# SOLVENCY AND FINANCIAL CONDITION REPORT

as of
**31 December 2024**

www.lev-ins.com

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## INTRODUCTION

This Solvency and Financial Condition Report (SFCR) of Insurance Company LEV INS AD is prepared on an individual basis and is published as part of the annual financial report process and in compliance with the disclosure requirements under Article 51 - Article 56 of Solvency II Directive 2009/138/EC and Regulation (EU) 2015/35 which are mandatory for any insurance company domiciled in an EU Member State. Solvency II is a harmonised regulatory regime across the EU aimed at improving the protection of insurance users and modernising the supervision of insurers by national supervisory authorities.

The main purpose of these regulatory requirements is to provide public information on the financial soundness of insurance and reinsurance companies covered by the regime. This ensures accountability and transparency in the activities of market participants. This is crucial for the sustainable development of the insurance sector and the protection of the interests of insured entities.

The information that is provided in the SFCR is related to the main business lines of the companies, the methods of structuring the business process, the valuation of the main balance sheet items, the risk management policy, the solvency and the ability to assume its liabilities, the long-term sustainability, etc.

The SFCR is a report with a standardised structure following the requirements in the Insurance Code (Article 129(2)) and the EIOPA Guidelines on Reporting and Public Disclosure (EIOPA-BoS-15/109 BG). It contains descriptive information in quantitative and qualitative form, supplemented by quantitative data samples. The SFCR consists of 5 sections which collectively provide a clear picture of the company's business strategy, its implementation and performance, the governance system, risk profile, Solvency II assessments, capital management approach and current capital position.

Insurance companies have an obligation to provide public and correct information on quantitative and qualitative criteria.

The figures in the report are based on information as of 31.12.2024, and the company's management has analyzed and evaluated the following important global events: the growing risks associated with the geopolitical conflicts and the ongoing military actions between Russia and Ukraine, the risks to global and regional trade due to the exacerbating foreign trade and protectionist policies, the processes of interest rate policy normalisation of the leading central banks that have started as a result of the sharply higher inflation rates.

In operational terms, in 2024, the processes of preparation for the country's accession to the euro area under the Law on the Introduction of the Euro in the Republic of Bulgaria and the National Plan for the Introduction of the Euro in Bulgaria were launched.

*[1]Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 relating to the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).*

*[2]Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council relating to the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).*

The Solvency and Financial Condition Report 2024 has been approved by the Board of Directors of the Company in accordance with the Solvency II Directive. It is not always possible to make an unambiguous comparison of the amounts presented in the annual financial statements and in this report as a result of the different methods used in IFRS

## EXECUTIVE SUMMARY

| Section | Summary information |
|---|---|
| 1. ACTIVITY AND RESULTS | Lev Ins AD Insurance Company is a joint-stock company registered in Sofia City Court under company case No. 12744 of 2001, with date of initial registration 23.07.1996, with registered office and address of management in Sofia, 67A Simeonovsko Shose blvd.. During the reporting period the gross premium income from insurance premiums amounted to BGN 402 365 069. Rents received from investment properties amounted to BGN 330 thousand and interest received amounted to BGN 2 597 thousand. The net profit for the year amounted to BGN 1 417 thousand. |
| 2. MANAGEMENT SYSTEM | The company has a two-tier management system. The governing bodies of Lev Ins AD Insurance Company are the General Meeting of Shareholders /GMS/, the Supervisory Board /SB/ and the Board of Directors /BD/. |
| 3. RISK PROFILE | In relation to the management of signature risk, the company adopts mechanisms and procedures for its mitigation - limits, valuation, contractual clauses, etc.<br>In order to manage the risk of reversal, the company maintains a communication channel for feedback to its customers established at all levels and structures in the company.<br>The Company has adopted and maintains specific rules<br>for the valuation of its assets, which it updates from time to time in order to respond fully to developments or new risk circumstances in relation to the realisation of investment risk.<br>As a precautionary measure against foreign exchange risk, the Company maintains a balance of diversification in terms of investments, both in terms of type and location. Regular monitoring is carried out on the development of investments and corrective measures are implemented in case of negative trends.<br>With respect to credit risk, the Company regularly monitors risk exposures, risk assessment procedure, etc.<br>The risk of large insurance events is minimized through a correctly executed acquisition process, a properly assessed risk profile of the client and risk ceding through reinsurance and co-insurance contracts. |

4. ASSESSMENT FOR SOLVENCY PURPOSES

WWValue of the Company's major assets as at 31.12.2024:

| Assets Value by | Solvency II in BGN |
|---|---|
| Investments | 203 176 380 |
| Real Estate (other than for own use) | 46 806 900 |
| Equity interests in related enterprises, including participatio | 30 539 890 |
| Bonds | 107 545 440 |
| Deposits other than cash equivalent | 17 927 300 |
| Reinsurance refunds | 232 508 830 |
| Cash and cash equivalents equivalents | 35 081 800 |
| Total assets | 538533 800 |

Value of technical provisions of the Company as at 31.12.2024

| Technical provisions | Solvency II value in BGN |
|---|---|
| Technical provisions - general insurance | 384540119 |
| Technical provisions - general insurance (excluding health insurance) | 382642763 |
| Technical provisions calculated in aggregate | 0 |
| Best Estimate | 375732756 |
| Risk additive | 6910008 |
| Technical provisions - health insurance (similar to general insurance) | 1897355 |
| Best Estimate | 1863213 |
| Risk additive | 34143 |

| | |
|---|---|
| 5. CAPITAL MANAGEMENT | Own funds consist of the excess of assets over liabilities as specified in Article 88 of Directive 2009/138/EC. The statutory own funds of Lev Ins AD Insurance Company as at 31.12.2024 are equal to Solvency II own funds and consist of share capital, provisions, retained earnings and current year result.<br>The most significant component affecting the coverage of the capital adequacy requirement of the Company is the general insurance underwriting risk - BGN 92 050 thousand. The prudential risk has an impact on the capital requirement of BGN 22 838 thousand. The counterparty default risk is estimated at BGN 14,629 thousand and the operational risk at BGN 12,755 thousand. With the least quantitative impact on the Solvency Capital Requirement is the health insurance underwriting risk - BGN 1 463 thousand.<br>As of 31.12.2024, the coverage of the Capital Adequacy Requirement is 130% and of the Minimum Capital Adequacy Requirement is 372%. These coverage ratios indicate that the Company is well capitalised and is able to meet the downside risks assumed in the Solvency II scenarios. |

## 1. BUSINESS ACTIVITIES AND RESULTS

### 1.1. BUSINESS ACTIVITIES

Lev Ins AD Insurance Company is a joint-stock company registered in Sofia City Court under company case No. 12744 of 2001, with date of initial registration 23.07.1996, with registered office and address of management in Sofia, 67A Simeonovsko Shose blvd.. The National Insurance Council granted permission to the Company to carry on insurance business under No. 98 dated 06.01.2000.

Lev Ins AD Insurance Company is supervised by the Financial Supervisory Commission (FSC). The FSC Vice-Chairperson in charge of Insurance Supervision has direct responsibility.

The FSC was established on 1 March 2003 by the Financial Supervision Commission Act. It is an institution independent of the executive and reports to the National Assembly of the Republic of Bulgaria. The Commission is a specialised government body that regulates and performs supervisory functions over the financial sector: capital market, insurance, supplementary pension insurance.

FSC contacts:

- Address: 1000 Sofia, 16 Budapest Street
- Phone: 02 94 04 999
- Fax: 02 829 43 24
- e-mail: bg_fsc@fsc.bg

In accordance with the requirements of the Independent Financial Audit Act in conjunction with Article 10 of Regulation (EU) No 537/2014, Ekovis Audit Bulgaria OOD and

Audit Correct OOD have been appointed as statutory auditors of the financial statements for the year ending 31 December 2023 of Lev Ins AD Insurance Company.

The registered auditor of “Ekovis Audit Bulgaria” OOD, who is responsible for the audit process is Georgi Trenchev, with registration number No. 0647. The registered auditor of Audit Correct OOD, who is responsible for the audit process is Rositsa Trichkova, with registration number 0091.

**Contacts “Ekovis Audit Bulgaria” OOD:**

- Address: gen. Edward E. Totleben No. 69-73
- Phone: 02 95 86 040
- e-mail: info@ecovis.bg

**Audit Correct OOD. contacts:**

- Address: g.S. Street Rakovski 58
- Phone: 0898 977 779
- e-mail: rosi.trichkova@auditcorrect.com

“Ekovis Audit Bulgaria OOD and Audit Correct OOD perform the audit in accordance with the requirements of International Standards on Auditing (“IAS”). The audit firms are independent of Lev Ins AD Insurance Company in accordance with the International Ethics Code for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of the Independent Financial Auditing Act (IFAA).

The Company has a capital of 51 800 000 (fifty-one million and eight hundred thousand) levs, distributed in 51 800 000 registered dematerialised shares with a nominal value of 1 lev each.

The Company has a two-tier management system - Supervisory Board and Board of Directors, in accordance with Article 241 - 243 of the Commercial Law. The Company is represented jointly by two Executive Directors.

Lev Ins AD Insurance Company was founded in 1996 and was among the first companies in the industry with fully private equity. The company is part of a financial group operating in the fields of General Insurance, Life Insurance, Health Insurance and Supplementary Pension Insurance.

The sustainable development of Lev Ins AD Insurance Company is due to the forward-looking approach to risk management through the application of the “Active Corporate Security” philosophy. This enables growth and profitability to be realised. The key to the company’s success is also good communication with the customer.

The main shareholder of the Lev Ins AD Insurance Company is Levcorp Group AD - an economic group with more than 90 companies from different spheres of the Bulgarian economy. “Lev Corporation” is a member of the Union for Citizens’ Economic Initiative, the Bulgarian Chamber of Commerce and Industry and is a partner of leading Bulgarian manufacturing and trading companies.

Since 2010 Lev Ins AD Insurance Company has also attracted the interest of new Israeli shareholders with extensive experience in insurance. The current capital structure is as follows:

Table 1.Share capital structure as of 31.12.2024

| Shareholder | Shares (number) | Share (%) |
|---|---|---|
| “LEVCORP GROUP” AD | 25,396,748.00 | 49.03% |
| “ECOTOUR” LTD | 11,936,501.00 | 23.04% |
| "CYBER LEVEL INS” OOD | 6,994,972.00 | 13.50% |
| “PELA” SMLLC | 1,937,929.00 | 3.74% |
| OTHERS | 5,533,850.00 | 10.69% |

Pursuant to Appendix No. 1 to Article 29, paragraph 1, item 2 of the Insurance Code, the Company is authorized to carry out insurance operations under the following insurances:

- Accident insurance;
- Insurance of land vehicles, excluding rail vehicles;
- Vessel insurance;
- Cargo insurance during transport;
- Fire and Natural Disaster Insurance;
- Property Damage Insurance;
- Civil liability insurance related to the ownership and use of motor vehicles;
- Civil liability insurance relating to the ownership and use of vessels;
- General Third Party liability insurance;
- Credit insurance;
- Warranty Insurance;
- Miscellaneous financial loss insurance;
- Travel assistance insurance.

The scope of the Company’s activities under the license issued by the Financial Supervision Commission includes offering almost the entire range of insurance products and services in the field of general insurance. The company is a leader in introducing and establishing trends in insurance, including cyber insurance, high service culture and unconventional insurance protection. The insurance products offered are also in line with the company’s strategy, mission and vision, which are permanently linked to the philosophy of active security.

Lev Ins AD Insurance Company has focused its efforts on attracting a growing number of individual customers. Although they are the most important part of the company’s portfolio structure, it also serves and is in partnership with a significant number of corporate clients. Our goal is to build a partnership and friendly relationship with customers based on mutual respect and cooperation.

The team of Lev Ins AD Insurance Company, working on security issues, analyzes, recommends, takes measures and assists in the development of insurance products and the determination of optimal insurance solutions, taking into account the needs of the specific client. In their work, our specialists use the research and analysis of internationally recognized security experts.

Lev Ins AD Insurance Company has earned the trust and support of the world's major reinsurers and maintains high capacity reinsurance programs across major lines of business. The main reinsurers we work with are Hannover Re (AA-), AXA XL CATLIN (AA-), Swiss Re (A+), Deutsche Rueck (A+), Polish Re (A-), New Re (A+) and others.

Over the past few years, Lev Ins AD Insurance Company has been the undisputed market leader in motor insurance, accounting for the largest share of the portfolios of general insurance companies in Bulgaria. According to FSC, the company's market share of the general insurance portfolio by gross written premiums as of the end of the fourth quarter of 2024 was 10.3%.

### 1.2. RESULTS OF UNDERWRITING ACTIVITY

In the reporting period, gross premium income from insurance premiums amounted to BGN 402 365 072 compared to BGN 500 887 088 in 2023, or 19.7% less than in the previous year. Lower realised revenues in some of the company's business lines (such as credit and warranty insurance) reflect the more conservative approach taken to risk management rather than the loss of customers). The Company continued to consolidate its position as a market leader against a backdrop of increasing uncertainty in the external and internal environment, potentially increasing the risks to the national insurance market, geopolitical instability and the manifestation of catastrophe risks.

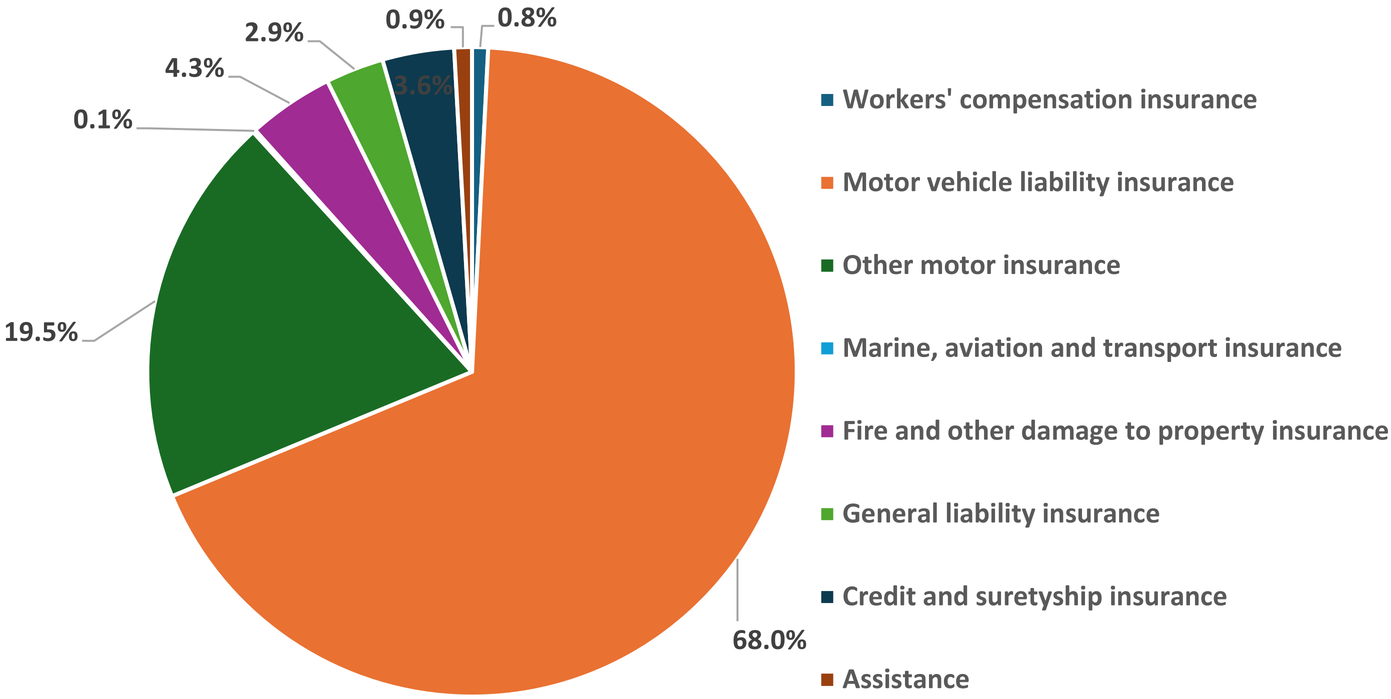
The main product line - “Civil Liability” reported a slight decrease of 1.6%, with gross premium income amounting to BGN 273.41 million. For Motor Insurance, a marginal increase of 0.4% was reported in 2024. In the medium term, the company's objectives are to maintain its position among the leaders and to increase its market share in the most popular voluntary insurance.

Given the significantly higher base and the large growth realised in 2023, premium income in the Property, Fire and Other Catastrophe, General Liability business lines was lower than the previous year.

The relative shares of individual insurance products in the portfolio vary widely. In Bulgaria, voluntary insurance is still at a very low level, although in recent years there has been an increase in demand for home insurance, especially after natural disasters. The main reason is related to the low insurance culture of the population in the country and the still low insurance penetration, the lack of confidence in the financial system and the market trends towards a decrease in premium income for voluntary insurance. Despite its advantages, interest in life insurance in Bulgaria also remains relatively low compared to other EU countries.

In these circumstances, the negative result of the risk manifestation of insurance with a high relative share cannot be offset by the positive financial results of other types of insurance with a lower share. In order to mitigate risk, the Company has entered into a number of reinsurance contracts. Structure of the insurance portfolio by type of insuance according to the premium income at the end of the fourth quarter of 2024:

Figure 1. Insurance portfolio, gross written premiums by business line




*Source: Financial Supervision Commission*

Balancing the portfolio requires, on the one hand, a significant increase in the coverage of insurance with a small relative share and, on the other hand, the provision of adequate reinsurance coverage of insurance with a large relative share. The first task can be accomplished through ongoing training of the company's agent network to better market the voluntary insurances the company has developed. The other option is related to the development of new attractive products that meet the demand of insurance consumers and offer non-standard solutions in the field of prevention and insurance.

With regard to the second task, the company builds a good image with its reinsurance partners through correct and timely exchange of information, payment documents and settlement of liabilities.

As a positive trend, it can be noted the policy of more conservative offering of certain types of insurance, for example, the insurance of "Credit" and "Miscellaneous Financial Losses", which is related to the assessment of risk, through a scoring system and minimization of the risks assumed. Thus, through its more cautious risk assessment, the Company has decided not to carry this type of insurance given the greater likelihood of risk events occurring, particularly in the face of increased uncertainty about financial and economic conditions. In the current market environment, this is a very important decision to achieve an optimal balance between good economic performance and risk management.

However, greater efforts need to be made to increase the share of non-automobile insurance as evident from the market data this is a profitable line of business.*Realized* premium income in the last year ranks Lev Ins AD Insurance Company in the leading position among insurance companies in the local market.

A number of insurance intermediaries have also introduced various systems (e.g. SMS notifications) to remind them of overdue instalments. However, this is not a sufficient guarantee for the collectability of the deferred receivables. For this reason, a system of automatic termination of insurance contracts has been introduced in the event of non-payment of a consecutive instalment in the event of deferred payment of the premium. The system is built in accordance with the requirements of the Insurance Code and its provisions.

With respect to the process of determining the assumptions at the end of 2024, the company has applied a standard approach, namely preparing a technical account by product from which the main cost and damage allowances have been derived respectively.

The information on the indicators in the technical account is reconciled to the company's accounting records and, to the extent that each element of the valuation is recognised and classified in the appropriate risk group, the data used is considered to be correct and relevant.

## 1.3. INVESTMENT RESULTS

In accordance with Article 132 of the Solvency Directive, the Company applies the "prudent investor" principle in the management of investments. All assets, in particular those covering the Minimum Capital Requirement and the Solvency Capital Requirement, shall be invested in a manner that ensures the quality, liquidity and profitability of the aggregate portfolio. Assets held to cover technical provisions shall also be invested appropriately according to the nature and duration of insurance and reinsurance liabilities.

In accordance with Lev Ins AD Insurance Company's investment policy, the Company seeks to invest only in assets and instruments whose risks it is able to properly identify, measure, monitor, control and account for, and appropriately consider in assessing its aggregate solvency needs. The Company invests in a manner that ensures the safety, quality, liquidity and yield of the aggregate portfolio. The Company locates its assets in a manner that ensures their availability. Assets shall be appropriately diversified to avoid excessive reliance on a particular asset, issuer or group of undertakings or geographic area and excessive accumulation of risk in the aggregate portfolio.

In 2024, activities continued to increase the size and diversification of the investment portfolio by reducing the size of deposits and increasing that to government securities and corporate bonds, whose value (Solvency II) compared to a year earlier has increased, respectively, almost two and five times, while in the case of equity investments there is no significant change in the structure compared to 2023, their value increasing by 16%.

According to the accounting data, the interest income from financial instruments of Lev Ins AD Insurance Company for 2024 amounts to BGN 2 054 792, of which BGN 1 546 758 from government bonds and BGN 491 921 from corporate bonds and BGN 16 114 from dividends from shares. Additional information on interest income by portfolio, as well as remeasurements in the Statement of Comprehensive Income, can be viewed in the Company's 2024 Annual Financial Report

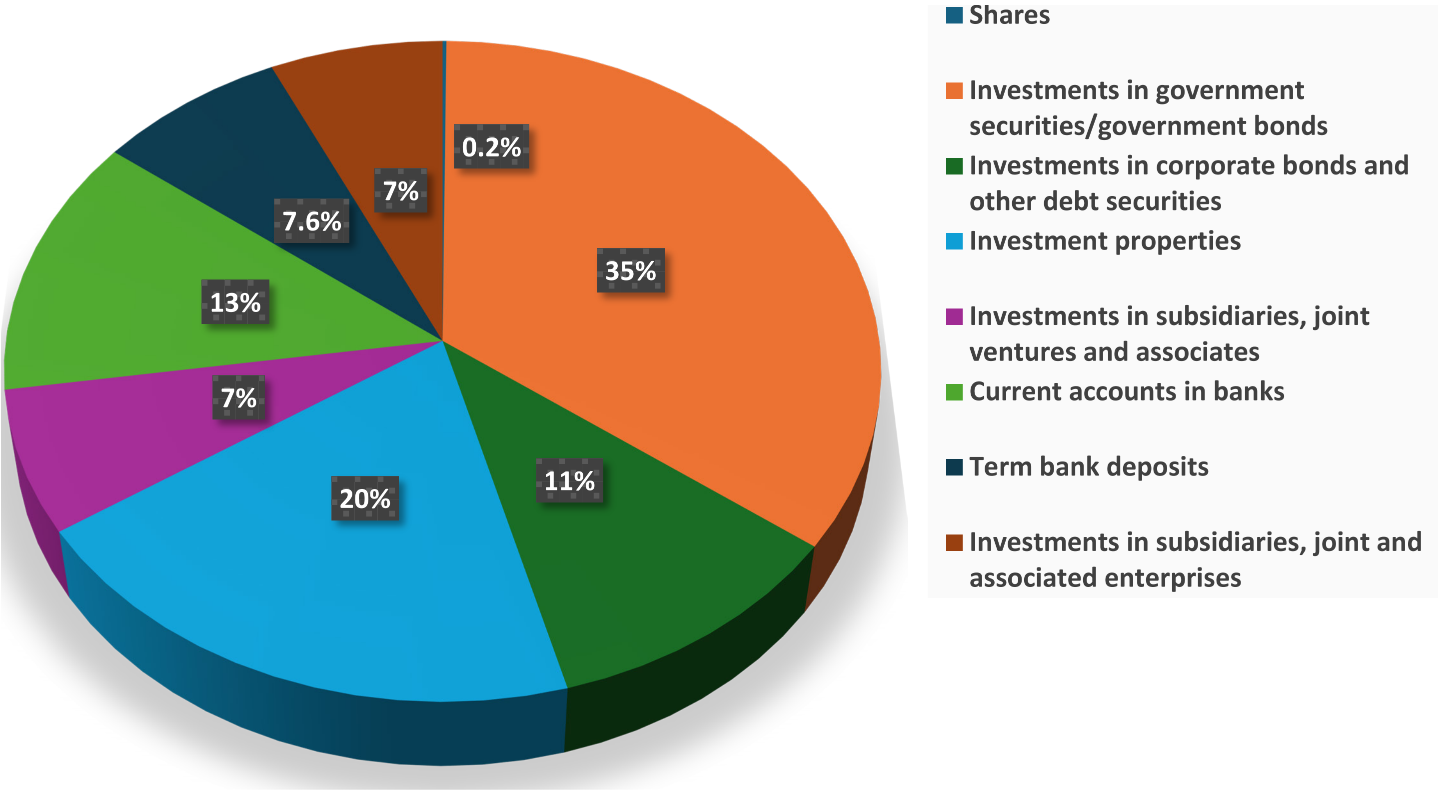



Figure 2. Structure of investments by asset type:

Lev Ins AD Insurance Company plans continued diversification of its investment portfolio, ensuring a good balance between risk and return. The company will continue to invest in quality liquid and international assets and plans to gradually expand its equity portfolio to around 10% of total financial assets. The aim is to increase overall returns without materially affecting the risk profile of the investments. Such a goal is achievable in the current economic environment where government bonds with investment grade credit ratings offer much higher yields compared to deposit rates in Bulgarian credit institutions.

The Company invests following a conservative approach, strictly observing Solvency II requirements. This means purchasing highly liquid financial assets with investment grade credit ratings. Priority is given to issues in euro and maturity ranges from 2 to 7 years. It relies on the best possible diversification - the purchase of smaller volumes but more issues.

### 1.4. RESULTS OF OTHER ACTIVITIES

In the course of its activities, the Company tries to adhere to the principles of sustainable development and sustainable corporate governance to the maximum extent possible.

The activities of Lev Ins AD Insurance Company are not directly related to ecology and do not have a negative impact in terms of environmental protection.

### 1.5. OTHER INFORMATION

In 2024, the company has 78 agencies and 16 offshore offices and bureaus through which it distributes and services its insurance business in the country. Overseas, the company provides insurance services through local insurance brokers and multi-agencies. As at the end of 2024, the company employed 638 employees on contract compared to 672 employees in the previous year 2023.

Given the increasing risks in geopolitical terms and the potential risks and effects that may arise in the global financial markets as well as in the international economic context, management and the relevant functions within the Company monitor and analyse on an ongoing basis the potential risks to the Company, its business, assets and prospects.

The Company's management has designated the events described above as non-adjusting within the meaning of IAS10. Therefore, there are no reported effects in this financial report for 2024 and 2023.

## 2. MANAGEMENT SYSTEM

### 2.1. GENERAL INFORMATION ON THE MANAGEMENT SYSTEM

The company has a two-tier management system. The governing bodies of Lev Ins AD Insurance Company are the General Meeting of Shareholders /GMS/, the Supervisory Board /SB/ and the Board of Directors /BD/.

### 2.1.1. GENERAL MEETING OF SHAREHOLDERS /GMS/

Consists of all shareholders holding dematerialised registered shares with voting rights, represented in person or by proxy. SB and BD members may participate in the work of the GMS. They do not have voting rights unless they are shareholders. A representative of the company's employees may also participate in the GMS. He shall have no right to an advisory vote.

Powers:

- amend and supplement the Articles of Association of the Company;
- increases and decreases the capital of the Company;
- reorganize and dissolve the Company;
- elects and dismisses the members of the Supervisory Board and determines their remuneration, including their right to receive part of the company's profit, as well as to acquire shares and bonds of the company;
- appoint and dismiss the registered auditors;
- approve the annual accounts after certification by the appointed auditors, decide on the distribution of profits, including replenishment of funds and provisions therefrom, and on the payment of dividends;
- decides the issuance of bonds;
- appoint liquidators on the winding up of the Company, except in the event of bankruptcy;
- discharge the members of the Supervisory Board and the Board of Directors;
- selects a responsible actuary;
- decide other matters within its competence by law and the Statutes;

The General Meeting shall be regular or extraordinary. It may be convened by BD, SB or at the request of shareholders holding for more than three months at least five percent of the capital. The Ordinary General Meeting shall be convened at least once a year, not later than 6 months after the end of the accounting year and shall be held at the registered office of the company.

An Extraordinary General Meeting shall be convened in the event of an urgent need to take a decision which is within the competence of the GMS. In the event that the losses exceed one half of the capital, an extraordinary general meeting shall be held not later than three months after the losses have been established.

### 2.1.2. THE SUPERVISORY BOARD /SB/

SB is a body of the company, empowered to exercise preliminary, ongoing and subsequent control over the company's activities. The SB shall have the right to inspect all books, papers and reports relating to the business of the company and to require written or oral information on all matters from all BD members and all officers of the company. SB may be assisted in its activities by external experts, the remuneration of which shall be borne by the company. SB cannot manage the company. He represents the company only in relations with SB. The SB consists of three to seven members elected by the GMS. The term of office shall be five years. SB members are eligible for re-election without limitation.

The SB elects its chair and vice-chair from among its members. The Chairperson shall convene SB meetings on his/her own initiative and at the request of a SB member or BD members. Meetings shall be held at least once every two months. Meetings may also be attended by the Chair and members of the BD and other experts if invited in advance by the SB Chair. If invited to attend, the Chair, BD members and experts shall not have a deliberative vote in decision-making.

SB powers:

- The Supervisory Board may not participate in the management of the company. He represents the company only in relations with the board of directors;

- elects and dismisses the members of the Board of Directors, concludes contracts with them for management and representation, and determines their remuneration;

- approve the Rules of Procedure of the Board;

- convene the General Meeting and propose appropriate measures to the General Meeting when the interests of the Company so require;

- make proposals to the General Meeting for the discharge of the members of the Board of Directors;

- through a designated member, represent the Company in disputes with the Board or its individual members;

- gives its prior consent for the Board to take decisions on:

  - transfer or grant the use of the entire commercial enterprise;
  - disposal of assets whose total value in the current year exceeds half of the value of the company's assets according to the latest audited annual accounts;
  - incurring liabilities or providing security to one person or to related parties, the

amount of which in the current year exceeds half of the value of the company's assets according to the latest audited annual accounts;

- significant internal - organizational changes, including but not limited to: changes in the establishment plan; opening, closing, merging of directorates and other structural units, changes in their functions;
- long-term cooperation of material importance to the Company or termination of such cooperation;
- acquisition of real estate, encumbering and sale of such real estate, sale or lease of a significant portion of the Company's assets;
- borrowing and securing third party liabilities;
- establishment or acquisition of subsidiaries;
- acquiring or disposing of shares in other companies in accordance with the law;
- all investment projects of the Company;
- to increase the company's capital and to issue bonds.

- approve the decisions of the Board of Directors for:

- the distribution of functions among the members of the Board of Directors and the authorization of one or several persons from the Board of Directors to represent the Company;
- the authorization of the Company's Procurator(s) and the execution of an Procuracy Agreement;
- the adoption of the forecast for the Company's activities; the programme for the investment of temporarily free cash; the general terms and conditions of insurance and the tariffs thereunder, other forecasts and programmes;
- the Company's internal rules containing provisions on the scope and procedure of operations and internal organisation and the Company's Internal Regulations;

The Supervisory Board may also rule on any other matter brought before it by the Board of Directors.

### 2.1.3. THE BOARD OF DIRECTORS /BD/

The BD shall decide all matters not within the exclusive competence of the GMS or the SB, subject to the provisions of the law and the Statutes, in accordance with the decisions of the GMS and under the control of the SB. The BD is a collective management body consisting of three to nine members elected by the SB for a period of five years and after prior approval of a proposed nomination by the Deputy Chairperson of the Financial Supervision Commission, Insurance Supervision Department. BD members are eligible for re-election without restriction.

BD shall report on its activities at least quarterly to the SB. BD shall promptly notify SB of all circumstances that are material to the company. BD shall hold regular meetings at least once a month. The Chair of the BD shall convene meetings on his/her own initiative or at the request of another Board member or SB member.

BD powers:

- the company is managed and represented by a board of directors, which carries out its activities under the supervision of a supervisory board;

- determines the general guidelines in the Company's activities;

- organize and manage the implementation of the decisions of the General Meeting of the Company;

- adopt internal rules for claims settlement activity;

- adopt internal rules on the procedure for disclosing conflicts of interest and ensuring confidentiality;

- with the prior consent of the Supervisory Board, decides on the taking out of loans and the securing of third party liabilities;

- with the prior consent of the Supervisory Board, take decisions on investment projects of the Company.

- with the prior consent of the Supervisory Board, take decisions on the acquisition or disposal of shares in other companies in accordance with the law;

- with the prior consent of the Supervisory Board, develop and adopt the organizational structure, the staff schedule, the job descriptions and the Rules for Determination of Remuneration and Leave of the Company's Employees;

- with the prior consent of the Supervisory Board, make decisions on a material change in the Company's operations or on material organizational changes;

- with the prior consent of the Supervisory Board, decide on long-term cooperation of material importance to the Company or termination of such cooperation;

- with the prior consent of the Supervisory Board, make decisions on the acquisition, encumbrance and alienation of the Company's real estate or property rights thereon;

- adopt the Company's internal rules of procedure and Rules of Procedure to be approved by the Supervisory Board;

- with the approval of the Supervisory Board, authorise one or more of its members - executive members, to represent the Company and to carry out its operational management. Where the empowerment is for more than one executive member, the Company shall be represented by two executive members jointly;

- with the approval of the Supervisory Board, resolve to authorize the Procurator(s) and execute the Procuration Contract;

- with the approval of the Supervisory Board, adopt forecasts for the Company's operations and programs for investing temporarily free cash;

- shall, with the approval of the Supervisory Board, decide on the segregation of other monetary funds not specified in these Statutes and in the law;

- develop other forecasts, programmes and plans for the Company's activities and organise and coordinate their implementation;

- accepts the general terms and conditions of insurance and the tariffs thereunder;

- prepares and proposes for approval by the Supervisory Board the annual accounts, the report on the company's activities, the proposal for profit distribution to be made to the General Meeting of Shareholders and the annual report on the insurance provisions set aside;

- hear and adopt the reports of the territorial governors;

- coordinates and supervises relations with insurance intermediaries, insurance agents, partners and clients of the Company;

- determines the form, content and periodicity of the financial statements; is responsible for the timely preparation and content of the annual financial statements, as well as for their publication in accordance with the requirements of the law; if necessary, adopts measures related to the financial recovery of the company;

- perform other functions assigned to it by the General Meeting of Shareholders, the Supervisory Board and these Articles of Association.

### 2.1.4. EXECUTIVE MEMBER(S)

Executive Director(s) BD shall elect them from among its members, to whom it entrusts the management and representation of the Company. Lev Ins AD Insurance Company performs preliminary and ongoing verification of compliance with the requirements of the law and the Company's Articles of Association of BD members and persons holding key positions in the company.

The Company shall be represented by the Executive Member(s) selected by the BD, subject to the prior approval of the nomination by the FSC Vice-Chairperson in charge of the Insurance Supervision Department and the approval of the decision taken by the BD on the manner of representation by the SB.

The powers of the Executive Member(s) shall be:

- represent(s) the Company in its relations with other natural and legal persons, public organizations and state bodies in the country and abroad;

- organize(s) the activities of the Company, carry out its operational management, ensure the management and protection of the property;

- bind(s) the accounts of the Company by their signature;

- appoint(s) the Company's employees and terminate(s) their employment;

- delegate(s) rights, authorize individual employees to perform actions related to their official functions, post in the country and abroad, exercise disciplinary authority in the Company;

- perform(s) such other functions as may be assigned to him/her by law, these Articles of Association, the resolutions of the General Meeting of Shareholders, the Rules of Procedure of the Board of Directors and the Rules of Procedure of the Company.

### 2.1.5. AUDIT COMMITTEE

The Audit Committee of Lev Ins Insurance Company AD consists of three members elected by the General Meeting of Shareholders on the basis of Article 40f of the Independent Financial Audit Act. The Audit Committee helps to enhance the quality of the Company's financial reporting process and to minimise financial, operational and compliance risk.

The Audit Committee shall perform the following functions:

- oversee the financial reporting processes of the company;
- monitors the effectiveness of the company's internal control systems;
- monitor the effectiveness of the company's risk management systems;
- oversee the independent financial audit of the company;
- review the independence of the company's registered auditor in accordance with the requirements of the Independent Financial Audit Act and the Code of Ethics for Professional Accountants.

### 2.1.6. SECURITY COUNCIL

The overall management of the Company's activities in emergency situations is carried out by the Board of Directors, assisted by a Security Council, hereinafter referred to as "the Council". The composition of the Board shall be determined by order of the Chief Executive Officer, shall operate and include the directors of the following divisions within the Company: Directorate

"Actuarial, Risk Statistics, Monitoring and Risk Analysis Directorate; Information Technology Directorate and Finance and Accounting Directorate.

Council:

- assist the Board of Directors in the management of emergency operations;
- reviewing draft regulatory, planning and reference documents related to the company's emergency operations;
- analyse the likelihood of emergencies and decide on preventive measures;
- proposes to the Board of Directors the establishment of temporary bodies to directly support the activities of the management of the company for each specific case of emergency;
- adopt an annual report on the company's activities in emergency situations.

### 2.2. QUALIFICATION AND RELIABILITY REQUIREMENTS

The Company selects its employees by considering the details of the educational qualification obtained, the major graduated, the professional experience acquired in the profession and their relevance to the position and related functional responsibilities applied for. The Company shall assess whether the person is competent and can demonstrate, through experience and training, that he or she is capable of performing the essential functions.

The management team includes all persons directly involved in the management and control functions of the company. Specifically, the Company's management team consists of all members of the Board of Directors, all members of the Supervisory Board and all other persons who hold positions with significant influence over the Company's activities, as well as those performing key functions. The Company requires information and data in advance, as well as evidence regarding the compliance of each application to fill a position, part of the management team. In fulfilment of this obligation, the company collects in advance evidence of professional qualifications, acquired knowledge and experience, and the reliability of each application. Before nominating a candidate for a post, the Head of Human Resources shall prepare an assessment of the compliance of the nominated candidate with the requirements of the law. The assessment shall examine all the requirements of the law for the post concerned and the compliance documents submitted by the applicant, and shall record the results of the verification carried out. The company regularly collects additional information on compliance with the requirements of the law of the persons holding a position as part of the management team, by requesting from them up-to-date criminal records, as well as a new declaration of the circumstances for which the law has provided proof, by declaration. In the event of changes in the regulatory framework or other circumstances, the reliability of persons in positions of leadership, part of the management team, shall be reassessed.

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

- degree;
- specialty;
- additional courses/specialisations to improve professional qualifications;
- professional experience - positions held and related functions performed;
- participations in the management of other commercial companies, including those with open bankruptcy or liquidation proceedings, as well as those with revoked license to carry out activities subject to the licensing regime;
- family status in terms of preventing conflicts of interest;
- holding other paid employment positions/for executive members/;
- CV signed by the applicant.

The credibility of those holding management positions, part of the management team, are assessed in relation to the requirements of the law and on the basis of documents required to prove the stated circumstances. Teamwork skills, analytical abilities in evaluating information, the ability to make adequate decisions, and the results shown in stress tests are also included in the assessment of reliability.

The credibility of the persons who actually manage the company - members of the management team - is assessed on the basis of:

- criminal record;
- the right to hold a position of material responsibility;
- dismissal on the basis of a compulsory administrative measure;
- participations in the management of other commercial companies, including those in insolvency or liquidation proceedings, as well as those with a revoked license to carry out activities subject to the licensing regime;
- CV signed by the applicant.

### 2.3. REMUNERATION POLICY

#### 2.3.1. BasIc principles

The policy sets out the principles that apply to remuneration for the following categories of staff:

(a) senior officials;

(b) employees whose activities involve taking risks;

(c) the responsible actuary and staff performing control functions;

(d) all other employees whose remuneration is commensurate with that of the employees referred to in (a) and (b) and whose activities have a significant impact on the risk profile of the company.

(3) Employee positions that may have an impact on the company's risk profile are:

1. Executive Director

2. Risk Manager

3. Head the compliance function

The following basic principles shall be applied in the remuneration of employees:

- Remuneration to be set in line with prudent and effective risk management;

- Remuneration design to motivate staff to perform well in line with the company's strategy, objectives, values and long-term interests;

- Non-discrimination and unequal treatment of persons in the determination and negotiation of remuneration in accordance with the position held;

- Ensuring an independent assessment of the appropriateness of the Policy, including risk management, by:

  • Involvement in the development of the Policy, its revision and updating, of the units with supervisory functions in cooperation with human resources experts who are functionally independent and competent to make this assessment;

  • The implementation of the remuneration policy and procedures shall be subject to periodic and independent internal review at least annually.

- Ensuring transparency by:

  • Provide information to employee representatives on the process of developing and reviewing the Remuneration Policy;

  • Publication of the adopted Policy as an internal normative act generally available to all employees.

### 2.3.2. Types of remuneration

- Remuneration is divided into fixed and variable. The general criteria for determining remuneration are the staff member's position, the responsibilities assigned to him/her and his/her professional experience.

- Fixed remuneration is payments to an employee, which include basic salary and any additional remuneration of a permanent nature, in accordance with R. Bulgaria. Fixed remuneration is also based on an assessment of the employee's performance in the Company.

- Permanent remuneration shall at all times occupy a sufficiently high proportion of the total remuneration of each staff member. Fixed remuneration is not linked to the performance of the Company.

- Variable remuneration is that which is given to an employee based on performance criteria, including bonuses and other remuneration. It shall not be paid in ways that circumvent the principles and limitations set out in this Policy.

- Variable remuneration shall not be paid in the following cases:

- where the repayment limits the company's ability to maintain and improve its capital base;
- when they are not correlated with both the financial performance of the company and the performance evaluations of the directorate and the individual employee;
- where repayment would cause problems with the company's statutory liquidity or worsen its current or future risk profile;
- where repayment would jeopardise the stability of the company as a whole.

- The calculation of variable remuneration is linked both to the performance of the employees and to the financial performance of the relevant directorate and the company as a whole. In evaluating employee performance, financial and non-financial criteria are relevant. The assessment is based on the performance of employees over a two-year period, taking into account the economic cycle and the risks assumed by the company in its operations.

- Persons under this Policy are required to repay all or part of any variable remuneration paid on the basis of data which subsequently proves to be manifestly erroneous. Clauses shall be included in the contracts of such persons to guarantee the return of variable remuneration.

- The severance pay for early termination of staff contracts reflects the performance of specific staff over the years and is set to avoid rewarding failure. Compensation for early termination of contracts is in accordance with the legislation of the Republic of Bulgaria.

### 2.3.3. Methods of determining variable remuneration

- The amount of variable remuneration shall be discussed and approved by the Supervisory Board of the Company, which shall be guided in their decision-making by the principles set out in Article 3 of this Policy. Discussions and decisions are made after the adoption of the company's annual financial statements, as well as on an extraordinary basis, upon the proposal of a member of the Supervisory Board.

- The amount of variable remuneration is determined by the Board of Directors depending on the performance of the insurer as a whole. The specific values by personnel category are determined annually by the Supervisory Board on the proposal of the Company's Board of Directors.

- A maximum upper limit of variable remuneration shall be set for each category of staff as follows:

- for management staff - the variable remuneration may not exceed 2/3 of the total annual gross remuneration;
- for employees whose activity involves taking risks - the variable remuneration may not exceed 1/2 of the total annual gross remuneration;

- for the actuary in charge and employees performing control functions - the variable remuneration may not exceed 1/2 of the total annual gross remuneration;
- for all other employees whose remuneration is commensurate with the remuneration of the employees under the above points and whose activities have a significant impact on the risk profile of the company - the variable remuneration may not exceed 1/3 of the total annual gross remuneration.

- The Supervisory Board shall apply the following criteria for the evaluation of employees:

- the employee's score in his last appraisal;
- the acquired professional qualification of the employee, as well as since when the employee has been employed by the insurer;
- the employee's performance, both in quantitative (where such a criterion is applicable) and qualitative terms, over the previous year;
- the employee's commitment to long-term goals and loyalty to the insurer.

- On the basis of the assessment of the above criteria, the Supervisory Board decides on the variable remuneration of the specific employee.

- The payment of variable remuneration shall be reviewed and discussed by the Supervisory Board of the insurer subject to the following indicators:

- the results of the activities of the relevant structural units for the previous year;
- the financial results of the insurer for the previous year;
- the state of the sector and the country's economy.

### 2.3.4. Deferral of variable remuneration

- Where variable remuneration of more than one-third of the gross annual remuneration is paid to a person in any one year, a substantial part of it, at least 50% of the variable remuneration, shall be spread over a period of not less than three years, depending on the economic cycle, the nature of the company's business and the risks arising therefrom, and the position of the employee concerned.

- Payment of deferred variable remuneration shall be made on a pro rata basis or by incremental increases over the deferral period. The deferred portion of the consideration may consist of shares, options, cash or other funds. The criteria for assessing future performance to which the deferred portion is linked must be risk-adjusted.

- Once the amounts and forms of payment have been specified, the Supervisory Board shall decide on the method of payment of variable remuneration.

- Whenever deferred variable remuneration is paid, the Board of Directors decides whether this would jeopardise the stability of the insurer, taking into account its current financial performance, the performance of the relevant business units and employee evaluations.

### 2.3.5. Disclosure

- Information on the Remuneration Policy and subsequent changes is disclosed in the annual financial statements.

- Information subject to disclosure:

- the link between pay and performance;
- the criteria used to measure performance and to adjust for risk;
- the success criteria on which the entitlement to shares, options and variable elements of remuneration is based;
- containing the main parameters and justification of the scheme for possible annual cash bonuses and other benefits other than cash remuneration.

### 2.4. INFORMATION ON SIGNIFICANT TRANSACTIONS

In 2024, there were no significant transactions, with shareholders, with persons who exercise significant influence over the entity, and with members of the administrative, management or supervisory body.

### 2.5. A RISK MANAGEMENT SYSTEM, INCLUDING ITS OWN RISK AND SOLVENCY ASSESSMENT

In 2015, the Company has taken measures to implement the risk management function. . The risk management function (RMF) is part of the insurer's management system (Article 78(1) of the Insurance Code), together with the compliance function (Compliance Functions). The Risk Manager should report to the BD on risks that have been identified as potentially material. The report may be on BD's own initiative or at BD's express request. As required by the Insurance Code, the risk manager monitors and manages the following situations:

- the company's actual or potential exposure to strategic and reputational risk and the relationship between these and other material risks;
- key reputational issues, taking into account stakeholder expectations and market sensitivities.

The Risk Manager shall promptly report to the FSC and executive management its findings under 1 and 2, with strategic risk being a function of the incompatibility of two or more of the following components:

1. the strategic objectives of the enterprise;
2. strategies developed for the activity;
3. the resources committed to achieving these objectives;
4. quality of performance;
5. the state of the markets in which the undertaking operates.

Characteristics of duties performed:

- Performs analysis and risk assessment related to investments managed by Lev Ins AD Insurance Company and approved by the Financial Supervisory Commission (FSC);
- Performs analysis and risk assessment related to the underwriting activities performed by Lev Ins AD Insurance Company, approved by the Financial Supervisory Commission (FSC);
- Assist in the execution of securities and deposit investment transactions with the Company's assets;

- Participates in the preparation of FSC reports concerning its core business;
- Participates in working groups and committees within Lev Ins AD Insurance Company;
- Assists in the implementation of the risk management system by being responsible for compliance with the risk management policy in the company's operations;
- Monitors the risk profile of the enterprise and reports cases of deviation from assumptions;
- He/she shall protect the official secrets to which he has access in the performance of his tasks;
- Performs other professional duties as assigned and as required by management.

Responsibilities:

- Responsible for the identification, assessment and monitoring of risks associated with signature activity;
- It is responsible for the identification, assessment and monitoring of risks associated with investments and for the correctness and legality of the opinions and advice it gives in this respect;
- Responsible for the accuracy and timeliness of information in relation to his/her activities as required by the Chief Executive Officer, the Company's management bodies, supervisors, etc., including the FSC and the Deputy Chairperson in charge of the Insurance Supervision Department;
- Responsible for maintaining professional and commercial confidentiality.

The Company is exposed to risks in respect of its operations. The common definition of risk is the uncertainty of an expected event or forecast to materialize. The adopted risk management approach makes it possible to minimize the effect of some risks when they happen or to eliminate them entirely, thereby securing the company's financial position.
Risk management includes at least (Article 77, paragraph 1, item 3 of the Insurance Code):

1) a policy for the management of risk associated with underwriting activity and the setting aside of technical provisions;
2) operational risk management policy;
3) a policy on risk management through reinsurance and other risk mitigation techniques;
4) asset and liability management policy;
5) investment risk management policy;
6) liquidity risk management policy

The market in which the Company markets its insurance packages is characterised by a high degree of competition. This means that in the short term, the company may fail to realise the previously expected results and lose some of its market position. Success depends on the company's ability to withstand competitive pressures by improving the quality of the insurance services offered, further diversifying the product portfolio, expanding the scope of the license already issued and expanding its market presence, as well as a fully established and well-managed control system for all risks inherent in it.

In accordance with the provisions of Order No. 301, Lev Ins AD Insurance Company prepares its own Risk and Solvency Assessment, which by its very nature is a tool for strategic analysis and management decision-making by the management of the Company with respect to its long-term development program. Through the preparation of the report, the Guidelines on the Estimation of Own Risks of the Undertaking shall be applied, supporting the estimate of own risks and validating the results, which shall be submitted to the regulator.

As part of the implementation plan for the provisions of the Solvency II Directive, Lev Ins AD Insurance Company prepares a own risk and solvency assessment report at least annually, including the following required statutory elements:

- Assessment of total capital adequacy as required by the Solvency II Directive;
- Analysis and assessment of the risk profile by applying the standard formula;
- Management system and control over the overall activities of the company.

## 2.6. INTERNAL CONTROL SYSTEM

The system of internal control shall incorporate the overall internal control policies and procedures to achieve the following objectives to a reasonable extent: to ensure order and efficiency in the conduct of business with economy and effectiveness in the use of resources, including adherence to management policies, protection of the Company's assets, detection and prevention of fraud and error, completeness and accuracy of accounting records, and timely preparation of reliable financial information. Control is a holistic and continuous process integrated into the company's operations, involving the management bodies, persons in positions of authority, specialised control bodies and all other persons working under contract with the insurer, with the aim of ensuring a reasonable:

- achievement of objectives and tasks;
- economical and efficient use of resources;
- assessment of the various risks and their management;
- asset protection;
- reliability and comprehensiveness of financial and management information;
- carrying out the ceded insurance activities according to the requirements established by the insurer;
- compliance with measures to prevent money laundering and terrorist financing;
- legality of the activities, compliance with the programs, plans, internal rules and procedures of the company.

Each person in the company has a specific responsibility in relation to internal control. The role of managers at all management levels is key, as according to their functions and the hierarchy within the company, they manage the units they lead and organise internal control within them. All employees of the company are also involved and have specific roles in the implementation of internal control according to their functional competencies.

Internal control is a management activity that ensures and guarantees that the company's objectives will be achieved by:

- compliance with legislation, internal acts and contracts;

- reliability and comprehensiveness of financial and operational information;
- economy, efficiency and effectiveness of activities;
- asset and information protection.

### 2.6.1. INTERNAL CONTROL SYSTEM OF LEV INS AD INSURANCE COMPANY

The control activity is implemented at all levels of the Insurance Company's operations

Lion Ins AD. Processes, means and interactions in the company in relation to the implementation of internal control.

#### 2.6.1.1. Head of Compliance Function

The compliance function is objective and independent of the other functions and consists of:

- advising the company's management and supervisory bodies on compliance with laws, regulations, immediately applicable acts of competent authorities of the European Union and the company's internal acts;

- assessing the possible effect of changes in the legal environment on the company's operations;

- identifying and assessing the risk arising from non-compliance with laws, regulations, directly applicable acts of the competent authorities of the European Union and the Company's internal acts.

The head of the compliance function shall be appointed by the Board of Directors. All Directorates and Territorial Entities shall assist the Head of Compliance Function in carrying out his assigned work.

The head of the compliance function:

- immediately inform the management bodies of the violations found in the Company's activities;

- prepares an annual report and presents it to the Board of Directors, Supervisory Board and GMS;

- immediately inform the Deputy Chairperson of the Financial Supervision Commission in cases where, as a result of an inspection, violations and weaknesses in the management of the Company have been identified which have led or may lead to material damage and for which it considers that the management bodies have not taken sufficient measures to eliminate them;

- the legality and effectiveness of the company's human resources management policy;

- the effectiveness of actions to address identified gaps and breaches;

- the legality and appropriateness of contracts concluded and their performance;

- the adequacy of and compliance with internal rules and procedures for the conclusion of insurance contracts, for the acceptance and handling of claims arising from insurance events and for the determination of payments thereunder;

#### 2.6.1.2. Head of the internal audit function

- The internal audit function is objective and independent of other operational functions. It aims to provide independent and objective support to management and staff in the performance of their tasks and where they need advice on processes and controls. Despite its independence, the internal audit function may be called upon to provide opinions, assistance or perform other special tasks.

- The person who performs the internal audit function or who manages the unit which performs it shall prepare an annual report on the activities of the function and submit it to the Board of Directors of the company. The annual report shall be submitted by the end of February of the year following the reporting year. It contains information on the main results of the implementation of the audit engagements; the measures taken and their implementation; the problems and the main tasks to be addressed going forward.

- The internal audit function shall adopt and implement an audit plan covering a period of at least one year. At the discretion of the inspector, inspections may be carried out outside the adopted plan.

- The person performing the internal audit function shall immediately inform the Board of Directors of the irregularities found.

- The internal audit function shall not be entrusted with tasks that would impair its independence or call into question the objectivity of the audit process. For example, carrying out day-to-day operational activities or making decisions that are within the authority of the management, supervisory body or other functional units of the organisation.

- The function monitors progress on the implementation of recommendations made during audit reviews and provides regular reports to the Governing Body on the results of implementation.

- In cases where no action is taken by the company's governing bodies, a report should be made to the FSC Deputy Chairperson in charge of the Insurance Supervision Department.

## 2.7. ACTUARIAL FUNCTION

The actuarial function at Lev Ins AD Insurance Company should be efficient and carried out by a responsible actuary. Key functions, responsibilities and interrelationships of the responsible actuary:

- organizes, manages and is responsible for the actuarial services of the company;

- develops premiums of sufficient size, except for premiums on large risks;

- form sufficient technical provisions, for the correct calculation of the solvency margin, and for the correct use of actuarial methods in the company's practice;

- monitors the correctness of the scheme for the distribution of income from the investment of assets between the insured and the company;

- prepares and certifies the company's reports in connection with actuarial activities;

- prepare and submit to the FSC an annual actuarial report by 31 March of the year following the year to which the report relates;

- to notify the FSC immediately of any circumstance of which it becomes aware in the performance of its functions which relates to the Company and which constitutes a material breach of the Insurance Code or its implementing legislation or may adversely affect the conduct of the Company's business.

- The responsible actuary is accountable to GMS, BD AND SB.

## 2.8. OUTSOURCING

The Company shall proceed to outsource to third parties the performance of activities and functions for which it does not have the necessary capacity and resources, as well as trained personnel, including the performance of activities which, if performed by its own personnel, would result in a conflict of interest to the detriment of the rights of the insured persons. The outsourcing to third parties is subject to activities incidental to the provision of an adequate insurance service, which by their nature constitute another commercial activity, other than the activity of providing insurance cover for the risks under contracts, consisting in the raising and spending of funds intended for the payment of benefits and other sums of money, in the event of events or the fulfilment of conditions. Key functions or other important functions or activities shall not be outsourced:

- where the quality of the management system is significantly impaired;

- where operational risk is unjustifiably increased,

- where insurance supervision is impeded,

- where the interests of users of insurance services are at stake.

Activities that are subject to outsourcing to third parties are:

- activities related to the reception and processing of primary information on insurance claims (call centre);

- activities related to the provision of insurance service - specialized medical transport (air and ground);

- activity of providing an additional service for the provision of roadside assistance and primary technical assistance (tyre change, electricity supply, repatransmission);

- in-kind damage recovery activities (auto repair shops, auto parts and equipment suppliers);

- claims settlement activity on behalf of the insurer;

- the activity of commissioning expert assessments by independent external experts in connection with the settlement of insurance claims;

- any other activity at the discretion of the Board of Directors of the company, which is not related to the assessment of insurance risk, determination of the insurance premium, management of the insurer's assets.

Outsourcing shall be done on the basis of a contract that clearly defines the rights and obligations of the parties. Before concluding a contract for the outsourcing of activities to an external contractor, it is mandatory to check the candidate's compliance with specific regulatory requirements, for example, whether they hold a license if subject to a licensing regime, company and professional reputation, performance of contracts with other contractors, value of the service required with a view to protecting the interests of insurance service users, availability of sufficient human resources and technical capacity of the external contractor with a view to the possibility of performing the assigned functions in the interest of insurance service consumers The results and quality are assessed on an ongoing basis through feedback from insurance service consumers – analysis of data from objections, reports, and requests; through analysis of risk manifestations – conducting a quarterly review of customer service and the value/quality of the service provided by comparing prices and quality with other external contractors; through an internal “mystery shopper” survey – a company employee acts as an insurance service user in order to check the service provided; by checking subcontractors, if any are used by external contractors, using the methods described above.

The Company is exposed to various types of risks associated with its holdings of financial instruments and, in particular, to the risk of return on investments made, i.e. the risk of loss when the return on the investment differs from that expected, and to the risk associated with costs, i.e. the risk of loss when costs are greater than expected. The most significant financial risks to which the Company is exposed are market risk, credit risk, interest rate risk and liquidity risk.

The Company’s risk management is performed by the Company’s management. Management’s priority is to ensure an adequate system for the timely identification and management of the various types of risks, with risk management processes, mechanisms for maintaining them at an acceptable level, ensuring optimal liquidity and diversification of the company’s insurance portfolio being of paramount importance in such a system.

The most significant financial risks to which the Company is exposed are described below.

## 3. RISK PROFILE

In accordance with the Company’s Risk Management Policy, the application of risk management methods are subject to systematic monitoring, analysis and management. The company has established a practice of regular monitoring and assessment of risk types, data collection and ad-hoc inspections. The risk assessment also uses a top-down approach where the Risk Management Directorate assesses quantitatively and/or qualitatively certain categories of risks.

### 3.1. UNDERWRITING RISK

Under the additional provisions of the Insurance Code, underwriting risk is the risk of loss or of an adverse change in the value of insurance liabilities as a result of inappropriate assumptions regarding price and reserve formation.

This risk is associated with the activity of concluding new contracts, manifested as an incorrect assessment of the risk to which the client is exposed and incorrect pricing of an insurance policy for a specific product. Measures to minimize it are limited to a unified approach in assessing the risk profile of the client the application of medical and financial criteria by the company, various declarations (healthy, tax, financial, etc.) on a certain scale, including for the larger sums insured. The Company provisions the right to refuse to underwrite an insurance product if there is a high medical or financial risk that it is not prepared to accept. Ongoing training of field agents is also being conducted, as well as specialisations for officers to enhance their skills and reduce the risk of incorrect assessment and rating processes when issuing new policies.

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In relation to the management of this risk, the Company adopts mechanisms and procedures in its operations to mitigate signature risk. There are rules for signature limits of the company's employees directly involved in the assessment of insurance risk, the company's commercial structure - employees in agencies related to sales and insurance intermediaries brokers and agents, tailored to the relevant insurance products.

The adopted rules are applied in insurance agency and insurance brokerage contracts. Depending on the professional qualification of the insurance intermediary, limits are established for the amounts of insurance up to which the insurance intermediary may bid for or conclude an insurance contract. The company's head office assumes methodical control and direction over the underwriting of insurance contracts in excess of certain amounts.

A mandatory authorisation procedure is in place for the conclusion of insurance contracts in excess of certain sums insured, involving the prior gathering of information on the individual risk profile of the client, the extent of the damage and the expected likelihood of future damage. A mandatory part of this procedure is specifying the insurance cover provided to suit the risk profile of the client.

Insurance contracts above a certain sum insured or for specific classes of insurance shall be tendered and underwritten only by Head Office according to the authorisation table.

If there is evidence of an increased risk, an insurance contract may be refused or an insurance contract may be concluded at an increased rate or binding prescriptions may be given to limit a specific risk. Under each of the insurance contracts, a different set of measures representing preventive measures are practiced.

This severely limits the risk in terms of policy underwriting competence and the realisation of losses from the occurrence of an insured risk that has been underestimated or mispriced.

Underwriting risk also relates to the risk of loss in connection with the underwriting of insurance and reinsurance contracts, given the terms agreed thereunder, in the event of an incorrect assessment of the risk profile identified in the reassessment of issued contracts. In order to mitigate this manifestation of this risk, the strictest observance of the insurance tariffs and adherence to the General Conditions of the respective type of insurance is necessary.

Ongoing monitoring of insurance contracts is mandatory and the Acquisition Department at Head Office is tasked with verifying insurance contracts at the time of their reporting. Verification includes: complete reassessment of the client's risk profile, compliance of the insurance with the current tariff for the given risks, reasonableness of the discounts granted, as well as writing the specific insurance contract in accordance with the current rules. In the event of violations, the sanctions provided for in the contracts and internal regulations of the company shall be imposed, including but not limited to termination of the insurance contract.

The scope of the examination performed in connection with a specific audit engagement shall include compliance with the planned acquisition costs in each insurance policy underwritten by the audited insurance intermediary. The implementation of the sanctions imposed on the specific insurance intermediary for identified incorrect pricing or unjustified granting of discounts in violation of the applicable tariffs is also subject to review.

### 3.2. CANCELLATION RISK

For the Company, we assume that this risk translates into customers terminating insurance early. The measures we apply to mitigate this risk are: flexible schemes of insurance premium deferment, agreed with the client, reduction of the sum insured or the number of covered risks, etc. The measures described above are aimed at keeping the customer in the pool of insured, maintaining the level of risk equalisation in that pool, ensuring the adequacy of the provisions set aside for this type of insurance, and hence reducing the risk of future losses being incurred in respect of the underlying business.

Cancellation risk is the result of other attractive insurance products or promotional packages /lower price/offered by other players in the insurance market, negative perceptions in relation to benefits, unfair market practices or the result of a personal decision of a client.

To manage this risk, the company maintains a communication channel for customer feedback established at all levels and structures within the company. Feedback from the client on their needs and requirements is gathered by the insurance intermediary and sent to Head Office to make an appropriate decision and build an attractive insurance product or overcome another problem that led to the cancellation. A special structure has been established - a call centre for handling incoming signals from customers in connection with servicing their policies.

### 3.3. INVESTMENT RISK

It relates to the likelihood of a negative outcome being realised from the investment of certain assets in certain investment products and their management. When this risk manifests itself, the Company realizes losses as a result of changes related to market variables such as inflation, exchange rates, interest rates, poorly made and managed investments, nationalization or the collapse of an economy. To the extent that a large portion of the Company's technical provisions are invested in government securities and bonds issued by the Bulgarian State and by issuers domiciled in Bulgaria, the overall risks to debt repayment and the Bulgarian economy have a direct impact on the risk of the investments made. Therefore, rules have been adopted to value the company's assets in line with market conditions.

The financial instruments held by the Company are determinants of investment risk. Some of the following data, factors and analyses are used in their assessment:

- The issuance value of similar securities announced in a prospectus for a public offering of the issuer;
- Decisions to increase or decrease the issuer's capital;
- Resolutions to reorganize the issuer and the value or exchange ratio of the securities announced in the plan of reorganization;
- Any changes in the issuer's business that affect the price of its securities;
- Amendments to the Issuer's Articles of Association;
- Proceedings in an action, injunction or enforcement proceeding in which the issuer is a defendant;
- Analysis of the business sector in which the issuer operates;
- Analysis of the general state of the securities market;
- Availability of option contracts for the given securities;
- Data concerning the trading and quotation of securities on a regulated local or foreign

market.

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

- FSC Register of Public Companies;
- The official bulletin of the Bulgarian Stock Exchange;
- Triennial national and international issuer reports;
- rospectuses for public offerings of securities of issuers;
- Official quotes from primary dealers in securities;
- Official bulletins of NSI and BNB;
- Quotes, newsletters and analysis of Bulgarian and foreign regulated markets and investment firms;
- Ratings of internationally recognized rating institutions.

The Company has adopted and maintains specific rules for the valuation of its assets, which it updates from time to time in order to respond fully to the development or emergence of new risk circumstances in relation to the realisation of this risk.

### 3.4. CURRENCY RISK

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

Currency risk is largely negligible due to the fact that the Company's investments are mainly in deposits and fixed rate securities in BGN and EUR. This circumstance limits the potential for currency losses associated with downward movements in exchange rates or a collapse in economies linked to the currencies of investment.

As a precaution against this risk, the Company maintains a balance of diversification in terms of investments, both in terms of type and location. Regular monitoring is carried out on the development of investments and corrective measures are implemented in case of negative trends.

### 3.5. INTEREST RATE RISK

It relates to the change in the value of debt securities as a result of changes in interest rates and is part of the aggregate risks associated with investment risk. The price of debt securities is influenced by interest rates, as an increase in interest rates leads to a decrease in their price. The Company manages interest rate risk through an active investment policy, with the effective duration of the portfolio changing depending on expected changes in interest rates. 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 with medium-term maturity.

The company is exposed to price risk with respect to price changes of securities listed on the Bulgarian Stock Exchange. Therefore, we see it as part of the investment. The market value of any security changes up or down, sometimes very rapidly and unpredictably. Price risk can affect a particular issuer, a sector of the economy as well as the entire economy. The price risk of the individual securities in the Company's portfolio is minimized through its diversification.

## 3.6. CREDIT RISK

According to § 1, point 43 of the additional provisions of the Insurance Code, this type of risk is the risk of loss or of an adverse change in the financial position as a result of fluctuations in the credit position of issuers of securities, counterparties or debtors to which the company has claims, in the form of counterparty default risk, interest rate spread risk or market concentration risk.

The Company has established good monitoring and management practices, including information management, to identify counterparty credit event risks (bankruptcy, insolvency, material change in capital structure, credit rating downgrade, etc.).

Counterparty default represents the risk of financial loss due to unexpected default or deterioration in the credit status of counterparties and obligors, or uncertainty about the obligor’s ability to continue to make timely payments in accordance with the contractual terms of the insurance instrument or financial asset issued.

Credit risk can be categorised as follows:

- The risk of default under insurance contracts is the risk of possible financial loss due to unexpected default or deterioration in the credit position of premium payment debtors in connection with insurance contracts.

- Risk of loss due to default of a reinsurer or deterioration of its creditworthiness.

- Counterparty default risk is the risk of possible losses due to unexpected default or deterioration in the credit status of investment counterparties.

- Exposure to credit risk through certain sensitive underwriting activities which include, but are not limited to, insurance policies

“Guarantees”, workers’ compensation, environmental and political risk, etc.

The Company identifies credit risk based on the following processes:

- An analysis of risk exposures, previous loss events and changes in the external environment (including the market cycle and economic environment) is performed to identify any changes in the credit risk profile for the upcoming business plan period.

- Each individual contract is evaluated through an established underwriting process for the nature and level of credit risk it carries to the respective line of business, including consideration of exposures by limit, underwriting risks, location of risk exposures and other criteria.

- With respect to the credit risk of “Receivables from insureds”, which relates to non-payment of premiums or policy instalments, the Company has implemented a policy of automatic termination of policies in default. The impairment of these claims shall be carried out in accordance with Article 83 of Regulation No 53.

## 3.7. LIQUIDITY RISK

It arises from the inability of the company to meet certain cash obligations with available assets. In order to manage this risk, the Company’s management maintains sufficient unrestricted cash to ensure continued liquidity.

As a mechanism to control this risk, the Company periodically monitors the liquidity of its financial resources by preparing a liquidity ratio statement. The liquidity ratio indicates that the Company is able to cover its current liabilities with its available current assets. In the event of a trend in the ratio indicating a liquidity problem and an inability to cover counterparties' costs, measures shall be taken to secure the necessary funds to meet them.

As another measure related to liquidity control, the Company applies the Solvency II Directive measures. Regular reports are prepared by the company's audit functions leading to certain corrective measures where necessary.

### 3.8. THE RISK OF MAJOR INSURANCE EVENTS, I.E. THE PAYMENT OF SUBSTANTIAL BENEFITS

It is minimized through a properly executed acquisition process, properly assessed risk profile of the client and risk ceding through reinsurance and co-insurance contracts. As specific measures related to this risk, the Company regularly monitors the quota of damageability by product, distribution channel and designated intermediaries and, when concentrations are identified, takes corrective measures as described under the risks above. Such measures are: conducting additional training in relation to the risk profile of clients, integrating risk prevention systems, raising the level of qualification of claims assessors, etc.

### 3.9. RISK OF INSURANCE FRAUD

The Company assumes that the manifestations of this risk are fraud on inception (i.e., fraud on initial inception of the insurance contract), fraud during the term of the insurance contract, and fraud on liquidation. As the main sources of this risk we assume: the insured, or applicants for insurance, insurers and insurance intermediaries.

Following a regular risk assessment, the Company has adopted the division described above, which includes:

- Entry fraud risk - the manifestation of this risk is mainly associated with the submission of inaccurate and incomplete information regarding the circumstances related to the risk profile of the insurance applicant or the insured. In addition to those listed above, insurance intermediaries are the main bearers of this risk as a key part of the risk assessment process.

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

The measures that the company applies in relation to the mitigation of this risk are: training to enhance the professional skills of intermediaries, follow-up on policy issuance and regular monitoring of the insurance pool.

- With regard to the risk during the term of the policy, the company has assumed that its manifestations are insignificant as they are mainly related to sudden changes in the risk circumstances. We therefore accept it as a risk subject to reasonably good control. We also foresee subsequent management. The Company, through its overall customer service policy, accepts that this risk has been minimised and overcome.

- In relation to the risk posed by fraud in the liquidation of insurance claims, the company applies conservative, preventive measures and subsequent comprehensive control through the mechanisation of processes and an authorisation table.

An organizational unit has been introduced in the company - a separate directorate directly involved in the prevention and control of insurance fraud. The assigned duties of the

Directorate's employees include the activity of verification prior to the conclusion of an insurance contract, verification of applicants for insurance in the case of insurance with a high sum insured, verification of the validity of declared circumstances when insurance events occur and follow-up verification including the value of the compensation paid.

To mitigate this risk, strict controls are applied in the movement of forms under the strict accountability of the company and monitoring of insurance frauds also by the internal control function, the Directorate of Finance and Accounting, the Directorate of Acquisition and the Directorate of Information Services. The impact of this risk is also mitigated by the internal control organisation in the company, which is part of the modern risk management policy.

### 3.10. REPUTATIONAL RISK

This is the risk of realizing which the influence of the company's name and positive reputation in the insurance market is reduced. It is the decline in this reputation, reflected in the accumulation of negative attitudes on the part of consumers of insurance services, that has led to the company's main financial losses.

The bearers of this risk are all the main units in the company that have contact with customers and external parties, as well as the management itself through its actions or inaction in certain situations. The Company accepts and identifies the following as the key units associated with this risk: the units related to sales, the units related to the handling of insurance claims, and those involved in customer service in general. The influence of this risk in management decisions is related to the overall management in terms of customer service policy.

Resulting from the incorrect attitude of the clients during the policy conclusion, incorrect and inaccurate pre-contractual information, created wrong expectations, unsatisfactory claims settlement, "administrative" approach in servicing, the reputational risk manifests itself in negative media appearances, negative rumours, campaigns, etc.

As a mechanism to mitigate this risk, the company has adopted a completely new and customer-oriented service policy with training of intermediaries, changes in the forms of customer communication and collection of feedback on service.

Regular reports are prepared and periodic trainings are conducted related to client communication, conflict resolution, etc.

### 3.11. RISK RELATED TO THE IMPLEMENTATION OF OUTSOURCED ACTIVITIES

This risk is mainly related to the company's contractors, to whom it outsources some of its core activities - call centre, 24-hour insurance assistance and trusted service centres. The manifestations of this risk are: incorrect performance of the assigned work, time delays and non-compliance with deadlines, misleading payments. Minimising the manifestations of this risk reduces costs, opportunities for fraud and increases revenue.

The activities that the company carries out in relation to this risk are related to a uniform policy for all levels of work with external suppliers, their verification and verification. Regular monitoring of the services provided by external contractors is carried out and contracts are subject to termination if non-compliance with the established rules is found.

## 3.12. OPERATIONAL RISK

Operational risk is the risk arising from inadequate or non-functioning internal processes and/or systems, risks related to personnel, and risks related to external events. Operational risk should include legal risks, but not risks related to strategic decisions and reputational risks. The design of the module calculating operational risk is structured to estimate the capital requirement to such an extent that the risks involved are not obviously covered by other risk modules. Operational risk in Solvency derives its capital requirement from the values of gross technical provisions and gross premiums earned over the last two full twelve-month reporting periods. Operational risk is not part of the Baseline КИП but falls directly into the Total КИП without being included in correlations with other risk categories. By its very nature, operational risk contains many individual risks that are difficult to quantify - human error, fraud, communications breakdown, inadequate or insufficient means to establish effective internal processes, time lags for responding to identified gaps, conflicts of interest, etc.

## 3.13. INTERMEDIARY RISK

It relates to the overall performance of insurance intermediaries, and mainly to that part of its own network over which the company has control and for whose performance it is responsible. The risk arises in the form of poor training, poor treatment of customers, non-compliance with company rules and regulations, attempts at insurance fraud and misuse of funds, all leading to financial loss and the manifestation of reputational risk. The Company implements as optimization measures continuous training, multi-level control and periodic conferences (national meetings) related to the Company's regulatory framework and management system.

## 3.14. RISK OF CHANGES IN THE REGULATORY FRAMEWORK

The Company recognises this risk as one over which it has no control, but which can be minimised through the implementation of all regulations within the specified timeframes, thereby reducing potential losses from administrative acts, etc.

## 3.15. RISK RELATED TO SUSTAINABILITY ISSUES

These are the risks associated with sustainability issues (environmental, social or governance events or conditions) identified by the entity that could potentially have a material adverse impact on the company's operations, assets, profitability or reputation. These are the main actual or potential adverse impacts related to the enterprise's own activities and its value chain, including its products and services, its business relationships and its supply chain. Climate change and associated risks play an important role in insurance planning. Other examples of risks related to sustainability issues are: violation of recognised labour standards, loss of biodiversity, corruption, etc.

Lev Ins AD Insurance Company is gradually integrating climate change, environmental and social risks. The Company's policy with respect to this group of risks includes the actions taken to identify and monitor those impacts and other adverse factors that the Company is required to identify pursuant to statutory requirements requiring insurance companies to undertake a due diligence process, assessment and adequate measures, including preventative measures.

Under the new amendments to the Accounting Act, large companies will also include non-financial information (sustainability data) in their annual reports.

The Board of Directors of the company determines the framework under which the Lev Ins AD Insurance Company conducts its business and accordingly takes into account all activities of the company relevant to sustainability issues and risks, including investment decision-making, asset and liability management, risk management, etc.

The development of the company's first integrated sustainability report for 2024 is underway The European Sustainability Reporting Standards framework includes 12 standards and covers a huge number of indicators through environmental, social and governance issues.

In recent years, the insurance sector has been exposed to a number of challenges, on the one hand, related to climate change, as well as the increased frequency of natural disasters, and on the other - the increasing role of cyber security and cyber insurance in the new realities.

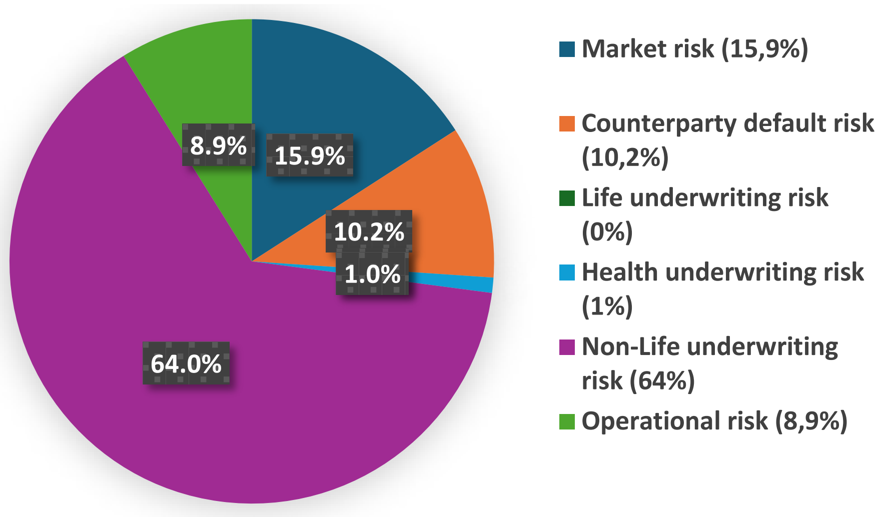
Table 2. Assessment of risk factors

| Risk factors, in BGN | 2024 | 2023 |
|---|---|---|
| Market risk | 22,838,371 | 21,968,348 |
| Counterparty default risk | 14,629,047 | 6,277,000 |
| Life underwriting risk | 0 | 0 |
| Health underwriting risk | 1,462,662 | 2,303,208 |
| Non-underwriting risk | 92,050,222 | 90,823,536 |
| Operational risk | 12,754,854 | 13,797,006 |
| Total | 143,735,156 | 135,169,098 |

The largest share in the overall assessment of risk factors is general insurance underwriting risk (64%), followed by market risk (15.9%) and counterparty risk (10.2%). The health insurance underwriting risk (1%) amounting to BGN 1 462 662 has the smallest share and the least quantitative impact of the Solvency Capital Requirement. Operational risk occupied about 8.9% and decreased by 7.6% to BGN 12 754 854 compared to a year earlier.

The data analysis shows that the most significant component affecting the coverage of the capital adequacy requirement of the Company is the general insurance underwriting risk - BGN 92 050 thousand. Market risk has an impact on the capital requirement in the amount of BGN 22 838 thousand. The risk of default of the counterparties is estimated at BGN 14 629 thousand.

Fig 3. Risk factors



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## 4. ASSESSMENT FOR SOLVENCY PURPOSES

There has been no material change in valuation methods for solvency purposes during the 2024 financial year.

With respect to the Company's assets and other liabilities, it is important to note that they are disclosed in accordance with the regulatory framework of the Solvency II Directive, which standardizes the valuations and measurements of assets and liabilities in the balance sheet at market value, while also following the accounting principles set out in International Financial Reporting Standards (IFRS) developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

### 4.1. ASSETS

This section discusses the characteristics of asset valuation in relation to Solvency II, financial reporting, valuation criteria and the general methodology used by Lev Ins AD Insurance Company to determine the fair value of assets and liabilities. The determination and reporting of fair value should largely be determined in accordance with IFRS principles. There are some exceptions that introduce a different valuation under Solvency II and will be discussed in this report.

IFRS 9 introduces a new approach to financial assets based on a combination of the cash flow characteristics of the asset and the business model in which it is managed. Effective 01.01.2023, the Company classifies and accounts for its financial assets in one of the following categories, which replaced the IAS 39 classification categories previously applied:

- Financial assets measured at amortised cost
- Financial assets at fair value through other comprehensive income
- Financial assets at fair value through profit or loss

On initial recognition, financial assets are carried at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset.

On initial recognition, an entity shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss based on the following two conditions:

(a) the business model for managing the financial assets of the enterprise and

(b) the contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if the following two conditions are met:

(a) the financial asset is held within a business model whose purpose is to hold the asset to collect contractual cash flows; and

(b) according to the contractual terms of the financial asset, cash flows arise at specific dates that are solely payments of principal and interest on the outstanding principal amount Amortised cost is the amount at which financial assets or financial liabilities are measured at initial recognition, less any repayments of principal, plus or minus the accumulated amortisation of the difference between that initial amount and the maturity amount, calculated using the effective interest method, and for financial assets, adjusted for each loss adjustment.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial asset or financial liability to the gross carrying amount of the financial asset or the amortised cost of the financial liability. In calculating the EIR, the Company estimates expected cash flows taking into account all contractual terms of the financial instrument, but does not take into account expected credit losses.

When the Company revises estimates of future cash flows, the carrying amount of the related financial asset is adjusted to reflect the new estimate discounted using the original EIR. Any changes are recognised in profit or loss.

A financial asset is measured at fair value through other comprehensive income if the following two conditions are met:

(a) the financial asset is held within a business model whose objective is both the collection of contractual cash flows and the sale of financial assets, and

(b) under the contractual terms of the financial asset, cash flows that are solely payments of principal and interest on the outstanding principal amount arise on specific dates.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or fair value through other comprehensive income in accordance with paragraphs 4.1.2 and 4.1.2A of IFRS 9. On initial recognition, the Company may make an irrevocable election for specific investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income

An entity may, on initial recognition, irrevocably designate a financial asset as at fair value through profit or loss if doing so would eliminate or significantly reduce a measurement or recognition mismatch (sometimes referred to as an ‘accounting mismatch’) that would otherwise result from measuring assets or liabilities or recognising gains and losses on them on different bases.

After initial recognition, an entity measures a financial asset at:

(a) depreciated value;

(b) fair value through other comprehensive income; or

(c) fair value through profit or loss.

A very small portion of the Company’s government bond portfolio is measured at amortised cost for IFRS reporting purposes. However, this method is not eligible for Solvency II purposes, therefore, the company values all government bonds at fair value for the Solvency II balance sheet using official quotes from Bloomberg Terminal.

### 4.2. TECHNICAL PROVISIONS

Solvency II is based on the idea of an economy-wide balance sheet (EBS) assessment. Therefore, the insurer's ability to meet all of its future obligations is assessed by considering all of the passive and active items on that balance sheet. In this context, technical provisions (TP) should be valued according to their market value. According to the Technical Specifications and Commission Delegated Regulation (EU) 2015/35 there are two cases for calculating TP:

- If a market value is available for TP (hedgeable portfolios), then the TP calculation can be done "in aggregate";

- If no market value is available for TP (portfolios without hedging), then the best estimate of liabilities (NEB, BE) and the risk/risk margin/risk premium (RM) add-on should be calculated separately and TP is the sum of BE and RM:

**TP = BE + RM (Article 154(1) of the Insurance Code)**

In Lev Ins AD insurance company the calculation is done in the second way.

For general insurance and health insurance policies, similar to general insurance (health insurance), the best estimate of liabilities (BE) consists of the BE of the claim provision and the BE of the premium provision. The loss reserve relates to claims that have arisen in the past, whereas the premium reserve relates to future claims on policies already in force for the period in which they will remain in force after the reporting date. Emerging claims consist of reported claims (RBNS claims) and emerging claims that have not yet been reported (late claims, IBNR claims). For the damage reserve, both parts are calculated, but the regulation does not necessarily require that this be done separately.

In terms of the choice of claims reserve methodology, for all homogeneous risk groups, the calculation at the end of 2023 is based on the determination of the amount of the claims reserve, which is the sum of the discounted value of the IFRS reserve for future payments, defined as the sum of the reserve for reported but unpaid claims, the reserve for incurred but unasserted claims and the reserve for settlement costs. For all lines of business, the amount of the reserve for reported but unpaid claims was formed using the claim-by-claim method.

The Company establishes a reserve for settlement costs as a percentage of the sum of the reserve for claims made but not paid and the reserve for claims incurred but not made. The percentage is defined as the ratio of actual claims settlement expenses incurred to claims paid for the prior reporting period The reserve for incurred but not reported claims for all lines of business except Motor third party liability is based on annual claim triangles. Under the Motor third party liability business, the reserve for incurred but not reported claims is formed on a chain-pillar basis, based on paid claims, separately for property and non-property claims. The company's own data for the last ten years and market development ratios are used.

The final value of the best estimate of the loss reserve is obtained by discounting the sum of the resulting amounts by the risk-free interest curve provided by EIOPA (EIOPA).

The premium reserve consists of future claims on existing policies already in force expected to occur over the remaining term in force, the cost and present value of future premiums. To determine the amount of the premium reserve, the company uses a simplification defined in EIOPA-BoS-14/166 EN, namely:

BE = CR * VM+ (CR-1) * PVFP + AER * PVFP (*)

Where

CR - Combined activity type coefficient estimate;

VM - a measure of the volume of unearned premiums;

PVFP - present value of future premiums;

AER - estimated acquisition cost ratio.

The NEB is calculated by homogeneous risk groups, in this case matching the lines of business defined under Annex I of DR 2015/35.

The NII shall be calculated separately gross of reinsurance as well as separately for reinsurance (RI BE) according to Article 154(5). RI BE should be calculated with and without counterparty default adjustment (CPD), i.e. RI BE before CPD and after CPD.

The amount of the present value of each cash flow is determined using the EIOPA risk-free spot curve in leva, without applying a volatility adjustment. Discounting is carried out at the mid-year point of each relevant cash flow. Art. 158 of the Insurance Code is inapplicable to the Company.

The Company does not apply a balancing adjustment. In this sense, Article 156 and Article 157 of the Insurance Code are inapplicable.

The assessment of technical provisions is based on the full list of policies in force at the end of the reporting period. Policies to which the Company is a party and which had not yet commenced at the end of the reporting period have also been taken into account. In this sense, the requirement of Article 17 of Delegated Regulation 2015/35 has been met and the earlier of the commencement of risk bearing or the date on which the company became a party has been taken into account.

In the calculation carried out at the end of 2024, all policies are allocated to homogeneous risk groups (Article 153 of the Insurance Code). In this sense, there is no unmodeled business included in the economic balance sheet, nor a business excluded from the balance sheet. As explained above, the value of the technical provisions is determined as the sum of the best estimate of the liabilities and the risk premium, hence the value of the technical provisions corresponds to the present value that the insurer, respectively the reinsurer, would have to pay if it were to transfer its insurance liabilities immediately to another insurer. In this context, the technical provisions meet the requirements of Article 120 and Article 121 of the Insurance Code.

The Company adjusts estimates of future cash flows to reflect the time value of money. The discount rates used reflect the time value of money, cash flow characteristics and liquidity characteristics of the insurance contracts. Correspond to observable current market prices of financial instruments with cash flows whose characteristics are consistent with those of insurance contracts. Exclude the effect of factors that affect the observable market prices in question but do not affect future cash flows on insurance contracts.

The Company uses a risk-free yield curve defined by EIOPA, the same discount curve it applies for Solvency 2.

The Company adjusts the estimate of the present value of future cash flows to reflect the compensation that the entity requires to bear the uncertainty arising from non-financial risks in the amount and timing of the cash flows.

The Company determines the risk adjustment for non-financial risk as a percentage derived from the ratio of the calculated Solvency 2 risk margin to the best estimate of Solvency 2 provisions for the most recent audited annual report.

Table 3. Technical provisions at the end of 2024, in BGN:

| Technical provisions | Solvency II value in BGN |
|---|---|
| Technical provisions - non-life | 384 540 119 |
| Technical provisions - non-life (excluding health) | 382 642 763 |
| Technical provisions calculated as a whole | 0 |
| Best Estimate | 375 732 756 |
| Risk margin | 6 910 008 |
| Technical provisions - health (similar to non-life) | 1 897 355 |
| Best Estimate | 1 863 213 |
| Risk margin | 34 143 |

In light of the above, and in view of the results disclosed in this report, it can be concluded that the technical provisions at the end of 2024 are adequate and determined following a methodology generally accepted and described in the actuarial literature.

The underwriting policy in place at the end of 2024 is a good base on which to develop the company's process for signing up new business and renewing existing business. underwriting limits are defined hierarchically, by level. The rules for issuing insurance contracts and annexes are clear and unambiguous. The process for determining discounts, deductibles, and other contractual features is clearly communicated. The information required for effective underwriting activity is clearly defined.

The Company has recorded a positive technical result across multiple business lines. The reasons are wide-ranging, ranging from the ability to spread risk over large pools, a significant change in the frequency of occurrence of insurance risks, and significant experience in managing underwriting risk when underwriting new risks.

### 4.3. OTHER LIABILITIES

This section presents the main items, criteria and methodology for assessing the other liabilities of Lev Ins AD Insurance Company.

The accounting policy relating to "Liabilities (trade, other than insurance)" is set out in the Company's Accounting Policies and is used for the purposes of annual reporting in financial statements prepared in accordance with IFRS.

In accordance with the accounting policy applied, the Company recognises these liabilities at fair value in accordance with IFRS 13.

The Company has applied the following new standards, amendments and interpretations that became effective this year and are as follows (only those related to the objectives of this section):

Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current and non-current (effective 1 January 2024, not yet adopted by the EU).

The amendments to the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, but not their amount, the timing of recognition of assets, liabilities, income or expenses, or the information that companies disclose about those items.

The amendments aim to clarify the following:

- the classification of liabilities as current or non-current must be based on rights existing at the end of the reporting period, and all the paragraphs of the standard affected now use the same term, namely the ‘right’ to defer settlement of the liability by at least twelve months. It explicitly states that only the right available ‘at the end of the reporting period’ should affect the classification of the liability;
- classification is not affected by the Company’s expectation of whether it will exercise its right to defer settlement of the liability;
- the settlement of liabilities may be effected by the transfer of cash, equity instruments, other assets or services to the counterparty.
- Amendments to IAS 1 Presentation of Financial Statements: Non-current liabilities linked to financial indicators (effective 1 January 2024, not yet adopted by the EU).
- IAS 1 is amended as follows:
- specifies that if the right to defer settlement for at least 12 months is subject to the entity meeting conditions after the reporting period, then those conditions will not affect whether the right to defer settlement exists at the end of the reporting period (the reporting date) for the purpose of classifying the liability as current or non-current;
- for non-current liabilities subject to conditions, an entity is required to disclose information about:

- the conditions (for example, the nature and date by which the entity must comply with the condition);

- whether the entity would have complied with the conditions based on the circumstances at the reporting date; and

- whether and how the entity expects to meet the conditions by the date on which the financial measures are to be calculated under the contract.

Table 4. Excess of assets over liabilities.

| Indicator at the end of 2024, in BGN thousand | Solvency II |
|---|---|
| Assets | 538533 |
| Liabilities | 401844 |
| Excess of assets over liabilities | 136689 |

### 4.4. ALTERNATIVE ASSESSMENT METHODS

Lev Ins AD Insurance Company applies the standard formula in the calculation of the Solvency Capital Requirement and for the assessment of the risk profile (pursuant to Article 172(1) of the Insurance Code). The overall assessment of capital adequacy is carried out in accordance with the assessment rules set out in the Solvency II Directive and all related regulations. This estimate is based on a calculation of equity and financial results for 2024. Development scenarios (stresses) are applied as predicted by the standard formula.

### 4.5. OTHER INFORMATION

The Company's operations are on a healthy growth path, which will enable it to meet both its solvency requirements and the short and medium term targets set for the Company, ensuring sustainability in an adverse environment. In any case, it will be necessary to systematically examine and analyze the attitudes of all those involved in the external economic environment of the company - customers, shareholders, competitors, regulators, partners, including distribution channels, etc.

The main indicators to determine the risk situation are:

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

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

The risk profile summarises the main risk factors that may significantly affect the solvency of the company. These are - market risk, counterparty receivables risk, signature risk, operational risk, catastrophe risk and currency risk.

Risk factors are assessed quantitatively or qualitatively, taking into account their correlation. The main risks applicable to the Company are technical and financial risks: these risks are modelled in the standard formula. At this stage, Lev Ins AD Insurance Company considers that the standard formula meets the risk profile with regard to the assessment of the own funds requirements

The results in this study are based on the company's actual 2023 figures, which have been audited and disclosed to the FSC. They cover the entire portfolio of products offered by the company, with a full assessment of its assets and liabilities in order to establish the actual (according to Solvency II requirements) excess of assets over liabilities, i.e. an assessment of own funds according to Solvency II requirements.

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

Earlier in this report, we described the main risk factors that influence and determine a company's Solvency II solvency requirement.

Each of the risk factors is a combination of certain specific risks to which the company is exposed in the course of its business. 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 the dependencies of the individual risks following the example of the standard formula, the total own funds requirement under the Solvency II Directive is determined.

The company's own funds represent the difference between the company's assets and liabilities. For this purpose, a revaluation of all tangible, intangible assets receivables and payables of the company has been performed. The revaluations have been carried out in accordance with the technical specifications for the implementation of the Solvency II Directive.

The excess of the company's assets over its liabilities covers the financial requirements under Solvency II. This is sufficient guarantee for the long-term stability of the company by the end of 2024

## 5. CAPITAL MANAGEMENT

### 5.1. OWN FUNDS

According to Article 164 of the Insurance Code and Articles 87 to 89 of the Solvency II Directive, the own funds of an insurance undertaking shall comprise basic own funds and additional own funds. At all times, eligible own funds shall be at least equal to the Solvency Capital Requirement.

Basic own funds (BOW) represent the sum of the excess of assets over liabilities (less the amount of treasury shares held by the company) and subordinated liabilities. BOW is classified into three orders, depending on the degree to which they possess specific characteristics.

The financial results of the company, the own funds, the minimum capital requirement, the solvency capital requirement and their respective coverages are contained in the auditor's report under Article 126 of the Insurance Code.

Own funds consist of the excess of assets over liabilities as specified in Article 88 of Directive 2009/138/EC. The statutory own funds of Lev Ins AD Insurance Company as at 31.12.2024 are equal to Solvency II own funds and consist of share capital, provisions, retained earnings and current year result.

As at 31.12.2024 the Company's own funds are presented in the table below:

Table 5. Own funds at the end of 2024

| **Own funds under the SCR** | **2024** | **2023** |
|---|---:|---:|
| Mode 1 (basic/basic/unlimited) | 136 689 577 | 119 754 513 |
| Row 1 (additional/limited) | 4845000 | 4845000 |
| Line 2 | 0 | 0 |
| Line | 0 | 0 |
| Total own funds for SCR coverage | 141 534 577 | 124 599 513 |

| **Own resources under the MCR** | **2024** | **2023** |
|---|---:|---:|
| Row 1 (unlimited) | 136689577 | 119754513 |
| Row 1 (limited) | 4845000 | 4845000 |

| | | |
|---|---:|---:|
| Line 2 | 0 | 0 |
| Line | 0 | 0 |
| Total own resources for the coverage of the MCR | 141 534 577 | 124 599 513 |

### 5.2. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

As of 31.12.2024, the coverage of the Capital Adequacy Requirement is 130% and of the Minimum Capital Adequacy Requirement is 372%. These coverage ratios indicate that the Company is well capitalised and is able to meet the downside risks assumed in the Solvency II scenarios.

Table 6. Risk modules of the SCR

| **Risk modules of the SCR** | **2024** | **2023** |
|---|---:|---:|
| Market risk | 22838371 | 22838371 |
| Counterparty risk | 14629047 | 6277000 |
| Life insurance underwriting | 0 | 0 |
| Health insurance underwriting risk | 1462662 | 2303208 |
| General insurance underwriting risk | 92050222 | 90823536 |
| Diversification | -22337855 | -19169232 |
| Basic Solvency Capital Requirement | 108 642 447 | 102 202 859 |
| Capacity of deferred taxes to absorb losses | 0 | 0 |
| Operational risk | 12 754 854 | 13 797 006 |
| Capacity of technical provisions for loss absorption | 0 | 0 |
| Capacity to absorb deferred tax losses | -12 139 730 | -11 599 987 |
| Solvency capital requirement (SCR) | 109 257 571 | 104 399 879 |
| Minimum Capital Requirement (MCR) | 38 082 466 | 41 160 262 |

Table 7. Capital requirements by end 2024

| | **SCR** | **MCR** |
|---|---:|---:|
| Own funds for cover | 141534577 | 141534577 |
| Capital requirement | 109257571 | 38082466 |
| The Difference | 32277006 | 103452111 |
| Coverage | 130% | 372% |

### 5.3. DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

Standard formula models are used to calculate the Solvency Capital Requirement as a starting point for the own risk and solvency assessment.

## 5.4. BREACHES OF THE MINIMUM CAPITAL REQUIREMENT AND BREACHES OF THE SOLVENCY CAPITAL REQUIREMENT

In 2024, the company reported no violations of the minimum capital requirement and no violations of the solvency capital requirement.

## ANNEXES

Annex 1. Template S.02.01.02, Balance sheet

**Solvency II value, thousands BGN**

| Assets | | C0010 |
|---|---|---|
| Intangible assets | R0030 | - |
| Deferred tax assets | R0040 | - |
| Pension benefit surplus | R0050 | - |
| Property, plant & equipment held for own use | R0060 | 4,428 |
| Investments (other than assets held for index-linked and unit-linked contracts) | R0070 | 203,176 |
| Property (other than for own use) | R0080 | 46,807 |
| Holdings in related undertakings, including participations | R0090 | 30,540 |
| Equities | R0100 | 357 |
| Equities - listed | R0110 | 357 |
| Equities - unlisted | R0120 | - |
| Bonds | R0130 | 107,545 |
| Government Bonds | R0140 | 82,368 |
| Corporate Bonds | R0150 | 25,177 |
| Structured notes | R0160 | - |
| Collateralised securities | R0170 | - |
| Collective Investments Undertakings | R0180 | |
| Derivatives | R0190 | - |
| Deposits other than cash equivalents | R0200 | 17,927 |
| Other investments | R0210 | - |
| Assets held for index-linked and unit-linked contracts | R0220 | - |
| Loans and mortgages | R0230 | - |
| Loans on policies | R0240 | - |
| Loans and mortgages to individuals | R0250 | - |
| Other loans and mortgages | R0260 | - |
| Reinsurance recoverables from: | R0270 | 232,509 |
| Non-life and health similar to non-life | R0280 | 232,509 |
| Non-life excluding health | R0290 | 232,509 |
| Health similar to non-life | R0300 | - |
| Life and health similar to life, excluding health and index-linked and unit-linked | R0310 | - |
| Health similar to life | R0320 | - |
| Life excluding health and index-linked and unit-linked | R0330 | - |
| Life index-linked and unit-linked | R0340 | - |
| Deposits to cedants | R0350 | - |

| | | |
|---|---|---|
| Insurance and intermediaries receivables | R0360 | 52,467 |
| Reinsurance receivables | R0370 | - |
| Receivables (trade, not insurance) | R0380 | 10,872 |
| Own shares (held directly) | R0390 | - |
| Amounts due in respect of own fund items or initial fund called up but not yet paid in | R0400 | - |

**Solvency II value, thousands BGN**

| | | |
|---|---|---|
| Liabilities | | C0010 |
| Technical provisions - non-life | R0510 | 384,540 |
| Technical provisions - non-life (excluding health) | R0520 | 382,643 |
| Technical provisions calculated as a whole | R0530 | - |
| Best Estimate | R0540 | 375,773 |
| Risk margin | R0550 | 6,910 |
| Technical provisions - health (similar to non-life) | R0560 | 1,897 |
| Technical provisions calculated as a whole | R0570 | - |
| Best Estimate | R0580 | 1,863 |
| Risk margin | R0590 | 34 |
| Technical provisions - life (excluding index-linked and unit-linked) | R0600 | - |
| Technical provisions - health (similar to life) | R0610 | - |
| Technical provisions calculated as a whole | R0620 | - |
| Best Estimate | R0630 | - |
| Risk margin | R0640 | - |
| Technical provisions - life (excluding health and index-linked and unit-linked) | R0650 | - |
| Technical provisions calculated as a whole | R0660 | - |
| Best Estimate | R0670 | - |
| Risk margin | R0680 | - |
| Technical provisions - index-linked and unit-linked | R0690 | - |
| Technical provisions calculated as a whole | R0700 | - |
| Best Estimate | R0710 | - |
| Risk margin | R0720 | - |
| Contingent liabilities | R0740 | - |
| Provisions other than technical provisions | R0750 | - |
| Pension benefit obligations | R0760 | 533 |
| Deposits from reinsurers | R0770 | - |
| Deferred tax liabilities | R0780 | 8,358 |
| Derivatives | R0790 | - |
| Debts owed to credit institutions | R0800 | - |
| Financial liabilities other than debts owed to credit institutions | R0810 | - |
| Insurance & intermediaries payables | R0820 | - |
| Reinsurance payables | R0830 | - |
| Payables (trade, not insurance) | R0840 | 3,569 |

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| | | |
|---|---|---|
| Subordinated liabilities | R0850 | 4,845 |
| Subordinated liabilities not in Basic Own Funds | R0860 | (0) |
| Subordinated liabilities in Basic Own Funds | R0870 | 4,845 |
| Any other liabilities, not elsewhere shown | R0880 | - |
| Total liabilities | R0900 | 401,844 |
| Excess of assets over liabilities | R1000 | 136,690 |

## Annex 2. Template S.04.05.21, containing information on premiums, claims and expenses by state.

| Countries of origin: Insurance and reinsurance non-life obligations | | Bulgaria | Romania | Greece | Italy | Poland | Spain |
|---|---|---|---|---|---|---|---|
| | | C0010 | C0011 | C0012 | C0013 | C0014 | C0015 |
| Written premiums (Gross) | | | | | | | |
| Gross written premiums (Direct business) | R0020 | 383,081 | 2,264 | 5,915 | 1,300 | 5,599 | 4,206 |
| Gross written premiums (proportional reinsurance) | R0021 | - | - | - | - | - | - |
| Gross written premiums (non-proportional reinsurance) | R0022 | - | - | - | - | - | - |
| Premiums received (gross) | | | | | | | |
| Gross received premiums (Direct business) | R0030 | 386,668 | 8,801 | 12,222 | 1,305 | 6,087 | 10,078 |
| Gross received premiums (proportional reinsurance) | R0031 | - | - | - | - | - | - |
| Gross received premiums (non-proportional reinsurance) | R0032 | - | - | - | - | - | - |
| Claims incurred (gross) | | | | | | | |
| Claims incurred (Direct business) | R0040 | 152,365 | (1) | 294 | (125) | (1,199) | 1,582 |
| Claims incurred (proportional reinsurance) | R0041 | 694 | - | - | - | - | - |
| Claims incurred (non-proportional reinsurance) | R0042 | - | - | - | - | - | - |
| Expenses incurred (gross) | | | | | | | |
| Claims incurred (Direct business) | R0050 | 120,810 | 680 | 1,532 | 510 | 1,444 | 2,146 |
| Claims incurred (proportional reinsurance) | R0051 | - | - | - | - | - | - |
| Claims incurred (non-proportional reinsurance) | R0052 | - | - | - | - | - | - |

## Annex 3. Template S.05.01.02, Premiums, claims and expenses by type of activity

| | | |
|---|---|---|
| Cash and cash equivalents | R0410 | 35,082 |
| Any other assets, not elsewhere shown | R0420 | |
| Total assets | R0500 | 538,534 |

| | | Line of Business for: non-life insurance and reinsurance | | | |
|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance |
| | | C0010 | C0020 | C0030 | C0040 |
| Premiums written | | | | | |
| Gross - Direct Business | R0110 | - | - | 3,204 | 273,415 |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | |
| Reinsurers' share | R0140 | - | - | 253 | 108,321 |
| Net | R0200 | - | - | 2,951 | 165,094 |
| Premiums earned | | | | | |
| Gross - Direct Business | R0210 | - | - | 3,043 | 258,080 |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | |
| Reinsurers' share | R0240 | - | - | 253 | 108,321 |
| Net | R0300 | - | - | 2,789 | 149,759 |
| Claims incurred | | | | | |
| Gross - Direct Business | R0310 | - | - | 811 | 108,424 |
| Gross - Proportional reinsurance accepted | R0320 | - | 694 | - | - |
| Gross - Non-proportional reinsurance accepted | | | | | |
| Reinsurers' share | R0340 | - | - | 15,491 | |
| Net | R0400 | - | 1,505 | 92,934 | |
| Expenses incurred | R0550 | - | 1,452 | 14,261 | |
| Balance - other technical expenses/income | R1200 | | | | |
| Total expenses | R1300 | | | | |

| | | Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) | | | |
|---|---|---|---|---|---|
| | | Other motor insurance | Marine, aviation and transport insurance | Fire and other damage to property insurance | General liability insurance |
| | | C0050 | C0060 | C0070 | C0080 |
| Premiums written | | | | | |
| Gross - Direct Business | R0110 | 78,361 | 564 | 17,242 | 11,686 |
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | |
| Reinsurers' share | R0140 | - | - | 2,821 | 2,962 |
| Net | R0200 | 78,361 | 564 | 14,421 | 8,724 |
| Premiums earned | | | | | |
| Gross - Direct Business | R0210 | 73,693 | 759 | 41,201 | 13,681 |
| Gross - Non-proportional reinsurance accepted | | | | | |
| Reinsurers' share | R0240 | - | - | 2,821 | 2,962 |
| Net | R0300 | 73,693 | 759 | 38,380 | 10,719 |
| Claims incurred | | | | | |
| Gross - Direct Business | R0310 | 30,018 | (24) | 3,219 | 2,864 |
| Gross - Proportional reinsurance accepted | R0320 | - | - | - | - |
| Reinsurers' share | R0340 | - | - | - | - |
| Net | R0400 | 30,018 | (24) | 3,219 | 2,864 |
| Expenses incurred | R0550 | 36,519 | 200 | 10,227 | 5,634 |
| Balance - other technical expenses/income | R1200 | | | | |
| Total expenses | R1300 | | | | |

| | | Type of activity for: insurance and reinsurance liabilities in general insurance (direct activity and assumed pro rata reinsurance) | | | |
|---|---|---|---|---|---|
| | | Credit and guarantee insurance | Insurance in connection with legal expenses | Providing assistance | Miscellaneous financial losses |
| | | C0090 | C0100 | C0110 | C0120 |
| Premiums written | | | | | |
| Gross - Direct Business | R0110 | 14,358 | - | 3,535 | - |

| | | | | | |
|---|---|---|---|---|---|
| Gross - Proportional reinsurance accepted | R0120 | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0130 | | | | |
| Reinsurers' share | R0140 | 7,856 | - | - | - |
| Net | R0200 | 6,502 | - | 3,535 | - |
| Premiums | | | | | |
| Gross - Direct Business | R0210 | 31,207 | - | 3,498 | - |
| Gross - Proportional reinsurance accepted | R0220 | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0230 | | | | |
| Reinsurers' share | R0240 | 7,856 | - | - | - |
| Net | R0300 | 23,351 | - | 3,498 | - |
| Claims incurred | | | | | |
| Gross - Proportional reinsurance accepted | R0320 | - | - | - | - |
| Gross - Non-proportional reinsurance accepted | R0330 | | | | |
| Reinsurers' share | R0340 | 2,617 | - | - | - |
| Net | R0400 | 2,663 | - | 741 | - |
| Expenses incurred | R0550 | 4,595 | - | 2,249 | - |
| Balance - other technical expenses/income | R1200 | | | | |
| Total expenses | R1300 | | | | |

| | | Type of activity for: disproportionate reinsurance accepted | | | | |
|---|---|---|---|---|---|---|
| | | Health | Accident | Marine, aviation, transport | property | Total |
| | | C0090 | C0100 | C0110 | C0120 | C0161 |
| Premiums written | | | | | | |
| Gross - Direct Business | R0110 | | | | | 402,365.07 |
| Gross - Proportional reinsurance accepted | R0120 | | | | | - |
| Gross - Non-proportional reinsurance accepted | R0130 | - | - | - | - | - |
| Reinsurers' share | R0140 | - | - | - | - | 122,212.96 |
| Net | R0200 | - | - | - | - | 280,152.11 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Premiums earned | | | | | | |
| Gross - Direct Business | R0210 | | | | | 425.162 |
| Gross - Proportional reinsurance accepted | R0220 | | | | | 0.000 |
| Gross - Non-proportional reinsurance accepted | R0230 | - | - | - | - | 0.000 |
| Reinsurers' share | R0240 | - | - | - | - | 122.213 |
| Net | R0300 | - | - | - | - | 302.949 |
| Claims incurred | | | | | | |
| Gross - Direct Business | R0310 | | | | | 151.335 |
| Gross - Proportional reinsurance accepted | R0320 | | | | | 694 |
| Gross - Non-proportional reinsurance accepted | R0330 | - | - | - | - | 0.000 |
| Reinsurers' share | R0340 | - | - | - | - | 18.108 |
| Net | R0400 | - | - | - | - | 133.920 |
| Expenses incurred | R0550 | - | - | - | - | 75.137 |
| Balance - other technical expenses/income | R1200 | | | | | |
| Total expenses | R1300 | | | | | 75.137 |

## Annex 4. Model S.17.01.02, Technical provisions in general insurance

| | | Direct business and accepted proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0050 | - | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | | |
| Best estimate | | | | | | | |
| Premium provisions | | | | | | | |
| Gross - Total | R0060 | | | 389 | 8.273 | 9.335 | (12) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | - | 2.067 | - | - |
| Net Best Estimate of Premium Provisions | R0150 | | | 389 | 6.207 | 9.335 | (12) |
| Claims provisions | | | | | | | |
| Gross - Total | R0160 | | | 1.475 | 327.034 | 10.760 | 8 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | | | | 223.041 | - | - |
| Net Best Estimate of Claims Provisions | R0250 | | | 1.475 | 103.994 | 10.760 | 8 |

| | | Direct business and accepted proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| | R0260 | - | - | 1.863 | 335.308 | 20.095 | (5) |
| Total Best estimate - net | R0270 | - | - | 1.863 | 110.200 | 20.095 | (5) |
| Technical provisions calculated as a sum of BE and RM | | | | | | | |
| Risk margin | | | | | | | |
| Premium provisions | | | | | | | |
| Amount of the transitional on Technical Provisions | | | | | | | |
| TP as a whole | R0290 | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - |
| Technical provisions - total | | | | | | | |
| Technical provisions - total | R0320 | - | - | 1.897 | 341.452 | 20.463 | (5) |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | - | 225.108 | - | - |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total | R0340 | | | 1.897 | 116.345 | 20.463 | (5) |

| | | Direct business and accepted proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0050 | - | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | | |
| Best estimate | | | | | | | |
| Premium provisions | | | | | | | |
| Gross - Total | R0060 | (2.602) | (375) | (4.049) | - | 42 | - |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | (2.024) | - | - | - |
| Net Best Estimate of Premium Provisions | R0150 | (2.602) | (375) | (2.025) | - | 42 | - |
| Claims provisions | | | | | | | |
| Gross - Total | R0160 | 1.249 | 6.845 | 18.911 | - | 312 | 1 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | - | - | 9.425 | - | - | - |
| Net Best Estimate of Claims Provisions | R0250 | 1.249 | 6.845 | 9.486 | - | 312 | 1 |

| | | Direct business and accepted proportional reinsurance | | | | | |
|---|---|---|---|---|---|---|---|
| | | Medical expense insurance | Income protection insurance | Workers' compensation insurance | Motor vehicle liability insurance | Other motor insurance | Marine, aviation and transport insurance |
| | | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 |
| Total Best estimate - gross | R0260 | (1.353) | 6.470 | 14.863 | - | 354 | 1 |
| Total Best estimate - net | R0270 | (1.353) | 6.470 | 7.462 | - | 354 | 1 |
| Technical provisions calculated as a sum of BE and RM | | | | | | | |
| Best estimate | | | | | | | |
| Risk margin | R0280 | - | 119 | 272 | - | 6 | 0 |
| Amount of the transitional on Technical Provisions | | | | | | | |
| TP as a whole | R0290 | - | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - | - |
| Technical provisions - total | | | | | | | |
| Technical provisions - total | R0320 | (1.353) | 6.588 | 15.135 | - | 361 | 1 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | 7.401 | | | |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total | R0340 | (1.353) | 6.588 | 7.734 | - | 361 | 1 |

| | | Direct business and accepted proportional reinsurance | | | | |
|---|---|---|---|---|---|---|
| | | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0140 | C0150 | C0160 | C0170 | C0180 |
| Technical provisions calculated as a whole | R0010 | - | - | - | - | - |
| Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole | R0050 | - | - | - | - | - |
| Technical provisions calculated as a sum of BE and RM | | | | | | |
| Best estimate | | | | | | |
| Premium provisions | | | | | | |
| Gross - Total | R0060 | | | | | 11.001 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0140 | - | - | - | - | 43 |
| Net Best Estimate of Premium Provisions | R0150 | - | - | - | - | 10.958 |
| Claims provisions | | | | | | |
| Gross - Total | R0160 | - | - | - | - | 366.595 |
| Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default | R0240 | - | - | - | - | 232.466 |
| Net Best Estimate of Claims Provisions | R0250 | - | - | - | - | 134.129 |

| | | Direct business and accepted proportional reinsurance | | | | |
|---|---|---|---|---|---|---|
| | | Non-proportional health reinsurance | Non-proportional casualty reinsurance | Non-proportional marine, aviation and transport reinsurance | Non-proportional property reinsurance | Total Non-Life obligation |
| | | C0140 | C0150 | C0160 | C0170 | C0180 |
| Total Best estimate - gross | R0260 | - | - | - | - | 377.596 |
| Total Best estimate - net | R0270 | - | - | - | - | 145.087 |
| Risk margin | R0280 | - | - | - | - | 6.944 |
| Amount of the transitional on Technical Provisions | | | | | | |
| TP as a whole | R0290 | - | - | - | - | - |
| Best estimate | R0300 | - | - | - | - | - |
| Risk margin | R0310 | - | - | - | - | - |
| Technical provisions - total | | | | | | |
| Technical provisions - total | R0320 | - | - | - | - | 384.540 |
| Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total | R0330 | - | - | - | - | 232.509 |
| Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total | R0340 | - | - | - | - | 152.031 |

**Annex 5.** Template S.19.01.21, General Insurance Claims, presented in "development triangle" format.

| 20020 | **Year of accident/Year of risk assumption:** | Year of accident |
|---|---|---|

**Gross claims paid (non-cumulative)**

| **Year** | | **Year of development** | | | | | | | | | | | **In the current year** | **Total years (cumulative)** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **0** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10 & +** | | |
| | | C0010 | C0020 | C0030 | C0040 | C0050 | C0060 | C0070 | C0080 | C0090 | C0100 | C0110 | C0170 | C0180 |
| Previous | R0100 | | | | | | | | | | | – | – | – |
| N-9 | R0160 | – | – | – | – | – | – | – | – | – | – | | – | – |
| N-8 | R0170 | – | – | – | – | – | – | – | – | 13.993 | | | 13.993 | 13.993 |
| N-7 | R0180 | – | – | – | – | – | – | – | 6.116 | | | | 6.116 | 6.116 |
| N-6 | R0190 | – | – | – | – | – | – | 5.745 | | | | | 5.745 | 5.745 |
| N-5 | R0200 | – | – | – | – | – | 14.443 | | | | | | 14.443 | 14.443 |
| N-4 | R0210 | – | – | – | – | 10,027 | | | | | | | 10,027 | 10.027 |
| N-3 | R0220 | – | – | – | 18.190 | | | | | | | | 18.190 | 18.190 |
| N-2 | R0230 | – | – | 25.868 | | | | | | | | | 25.868 | 25.868 |
| N-1 | R0240 | – | 51.444 | | | | | | | | | | 51.444 | 51.444 |
| N | R0250 | 49.608 | | | | | | | | | | | 49.608 | 49.608 |
| Total | R0260 | | | | | | | | | | | | 195.434 | 195,434 |

**Gross undiscounted best estimate of claim provisions**

| Year | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 & + | Year-end (discounted data) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Year of development** | | | | | | | | | | | |
| | | C0200 | C0210 | C0220 | C0230 | C0240 | C0250 | C0260 | C0270 | C0280 | C0290 | C0300 | C0360 |
| Previous | R0100 | | | | | | | | | | | – | – |
| N-9 | R0160 | – | – | – | – | – | – | – | – | – | – | | – |
| N-8 | R0170 | – | – | – | – | – | – | – | – | – | | | – |
| N-7 | R0180 | – | – | – | – | – | – | – | 55.038 | | | | 55.038 |
| N-6 | R0190 | – | – | – | – | – | – | 12.293 | | | | | 12.293 |
| N-5 | R0200 | – | – | – | – | – | 17.204 | | | | | | 17.204 |
| N-4 | R0210 | – | – | – | – | 19.775 | | | | | | | 19.775 |
| N-3 | R0220 | – | – | – | 36.428 | | | | | | | | 36.428 |
| N-2 | R0230 | – | – | 56.710 | | | | | | | | | 56.710 |
| N-1 | R0240 | – | 71.538 | | | | | | | | | | 71.538 |
| N | R0250 | 102.812 | | | | | | | | | | | 97.609 |
| Total | R0260 | | | | | | | | | | | | 366.595 |

*Signed electronically:*

Valentin Valentinov Iliev

Digitally signed by Valentin Valentinov Iliev Date: 2025.06.10 13:23:44 +03'00'

VLADISLAV VASILEV MILEV

Digitally signed by VLADISLAV VASILEV MILEV Date: 2025.06.10 13:23:56 +03'00'

*I, the undersigned Yavor Stoyanov Profirov hereby certify the fidelity of the translation from Bulgarian into English language of the attached document. The translation consists of 71 (seventy-one) pages.*

*Translator:* *Yavor Stoyanov Profirov*