, to discuss with subordinate heads of departments, the risk manager and the actuary the expediency of signing the insurance contract. When identifying direct and indirect risks and prerequisites for generating losses from the activity reports to the risk management manager, the members of the management board and the executive director.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

Director of the Directorate "Regional Structures"

Performs internal control over the sales system and reporting of insurance intermediaries. In case of detected violations and non-conformities with the internal rules of the Company and the current legislation the Director of The "Regional Structures" Directorate reports to the Executive Director and Administrative board.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

The Head of the "PR and Advertising" Department

Controls and monitors the reliability of the information provided to the media in connection with the company's activity. Controls and monitors to identify direct and indirect risks in providing information and its perception by users of insurance services. In case of detected violations, the manager of the department reports to the director of the Directorate "Regional Structures", the management board and the executive director.

The Director of the General Directorate "Compensation"

Monitors for accurate application of Internal rules for the organization of the activity settlement of insurance claims. Identifies and reports on opportunities for allowing insurance fraud. Monitors strict compliance with the measures for money laundering prevention. In identifying direct and indirect risks and prerequisites for generating losses from the activity of the department reports to the risk management manager, the members of the Management Board and The executive director.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

Director of the Legal Department

Monitors for accurate application of the norms of domestic and European legislation. Monitors the legality of internal regulatory documents and their application. Identifies and reports on admission opportunities for insurance fraud and helps to overcome them. Watch for the strict compliance with measures to prevent money laundering. Upon identification of direct and indirect risks and prerequisites for generating losses from the activity of the company reports to the members of the Management Board, the Executive Director and the risk management manager.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

Director of the Reinsurance Directorate

Prepares and proposes a project of the company's reinsurance program. At reported violations and inconsistencies with the current rules to Risk - the manager and the Executive Director.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

Director of the Information Technology Directorate

Prepares references, appendices to the periodic and annual accounting reports of the company. Monitors compliance with the system of internal rules and implements internal control over the activity of the personnel engaged in the information service of the company, controls access levels and monitors compliance with the rules for archiving of documentation and electronic database archives. At reported violations and inconsistencies with the current rules to Risk - the manager and the Executive Director.

Follow-up control is carried out during inspections of the Specialized Service for internal control.

The company proceeds 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 would performed through self-employed personnel would lead to a conflict of interest in damage to the rights of the insured persons. Outsourcing to third parties are subject to activities accompanying the provision of an adequate insurance service, which essentially represent another commercial activity, different from the activity on ensuring insurance coverage of the risks under contracts, expressed in raising and spending funds intended for the payment of benefits and etc. sums of money, upon

the occurrence of events or the fulfillment of conditions. It is not allowed outsourcing key functions or other important functions or activities persons:

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

Activities subject to outsourcing to third parties are:

- activities of reception and processing of primary information for insurance events that have occurred (call center);
- insurance service provision activities – specialized medical transport (air and ground);
- activity of providing an additional service for the provision of roadside assistance and primary technical assistance (tyre change, delivery of current, repatriation);
- activities to restore 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 parties experts in connection with the settlement of insurance claims;
- any other activity at the discretion of the company's Management Board, 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, which clearly defines the rights and obligations of the parties. Before concluding the a contract for the assignment of an activity with an external contractor must be carried out checking for compliance of the applicant's activity with the specific regulations requirements, for example whether it holds a license in case it is subject to licensing regime, company and professional reputation, performance of contracts with others counterparties, value of the required service in order to protect the interests of users of insurance services, availability of sufficient personnel capacity and technical security of the external contractor in view of the possibility to fulfill the tasks assigned functions in the interest of consumers of insurance services The results and quality is assessed on an ongoing basis through feedback from users insurance services - analysis of data from objections, reported signals, requests; through an analysis of risk manifestations - carrying out a review every three months the manner of customer service and the value/quality of the service provided by comparing the prices and quality of other external contractors; through internal research using the "imaginary customer" method - an employee of the company takes on the role of user of insurance services for the purpose of checking the

service provided; through verification of subcontractors, in case they are used by external ones contractors through the methods described above

RISK PROFILE

The company is exposed to risks in relation to its activity. The general definition of risk is the uncertainty that an expected event or forecast will be realized.

The adopted risk management approach enables the implementation of some of them to minimize the effect of their realization or to be entirely removed, with which to 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, by expanding the scope of the already issued license and expanding the market presence, as well as a fully constructed and well-managed control system of all risks inherent in it.

The new risks that we accept as directly affecting the company are the following:

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 price of an insurance policy for a specific product. The measures for his minimization are reduced to a unified approach in assessing the risk profile of the client's application of medical and financial criteria by the company, various declarations (health, tax, financial and others) according to a certain scale, including for larger insurance amounts. The Company reserves the right to refuse the conclusion of a given insurance product in the presence of a high a medical or financial risk that he is not prepared to accept. It also takes place continuous training of agents at locations, as well as specializations of officials persons in order to increase their qualification and reduce the risk of incorrect carried out evaluation and pricing process when issuing new policies.

In connection with the management of this risk, the company perceives in its activity mechanisms and procedures to limit underwriting risk. They are scheduled rules for signature limits of company employees directly involved with the assessment of the

insurance risk, the commercial structure of the company – employees in agencies related to sales and insurance intermediaries brokers and agents, according to the relevant insurance products.

Adopted rules apply 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 assumes methodical control and management over conclusion of insurance contracts above certain amounts.

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

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

In case of high risk data, the conclusion of an insurance contract may be refused or an insurance contract is concluded in case of an increase in the tariff 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.

This severely limits the risk in terms of issuance competence of policies and realization of losses from the 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, considering the agreed upon them conditions, in case of an incorrect assessment of the risk profile, found during a reassessment of issued contracts. To limit this manifestation of this risk is necessary the strictest compliance with insurance rates and adherence to the General conditions under the relevant type of insurance.

Current control of concluded insurance contracts is mandatory, such as the Directorate "Acquisition" at the Central Office has been entrusted with the 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, sanctions are imposed, provided for in the contracts and internal regulations of the company, in this number but not only 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 any insurance taken out by the examinees insurance broker. The implementation of the sanctions is also subject to inspection. imposed on the specific insurance intermediary for an established irregularity tariffing or unjustified provision of discounts in violation of the current tariffs.

Risk of cancellation

For the company, we assume that this risk is expressed in the early termination of insurance by customers. The measures to reduce this risk which we apply 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 aim to keep the customer in the totality of insured, maintaining the level of risk equalization in that population, guaranteeing the adequacy of the allocated reserves under this type of insurance, from there and reducing the risk of realizing future losses in relation to the principal activity.

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 contact from the customer regarding his wants and needs is recruited from the insurance intermediary, being sent to the Central Office for collection adequate solution and construction of an attractive insurance product or resolving another issue that led to the cancellation. It was also built special structure - call center for servicing incoming signals from customers in connection with service under their policies.

Investment risk

It is associated with the probability of realizing a negative result from the investment of given assets in certain investment products and their management. At manifestation of this risk, the company realizes losses as a result of changes, related to market variables such as inflation, exchange rates, interest rates, ill investments made and managed, nationalization or collapse of an economy. How much of the company's technical reserves are invested in government securities and bonds issued by the Bulgarian state and by issuers with its 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's why they are adopted rules for the valuation of the company's assets, corresponding to the market conjuncture.

The financial instruments owned by the Company are determining for investment risk. Some of the following data, factors are used in their assessment 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, security or enforcement proceedings, on which the issuer is the defendant;
- Analysis of the economic 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 it renews periodically with a view to fully responding to developments or occurrences of new risk circumstances in connection with the realization of this risk.

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 opportunities for foreign exchange losses related to a downward movement of exchange rates or a breakdown in economies, related to 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.

Interest rate risk

It relates to the change in value of debt securities as a result of a change of interest rates and is part of the set of risks related to investment risk. The price of debt securities is affected by interest rates, such as an increase in interest rates leads to a decrease in their price. The company manages the interest rate risk through an active investment policy, such as the efficient one portfolio duration changes depending on expected changes in interest rates levels. In order to minimize the negative effect of the expected rise in interest rates in the country, the company prefers to invest in debt securities papers with medium term maturity.

The company is exposed to price risk in relation to price changes of securities listed on the Bulgarian Stock Exchange. That's why we perceive it as part of the investment. The market value of any one security changes in direction of increase or decrease, sometimes very quickly and unpredictably. The price risk can affect a certain issuer, a sector of the economy, as well as the whole economy. The price risk of individual securities in the company's portfolio is minimized, through its diversification.

Liquidity risk

It results from the inability of the company to meet certain cash payments liabilities with available assets. In order to manage this risk, the management of the company maintains sufficient free cash reserves in order to ensure constant liquidity.

As a mechanism for controlling this risk, the company carries out periodic control over the liquidity of your financial means by means of preparation of liquidity ratio report. The liquidity ratio shows that The company is able to cover its current liabilities with available funds short-term assets. With a trend in the development of the coefficient, showing liquidity problem and inability to cover counter-expenses, take measures related to providing the necessary funds for welcoming them.

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

Risk from the realization of major insurance events, resp. the payout of significant compensations

It is minimized by a correctly performed acquisition process, correctly evaluated customer risk 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 insurance claim assessors, etc.

Risk of insurance fraud

The Company accepts that manifestations of this risk are fraud at the entrance (That is fraud when initially concluding an insurance contract), fraud during operation of the insurance contract and fraud in the liquidation. As basic sources of this risk we accept: the insured, resp. insurance applicants, insurers and insurance intermediaries.

After 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 risk realization is inaccurate risk assessment, underestimation or overestimation of risk, incorrect pricing and improper 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 the policies are issued and regular monitoring of the insurance population.

- In respect of the risk during the term of 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 forms under strict accountability of the company and monitoring of insurance fraud and by the Specialized Service "Internal Control", the "Financial Accounting" Directorate, the "Acquisition" Directorate and the "Information Service" Directorate. The influence of this risk is also limited through the internal organization control in the company, which is part of the policy for modern methods of Risk Management.

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 precisely on this reputation, expressed in an accumulation of negative attitudes from side of users of insurance services, the company realizes mainly financial losses.

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 in service, reputational risk manifests itself in negative media appearances, negative rumors, campaigns, etc.

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

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

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. Manifestations of this risk are: incorrect performance of the assigned activity, delay in time and non-compliance with deadlines, deception in payments. Minimizing the manifestations of this risk leads to a reduction in costs, opportunities for fraud and increases revenue. The activities that the company conducted in connection with this risk, are related to a uniform policy for all levels working with external suppliers, their verification and verification. A regular is prepared monitoring of services provided by external contractors, as found non-compliance with the established rules contracts are subject to termination.

Intermediate risk

It is related to the overall work of insurance intermediaries, and mainly from this one part of its 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 the rules and norms in the company, attempts to insurance fraud and abuse of part funds, all leading to financial losses and manifestation of reputational risk. The company applies as measures to optimize constant training, control at several levels and periodic conferences (national meetings) related to the legal framework and system for management of the company.

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.

GENERAL ASSESSMENT OF SOLVENCY AND METHODS OF MEASURING IT

Regulatory framework

The company is working on building its own model for evaluation and management of the risk in order to make an adequate management decision regarding the possibilities for application of the Solvency II Directive - whether to apply a standard formula or in-house model for calculating key indicators. The performed analysis aimed to determine the correlational dependence of risk profile of IC "Lev Ins" JSC from main factors and to assess the level of security of the results obtained when applying the standard formula. Therefore for calculation of Solvency Capital Requirement representing starting point for own risk assessment and solvency are set standard formula patterns.

Legal requirements

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 2016. Development scenarios (stresses) are attached as predicted by the standard formula.

The results of the own assessment of risk and solvency allow the the management of the company to make an approximate assessment of the main and secondary risks that it will face in the future in pursuit both to its strategic goals and to the tasks in the short and

medium term plan. The predictions are in accordance with the regulatory requirements, such as assessment will be done annually.

Risky situation

The company's activity is developing with a healthy growth, as it will enable the fulfillment of both the solvency requirements and the the short-term and medium-term tasks set before the company, which will ensures durability in adverse environments. In any case, it will be necessary to the attitudes of all those involved in the external are systematically examined and analyzed 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 degree to affect the solvency of the company. These are – market risk, risk, related to receivables from counterparties, underwriting risk, operational risk, catastrophe 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 the assessment of equity capital needs.

Execution

Results in this research are based on actual company data for 2016, and the same have been audited and disclosed to the Financial Supervision Commission. They cover the entire portfolio of products offered by the company, being made complete assessment of its assets and liabilities, in order to establish the real (according to the

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

In terms of Solvency II calculations, they are based on the standard formula as described in the “Technical Specification for preparatory phase”.

Research results

Above in this report we have described the main risk factors that affect and determine the required solvency of the company according to the requirements of the Solvency II directive. The specific elements making up the requirements for solvency in relation to the company's activities are:

Risk factor	Value
Market risk	16 050 604
Counterparty risks	4 140 822
Life insurance risk	0
Health insurance risk	161 504
General insurance risk	42 027 876
Operational risk	5 861 456
Risks related to intangibles assets	432 445
Diversification	-11 515 150
Tax differences	-5 672 711
TOTAL:	51 054 401

Each of the risk factors is a combination of certain specific risks which the company is exposed to in the course of its activities. For example, market risk as a factor is a combination of interest rate risk, equity risk, real estate risk, spread risk, currency risk and concentration risk. By grouping the risks and applying a correlation matrix for dependences of individual 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. The revaluations were carried out in compliance with the technical specifications for the implementation of the Directive Solvency II. The specific results are listed in the following table:

Indicator	Solvency II	Solvency I
Assets	224 739 179	321 000 056
Liabilities	164 002 249	255 218 526
Excess of assets over liabilities	60 736 930	65 781 530

The excess of assets over liabilities of the company covers the financial ones requirements, according to Solvency II. This is sufficient guarantee for the long-term stability of the company at the end of 2016.

CAPITAL MANAGEMENT

The realized financial results of the company, own funds, the minimum capital requirement, the solvency capital requirement and respectively, their coverages are included in the auditor's report under Art. 126 of the CC.

The realized financial results of the company, own funds, the minimum capital requirement, the solvency capital requirement and respectively, their coverages are as follows:

Indicator	Value
Financial result	877 542
Own funds	60 736 930
MCR	21 635 563
Coverage (MCR)	281%
SCR	51 054 401
Coverage (SCR)	119%

Differences between the standard formula and each in-house model used

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

Violations of the minimum capital requirement and violations of the Solvency Capital Requirement

In 2016, the company did not report violations of the minimum capital requirement and violations of the Solvency Capital Requirement.

Prospects for the development of the company for 2017.

The last three years have seen a steady, healthy growth, especially for voluntary insurance, which enables the company to be set ambitious goals for the future. In the short term, they are about conservation and increasing the company's market share in the most advocated insurances and achieving growth within 10-15% per year.

The development of new, unique for the Bulgarian market products are planned European model to meet changing consumer demand. Growth is predicted in property and personal insurance. That way you will resort to balancing the insurance

portfolio and reducing the company's reliance on insurance with a large share of its portfolio.