Colonnade Insurance S.A.
Société Anonyme

Annual accounts and report of the Réviseur d'Entreprise Agréé as at December 31, 2020

1, rue Jean Piret
L-2350 Luxembourg
R.C.S. Luxembourg: B 61.605

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Colonnade Insurance S.A.
RCS Luxembourg B 61.605
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Directors' report on the annual accounts as at December 31, 2020

Key Financials

For the year ended December 31, 2020, the profit after tax was EUR 7,608,337 (compared to EUR 7,984,499 in 2019). The financial year of 2020 had earned premiums, net of reinsurance, of EUR 126,155,963 (EUR 123,462,878 in 2019) with gross premiums written of EUR 152,930,671 (EUR 162,505,757 in 2019) and claims incurred, net of reinsurance, of EUR 46,333,480 (EUR 47,915,696 in 2019).

After a favourable Q1 in 2020, we had to face the new and unprecedented challenges of COVID-19. Despite the significant impact of the global pandemic on our top-line, the underwriting result amounted to a profit of EUR 13,296,587 (compared to EUR 9,602,136 in 2019). The good results are attributed to the following factors:

- Our PA individual portfolio posted excellent results with a 73.7% combined ratio and continued strong new sales which were not impacted by the pandemic.
- The Casualty lines delivered an excellent performance with high retention rates and low claims activity in 2020.
- The Property book performed better than previous years due to the underwriting actions we have taken as well as the low claims activity resulting from the slower economic activity due to the pandemic.
- We had significant expense savings by delaying key hires, saving on office expenses, travel and entertainment, conferences and on direct marketing expenses.

The Company's net loss ratio was 37%, its net commission ratio was 37%, its net expense ratio was 16% and the combined ratio stands at 90%. These ratios were 39%, 39%, 14% and 92% respectively in 2019.

During the year, the total shareholder's equity increased from EUR 85,266,167 to EUR 92,874,504 after considering the result of the year.

As at December 31, 2020, the provision for unearned premiums amounted to EUR 70,593,848 (EUR 73,536,185 in 2019), claims outstanding were at EUR 110,330,443 (EUR 92,327,181 in 2019) and provision for bonuses and rebates was at EUR 425,027 (EUR 432,364 in 2019).

Key Events

COVID-19

Since December 2019, a significant number of cases of the Coronavirus, COVID-19, have been reported worldwide. The spread of the virus has resulted in quarantines and travel restrictions imposed by governments and has had a significant impact on travel, global trade and supply chains. It has and will continue to decrease economic activity and has already caused significant volatility on global financial markets.

In mid-March we adopted a "work from home" regime. Our teams have demonstrated full dedication and commitment which resulted in a smooth transition and created competitive advantage as one of the first movers to the new reality. During the summer, the governments lifted many of the restrictions following the positive trends. We reopened most of our offices on a gradual basis, incorporating appropriate safety measures, operating through split teams and maintaining high focus on employee health while maintaining the capability to "lock down" and work from home, if necessary, within 24 hours. At the end of the third quarter of 2020, we were seeing signs of a second wave of the pandemic hence our offices moved back to a full "work from home" mode again. This was executed on a branch by branch basis allowing for local/national trends.

In March 2020 we expected and planned for the following areas to be impacted by the spread of COVID-19:

- Premium volumes to reduce in a number of lines of business, both in specific consumer lines directly impacted (e.g. travel insurance) and in lines of business impacted by any subsequent reduction in economic output.
- Risks to the anticipated loss ratio.
- Our partners and clients to face liquidity issues.
- While our investment portfolio is mostly cash and well rated corporate or government short-dated bonds, a potential for unrealised losses in our investment portfolio, which would only be realised in the event of issuer insolvency (for bonds where we typically hold to maturity) or sale of assets at lower values (for equities or bonds sold before maturity).

The Company took mitigating actions to minimize the impact of the pandemic, such as delaying the planned investment in Company infrastructure and reduced planned external sales expenses due to lockdowns. As the impact of the spread of the virus was not predictable and to manage these uncertainties, we created a comprehensive financial model focusing on three different scenarios – low, medium and high impact. We were expecting the Company's results to be within the range of the low and the high impact scenarios. Conservative values were picked for the business drivers to ensure the scenarios were on the conservative side of the range of possible outcomes.

At the end of each quarter we compared our actuals to the above-mentioned scenarios. The actuals results are generally most consistent with the low impact scenarios in 2020. The major impact of the pandemic was the reduction of premium volumes in Travel and GAP lines of business. Our loss ratios have not deteriorated, with the exception of some Travel Bond losses in Hungary and a small number of Business Interruption policies in Slovakia. These losses have not materially changed our financial results.

Transformation Project

In September 2020 we commenced the Colonnade Transformation program, Project Phoenix. The goal of the program is to transform Colonnade to a modern insurance company that addresses the customer needs in our rapidly changing environment. The project has technology and operating model components. On the technology part, the scope is to implement a new Insurance Software Platform by the end of 2021. The first releases will focus on an end-to-end claims' solution for all of our existing portfolio and implementation of a selected product that is supported by the new technology throughout the entire customer journey. During 2021 we will acquire all the capabilities to implement new products, without any external help, that will enable to move the entire business on the new platform. All aspects of this project will deliver capabilities to continue our strong performance and expand our position within the markets we operate in.

Description of Risks Covered

Colonnade Insurance S.A. is currently authorized to underwrite all classes of non-life insurance business except class 10a (Motor Vehicle Liability) through its branch network in Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia. The Slovak Branch does not include classes 12 (Liability for Ships), 14 (Credit) and 15 (Suretyship).

The business mix of the Company moved towards the Commercial lines of business (63%) in 2019 and it went up to 69% in 2020, mainly due to a drop in Consumer lines which were impacted by COVID-19 crisis. The overall portfolio shrank by 8% for the Company. Commercial lines, excluding AIG multinational business increased by almost 2% however the Multinational commercial business which is 100% reinsured to AIG reduced by 9% during the year. The major products in Consumer lines are Accident and Health products distributed by our Direct Marketing platform and GAP products. Premiums of these products dropped by 21% compared to 2019 year.

The process for risk acceptance and risk management is set out in the Company's Enterprise Risk Management Framework ("RMF"). The key elements of the RMF are identification, monitoring and management of risk.

The key categories of risk facing the Company include insurance, market, credit, liquidity and operational risks. Policies and procedures for managing these risks are set out in the RMF.
All key policies are approved by the Board of Directors and the framework is part of the ongoing "Own Risk and Solvency Assessment" ("ORSA") process. An ORSA report is presented to the Board of Directors on an annual basis. The ORSA report sets out the risk profile and key risk indicators of the Company, together with the resulting impact on the Solvency Capital Requirement (SCR) and confirmation that sufficient own and ancillary funds are in place.

The Company's strategy for managing its risks includes:

- Identifying and analysing risk through a disciplined risk management process;
- Mitigating, transferring or avoiding risks that do not fit our business objectives;
- Retaining risk within an agreed risk appetite with appropriate levels of capital.

More details on the key risks are provided below:

Insurance Risk

Insurance risk includes the risks associated with underwriting and reserving.

Underwriting risk includes both the risk of inappropriate underwriting and inadequate pricing. The insurance risk management policy covers the underwriting, claims and actuarial department and addresses risks such as inappropriate or unauthorised underwriting and pricing and inadequate controls around recording and reporting of underwriting results and exposures. Various Key Risk Indicators (KRIs) have been developed for the ongoing monitoring of insurance risks.

Control structures are in place to mitigate the risk of accumulations of loss from catastrophic events and the Company is further protected by the reinsurance programme comprising a range of quota share and excess of loss contracts that cover the different lines of business written by the Company.

Reserve risk surrounds the risk that unpaid loss reserves prove to be inadequate. Colonnade has an Actuarial Function, to assess reserving levels, working in close cooperation with underwriting and claims staff within each of the branches. Oversight and reserve setting and compliance with the reserving policy (as established by the Board) are the responsibility of the Reserving Committee

Market Risk

Market risk includes risks associated with potential changes in interest rates, foreign exchange rates and asset prices, including equities. Various KRIs are monitored regularly as part of the RMF to manage and mitigate this risk.

Credit Risk

This is the risk that one party to a financial arrangement will fail to discharge an obligation and cause the other party to incur a financial loss. The main sources of credit risk relate to reinsurers, premium debtors and investments. As with Market Risk, these risks are monitored by the Company using KRIs against its risk appetite.

Liquidity Risk

This is the risk the Company, though solvent, may encounter difficulty in meeting obligations associated with financial liabilities as they fall due. The Company monitors the levels of cash and investments to ensure liquidity requirements are addressed to mitigate this risk.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Managing day-to-day operational risk is the responsibility of the line managers, both within Luxembourg and the branch offices and the approach to managing these risks is covered in more detail in the RMF.

Operational risk includes various cyber related risks. During 2020 and since the onset of the COVID-19 global pandemic, there has been an increase in global cybercrime activity, which Colonnade continues to monitor. These, however, have not materially impacted the Company's operations.

Corporate Governance

The Company has implemented a system of governance which provides for sound and prudent management. Risk management, compliance, internal audit and actuarial functions which are consistent with the needs of the Company's operations have been established. The Company's staff and directors have the skills, knowledge and expertise to fulfil their allocated responsibilities. The system of governance is therefore considered to be proportionate to the nature, scale and complexity of the Company's business.

The Board of Directors oversees the conduct of the business and its senior management and is responsible for ensuring the maintenance of a sound system of internal controls and risk management and for the approval of any changes to the capital, corporate and/or management structure of the Company.

The Company has a Board of Directors and five board committees being the Reserving Committee, Underwriting Committee, Investment & Foreign Exchange Committee, Risk Management Committee and the Audit Committee. The Reserving Committee's role is to oversee the reserving levels, working in close cooperation with the Company's actuarial function. The Underwriting Committee's role is to oversee underwriting including setting the protocols for underwriting authorities, guidelines and monitoring as well as to oversee product development and distribution and the skills, knowledge and expertise of the Company's employees involved in direct distribution.

The POG sub-committee is responsible for product oversight and governance reports to the Underwriting Committee on product development and review of existing products and distribution channels.

The Investment & Foreign Exchange committee's role is to manage investment credit risk and foreign exchange risk, through prudent investment and asset / liability currency management. The Risk Management Committee's role is to ensure the development and implementation of the Company's RMF, to ensure that appropriate procedures are in place to identify, assess and manage risk from a strategic and operational perspective and to monitor implementation of risk management procedures. Finally, the Audit Committee supports the Board of Directors in meeting its oversight responsibilities for the Company's financial reporting, internal controls, management of financial risks, audit processes and processes for monitoring legal and regulatory compliance.

The management oversight over the branches is carried out through the Management Committee. The objective of the Management Committee is to take decisions, or to establish the basis on which all decisions are taken, required to execute the strategy determined by the Board, including all major operational decisions. Its duties are inter alia to direct and monitor operating and financial performance of the Company's branches, businesses and operating regions and to approve and monitor strategic and forecasting processes by setting formats, guidelines and timetables.

Other representations

In 2020, the Company did not pursue any research and development activity. The Company does not face abnormal price, credit, liquidity or treasury risks.

The Company has not repurchased any of its own shares during the year and does not hold any own shares at this time.

Colonnade's capital position is not materially impacted by the COVID-19 pandemic at the end of 2020. As stated above, we have developed a financial model to track the impact of the pandemic to ensure that management can take timely actions to keep our capital level in a healthy state. The Board of Directors have discussed the results of the assessment every quarter in 2020.

We have also looked at the following areas and quantified their impact on our business:

- Legal review of our policies to confirm potential losses due to the pandemic.
- Tracking of our retention rates and our new business acquisition performance.
- Strict monitoring of our premium receivables as well as reinsurance recoveries to ensure collectability of our assets.
- Maintaining a proactive economic foreign exchange hedging strategy to ensure we are not overly exposed to exchange rate movements in any direction.
- Monitoring investment performance and the composition of the investment portfolio compared to appetite.

In our 2021 planning we have factored in the subsequent impact of the pandemic and we expect to achieve a profit, hence our ratios will not breach any internal or regulatory threshold. We have assessed our contracts from a COVID-19 exposure perspective, we looked at collectability of premiums as well as reinsurer recoveries and we did not see any indicators of significant impact.

We have also assessed our future business plan until 2023 with special stress scenarios in our 2020 ORSA update and confirmed that the capital levels would be sufficient to meet the regulatory minimum threshold under these scenarios.

The pandemic is not impacting the Company as a going concern.

Future plans

The COVID-19 pandemic did not materially deteriorate the Company's profitability due to our diverse portfolio from both a product and geographic perspective. In 2021 and beyond we are expecting the most impacted Travel business line to expand significantly. Colonnade made strategic steps to position us to address the increased demand of this business when the segment recovers. We are planning further growth of the Company's portfolio, through organic means, by maintaining high client retention and acquiring new business with innovative product offerings in the Commercial and Consumer areas.

The focus in 2021 and beyond will be on expanding the Consumer portfolio and to complete the modernization of our processes and the underlying infrastructure to take Colonnade to the next level, becoming a modern insurance company. The goal is to create an organisation that is continuously looking to exceed the needs and expectations of our customers with continuous focus on improving our operating model. When it comes to employees, we are shaping Colonnade Insurance S.A. to become the company for the future which attracts talent and creates a great working environment that challenges, motivates and retains our staff.

Ronald Schokking
Chairman of the Board of Directors

Audit report

To the Shareholder of
Colonnade Insurance S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Colonnade Insurance S.A. (the "Company") as at 31 December 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2020;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 22 to the annual accounts.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of actuarially determined incurred but not reported claims reserve (IBNR reserve)	
Claims outstanding amounting to 110,330,443EUR at year-end include an IBNR reserve, estimation of which involves a significant degree of judgement as disclosed in Note 4.8.2 to the annual accounts. The Company's valuation of the IBNR reserve is based on pre-set actuarial assumptions and current financial input. The assumptions include, but are not limited to, loss ratios, claims trends and historical development of claims. Actuarial computations have been used to determine the reserve. Since the determination of such reserve requires the expertise of a valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of the reserve was significant to our audit.	Using our actuarial specialist team members, we have assessed Management's governance and procedures in place over actuarial reserving practices as well as data quality. We have also performed other audit procedures which included namely the following: • Applying our industry knowledge and experience, we compared the methodology, models and assumptions used against recognised actuarial practices; • Performing independent re-computations on selected classes of business, particularly focusing on the largest and most uncertain reserves. For these classes we compared our re-computed claims reserves to those booked by management, and sought to understand any significant differences; • Understanding and testing the governance process in place to determine the prudency layer on IBNR reserve, including assessing consistency and rationale of application of such layer; • Testing the reliability of a sample of underlying data used by the Company's actuaries in estimating the IBNR reserve at year-end to source documentation.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the directors' report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

The directors' report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on 14 April 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 8 April 2021

Electronically signed by:
Sylvia Pucar

Sylvia Pucar

Colonnade Insurance S.A.
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Balance sheet as at December 31, 2020

	Notes	December 31, 2020 EUR	December 31, 2019 EUR
ASSETS			
Intangible assets	4.2; 5	3,091,129	3,732,630
Investments			
Investments in affiliated undertakings and participating interests			
Shares in affiliated undertakings	4.4; 6.1	828,827	963,494
Other financial investments	4.5; 6.2		
Shares and other variable yield transferable securities and units in unit trusts		22,299,384	14,315,224
Debt securities and other fixed income transferable securities		124,218,713	131,876,483
Other loans		1,499,121	-
		148,846,045	147,155,201
Reinsurers' share of technical provisions			
Provision for unearned premiums	4.8.1	11,666,018	12,809,183
Claims outstanding	4.8.2	25,820,093	25,642,722
		37,486,111	38,451,905
Debtors	4.6; 7		
Debtors arising out of direct insurance operations			
Policy holders		21,227,217	25,008,213
Intermediaries		11,021,739	14,306,894
Debtors arising out of reinsurance operations		5,955,801	3,632,401
Other debtors		4,344,194	3,204,444
		42,548,951	46,151,952
Other assets			
Tangible assets and stocks	4.3; 8	1,277,492	1,737,479
Cash at bank and in hand		54,230,505	31,735,827
Other assets		1,238	4,993
		55,509,235	33,478,299
Prepayments and accrued income			
Accrued interest and rent		1,111,735	1,161,567
Deferred acquisition costs	4.7	16,764,984	18,373,552
Other prepayments and accrued income	9	3,154,406	2,220,525
		21,031,125	21,755,644
Total Assets		**308,512,596**	**290,725,631**

The accompanying notes form an integral part of these annual accounts.

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Balance sheet as at December 31, 2020

	Notes	December 31, 2020 EUR	December 31, 2019 EUR
LIABILITIES			
Capital and reserves			
Subscribed capital	10	9,500,000	9,500,000
Share premium account	11	94,876,287	94,876,287
Reserves			
Legal reserve	12	950,000	950,000
Profit and loss brought forward	13	- 20,060,120	- 28,044,619
Profit or loss for the financial year		7,608,337	7,984,499
		92,874,504	85,266,167
Technical provisions			
Provision for unearned premiums	4.8.1	70,593,848	73,536,185
Claims outstanding	4.8.2	110,330,443	92,327,181
Provision for bonuses and rebates	4.8.3	425,027	432,364
		181,349,318	166,295,730
Provisions for other risks and charges			
Provisions for taxation	4.8.4; 24	1,544,126	1,085,698
		1,544,126	1,085,698
Creditors			
Creditors arising out of direct insurance operations	4.9; 14	14,281,167	14,047,420
Creditors arising out of reinsurance operations	4.9; 14	6,608,294	10,744,731
Other creditors including tax and social security	4.9; 14	5,445,876	5,054,742
		26,335,337	29,846,893
Accruals and deferred income	4.10; 15; 19	6,409,311	8,231,143
Total Liabilities		**308,512,596**	**290,725,631**

The accompanying notes form an integral part of these annual accounts.

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Profit and loss account for the year ended December 31, 2020

	Notes	December 31, 2020 EUR	December 31, 2019 EUR
TECHNICAL ACCOUNT			
NON-LIFE INSURANCE BUSINESS			
Earned premiums, net of reinsurance			
gross premiums written	16; 17	152,930,671	162,505,757
outward reinsurance premiums		- 28,573,880	- 32,003,976
change in the provision for unearned premiums		2,942,337	- 3,819,600
change in the provision for unearned premiums, reinsurers' share		- 1,143,165	- 3,219,303
		126,155,963	123,462,878
Other technical income, net of reinsurance	4.14	427,910	354,992
Claims incurred, net of reinsurance			
claims paid:			
gross amount		- 41,408,790	- 34,353,532
reinsurer' share		12,901,201	8,120,674
		- 28,507,589	- 26,232,858
change in the provision for claims:			
gross amount		- 18,003,262	- 19,231,581
reinsurer' share		177,371	- 2,451,257
		- 17,825,891	- 21,682,838
Bonuses and rebates, net of reinsurance		- 923,575	- 691,573
Net operating expenses			
acquisition costs	4.7; 18	- 48,720,359	- 56,341,408
change in deferred acquisition costs	4.7; 19	- 1,608,568	2,069,611
administrative expenses	4.12; 20; 21; 22	- 20,977,345	- 17,965,289
reinsurance commissions and profit participation	19	4,330,138	6,400,336
		- 66,976,134	- 65,836,750
Allocated investment return transferred from the non-technical account	4.11	945,903	228,285
Balance on the technical account for non-life insurance business		**13,296,587**	**9,602,136**

The accompanying notes form an integral part of these annual accounts.

Profit and loss account for the year ended December 31, 2020

	Notes	December 31, 2020 EUR	December 31, 2019 EUR
Balance on the technical account for non-life insurance business		13,296,587	9,602,136
NON-TECHNICAL ACCOUNT			
Investment income			
income from other investments			
income from other investments		1,372,326	2,069,841
value re-adjustments on investments	4.1; 6.2	21,673,304	9,012,675
gains on realisation of investments		1,562,613	462,606
		24,608,243	11,545,122
Investment charges			
investment management charges, including interest		- 634,197	- 476,661
value adjustments on investments	4.1; 6.1; 6.2	- 24,422,207	- 9,765,661
losses on the realisation of investments		- 3,107,031	- 675,526
		- 28,163,435	- 10,917,848
Allocated investment return transferred to the non-life technical account	4.11	- 945,903	- 228,285
Other income	23	2,012,962	3,255,429
Other charges, including value adjustments	4.13; 23	- 1,657,717	- 2,884,778
Tax on profit or loss on ordinary activities	24	- 1,542,400	- 2,398,359
Profit or loss on ordinary activities after tax		7,608,337	7,973,417
Other taxes not shown under the preceding items	24	-	11,082
Profit or loss for the financial year		**7,608,337**	**7,984,499**

The accompanying notes form an integral part of these annual accounts.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

Note 1 - General

Colonnade Insurance S.A. (the "**Company**") is a Luxembourg insurance company. The Company has been incorporated as a holding company on November 10, 1997 as a "Société Anonyme" for an unlimited period and subject to the general company law.

With notarial deed dated July 22, 2015 the Company changed its name from Stonebridge Re S.A. to Colonnade Insurance S.A. and changed its activity from a reinsurance company into an insurance company subject to regulatory approval. The insurance license was granted to the Company on July 24, 2015. In relation to the transfer of the insurance business from QBE Insurance (Europe) Limited ("QBE") the Company set up Hungarian, Czech and Slovakian Branches in 2015. In 2016 an agreement was signed with AIG Europe Limited ("AIG") to acquire the renewal rights and operating assets of its branches in Bulgaria, Czech Republic, Hungary, Romania, Poland and Slovakia. In addition to the Branches established in 2015, new Branches were created in Bulgaria, Romania and Poland in 2017. The accounts of all six Branches are included in the Company's balance sheet and profit and loss accounts.

The principal activity of the Company is insurance operations in all divisions, in the Grand Duchy of Luxembourg and abroad (excluding any life insurance business), the management of insurance companies, the holding and the financing of direct and indirect participations in all companies or businesses with an identical or similar corporate object and which may further the development of the Company's activities, more generally all transactions regarding movable or real property, commercial, civil or financial operations which are directly related to the Company's corporate object.

The registered office of the Company is 1, rue Jean Piret, L-2350 Luxembourg.

The Company's financial year starts on January 1 and ends on December 31 of each year.

Note 2 – Presentation of the annual accounts

These annual accounts have been prepared in conformity with the Law of December 8, 1994 on annual accounts with respect to insurance and reinsurance undertakings, and with the significant accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg. The accounting policies and valuation rules, apart from those defined by the law or by the Commissariat aux Assurances, are determined and applied by the Board of Directors. On April 9, 2020, the Board of Directors changed the accounting policy in relation to the valuation of the financial instruments held by the Company to the cost and purchase model effective January 1, 2020. This change was made in order to align the annual accounts with the annual regulatory reporting to the Commissariat aux Assurances. The effect of that change in accounting policy is further explained in note 6.2.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is, in accordance with Luxembourg law, exempt from the requirement to prepare consolidated annual accounts and a consolidated Directors' report for the year ended December 31, 2020. Therefore, in conformity with legal provisions, these accounts are presented on a non-consolidated basis for approval by the sole shareholder at the Annual General Meeting.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

Note 3 – Presentation of comparative financial data

The effect of change in accounting policy as of January 1, 2020 was reflected in the opening balance of retained earnings. The comparative balances presented in the balance sheet under" "Other financial instruments" and in the profit and loss account under "value re-adjustment on investments" are presented under the accounting policy in place for the valuation of financial instruments during 2019 (i.e. fair value model). To allow comparability of the figures for the year ended December 31, 2020 with the figures for the year ended December 31, 2019 a table showing the impact of the change in accounting policy is included in note 6.2.

Note 4 – Summary of significant accounting policies

The significant accounting policies applied by the Company are as follows:

4.1 Translation of items expressed in foreign currencies

The Company maintains its books and records in EUR.

The assets and liabilities expressed in foreign currencies are translated into EUR at the exchange rates prevailing at the balance sheet date. Transactions during the accounting year, expressed in foreign currencies, are translated to EUR at the exchange rate prevailing at the transaction date.

All unrealized and realized exchange losses / gains resulting from these conversions are accounted for in the profit and loss account in value re-adjustments on investments in the Investment income and in value adjustments on investments in the Investment charges lines.

4.2 Intangible assets

The intangible assets are valued at historical acquisition or production cost.

The intangible assets are amortized on a straight-line basis between a period of two to six years depending on the intangible item.

4.3 Tangible assets

Tangible assets are valued at historical acquisition cost. The acquisition cost includes expenses incidental to the purchase. The tangible assets with limited useful economic lives are depreciated on a straight-line basis based on the estimated economic life. The depreciation period for the tangible assets is as follows:

Furniture and fittings	IT Equipment	Cars	Other tangible assets
5-9 years	2-5 years	4-5 years	2-6 years

If a permanent decline in value exists, the fixed assets are valued at the lower of carrying or market value at the balance sheet date. These value adjustments should be reversed when the reasons for which they were made cease to apply.

4.4 Shares in affiliated undertakings and participating interests

Affiliated undertakings are considered to be the undertakings between which the Company exercises a dominant influence either directly or indirectly. Participating interests refer to rights contained in the capital of other undertakings which, when creating a durable link with those undertakings, are intended to contribute to the Company's activities.

Shares in affiliated undertakings and participating interests are valued at historical acquisition cost which includes expenses incidental to the purchase.

If the impairment in value is of a permanent nature, the shares in affiliated undertakings and participating interests are valued at the lower of cost or fair value at the balance sheet date. These value adjustments should no longer continue when the reasons for which they were made cease to apply.

4.5 Other financial investments

Other financial investments other than debt securities and other fixed income transferable securities are valued at historical acquisition cost which includes incidental purchase expenses.

Debt securities and other fixed income securities are valued at historical acquisition cost, which includes expenses incidental to the purchase, or redemption value, taking into account the following elements:
A positive difference between the acquisition cost and the redemption value is written off in instalments over the duration of the holding of the security.
A negative difference between the acquisition cost and the redemption value is released to income in instalments over the period remaining to repayment.

Other financial investments are valued at the lower of historical acquisition cost and realizable value. The acquisition cost includes expenses incidental to the purchase. The value adjustments which correspond to the negative difference between the realizable value and the acquisition cost may no longer be carried if the reasons for which they were made cease to apply.

4.6 Debtors

Debtors are valued at the lower of their nominal and their probable realizable value. Value adjustments shall be made when recoverability is questionable, either in part or entirely. These value adjustments shall no longer be carried when the reasons for which they were made cease to apply.

4.7 Deferred acquisition costs

Acquisition costs related to non-life insurance policies are deferred according to a method compatible with that used for unearned premiums.

4.8 Technical provisions

Sufficient technical provisions are set up in order that the Company can meet, as far as can be reasonably foreseen, any liabilities arising from insurance contracts.

4.8.1 Provision for unearned premiums

Written premiums include all the amounts received or receivable with respect to insurance contracts incepted prior to the end of the accounting year. That part of written premiums which is to be allocated to one or more subsequent financial years is deferred by way of the provision for unearned premiums, computed separately for each contract on a pro rata basis.

4.8.2 Provision for claims outstanding

The provision for claims outstanding corresponds to the total estimated cost (including claims settlement costs) for settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims. The Provision for claims outstanding is made for the full cost of settling the outstanding claims at the end of the financial year, including claims incurred but not yet reported (IBNR).

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

The Company establishes provision for claims outstanding on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement, taking into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the Company considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Company's estimation of reserves. Between the reporting and final settlement of a claim, circumstances may change, which would result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and building repair materials and labour rates can substantially impact ultimate settlement costs. Accordingly, the Company regularly reviews and re-evaluates case reserves. Any resulting adjustments are included in the profit and loss account for the current year. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set or currently recorded.

The Company also establishes reserves for IBNR claims on an undiscounted basis to recognize the estimated final settlement cost for loss events which have already occurred, but which have not yet been reported. Historical information and statistical models, based on product line, type and extent of coverage, as well as reported claims trends, severities and frequencies, exposure growth and other factors are relied upon to estimate IBNR reserves. These estimates are revised as additional information becomes available and as claims are actually reported and paid.

The Company has recorded its best estimate of claims outstanding considering the impacts of the pandemic known to date as at 31 December 2020. However, the Company may, as a result of the level of uncertainty, need to change its estimates for claims outstanding over time as underlying facts develop.

4.8.3 Provisions for bonuses and rebates

This provision consists of amounts intended for policyholders to the extent that such amounts represent an allocation of profit arising on business, or a partial refund of premium made based on the performance of the contracts.

4.8.4 Provisions for other risks and charges

Provisions for other risks and charges are intended to cover losses or debts whose nature is clearly defined but are, at the balance sheet date, either likely or certain to be incurred but amounts are indeterminable.

4.9 Creditors

Creditors are included in liabilities at settlement value. If the amount payable is greater than the amount received, the difference may be shown as an asset and written off by reasonable annual amortization and completely written off no later than the time of repayment of the debt. If the amount payable is lower than the amount received, the difference is released to income in instalments over the remaining period of the contract.

4.10 Accruals and deferred income

This item consists of both income receivable before balance sheet date but relating to a subsequent financial year and charges that relate to the current financial year but payable in a subsequent financial year.

4.11 Allocated investment return transferred from/to non-technical account

This income represents the portion of the total net investment return – interest income and charges and realized gains and losses - that relates to assets which are held to cover the non-life technical provisions, and which are transferred from the non-technical account in order to better reflect the balance of the technical account of the non-life business.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

4.12 Administrative expenses

Administrative expenses specifically consist of costs arising from premium collection, portfolio administration and inward and outward reinsurance. The administrative expenses more specifically include all administrative expenses that cannot be allocated to acquisition costs, claims or investment management charges.

4.13 Value adjustments

The value adjustments are deducted directly from the related asset.

4.14 Other technical income, net of reinsurance

The Company recognises the co-insurance income for cases where it acts as a co-insurance leader through the profit and loss statement as a separate item.

Note 5 – Intangible assets

The movements in intangible assets incurred during the financial year may be summarized as follows:

	Data policy rights	Software	Concessions, patents, licenses, trademarks	Software under own development	Total
Gross book value January 1, 2020	5,770,001	1,933,897	12,438	-	7,716,336
Additions during the year	-	395,765	-	517,119	912,884
Disposals during the year	- 299,977	-	-	-	- 299,977
Forign exchange on opening gross book value	- 285,733	- 44,721	- 390	-	- 330,844
Gross book value December 31, 2020	5,184,291	2,284,941	12,048	517,119	7,998,399
Accumulated depreciation January 1, 2020	- 3,191,343	- 779,925	- 12,438	-	- 3,983,706
Depreciation during the year	- 720,058	- 385,001	-	-	- 1,105,059
Foreign exchange impact on opening accumulated depreciation	154,146	26,959	390	-	181,495
Accumulated depreciation December 31, 2020	- 3,757,255	- 1,137,967	- 12,048	-	- 4,907,270
Net book value December 31, 2020	**1,427,036**	**1,146,974**	**-**	**517,119**	**3,091,129**
Net book value December 31, 2019	**2,578,658**	**1,153,972**	**-**	**-**	**3,732,630**

In 2017, the Company recognized intangible assets amounting to EUR 5,275,792, representing the renewal rights acquired from AIG Europe Limited ("AIG"). These assets are amortized on a straight-line basis over five years. There was an assessment done during 2020 on the AIG related intangible assets. This assessment did not reveal any indicator for impairment, hence there is no change to the amortization pattern determined in 2017.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

Note 6 – Investments

Note 6.1 Shares in affiliated undertakings and participating interests

The undertakings in which the Company holds at least twenty percent of the capital are the following:

Name of the company	Registered office	Percentage of ownership	Closing date of last financial year	Book value	Book value	Shareholder's equity (including results for the year)	Results of the financial year
				as at December 31, 2019	as at December 31, 2020	as at December 31, 2020	2020
		%		EUR	EUR	EUR	EUR
TIG (Bermuda) Ltd.	Canon's Court 22 Victoria Street Hamilton HM EX Bermuda	100	Dec. 31, 2020	963,494	828,827	828,827	-59,029

The amount mentioned in the Shareholder's equity and the Result of the financial year are based on the last unaudited annual accounts and are converted into EUR using the group exchange rate as at December 31, 2020 being EUR 1 = USD 1.2236.

In 2020, Management considered the valuation of the subsidiary and concluded to record an additional impairment of EUR 134,667 on the financial assets in the accounts of the Company. The total value adjustment at December 31, 2020 is EUR 432,526.

No other movements on those investments shall be noted for the current year.

Note 6.2 Other financial investments

As at December 31, 2020, the actual value of the other financial investments is as follows:

	Book value 2020 EUR	Actual value 2020 EUR
Other financial investments		
Debt securities and other fixed income transferrable securities	22,299,384	22,299,384
Shares and other variable yield transferable securities and units in unit trusts	124,218,713	124,227,371
Other loans	1,499,121	1,499,121

During the year, the amortisation of discount on debt securities and other fixed income transferrable securities amounts to EUR 581,165 and the amortisation of premiums in these securities amount to EUR 2,030,869. Discount amortisation are recognised under value re-adjustment on investments and premium amortisation are recognised under value adjustment on investments in the profit and loss account.

As of December 31, 2020, the non-amortized discount and premiums on debt securities and other fixed income transferrable securities amounts respectively to EUR 789,452 and to EUR 3,615,104.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

The effect of change in accounting policy on the opening balances can be disclosed as follows:

	Investments under the purchase and cost valuation model as of December 31, 2020	Investments under the purchase and cost valuation model as of January 1, 2020	Effect of change in accounting policy	Investments under the fair value model as presented in the annual accounts as of December 31, 2019
Balance sheet				
ASSETS	**EUR**	**EUR**	**EUR**	**EUR**
Other financial investments				
Shares and other variable yield transferable securities and units in unit trusts	22,299,384	14,000,000	-315,224	14,315,224
Debt securities and other fixed income transferable securities	124,218,713	131,471,808	-404,675	131,876,483
Other loans	1,499,121	-	-	-
	148,017,218	145,471,808	-719,899	146,191,707
LIABILITIES				
Profit and loss brought forward	-20,060,120	-28,403,351	-358,732	-28,044,619
Profit or loss for the financial year	7,608,337	7,623,332	-361,167	7,984,499
	-12,451,783	-20,780,019	-719,899	-20,060,120
Profit and loss account				
income from other investments				
value re-adjustments on investments	21,673,304	8,651,508	-361,167	9,012,675

Note 7 – Debtors

The breakdown of the debtors at December 31, 2020 is as follows:

	December 31, 2020	December 31, 2019
Arising out of direct insurance operations	**32,248,956**	**39,315,107**
policyholders - third parties	21,206,861	24,991,171
policyholders - related parties	20,356	17,042
intermediaries - third parties	11,021,739	14,306,894
Arising out of reinsurance operations	**5,955,801**	**3,632,401**
third parties	5,844,958	3,628,362
related parties	110,843	4,039
Other debtors - third parties	**4,344,194**	**3,202,471**
deposits and guarantees	578,644	906,179
tax receivable	2,443,943	224,185
other third parties debtors	1,321,607	2,072,107
Other debtors - related parties	**-**	**1,973**
Total	**42,548,951**	**46,151,952**

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

Breakdown of other debtors

	December 31, 2020	December 31, 2019
Deposits and guarantees	578,644	906,179
Receivables from AIG	319,096	1,135,127
Rental related	236,640	252,287
Tax receivable	2,443,943	224,185
Other related parties	-	1,973
Coinsurance receivables/regresses	673,300	588,720
Other	92,571	95,973
Total	**4,344,194**	**3,204,444**

Note 8 – Tangible assets

The movements in tangible assets incurred during the financial year may be summarized as follows:

	Furniture and fittings	IT equipment	Cars	Other tangible assets	Total
Gross book value January 1, 2020	867,492	1,118,385	118,699	959,234	3,063,810
Additions during the year	917	180,442	-	27,786	209,145
Disposals during the year	- 32,586	- 189,727	- 3,974	- 33,134	- 259,421
Forign exchange on opening gross book value	- 37,710	- 42,122	6	- 27,915	- 107,741
Gross book value December 31, 2020	798,113	1,066,978	114,731	925,971	2,905,793
Accumulated depreciation January 1, 2020	- 344,400	- 621,686	- 50,944	- 309,302	- 1,326,332
Depreciation during the year	- 110,543	- 44,362	- 24,266	- 170,771	- 349,942
Foreign exchange impact on opening accumulated depreciation	16,482	22,487	- 3	9,007	47,973
Accumulated depreciation December 31, 2020	- 438,461	- 643,561	- 75,213	- 471,066	- 1,628,301
Net book value December 31, 2020	**359,652**	**423,417**	**39,518**	**454,905**	**1,277,492**
Net book value December 31, 2019	**523,093**	**496,699**	**67,755**	**649,932**	**1,737,479**

Note 9 – Other prepayments and accrued income

This item is composed of prepayments made regarding expenses relating to periods after December 31, 2020 as well as accrued interest on fixed income securities held at December 31, 2020.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

Note 10 – Subscribed capital

As at December 31, 2020 the subscribed capital amounting to EUR 9,500,000 is paid fully and represented by 9,500,000 shares of EUR 1 each and fully owned by Fairfax Luxembourg Holdings S.à r.l.

Note 11 – Share premium account

As at December 31, 2020 the share premium amounts to EUR 94,876,287.

The movements in the share premium account during the financial year ended December 31, 2020, are as follows:

Share premium account at the beginning of the financial year	EUR	94,876,287
Movements during the financial year 2020	EUR	-
Share premium account at the end of the financial year	**EUR**	**94,876,287**

Note 12 – Legal reserve

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

The legal reserve represents 10% of the issued share capital.

Note 13 – Profit or loss brought forward

The profit for the accounting year ended December 31, 2019, amounting to EUR 7,984,499 has been carried forward to 2020. The effect of the change in accounting policy for financial instruments is reflected in retained earnings as of January 1, 2020 as detailed in notes 2, 3, 4.5 and 6.2. The total accumulated balance is a loss of EUR 20,060,120.

Note 14 – Creditors

Creditors arising out of direct insurance operations amounts to EUR 14,281,167 and the total amount is payable to third parties.

Creditors arising out of reinsurance operations are amounting to EUR 6,608,294 of which EUR 6,169,216 is payable to third parties.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

The breakdown of the creditors at December 31, 2020 is as follows:

	December 31, 2020	December 31, 2019
Creditors - direct insurance	**14,281,167**	**14,047,420**
third parties	14,281,167	14,047,420
Creditors - reinsurance	**6,608,294**	**10,744,731**
third parties	6,169,216	9,434,782
related parties	439,078	1,309,949
Other creditors including tax and social security	**5,445,876**	**5,054,742**
third parties	5,435,720	5,017,995
third parties - personal related liability	2,450,617	1,214,868
third parties - tax liabilities	953,653	835,798
third parties - rent related liability	67,209	99,064
third parties - unallocated cash receipts	1,140,412	2,231,245
third parties - payable to vendors	445,877	330,424
third parties - other	377,952	306,596
related parties	10,156	36,747
Total	**26,335,337**	**29,846,893**

There are no creditor balances becoming due and payable after more than five years.

Note 15 – Accruals and deferred income

This item is composed of other accrued charges of EUR 4,035,804, accrued insurance charges of EUR 198,904 as well as deferred ceded premium acquisition costs with third parties of EUR 1,310,933 and EUR 78,739 is on contracts with related parties, claims handling deferred income relating to the AIG transaction of EUR 647,119 and EUR 137,812 of other deferred income.

	December 31, 2020	December 31, 2019
Accruals and deferred income		
accrued charges other - third parties	4,035,804	4,499,659
accrued charges insurance - third parties	198,904	251,054
deferred income - third parties	2,095,864	3,286,328
deferred income - related parties	78,739	194,102
Total	**6,409,311**	**8,231,143**

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

A more detailed breakdown is shown below:

	December 31, 2020	December 31, 2019
Personnel accruals	3,012,309	2,850,863
Accrued insurance charges	198,904	251,054
AIG Claim handling deferral	647,119	1,152,016
Reinsurance DAC	1,310,933	1,796,189
Other accruals	794,526	1,437,178
Legal/Audit/Tax services accruals	228,969	211,618
Other deferred income	137,812	338,123
Reinsurance DAC - related parties	78,739	194,102
Total	**6,409,311**	**8,231,143**

Note 16 – Results from the non-life insurance operations

The group classification within direct insurance and reinsurance accepted may be presented as follows:

		General liability (other)	Fire and natural forces (industrial and commercial risks)	Accident	Land vehicles (other than railway rolling stock) / other	Other	**Total**
Direct business	Gross premiums written	7,790,838	51,024,533	40,732,345	34,129,304	11,219,376	**144,896,396**
	Gross premiums earned	9,892,211	50,813,413	41,156,542	36,401,595	12,145,826	**150,409,587**
	Gross claims incurred	2,615,014	25,595,503	14,708,637	9,292,815	3,362,053	**55,574,022**
	Gross operating expenses	6,956,436	19,536,420	12,994,025	22,930,298	6,893,923	**69,311,102**
	Net reinsurance result	(114)	(117,353)	10,420,512	159,924	631,487	**11,094,456**
Reinsurance acceptances	Gross premiums written	490,759	2,705,957	4,812,046	22,913	2,600	**8,034,275**
	Gross premiums earned	341,392	1,903,437	2,903,612	(228,140)	543,120	**5,463,421**
	Gross claims incurred	145,005	1,493,533	2,216,702	(55,071)	37,861	**3,838,030**
	Gross operating expenses	(397,428)	737,328	1,235,655	12,360	407,255	**1,995,170**
	Net reinsurance result	-	558,018	639,825	103	15,933	**1,213,879**
Total	Gross premiums written	8,281,597	53,730,490	45,544,391	34,152,217	11,221,976	**152,930,671**
	Gross premiums earned	10,233,603	52,716,850	44,060,154	36,173,455	12,688,946	**155,873,008**
	Gross claims incurred	2,760,019	27,089,036	16,925,339	9,237,744	3,399,914	**59,412,052**
	Gross operating expenses	6,559,008	20,273,748	14,229,680	22,942,658	7,301,178	**71,306,272**
	Net reinsurance result	(114)	440,665	11,060,337	160,027	647,420	**12,308,335**
	Net technical result	**914,690**	**4,913,401**	**1,844,798**	**3,833,026**	**1,340,434**	**12,846,349**

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

Note 17 – Geographic breakdown of premiums written

Gross insurance premiums amounting to EUR 152,930,671 may be broken down into geographic zones according to where the contracts have been concluded:

	December 31, 2020	December 31, 2019
Poland	45,826,970	45,669,663
Czech Republic	38,611,559	38,517,135
Hungary	31,371,753	37,099,869
Slovakia	19,336,079	22,964,236
Romania	10,140,265	10,626,363
Bulgaria	5,593,627	5,066,754
Other EEA	1,400,552	1,474,621
Outside EEA	649,866	1,087,116
Total	**152,930,671**	**162,505,757**

Note 18 – Commissions

Commissions paid to insurance intermediaries relating to direct insurance and assumed reinsurance amount to EUR 25,254,668 and are included in Acquisition costs (EUR 29,594,921 in 2019). Total commissions line includes also other commissions which amount to EUR 6,934,885 (EUR 8,953,938 in 2019), totaling EUR 32,189,553 (EUR 38,548,859 in 2019).

Note 19 – Change in ceded deferred acquisition costs

The 'ceded deferred acquisition costs' are shown on the Balance Sheet in 'Accruals and deferred income' (EUR 1,389,672 in 2020 and EUR 1,990,291 in 2019). The change of the ceded deferred acquisition costs of EUR 600,619 is included in 'reinsurance commissions and profit participation' on the Profit and Loss Account.

Note 20 – Personnel employed during the year

The average number of staff employed at the financial year of 2020 amounts to 466 and may be broken down into the following categories:

	2020 Year	2019 Year
Management	6	6
Salaried employees	460	453
Total	466	459

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

The staff costs with respect to the financial year may be broken down as follows:

	2020 Year	2019 Year
Wages and salaries	18,013,975	16,528,056
Social security costs	4,233,747	4,207,839
Other employee expenses	1,912,822	1,801,905
Total	**24,160,544**	**22,537,800**

Note 21 – Remuneration granted to members of supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

Remuneration granted to members of the Board of Directors in relation to their responsibilities amounts to EUR 66,690 (EUR 65,002 in 2019) and are included in “administrative expenses”. There are no commitments in respect of retirement pension for former members of those supervisory bodies.

Note 22 – Auditors’ fees

The audit fees (excluding VAT) for the year ended December 31, 2020 amount to EUR 462,522 (compared to EUR 444,000 in 2019), representing fees for the audit of the annual accounts and the related regulatory reports as well as the branch statutory audits. They are included in “administrative expenses”.

The total breakdown of the fees is as follows:

	2020 Year	2019 Year
Audit fees	462,522	444,000
Tax fees	12,843	77,260
Other fees	570	232
Total	**475,935**	**521,492**

Note 23 – Other income and other charges

The income relating to claims expenses paid on behalf of AIG as part of the Claims runoff service agreement is EUR 1,465,032 (EUR 2,654,149 in 2019) in the Other income line. The associated claims expenses are presented as Other charges amounting EUR 1,465,032 (EUR 2,654,149 in 2019).

Note 24 – Tax status

The Company is subject to the applicable general tax regulations in Luxembourg and in all countries of the branches in Bulgaria, Czech Republic, Hungary, Poland, Romania and Slovakia.

Notes to the annual accounts as at December 31, 2020

All amounts are expressed in EUR unless stated otherwise.

Note 25 – Commitments

At December 31, 2020 the Company has the following off-balance sheet commitments:

	December 31, 2020	December 31, 2019
Building leases	3,551,451	5,295,268
Loan facility commitment	3,500,879	-
Vehicle leases	804,363	936,711
Bank guarantee	215,851	215,632
IT equipment lease	10,150	38,689
Total	**8,082,694**	**6,486,300**

The Company's commitments are in relation to the lease of premises for the head office and the branches, company vehicles and IT equipment use for its activities and by its employees. The bank guarantees are related to leases and business commitments. The amounts reported represent the future obligations of the Company computed until expirations of contracts. The loan facility commitment relates to an investment of the Company in a real estate loan.

Note 26 – Information relating to consolidated undertakings

The Company is included in the consolidated financial statements of Fairfax Financial Holding Limited which is the largest and the smallest group of undertakings for the Company. The registered office of this undertaking where the consolidated financial statements are available is situated in 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada.

Note 27 – Subsequent events

In our 2021 planning we have factored in the subsequent impact of the COVID-19 pandemic and we expect to achieve a profit, hence our ratios will not breach any internal or regulatory threshold. We have assessed our contracts from a COVID-19 exposure perspective, we looked at collectability of premiums as well as reinsurer recoveries and we did not see any indicators of significant impact.

We have also assessed our future business plan until 2023 with special stress scenarios in our 2020 ORSA update and confirmed that the capital levels would be sufficient to meet the regulatory minimum threshold under these scenarios.

No subsequent events have been recognised.