Insurance Balance Sheet Review Of the Bulgarian Insurance Sector

SUMMARYREPORT

February 2017

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1. Introduction and Background

1.1 Background for the IBSR

On 26 February 2015 the European Commission (EC) published its Country Report for Bulgaria. The analysis of EC gives grounds to conclude that there are macroeconomic imbalances in Bulgaria. A part of country specific recommendation requiredperforming a portfolio screening for the pension funds and insurance sectors.

With a view to guarantee efficient functioning for the financial system and the need to ensure better transparency of transactions on the local financial market and in accordance with the National Reform Program - 2015 update to reach the objectives of Europe 2020 strategy adopted with the Council of Ministers decision No. 298 of May 2015 and on the grounds of § 10 of the Transitional and Final Provisions of the Law on Recovery and Resolution of Credit Institutions and Investment Firms (LRRCIIF), the Financial Supervision Commission (FSC) organized the review of the insurers' balance sheets ("IBSR") with the participation of independent external parties and institutions of high professional reputation.

The review was overseen by a Steering Committee (SC) that included representatives from the FSC, the Ministry of Finance (Observer), the Bulgarian National Bank (Observer) and from international organizations - European Commission (Observer) and European Insurance and Occupational Pensions Authority (EIOPA; member of the SC). The FSC has selected a consultant, hereinafter referred as Project Manager ("PMO") that was responsible to draft the IBSR methodology ("the methodology") further approved by the SC, and to ensure, in close liaison with the SC, a harmonized application of the review's methodology by the independent external IERs performing the reviews, as well as a similar treatment of the participating Companies by the respective independent external IERs.

The insurance balance sheet review was carried by 7 independent external IERs ("IER"), which were selected according to the criteria included in the terms of reference for the IBSR, as follows: Deloitte Audit OOD Bulgaria, DZZD GD Consortium Grant Thornton Bulgaria - Greece, KPMG Audit SRL Romania, Mazars SA France, Milliman SP.ZO.O Poland, PWC Audit OOD Bulgaria, Willis Towers Watson The Netherlands. One IER was initially selected and subsequently rejected from the exercise due to irregularities found (RSM).

A number of 49 companies including groups and sub-groups participated in the exercise (please find the list in Appendix 1).In case of 2 entities, the IER has not submitted the conclusion reports.

The implementation of the review included the following steps:

- In January 2016 the Terms of Reference for the review was approved by the SC and the FSC.
- As a result of the public procurement, conducted in 2015, a contract was concluded with the PMO for preparing the methodology for the review and for carrying out the project management.
- In 15 February 2016 was published in FSC's website the Follow-up actions agreed in the SC to be taken by FSC towards strengthening the supervision of the insurance undertakings following the results of the insurance balance sheet review.
- In March 2016 was published an invitation for the IERs and in May 2016 the list of the eligible IERs was approved. In May 2016 also the methodology for the review was approved and published on the website of the FSC.
- In June 2016 the IERs for the respective undertakings were appointed by the FSC.
- Following these organizational and preparatory steps the review of the balance sheet of the insurance companies commenced on 15 July 2016.
- In September 2016 (after the exclusion of RSM from the list of the eligible IERs) new IERs were appointed for the companies which had concluded contracts with this IER, which lead to prolongation of the implementation of the review.
- The review was finalized in January 2017 with the presentation of the IERs' final reports and the preparation of this report summarizing the key findings of the review.

1.2 Purpose and scope of the IBSR

The main objectives of the IBSR were:

- to analyze the insurance portfolio of each insurance Company in order to establish the obligations under the insurance contracts, to assess the adequacy of technical provisions under SII and have a reasoned estimate of the economic value of the respective technical provisions;
- to assess the appropriateness under a SII framework of the recognition and valuation principles applied to all assets and liabilities with a special focus on the impact of operations and transactions with natural or legal persons with close links to the insurance Company;
- to assess under a SII framework the effectiveness of the risk transfers to third parties of risks stemming from (re)insurance contracts written by the insurance Companies including finite reinsurance contracts;
- to re-calculate the prudential parameters in accordance with SII, (MCR and SCR).
- to review the risks of the insurance Companies and to provide insight and raise awareness of the insurance' sector risks and vulnerabilities including potential contagions to the rest of the financial sector and the real economy.

For Companies that fall under the scope of article 4 of the SII Directive (i.e. exempt from the scope of SII) the above referred objectives were considered on the basis of the applicable framework.

1.3 Context of this report and limitations

The Project Manager prepared the Summary report, summarizing the conclusions of the IERs as presented in their reports ("the Summary report"). The Summaryreport was subsequently endorsed by the SC and approved by FSC.

It was the responsibility of the IER to ensure that all procedures prescribed by the methodology have been carried out and the assumptions and the techniques used in the valuation of assets and liabilities are adequate and accurate. In order to ensure timely execution of the project with high quality, the PMO in coordination with the SC carried out quality assurance to ensure oversight of the IBSR exercise, accurate and consistent application of the IBSR methodology. More information on Quality Assurance is presented in section 5 of this report.

As described in section 4 of this report, the IERs carried out procedures of an audit nature which as a minimum were those described in the methodology, but also were asked to exercise judgment, where necessary in order to report on factual findings and their overall conclusions. The findings refer to the financial information of companies' assets and liabilities and prudential ratios as well as to non-financial information. Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements (or relevant national standards or practices), the IERs do not express any assurance on the financial statementsof the companies as of 30 June 2016.Had they performed additional procedures or had they performed an audit or a review of the financial or non-financial information in accordance with International Standards on Auditingor International Standards on Review Engagements, other matters might have come to their attention.

This report includes the following:

- Overall objectives of the IBSR exercise
- Summarizes the Quality Assurance procedures performed by the PMO
- Summarizes the IERs' proposed adjustments
- Summarizes the IERs' findings and recommendations
- Summarizes the impact of the exercise on the own funds and prudential ratios

It is noted that the quality and extent of info provided in the IERs' reports varied. In cases where the IER did not provide sufficient info / analysis on work done the PMO reverted to IERs with questions and comments and have considered whether the IERs followed the guidance provided and the procedures outlined in the methodology.

In this report the PMO have summarized the comments of the IERs which the PMO considered more important and more relevant for exercise.

This report has been prepared both in Bulgarian and English.

2. Executive Summary

Following the extensive procedures performed by the IERs at individual but also at group and sub-group level,both upward and downward adjustments were proposed to the balance sheets of the (re) insurance Companies as at 30 June 2016, with direct impact on the main prudential ratios (Minimum Capital Requirement - MCR and Solvency Capital Requirement-SCR).

2.1 IBSR results to be enforced

Consistency checks were performed between IERs and companies and also with the Pension Funds Asset Review (PFAR) streamas regards, without being limited to, valuation of financial instruments, impairment of receivables, technical provisions assessment, areas that were affected by more significantupward and downward adjustments.

The two main areas of inconsistencies identified refer to valuation of equities and bonds (where differences were mainly the result of different assessment of the IERs of active versus inactive markets and source of information and assumptions considered for valuation) and treatment of clean-cut Quota Share re-insurance treaties (for which some of the IERs assessed that certain companies did not considerthe effects from the contract based on future cash flows, so that the current accounting for such contracts has a significant positive impact on the own funds and solvency position).

The SC decided to enforce the results post IBSR considering the consistency assessment made by the PMO. Both Solvency II and IFRS are principle-based standards and involve the use of judgment. Having this in mind the PMO made an assessment of the situations where economic reality of similar transactions and events was not understood in a similar way by the different IERs.Considering the need to ensure a level playing field, FSC will enforce in these situations a consistent adjustment across undertakings, namely the adjustmentwith themost favorableimpact resulted from consistency checks across all undertakings (i.e.: the maximumfrom the values used by the IERs for one equity or bond, and cancelling the adjustment related to clean cut QS reinsurance treaty, the later while an European common treatmentis not ensured)(please see more details in section 6 Consistency procedures).

Therefore, SCR and MCR coverage ratios were re-computed using the adjusted excess of assets over liabilities (by considering the potential impact) and the capital requirements as reported by the IER.

Based on the results, as proposed by the IERs, the aggregated SCR ratio was 154% and the aggregated MCR ratio was 308% for solo entities before the impact of consistency procedures, SCR for Non- Life being 144% and MCR 328% while for Life sector SCR was 233% and MCR was 236%, groups/sub groups SCR standing at 107% and MCR 187%, above the prudential requirements. For a number of 12 Companies and one Group, the total available own funds to cover SCR and/or MCR was insufficient. For those companies at a deficit, the total amount of the MCR deficit was BGN 27m, and the total amount of the SCR deficit was BGN 100m.

After the consistency checks, the aggregated SCR ratio is 157% and the aggregated MCR ratio is 313% for solo entities before the impact of consistency procedures , SCR for Non- Life being 147% and MCR 333% while for Life sector SCR was 235% and MCR was 238%, groups/sub groups SCR standing at 107% and MCR 187%, above the prudential requirements. For a number of 12 companies and one Group, the total available own funds to cover SCR and/or MCR was insufficient. For those companies at a deficit, the total amount of the MCR deficit was BGN 25m and the total amount of the SCR deficit was BGN 50m.

All the Companies applying S1 solvency margin remained above the prudential threshold, except for two companies. At aggregate level, the SCR ratio of the companies applying S1 reached 96%.

Individual level assessment

The basis for these results is the final reports of the IERs, subject to consistency checks of PMO, which are summarized in a separate section below.

On Non-life insurance sector (solo both SII and SI), the adjustment on total assets was a decrease by 7% (BGN 347m), the classes with the most significant adjustments being Insurance and intermediaries receivables (BGN 178m or 51% of total adjustments on assets side), reinsurance recoverables (BGN 106m or 31% of total adjustments on assets side), other asset classes impacted being Holdings in related Companies, including participations, equities, bonds.The adjustments on the insurance and intermediaries receivables and reinsurance recoverables are largely related to the introduction of the Solvency II rule that only the past due receivables are to be reported on the balance sheet, which also has led to a decrease in the amount of technical provisions.

On Life insurance sector (solo both SII and SI), the adjustment on total assets was a decrease by 4%(BGN 63m), the classes with the most significant adjustments being Insurance and intermediaries receivables (BGN 27m or 42% of total adjustments on assets side), loans and mortgages (BGN 22m or 35%of total adjustments on assets side), Holdings in related Companies, including participations (BGN 5m or 7% of total adjustments), other assets classes impacted being property, bonds, other receivables.

As regard liabilities, on Non-Life insurance sector (solo, both SII and SI), total liabilities decreased by 7% (BGN 256m), mainly due to the decrease in technical provisions (BGN 209m or 82% of total adjustment on liability side), other liability classes impacted, without being limited to, being reinsurance payables and Insurance and intermediaries payables.The decrease of the amount of the technical provisions means that the insurers have reported a higher amount of TPs, than assessed necessary in the BSR.

On Life insurance sector (solo), the adjustment on total liabilities was a decrease by 2% (BGN 22m), mainly impacted by a decrease in technical provisions (BGN 15m or 70% of total adjustment on liability side), other liability classes impacted, without being limited to, being deferred tax and Insurance and intermediaries payables.The decrease of the amount of the technical provisions means that the insurers have reported a higher amount of technical provisions, than assessed necessary in the BSR.

The aggregated total excess of assets over liabilities for Companies applying SII:

- Non-life insurance sector (solo including GP Reinsurance)- decrease by 5% (BGN 86m) to BGN 1,617m, 96% of the impact being due to 3 Companies Threecompanies recorded increases.
- Life insurance sector (solo) - decrease by11% (BGN 40m) to BGN 310m mainly due to 2 Companies, while in case of three Companies there were recorded increases.

The total available own funds for Companies applying SII:

- Non-life insurance sector (solo) - decrease by 5.44% (BGN 87.7m) to BGN 1,525.1m, whereas the total eligible funds to cover SCR decreased by 5.38% (BGN 86.9m) to BGN 1,530.4k and the total eligible funds to cover MCR decreased by 5.60% (BGN 89.5m) to BGN 1,508.3m. The negative impact is mostly due to the same 3 Companies.
- Life insurance sector (solo) - decrease by 11.03% (BGN 37.4m) to BGN 301.8m, whereas the total eligible funds to cover SCR decreased by 11.55% (BGN 40.1m) to BGN 306.9m and the total eligible funds to cover MCR decreased by 12.51% (BGN 42.9m) to BGN 300.4m, the source of the differences being similar as described above for excess of assets over liabilities.

Special cases (as defined by the Methodology)

A number of 13 Companies did not meet either SCRor MCR ratio of 100% as at 30.06.2016, and were required to provide an Adjusted SI Balance Sheet and a Solvency margin as at 31.12.2015 unless the solvency margin was already negative in the year end.

7 Companies fall under the scope of article 4 of the SII Directive (i.e. exempt from the scope of SII) and applied Solvency I in regards to the calculation of solvency margin and to holding eligible assets to cover technical provisions being however requested for the purpose of this exercise to fully apply SII requirements regarding system of governance, information systems and quality of data, prudent person principle, as well as frequency of reporting. Following the IBSR, the total assets of these Companies decreased by BGN4,5m, total liabilities increased by BGN 1,7m, while the available solvency margin decreased by 6%.

Group level assessment

On groups and subgroups, the adjustment on total assets was a decrease by 6% (BGN 127m) the classes with the most significant adjustments being Insurance and intermediaries receivables (BGN 84m or 66% of total adjustments on assets side).

As regard liabilities, the decrease is by 2% (BGN 33m), mainly due to the decrease in technical provisions (BGN 26m or 78% of total adjustment on liability side), other liability classes impacted, without being limited to, being reinsurance payables and payables (trade, not insurance).

The aggregated total excess of assets over liabilities Groups and subgroups decreased by 20% (BGN 94m).

The total available own funds for groups and subgroups decreased by 18.93% (BGN 91m) to BGN 389.6m, whereas the total eligible funds to cover SCR decreased by 20.13% (BGN 96.7m) to BGN 383.7m and the total eligible funds to cover MCR decreased by 24.05% (BGN 106.7m) to BGN 337.1m.

Based on the adjusted balance sheets, the participating Companies were classified by FSC in the following groups:

Group A

1) Group A.1insurance companies: insurance companies that based on the outcome of the IBSR do not hold sufficient eligible basic own funds to cover the Minimum Capital Requirement (MCR)

and do not comply with the required solvency margin[1]on 31 December 2015 (or, if referring to companies exempt from the scope of SII under article 4 of the SII Directive, insurance companies breaching the prudential guarantee fund:
Armeec Insurance JSC, based on the data, provided by the IER and prior to the consistency checks. After the consistency checks performed by the PMO, Armeec Insurance JSC covers the MCR and is assessed at a deficit of its Solvency Capital Requirement.
Subsequent actions: after the cut-off date of the balance sheet review (30.06.2016), Armeec Insurance JSC undertook subsequent actions that have direct effect on the SCR coverage- sale of financial instruments as well as received subordinated (for details see section 12). As a result of the subsequent actions no further recovery follow-up measures are to be enforced for Armeec Insurance JSC. (source: FSC)

2) Group A.2 insurance companies: insurance companies that based on the outcome of the BSR do not hold sufficient eligible basic own funds to cover the MCR but comply with the required solvency margin on 31 December 2015: Bulgaria Insurance AD, Euroins Health Assurance LLC, Insurance Company EIG RE AD, Insurance Company Euroins Life, Life Insurance Institute, Life Insurance Company Saglasie EAD, Insurance Company Dallbogg: Life and Health INC, Health Insurance Institute JSC, CCB Life, SiVZK, Nadejda. After the consistency checks performed by the PMO, CCB Life covers the MCR.

   Subsequent actions: after the cut-off date of the balance sheet review (30.06.2016), Bulgaria Insurance AD, Euroins Health Assurance LLC, Insurance Company EIG RE AD, Insurance Company Dallbogg: Life and Health INC undertook subsequent measures involving capital increases, receiving of subordinated debt and/or sale of financial instruments (for details see section 12). As a result of the subsequent actions no further recovery follow-up measures are to be enforced for the said companies. After the cut-off date of the balance sheet review (30.06.2016) SIVZK has also undertaken subsequent actions, the result of which is to be further assessed (source: FSC).

In case of Nadejda, the report presents SI values.The Solvency II calculation for Nadejda was provided by the IER at a later stage and will be fully considered as proposed by the IER to FSC.

Recovery follow-up measures are to be enforced for the following insurers: Insurance Company Euroins Life, Life Insurance Institute, Health Insurance Institute JSC, SiVZK, Nadejda. (source: FSC)

3) Group A.3 insurance companies: insurance companies that based on the outcome of the BSR do not hold sufficient eligible own funds to cover the Solvency Capital Requirement (SCR) and do not comply with the required solvency margin[2] on 31 December 2015 (or, if referring to companies exempt from the scope of SII under article 4 of the SII Directive, insurancecompanies breaching the solvency margin and/or not complying with the rules applicable to the coverage of technical provisions by admissible assets): no insurer falls into this group.
4) Group A.4 insurance companies: insurance companies that based on the outcome of the BSR do not hold sufficient eligible own funds to cover the SCR but comply with the required solvency margin2on 31 December 2015:Bul Ins and Euroins Insurance PLC.

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[1]Referred to in Article 28 of Directive 2002/83/EC, Article 16a of Directive 73/239/EEC or Article 37, 38 or 39 of Directive 2005/68/EC. 2
Guarantee Fund as foreseen in article 29 of Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 (recast Life Directive) and in article 17 of the First Council Directive 73/239/EEC, of 24 July 1973 (Non-Life Directive), implemented in national regulation.
[2]Referred to in Article 16a of Directive 73/239/EEC, Article 28 of Directive 2002/83/EC, or Article 37, 38 or 39 of Directive 2005/68/EC.

Subsequent actions: after the cut-off date of the balance sheet review (30.06.2016), Euroins Insurance PLC and Bul Ins undertook subsequent measures the effect of which is still subject to assessment. The undertakings in this group benefit from a transitional period to achieve coverage of SCR until 2017 (article 308b, paragraph 14 of the SII Directive) (source: FSC).

Group B

1) Group B.1insurance companies: groups that based on the outcome of the BSR do not hold sufficient eligible basic own funds to cover the Minimum Capital Requirement at group level (hereinafter group SCR floor)[3]: Euroins Insurance Group
Subsequent actions: after the cut-off date of the balance sheet review (30.06.2016), Euroins Insurance Group undertook subsequent actions involving a capital increase and receiving of subordinated debt. As a result of the subsequent actions no further recovery follow-up measures are to be enforced for Euroins Insurance Group. Euroins Insurance Group falls into the transitional period to achieve coverage of SCR until 2017 (article 308b, paragraph 14 of the SII Directive) (source: FSC).

2) Group B.2 insurance companies: groups that based on the outcome of the BSR do not hold sufficient eligible own funds to cover the group Solvency Capital Requirement (group SCR) and do not comply with the Adjusted Solvency[4]on 31 December 2015: No insurance group falls within this group of undertakings

3) Group B.3 insurance companies: groups that based on the outcome of the BSR do not hold sufficient eligible own funds to cover the group SCR but comply with the Adjusted Solvency3on 31 December 2015: No insurance group falls within this group of undertakings.

Group C

Insurance companies: insurance companies and groups that based on the outcome of the BSR

- achieve the MCR, SCR, group SCR floor and group SCR
  or,
- if referring to companies exempt from the scope of SII under article 4 of the SII Directive, insurance companies complying with the Solvency I prudential indicators):
  Bulgarian Export Insurance Agency \BAEZ\, Bulstrad Vienna Insurance Group, DZI - General Insurance, Generali Insurance AD, Insurance Company "Asset Insurance" AD, GroupamaZastrahovane EAD, Insurance Company "OZOK INS" AD, JSIC OZK - Insurance JSC, Lev Ins, Saglasie Insurance JSC, Insurance Company Nova Ins EAD, Uniqa Insurance, ZAD Allianz Bulgaria, ZAD Energy, Allianz Bulgaria Life, Bulstrad Life Vienna Insurance Group Joint Stock Company, DZI - Life Insurance JSC, Grawe Bulgaria Jivotozastrahovane, GroupamaZhivotozastrahovane EAD, Sogelife Bulgaria IJSC, UBB-MetlifeZhivotozastrahovatelnoDrujestvo AD, Uniqa Life Insurance, GP Reinsurance, EZOK (ZAD European Health Insurance Fund), FI Health Insurance AD, Insurance Company Medico - 21 JSC, Tokuda Health Insurance, United Health Insurance Fund Doverie Insurance AD, Lev Ins Group, OZK Group, BulstradSubGroup, DZI Life Insurance SubGroup, Uniqa Insurance Sub Group.

3. Methodological overview

[3] Foreseen in article 230 (2) of Directive 2009/138/EC of 25 November 2009 (hereinafter Solvency II Directive).
[4]Referred to in Article 9 of Directive 98/78/EC.

The methodological guidance for the IBSR exercise (the "methodology") describes the main assumptions and parameters (including reference date and applicable framework, planning materiality and sampling criteria), the key tools and deliverables and the detailed procedures to be applied by the IERs to conclude on each area.

The methodologyprescribed the minimum procedures to be followed by the IERs for the Companies under their responsibility. The IERs were requested to use their professional judgment to determine the extent and nature of any additional procedures or information considered appropriate and concluding on the results, taking into account the scope of work requested in this exercise and their assessment of the specific characteristics of the respective Companies under review.

A Conference meeting held in Sofia (29-30 June 2016) aimed to give the opportunity to the IERs to participate in a preparatory meeting with the PM and the SC, before the start of the IBSR exercise. A common understanding of the methodology, the work to be delivered and the respective timelines was created among the IERs.

3.a Reference date and applicable framework

The reference date for the BSR exercise was 30 June 2016. The IER was requested to consider any subsequent event relevant to the analysis performed, including application of supervisory measures or provision of recommendations by the FSC or any other relevant information as applicable. Subsequent events were included in the final report together with an analysis of their impact over findings.

Solvency II

The Balance Sheets reviewed were prepared and reviewed in accordance with SII requirements, including the following: Technical standards for application of Directive 2009/138/EC of the European Parliament and the Council of 25 Nov 2009, Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (SII), Omnibus II (Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority)), Commission Delegated Regulation(EU) amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance Companies published on 30 September 2015, EIOPA Guidelines on implementation of the Directive and Regulations.

Special cases

The IERs of the insurance/reinsurance companies that do not meet SCR and MCR ratio of 100% as at 30.06.2016, reported SCR and MCR as at 30.06.2016 and were required to provide an Adjusted SI Balance Sheet and a Solvency margin as at 31.12.2015 unless the solvency margin is already negative in the year end.

The Companies that fall under the scope of article 4 of the SII Directive (i.e. exempt from the scope of SII) applied Solvency I in regards to the calculation of solvency margin and to holding eligible assets to cover technical provisions being however requested for the purpose of this exercise to fully apply SII requirements regarding system of governance, information systems and quality of data, prudent person principle, as well as frequency of reporting.

Auditing

The IERs were requested to consider the applicable legal framework and the applicable International Standards on Auditing ("ISA") for the performance of the review of the financial information.

3.b Corporate Governance, processes and internal control framework, accounting policies

This phase included the review of the appropriateness of the system of governance including the internal control mechanisms in place commensurate to the risks and complexities of the Company,based on the requirements of the SII framework and specifically with EIOPA Guidelines on System of Governance ("EIOPA-BoS-14/253")and focusing on the following areas: organizational and operational structure, policies, key functions, fit and proper requirements, remuneration, risk management, internal control environment, outsourcing, group specific requirements.

The review was also centered on ensuring that the Company has a robust set of clearly defined policies and processes for the correct interpretation of accounting rules as imposed by the SII framework and best market practices in the insurance sector. Identification of any issues that are most likely to result in material misstatement of the balance sheet value was requested (including aspects such as the recognition and measurement of transactions Fair Value or Equity Method, liabilities recognition, and other policies and definitions).

3.c Reliability, quality, sufficiency and relevance of data

In accordance with Art.82 of the SII Directive, insurance and reinsurance Companies internal processes and procedures should be in place to ensure the appropriateness, completeness and accuracy of the data used in the calculation of their technical provisions.

The IERs were required to obtain the description of the process for collecting and processing of data, check completeness and accuracy of data used in the calculation of the technical provisions, data adjustments or removals and also whether external data is exposed to at least same data standards as internal data and meets the criteria set out on EIOPA Guidelines on the valuation of technical provisions in regards to the use of external data.

3.d Balance sheet assessment

Assets and liabilities, other than technical provisions

An assessment of all material assets and liabilities recognition and valuation, other than technical provisions was performed with reference to Article 75[5] of the SII Directive that requires an economic, market-consistent approach to the valuation of assets and liabilities, supplemented by the requirements of the Articles 7-16 of the DA and the EIOPA Guidelines on recognition and valuation of assets and liabilities other than technical provisions (“EIOPA-BoS-15/113”).

Valuation was performed by the Companies and reviewed by the IERs (using licensed appraisers as considered appropriate). It was requested that valuations to be based on application of International Valuation Standards, International Financial Reporting Standards, DA guidance and if, more conservative, the locally established best practices, the selection of the most appropriate method/technique being at the discretion of the appraiser and requiring exercise of expert judgment. It was the responsibility of the external independent IER to ensure that the assumptions and the techniques used in the valuation are adequate and accurate.

Adequacy of the level of obligations under the insurance contracts

In accordance with Article 76 of the SII Directive, the companies are required to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policy holders and beneficiaries of insurance or reinsurance contracts. The review will be performed with reference to the above article supplemented by the requirements of the Chapter III of the DA and the EIOPA Guidelines on the valuation of technical provisions (“EIOPA-BoS-14/166”).

The IERs were required to report their findings and to assess any potential impact as a result of their findings and propose an adjustment, if the case, to the Balance Sheet and prudential ratios, as applicable.

3.e Capital Requirements Compliance

The IERs were requested to re-calculate the prudential parameters in accordance with SII (MCR and SCR) taking also into consideration the proposed adjustments.

The solvency margin recalculation at the end of December 2015 was required when an Company did not cover the SCR or MCR unless the solvency margin was already negative in the year end or the IER was confident that there is no material change of this prudential indicator at the year-end.

The prudential parameters were computed in accordance with Solvency I framework, for the Companies falling under the scope of article 4 of the SII Directive.

[5](a) assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm’s length transaction;
(b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm’s length transaction.
When valuing liabilities under point (b), no adjustment to take account of the own credit standing of the insurance or reinsurance Company shall be made.

3.fReinsurance – effectiveness of risk transfer

Procedures were designed to allow a conclusion (quantitative and qualitative) regarding the effectiveness of the risk transfers to third parties of risks stemming from (re)insurance contracts written by the insurance Companies including finite reinsurance contracts.

3.g Related parties' transactions review

Related parties were defined in accordance with International Financial Reporting Standards as adopted by EU, respectively in accordance with IAS 24 "Related parties disclosures". The scope of this review was to review accuracy of the identification of related parties of the Company as well as the nature of the relationship between the Company and these related parties, the type and scope of the transactions performed between these parties, recoverability of balances, and controls in order to identify and disclose the intra-group relations.

Attention was requested to assess the business reasoning (or its absence) within the transactions, the transaction terms and whether the transactions are performed on terms equivalent to the market ones, whether the transactions were appropriately booked and disclosed in accordance with the applicable financial reporting framework and whether the transactions were appropriately authorized and approved.

3.h Main risk and vulnerabilities of the insurance sector

The IERs were required that, based on the performed procedures, to conclude in each case, based on their best knowledge of the Bulgarian market and of the international practices, which key risks each Company faces and how some of them may affect the entire insurance sector or financial market.

Such analysis required identification of root causes for the main findings, that could be the result of existing local legislation, market practices or constraints (for example: liquidity, concentration, pricing, risks specific to certain lines of business or related to national regulations and international regulations) or any other causes.Special focus was required in the areas of assets valuation, related parties transactions, technical provisions, re-insurance practices.

4. Quality Assurance

The achievement of standardized quality requirements of the IBSR exercise required an integrated approach. Quality assurance and progress tracking were two complementary processes with a joint goal to ensure accurate and timely delivery of the Project results in a standardized manner across all the parties involved.

During the IBSR exercise, the PMO in coordination with the SC focused particular attention on the following quality issues:

- Monitoring and evaluation system;
- Definition of a quality plan;
- Mobilization of highly qualified staff from the Consortium;
- Communication and coordination;
- Evaluation and reports.

Monitoring and evaluation system

During the IBSR exercise, the PMO shared with the FSC and the Steering Committee frequent updates on the overview and monitoring of the project progress against work plan.

The monitoring and evaluation system was a management tool ensuring in particular efficient management of activities. The monitoring and evaluation system contributed to:

- Monitoring the project management cycle so project goals are met; (e.g progress reports submitted by IERs to inform the SCand PMO about the status of their work, as a result the SC and PMO could support IERs timely by providing feedback comments)
- Transparency and responsibility in implementing the project;
- Integration of the information collected as the project was implemented

The monitoring and evaluation system made it possible to improve performance of activities:

- Through increased awareness of the problems of stakeholders;
- By identifying good practices

It ensured a rapid and tailor-made response with:

- Activity results and deliverables (e.g. the SC and PMO provided clarifications to any questions that arose by the IERs, using the Q&A tool);
- Tailor-made solutions adapted to the needs of the different participants in the project (e.g detailed guidance provided in approaching group related procedures, impairment of insurance receivables, technical provisions related aspects, own funds).

The above was achieved through the following commitments:

- Presence of experienced staff to evaluate the quality of implementation;
- Providing a clear view of project execution by emphasizing both its strong points and its weak points.

Definition of a quality assurance plan

The quality assurance plan focused on processes, by identifying the levels and stages relevant to project implementation. This made it possible to intervene in each process, if necessary, to guarantee its quality.

The quality assurance plan included the following stages, which were intended to ensure top quality both in the administrative implementation of the project (preparatory work, reports, information and communications) and in carrying out project activities (experts, working tools, etc.):

- Definition of the phases in activity implementation (standard timeline communicated to the IERs from the starting date of the project setting the deadlines of the deliverables);
- Definition of norms and standards (specific guidance provided regardingSII framework and IFRS 13 in methodology);
- Discussion and integration of results for immediate and long-term corrective steps for meeting the preset deadlines in case of unforeseen circumstances, through:
    - Timely identification of unforeseen events and circumstances (e.g. inconsistencies identified among the IERs and discussed in SC meetings)
    - Understanding and quantification of impact on specific cases and consideration of global impact, if any, on all companies under review (e.g. quantification of the impact of the inconsistencies in the PMO report)
    - Early communication with all stakeholders of the Projectto reach decisions on Ad-hoc basis.

Communication and coordination

Regular conference calls were arranged both with IERs and SC for timely resolution of issues. Key experts also participated to SC meetings, as considered necessary.

Evaluation and reports

Each report was subject to quality control to check its content, language and form (consistency checks performed among all final reports and feedback comments provided to the IERs how to proceed with the pending topics by providing guidance).

The PMO and the SC ensured that there is consistency in the application of the methodology by all reviewers through:

- Reviewing the Blueprints and progress reports and providing feedback
- Reviewing the progress and final reports and providing feedback
- Performing consistency checks
- Assessing significance of issues reported by the IERs and the remedial actions proposed
- Delivering answers through the Q&A tool

The SC discussed the interim results during the monthly meetings and conference calls. In addition, several meetings and conference calls were organized between the SC, PMO and the IERs with a view to address concerns, questions, limitations and proposed alternative approaches.

The scope of the PMO did not however, include the review of the IERs’ working papers.

The IERs were expected to design quality assurance and control procedures to ensure that the intended results are achieved to the satisfaction of the FSC and SC.

The ultimate goal was a harmonized application of the Methodology to achieve to the greater extent a similar treatment of participating companies by the respective IERs. IERs were asked to comply with the procedures and guidelines established in the Methodology; in case of deviations, these issues were addressed and discussed by the PMO, with the involvement of the SC.

5. Adjusted Balance Sheets and Capital requirements

The basis for these results is the final reports of the IERs, subject to consistency checks of PMO, which are summarized in a separate section below.

Assets

On assets side, the total downward adjustment of BGN 347m for Non-Life Companies (,including BGN 343m for Companies applying SII and BGN 4m for companies applying SI) refers mainly to 6 Companies.

For Life Companies, the total downward adjustment of BGN 63m (including BGN 62m for Companies applying SII and BGN 1m for companies applying SI) refers mainly to 3 Companies.

Main adjustments proposed by the IERs are in the following areas:

- Future premiums
  De-recognition under SII of insurance receivables not due, as they are already deducted from technical provisions best estimates (as future premiums), with a related impact in reinsurance receivables and payables– the issue affected several Companies
- Valuation of loans to policyholders booked at principal plus accrued interest
  The IER recalculated the asset value with a prospective view, timing the asset cash-flows at each insurance event (death or survival) and additionally capped them at the corresponding liability cash-flow due to insufficient evidence that the Company has been able to collect loans in excess of the policy values, against which they are secured
- Valuation of property
  Both positive and negative adjustments were generated (generally in case when property was kept at cost and not at market value as required by SII framework or downward adjustments following the review performed by the IERs experts).
- Valuation of holdings
  Differences were due to holdings assets and/or liabilities not being at market value as required by SII framework, assumptions used in valuation being challenged by IERs.
- Valuation of financial instruments
  In several cases, the Companies used prices as communicated by the Pension Fund Association (BADDPO). In accordance with the Methodology, the IERs were requested to obtain the evidence from external sources for the valuation. Due to different sources of quotation, assumptions or valuation approach used by both Companies and/or IERs - please see more details in section 6 Consistency procedures
  - Valuation of government bonds - impacted most of the Companiesresulting in increase or in decrease of the assets; Listed equities
  - Corporate bonds
  - Collateralized securities
- Impairment of insurance receivables
  Impacted most of the Companies, generally due to a lack of a relevant accounting policy that would allow an impairment assessment that takes into consideration aspects such contamination principle, subsequent collections, historical collections, cancellations)
- Treatment of clean-cut Quota Share re-insurance treaties– please see more details in section 6 Consistency procedures.

The IERs assessment on the valuations performed by the Companies was largely based on their professional judgment, availability of sufficient information to allow them to make a conclusion, and their valuation experts' assistance, consequently involving review of significant estimates and decisions regarding existing conditions and circumstances.

In several cases IERs concluded that no or insignificant change in fair value is required as at 30 June 2016 as compared to the values recorded by Companies. Examples include, without being limited to:

- valuation of corporate bonds subject to restructurings
- receivables from corporate bonds that defaulted
- listed collateralized securities acquired by the Company and secured under a swap transaction by low quality receivables transferred from the same Company
- valuation of listed equities in less active markets and/or subject to limited information regarding potential related parties transactions
- valuation of insurance receivables for which risks expired and for which several rescheduling of maturities have been performed
- subsequent sales of assets with potential impairment indicators at a value close or higher than the amount recorded by the Company
- unlisted equities valuation

Liabilities

Adjustments on liability side referred mainly to technical provisions.

On the Non-life entities'technical provisions (TPs), the total adjustments performed resulted in a downward adjustment of technical provisions to the amount of BGN 209m. These adjustments refer mainly to6 companies. The cases of substantial under-estimation of technical provisions were limited to several entities with a joint contribution of 1.9% in the adjusted technical provisions of the non-life sector. The aggregate amount of the proposed by the IERs upward adjustments are BGN 44 million, while the aggregate amount of the proposed by the IERs downward adjustments are BGN 253m

Non-Life Adjustments

Main adjustments proposed by the IERs on Non-Life companies are in the following areas:

- Premium Provision - Assumptions
  The use of different assumptions in the calculation of premium provision. The IER's proposed different ultimate loss ratios, administrative expense ratios, etc. based on the re-estimated results
- Future premiums
  Several companies did not correctly include the future premiums in the calculation of premium provision
- Discounting
  The IERs identified a variety of issues with regards to discounting.
- IBNR Recalculation
  For the bulk of the companies, the IER performed Independent recalculation of the reserves leading to changes in the amount of IBNR. The issues identified are that either no triangulation methods have been used due to data limitations, or an independent recalculation has been performed based on different assumptions by the IER. Another issue is the inclusion of recourses by the IER and the write-off of SI specific reserves (such as equalization reserve, reserve for uncovered risk, etc.)

- ULAE Recalculation
  The IERs identified that several companies do not establish reserves for ULAE and performed calculation where appropriate.
- Input Data – Claims provision & Premium Provision
  Several IT system limitations or data input deficiencies led to corrections on reserves (RBNS, UPR, URR, Other reserves) impacting both the claims and premiums provision. The sampling tests performed by the IER revealed cases of technical mistakes in the RBNS database or reconciliation issues between the system's amount and the accounting data affecting the claims and premiums provision.
  The adjustments in UPR (in many cases, net of DAC amount was used by the company) and the re-calculation of IBNR are the most common cases that impact the premium provision.
- Risk Margin (RM)
  The RM was impacted mostly by the adjustments performed on SCR/MCRand Best Estimate Liabilities (BEL). Further to this, a number of companies have performed RM based on inaccurate calculation method (use of wrong discounting curve, inaccurate data inputs) or have not performed calculation at all.
- Reclassification
  With regards to reclassification, the IER identified that for one undertakings, part of Life portfolio should be reclassified to Health NSLT. The total impact of this movement was zero in BEL, however, it affected the SCR.

For Life companies, the total downward adjustment of BGN 22mrefers mainly to 4 companies.

The main areas that have been affected by adjustments are summarized below.

Life Adjustments

Main adjustments proposed by the IERs on Life companies are in the following areas:

- Actuarial modeling
  The main contribution in the total adjustment on the actuarial modeling, comes from one company due to the recalculation of the whole portfolio on behalf of the IER. The adjustment refers to discounting, mortality payouts and paid up conversion rates, however a detailed split of the adjustment is not available.
- Reclassifications
  The adjustments due to reclassifications are attributed to inaccurate segmentation of products, amounts incorrectly classified as payables, recognition of receivables and payables not due under BEL, as well as to impairment of insurance receivables.
- Assumptions
  - Mortality/Morbidity
    This adjustment refers solely to one undertaking, since the loss rates for the risk business portfolio of the Company were not in line with the actual experience.
  - Inflation
    The actuarial model assumed zero inflation as best estimate assumption for long term and short term portfolio. This is true for the short term, but over the long term, the inflation assumption has been adjusted to converge to the target inflation rate of Bulgaria.
  - Lapse rates
    An adjustment for lapse rates has been performed by the IER due to deviations between actual experience and lapse rates used in the model.
  - Commissions/Expenses

This adjustment refers mainly to outdated/inaccurate assumptions for commissions and expenses

- Cancelled or omitted part of portfolio
  This adjustment refers mainly to inappropriate inclusion of cancelled policies and missing policies
- Input Data
  - Claims Provision
    This adjustment comes from the use of non-appropriate loss ratio in the calculation of claims provision and no use of discounting. It also refers to differences identified in the amount of RBNS reserve between the database and the claim documentation and to the non-inclusion of ULAE reserve and administration expenses.
  - Premium Provision
    This adjustment refers solely to one company due to an increase of premium reserve affecting short term products due to financial costs and administrative costs.
- Risk Margin (RM)
  This adjustment refers to inappropriate methodology used for the RM calculation as well as to the adjustment comes from BEL which also impacts RM.

Capital Requirements Compliance

Non-Life and Life Companies (excluding Groups and Sub-Groups)

On 30 June 2016, the aggregated SCR ratio was 154% and the aggregated MCR ratio was 308%, the total aggregate minimum capital requirement was BGN 587 million with eligible own funds to cover it at BGN 1,809m, and the total aggregate solvency capital requirement was BGN 1,194m with eligible own funds to cover it at BGN 1,837m. The total deficit of eligible own funds to cover MCR, for those insurers that are reported at a deficit, amounts to the total of BGN 26.4 million and is spread among 10 companies - SIVZK, Life Insurance Institute, Health Insurance Institute, DallBogg, CCB Life,Euroins Life, Euroins Health, EIG Re, Bulgaria Insurance, Armeec.Theaggregate deficit of eligible own funds to cover SCR, for those insurers that are reported at a deficit, amounts to BGN 100 million prior to the consistency checks and is reported for 12 companies - Armeec, Bulgaria Insurance, Bul Ins, Euroins Health, Euroins Insurance Plc, EIG Re,Dallbogg, Health Insurance Institute, CCB Life, Euroins Life, Life Insurance Institute, SIVZK. After the consistency checks, the total deficit of eligible own funds to cover SCR, for those insurer that are reported at a deficit, amounts to BGN 50million.

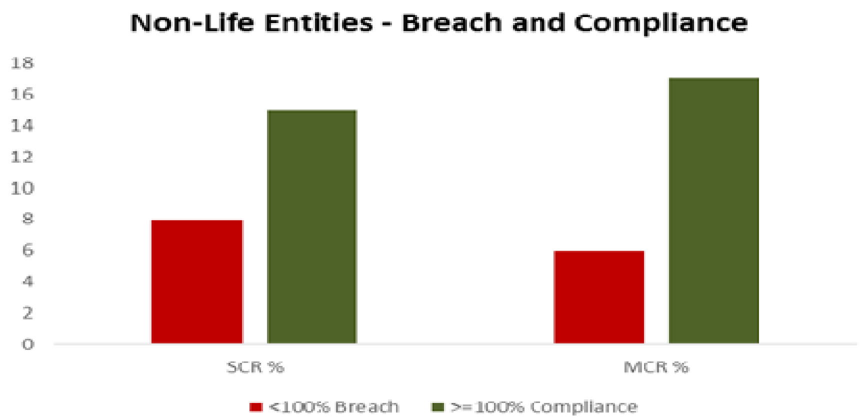
As described in section 12 Subsequent events, the following undertakings undertook subsequent measures which result in a coverage of the capital deficit: Armeec Insurance, Bulgaria Insurance AD, Euroins Health Assurance LLC, Insurance Company EIG RE AD, Life Insurance Company Saglasie EAD, Insurance Company Dallbogg: Life and Health INC, CCB Life.

Main adjustments on Capital Requirements (SCR/MCR)

Regarding the calculation of SCR and MCR, the bulk of adjustments performed are due to the SII BS adjustments (in both Assets and Liabilities side) as described above. Further to this, several data issues were identified, mostly in the Market Risk calculation (asset and liabilities shocked under these specific risk sub-modules).

Non - Life and Reinsurance Companies

The participating Non – Life and Reinsurance companies that fall under the SII framework amount to 23.

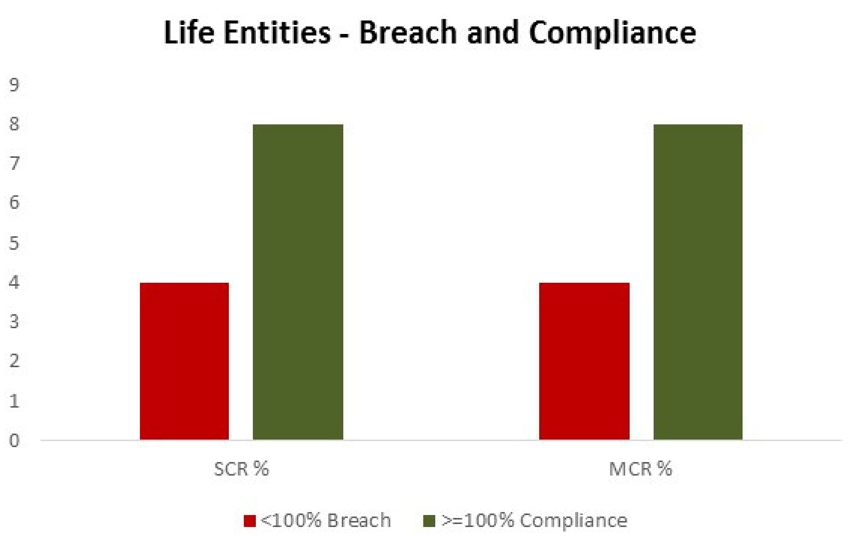


Graph 6 – Non Life and reinsurance companies in compliance or breach of SII prudential ratios (source R7)

At individual level, 6 out of 23 companies do not meet the Minimum Capital Requirements and 8 do not meet the Solvency Capital Requirement. The total deficit of eligible own funds to meet the MCR in the non-life sector amounts to a total of BGN 6m. The total deficit of eligible own funds to meet the SCR in the non-life sector amounts to a total of BGN 80m,representing a ratio of -7.5% of the aggregated SCR capital requirements for Non-Life companies. Based on consistency checked values, the total deficit of eligible own funds to meet the SCR in the non-life sector amounts to a total of BGN 34.7m.

Life Companies

The participating Life companies that fall under SII framework amount to 12. One out of those has negative Own Funds.



Graph 8 –Life Companies in compliance or breach of SII prudential ratios (source R7)

At individual level, 4 out of 12 companies do not meet the Minimum Capital Requirementsand 4 do not meet the Solvency Capital Requirement.

The total deficit of eligible own funds to meet the MCR in the life sector amounts to a total of BGN 20m. The total deficit of eligible own funds to meet the SCR in the life sector amounts to a total of BGN 19.9m, representing a ratio of -15.1% of the aggregated SCR capital requirements for Life companies.Based on consistency checked values, the total deficit of eligible own funds to meet the SCR in the life sector amounts to a total of BGN 18.4m.

No	Name of the undertaking	Own Funds Excess of assets over liabilities	Total OF	Eligible OF to meet the SCR	Eligible OF to meet the MCR	Capital requirements SCR	MCR	Surplus/Shortfall SCR coverage	MCR coverage	SCR ratio	MCR ratio	SCR coverage when SCR<MCR ***	SCR ratio ***	Own funds eligible to meet MCR - corect classification DTA ***	MCR ratio ***
1	Armeec Insurance JSC*	23,675	23,675	23,675	23,675	76,362	24,709	(52,687)	(1,034)	31%	96%	(52,687)	31%	23,675	96%
2	Bulgaria Insurance AD*	4,190	4,190	4,190	4,190	4,481	5,000	(291)	(810)	94%	84%	(810)	84%	4,091	82%
3	Bulgarian Export Insurance Agency \BAEZ*	17,198	16,256	16,252	16,252	6,929	7,400	9,323	8,852	235%	220%	8,852	220%	16,252	220%
4	Bulstrad Vienna Insurance Group*	65,558	71,817	71,817	69,168	53,455	18,049	18,362	51,118	134%	383%	18,362	134%	69,168	383%
5	Bul Ins*	35,218	35,218	35,218	35,218	39,859	10,532	(4,641)	24,686	88%	334%	(4,641)	88%	35,164	334%
6	DZI - General Insurance*	96,727	96,727	96,727	96,727	63,359	26,070	33,368	70,657	153%	371%	33,368	153%	96,727	371%
7	Euroins - Health Assurance LLC(*)(**)	3,692	3,692	4,527	3,692	1,669	5,000	2,858	(1,308)	271%	74%	(473)	91%	3,692	74%
8	Euroins Insurance PLC*	12,467	20,167	20,167	13,446	32,371	13,185	(12,205)	261	62%	102%	(12,205)	62%	13,446	102%
9	Generali Insurance AD	74,966	74,966	74,966	74,966	57,604	22,261	17,362	52,705	130%	337%	17,362	130%	74,966	337%
10	Insurance Company "Asset Insurance" AD (***)	8,003	8,003	8,003	7,595	6,413	7,400	1,590	195	125%	103%	603	108%	7,595	103%
11	Insurance Company EIG RE AD	6,910	6,910	6,910	6,833	3,661	7,400	3,249	(567)	189%	92%	(490)	93%	6,833	92%
12	Insurance Company Dallbog: Life and Health INC*	5,567	5,567	5,567	5,567	13,818	7,400	(8,251)	(1,833)	40%	75%	(8,251)	40%	4,747	64%
13	Groupama Zastrahovane EAD*	8,620	8,620	8,620	8,529	7,678	7,400	942	1,129	112%	115%	942	112%	8,529	115%
14	Health Insurance Institute JSC	4,476	-	4,476	4,449	1,015	5,000	3,461	(551)	441%	89%	(524)	90%	4,449	89%
15	Insurance Company "OZOK INS" AD	5,934	5,934	5,934	5,934	1,220	5,000	4,714	934	487%	119%	934	119%	5,934	119%
16	JSIC OZK - Insurance JSC	18,820	18,820	18,820	18,820	18,368	7,400	452	11,420	102%	254%	452	102%	18,820	254%
17	Lev Ins*	53,693	53,693	53,693	51,651	52,316	20,006	1,377	31,645	103%	258%	1,377	103%	53,693	268%
18	Saglasie Insurance JSC*	7,538	7,538	7,538	7,501	5,287	7,400	2,251	101	143%	101%	138	102%	7,501	101%
19	Insurance Company Nova Ins EAD*	7,186	6,605	6,605	6,605	4,546	5,000	2,059	1,605	145%	132%	1,605	132%	6,605	132%
20	Uniqa Insurance	18,042	32,934	32,934	22,671	24,181	7,400	8,753	15,271	136%	306%	8,753	136%	22,671	306%
21	ZAD Allianz Bulgaria*	58,415	58,415	58,415	58,415	50,113	20,584	8,302	37,831	117%	284%	8,302	117%	58,415	284%
22	ZAD Energy*	43,112	32,466	32,466	32,466	13,944	7,400	18,522	25,066	233%	439%	18,522	233%	32,466	439%
23	GP Reinsurance	1,036,300	932,900	932,900	932,900	524,000	212,600	408,900	720,300	178%	439%	408,900	178%	932,900	439%
	Total after adjustments	**1,616,305**	**1,525,111**	**1,530,418**	**1,507,269**	**1,062,647**	**459,596**	**467,771**	**1,047,673**	**144%**	**328%**	**448,391**	**144%**	**1,508,337**	**328%**
	Total before adjustments	**1,704,248**	**1,612,800**	**1,617,372**	**1,597,849**	**1,041,364**	**451,852**	**576,009**	**1,145,998**	**155%**	**354%**	**576,009**	**155%**	**1,597,849**	**354%**
	IBSR impact	**(87,943)**	**(87,689)**	**(86,954)**	**(90,581)**	**21,284**	**7,744**	**(108,239)**	**(98,325)**	**-11%**	**-26%**	**(127,619)**	**11%**		

(‘000 BGN)

Table 1 – SCR and MCR coverage by Non-life companies (BNG thousands) sourceR7 and QRTs

* Companies for which solvency position has chanced following the consistency checks. The most significant are summarized below:
- Armeec Insurance JSC – After the consistency checks performed by the PMO the solvency position is the following:SCR ratio: 93%; MCR ratio: 288%
- DZI – General Insurance - After the consistency checks performed by the PMO the solvency position is the following: SCR ratio: 157%; MCR ratio: 383%
- Euroins - Health Assurance LLC- After the consistency checks performed by the PMO the solvency position is the following: SCR ratio: 96%; MCR ratio: 79%
- Insurance Company Dallbog: Life and Health INC: After the consistency checks performed by the PMO the solvency position is the following: SCR ratio: 41%; MCR ratio: 54%
- Lev Ins - After the consistency checks performed by the PMO the solvency position is the following: SCR ratio: 103%; MCR ratio: 272%
- ZAD Energy: After the consistency checks performed by the PMO the solvency position is the following: SCR ratio: 234%; MCR ratio: 442%

**Euroins - Health Assurance LLC – own funds do not include amounts due in respect of own fund items or initial fund called up but not yet paid of BGN 1m collected in September 2016 (considering these amounts, SCR would be 271%, MCE 94%). IER believe that it is a supervisory issue of concluding on this and accordingly presented the Solvency depending on the two situations.

***Insurance Company "Asset Insurance" AD- own funds include called up funds of BGN 1,5m collected in December 2016

****SCR coverage and SCR ratio have been recomputed for cases where SCR is lower than MCR, thus capital requirement being equal to MCR; SCR and MCR remained the same when SCR>MCR; Also MCR has been recomputed for cases when deferred tax was classified in a different Tier

		Own Funds				Capital requirements		Surplus/Shortfall							
No	Name of the undertaking	Excess of assets over liabilities	Total OF	Eligible OF to meet the SCR	Eligible OF to meet the MCR	SCR	MCR	SCR coverage	MCR coverage	SCR ratio	MCR ratio	SCR when SCR<MCR	SCR ratio	Own funds eligible to meet MCR - corect classification DTA	MCR ratio
1	Allianz Bulgaria Life*	35,597	35,597	35,597	34,193	26,134	11,788	9,463	22,405	136%	290%	9,463	136%	34,193	290%
2	Bulstrad Life Vienna Insurance Group Joint Stock Company*	21,339	20,125	20,125	20,125	13,866	12,400	6,259	7,725	145%	162%	6,259	145%	20,125	162%
3	CCB Life*	5,959	5,959	5,959	5,909	3,595	7,400	2,364	(1,491)	166%	80%	(1,441)	81%	5,909	80%
4	DZI - Life Insurance JSC*	164,427	145,077	145,077	142,920	36,764	12,126	108,313	130,794	395%	1179%	108,313	395%	142,920	1179%
5	Grawe Bulgaria Jivotozastrahovane*	18,355	18,355	18,355	18,355	14,005	7,400	4,350	10,955	131%	248%	4,350	131%	17,270	233%
6	Groupama Zhivotozastrahovane EAD*	17,034	17,034	17,034	16,964	4,643	12,400	12,391	4,564	367%	137%	4,634	137%	16,964	137%
7	Insurance Company Euroins Life	6,196	6,196	6,196	6,112	3,241	7,400	2,955	(1,288)	191%	83%	(1,204)	84%	6,112	83%
8	Life Insurance Institute	5,167	-	5,167	4,871	1,310	12,400	3,857	(7,529)	394%	39%	(7,233)	42%	4,871	39%
9	Sogelife Bulgaria IJSC	14,011	14,011	14,011	13,973	4,728	12,400	9,283	1,573	296%	113%	1,611	113%	13,973	113%
10	UBB-Metlife Zhivotozastrahovatelno Drujestvo AD*	26,045	26,045	26,045	26,045	10,810	12,124	15,235	13,921	241%	215%	13,921	215%	25,534	211%
11	Uniqa Life Insurance*	16,109	16,109	16,109	15,293	9,904	12,400	6,205	2,893	163%	123%	3,709	130%	15,293	123%
12	SiVZK	(2,742)	(2,742)	(2,742)	(2,742)	2,692	7,237	(9,979)	(9,979)	-38%	-38%	(9,979)	-38%	(2,742)	-38%
	Total after adjustments	**327,498**	**301,767**	**306,934**	**302,018**	**131,693**	**127,475**	**170,696**	**174,543**	**233%**	**237%**	**132,403**	**233%**	**300,422**	**236%**
	Total before adjustments	**367,586**	**339,172**	**347,022**	**343,368**	**133,423**	**127,475**	**213,599**	**215,893**	**260%**	**269%**	**213,599**	**260%**	**343,368**	**269%**
	IBSR impact	**(40,089)**	**(37,406)**	**(40,089)**	**(41,350)**	**(1,730)**	**-**	**(42,904)**	**(41,350)**	**-27%**	**-32%**				

('000 BGN)

Table 2 – SCR and MCR coverage by Life companies (BNG thousands) (Source R7 and QRTs)

* Companies for which solvency position has chanced following the consistency checks. The most significant are summarized below:
-Allianz Bulgaria Life - After the consistency checks performed by the PMO the solvency position of CCB Life is the following: SCR ratio: 144%; MCR ratio:307%
- Bulstrad Life Vienna Insurance Group Joint Stock Company: After the consistency checks performed by the PMO the solvency position of CCB Life is the following: SCR ratio: 148%; MCR ratio:165%
- CCB Life- After the consistency checks performed by the PMO the solvency position of CCB Life is the following: SCR ratio: 107%; MCR ratio:106%
- DZI - Life Insurance JSC: After the consistency checks performed by the PMO the solvency position of CCB Life is the following: SCR ratio: 399%; MCR ratio:1191%
- Grawe Bulgaria Jivotozastrahovane: After the consistency checks performed by the PMO the solvency position of CCB Life is the following: SCR ratio: 141%; MCR ratio:237%
- UBB-Metlife Zhivotozastrahovatelno Drujestvo AD: After the consistency checks performed by the PMO the solvency position of CCB Life is the following: SCR ratio: 217%; MCR ratio:208%

**SCR coverage and SCR ratio have been recomputed for cases where SCR is lower than MCR, thus capital requirement being equal to MCR; SCR and MCR remained the same when SCR>MCR; Also MCR has been recomputed for cases when deferred tax was classified in a different Tier

No	Name of the undertaking	Excess of assets over liabilities	Total OF	Eligible OF to meet the SCR	Eligible OF to meet the MCR	SCR	MCR	SCR coverage	MCR coverage	SCR ratio	MCR ratio	SCR coverage when SCR<MCR	SCR ratio	Own funds eligible to meet MCR - correct classification DTA	MCR ratio
			Own Funds			Capital requirements		Surplus/Shortfall							
1	Armeec Insurance Group	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	N/A	N/A	N/A	N/A
2	Euroins Insurance Group	38,378	61,936	56,192	25,117	125,622	56,634	(69,430)	(31,517)	45%	44%	(69,430)	44,73%	25,117	44,35%
3	Eurohold Bulgaria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	N/A	N/A	N/A	N/A
4	Lev Ins Group*	57,025	57,025	57,025	54,659	52,488	37,563	4,536	17,096	109%	146%	4,536	109%	54,659	146%
5	OZK Group	20,835	20,835	20,835	20,835	18,510	12,400	2,325	8,435	113%	168%	2,325	113%	20,835	168%
6	Bulstrad SubGroup*	65,993	71,807	71,807	70,618	59,665	23,125	12,142	47,493	120%	305%	12,142	120%	70,173	303%
7	DZI Life Insurance SubGroup	164,427	145,077	145,077	144,580	75,255	30,565	69,822	114,015	193%	473%	69,822	193%	144,580	473%
8	Uniqa Insurance Sub Group*	18,009	32,892	32,791	21,778	26,141	19,800	6,650	1,978	125%	110%	6,650	125%	21,778	110%
	Total after adjustments	**364,667**	**389,572**	**383,727**	**337,587**	**357,681**	**180,088**	**26,045**	**157,499**	**107%**	**187%**	**26,045**	**107%**	**337,142**	**187%**
	Total before adjustments	**360,578**	**480,532**	**480,431**	**443,890**	**224,897**	**113,485**	**134,334**	**242,178**	**214%**	**391%**	**134,334**	**214%**	**443,890**	**391%**
	IBSR impact	**4,089**	**(90,960)**	**(96,704)**	**(106,303)**	**132,784**	**66,603**	**(108,289)**	**(84,679)**	**-106%**	**-204%**			**(106,748)**	

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Table 3 – SCR and MCR coverage by Group/Subgroup (BNG thousands) Source R7 and QRTs

* Groups and Subgroups for which solvency position has chanced following the consistency checks. The most significant are summarized below:

-DZI Life Insurance SubGroup- After the consistency checks performed by the PMO the solvency position of DZI Life is the following: SCR ratio: 199%; MCR ratio:488%

**N/A – Not available - Armeec Insurance Group figures were not provided due to limitations faced by the IER in reviewing the SII BS and QRTs of the Group. The IER noted that they were obstructed in performing the Methodological procedures related to the subsidiary Armeec Itil by the fact that they were not provided access to the requested data and information related to the subsidiary. The undertaking has disputed the statement of the IER.

** N/A - Not available-Eurohold report was not provided. The IER noted that the management of Eurohold Bulgaria has presented its position that there are no legal grounds that Eurohold to be subject to the requirements of Solvency II as an insurance group

*** SCR coverage and SCR ratio have been recomputed for cases where SCR is lower than MCR, thus capital requirement being equal to MCR; SCR and MCR remained the same when SCR>MCR; Also MCR has been recomputed for cases when deferred tax was classified in a different Tier

Special cases - results

The following companies do not meet SCR and MCR ratio of 100% as at 30.06.2016 following the adjustments proposed by the IER, and were required to provide an Adjusted SI Balance Sheet and a Solvency margin as at 31.12.2015 unless the solvency margin is already negative in the year end. One group is also in this category.
The basis for these results is the final reports of the IERs taking into consideration cases when SCR is less than MCR and before consistency checks of PMO.

		Type	S1/S2	30 June 2016		Shortfall		31 Dec2015 Required Solvency margin
No	Name of the undertaking			SCR ratio	MCR ratio	SCR shortfall	MCR shortfall	
1	Armeec Insurance JSC	Non life	S2	31%	96%	(52,687)	(1,034)	<100%
2	Bulgaria Insurance AD	Non life	S2	84%	82%	(810)	(909)	>100%
3	Bul Ins	Non life	S2	88%	334%	(4,641)	n/a	>100%
4	Euroins - Health Assurance LLC	Non life	S2	91%	74%	(473)	(1,308)	>100%
5	Euroins Insurance PLC	Non life	S2	62%	102%	(12,205)	n/a	>100%
6	Insurance Company EIG RE AD	Non life	S2	93%	92%	(490)	(567)	>100%
7	Insurance Company Dallbog: Life and Health INC	Non life	S2	40%	64%	(8,251)	(2,633)	>100%
8	Health Insurance Institute JSC	Non life	S2	90%	89%	(524)	(551)	>100%
9	SiVZK	Life	S2	-38%	-38%	(9,979)	(9,979)	>100%
10	CCB Life	Life	S2	81%	80%	(1,441)	(1,491)	>100%
11	Insurance Company Euroins Life	Life	S2	84%	83%	(1,204)	(1,288)	>100%
12	Life Insurance Institute	Life	S2	42%	39%	(7,233)	(7,529)	>100%
13	Euroins Insurance Group	Group	S2	45%	44%	(69,430)	(31,517)	>100%

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Table 4 – Prudential ratios as at 31.12.2015 for companies that do not meet SCR and MCR ratio of 100% as at 30.06.2016 (Source R7, QRTs, R6)

n/a- not applicable

*** SCR coverage and SCR ratio have been recomputed for cases where SCR is lower than MCR, thus capital requirement being equal to MCR; SCR and MCR remained the same when SCR>MCR; Also MCR has been recomputed for cases when deferred tax was classified in a different Tier

Please refer to section 6 Consistency Procedures for the recomputed SCR and MCR for the companies impacted by the results of the consistency procedures.

The SC decided to enforce the results post IBSR considering the consistency assessment made by the PMO. Both Solvency II and IFRS are principle-based standards and involve the use of judgment. Having this in mind the PMO made an assessment of the situations where economic reality of similar transactions and events was not understood in a similar way by the different IERs.

The following companies fall under the scope of article 4 of the SII Directive (i.e. exempt from the scope of SII) and apply Solvency I in regards to the calculation of solvency margin and to holding eligible assets to cover technical provisions being however requested for the purpose of this exercise to fully apply SII requirements regarding system of governance, information systems and quality of data, prudent person principle, as well as frequency of reporting.

		Before adjustments				After adjustments			
No	Name of the Company	Own funds	Required Solvency margin	Minimum Guarantee Fund	% Solvency ratio	Own funds	Required Solvency margin	Minimum Guarantee Fund	% Solvency ratio
1	EZOK (ZAD European Health Insurance Fund)	5,316	256	5,000	106%	5,321	256	5,000	106%
2	FI Health Insurance AD	4,856	547	4,600	106%	4,662	547	4,600	101%
3	Insurance Company “Nadejda”	7,493	448	4,600	163%	2,258	448	4,600	49%
4	Insurance Company Medico - 21 JSC	5,925	627	4,600	129%	5,658	627	4,600	123%
5	Tokuda Health Insurance	5,122	582	4,600	111%	4,902	582	4,600	107%
6	United Health Insurance Fund Doverie Insurance AD	9,508	1,689	4,600	207%	9,055	1,689	4,600	197%
7	Life Insurance Company Saglasie EAD	7,050	685	11,600	61%	6,078	726	11,600	52%
	Total	**45,270**	**4,835**	**39,600**	**114%**	**37,934**	**4,876**	**39,600**	**96%**
	IBSR Impact	**(7,337)**	**41**	**-**	**-19%**				

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Table 5 – Prudential ratios as at 31.12.2015 for companies exempted from SII as at 30.06.2016 (source R7, R6)

6. Consistency procedures

Consistency checks were performed between IERs and companies and also with the PFAR stream as regards, without being limited to, valuation of financial instruments, impairment of receivables, technical provisions assessment, areas that were affected by significant adjustments.

The two main areas of inconsistencies identified refer to valuation methods of equities and bonds (where differences were mainly the result of different assessment of active versus inactive markets and source of information and assumptions considered for valuation) and treatment of clean-cut Quota Share re-insurance treaties.

Starting from the information submitted by the IERs and restricted to the instruments selected by the IERs for review, in accordance with methodology, the PMO assessed the potential impact on excess of assets over liabilities of common instruments valuation differences for cases where the difference was above 2% (equities and government bonds) and 10% for corporate bonds.

According to the Article 10 of the DA, the default valuation method to be applied by the Company is valuation of assets and liabilities using quoted market prices in active markets for the same assets or liabilities. In cases when the use of quoted market prices in active markets is not possible, the Company will perform valuation of assets and liabilities using quoted market prices in active markets for similar assets and liabilities with adjustments to reflect the differences considering the factors specific to the asset or liability (as outlined in the DA). The use of quoted market prices is based on the criteria for active markets, as defined in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002.

For the situations when the criteria for the active market is not met, the Company have to perform valuation using alternative valuation methods, unless outlined specifically in the DA.

The DA prescribes also the use of observable and unobservable inputs and required adjustments. The Company was required to make maximum use of the market inputs and to rely as little as possible on specific inputs. Adjustments need to be made to reflect the specific factors and inherent risk in the specific valuation technique. In application of this paragraph, clarifications were also issued to the Methodology to require compliance with article B44 from IFRS 13.

Valuation should be performed by the (re)insurance companies and reviewed by the external independent IER (using licensed appraisers as appropriate). Such valuations shall be based on application of International Valuation Standards, International Financial Reporting Standards, DA guidance and if, more conservative, the locally established best practices, the selection of the most appropriate method/technique being at the discretion of the appraiser and requiring exercise of expert judgment. It was the responsibility of the external independent IER to ensure that the assumptions and the techniques used in the valuation are adequate and accurate.

As a consequence of the significant level of expert judgement required in this assessment, inherent differences resulted between valuation for similar instruments between different IERs and companies (due to different assessment of active versus inactive markets, sources of information used or different quotations as allowed by IFRS, different alternative valuation approaches or assumptions, subsequent sales of portfolios).

Three IERs assessed the market as being inactive for specific instruments listed on Bulgarian Stock Exchange, 2 of them therefore applying adjustments based on other methods for valuation, different from the quotation on the respective market. The other IERs have assessed the market active and used the transaction prices for the same instruments from the Bulgarian Stock Exchange.

The FSC will enforce adjustments based only on consistent approaches across the different reviewers (ie: the maximum from the values used by the IERs for one equity or bond).

With respect to clean-cut Quota Share re-insurance treaties, two IERs assessed that certain companies did not consider the effects from the contract based on future cash flows, so that the current accounting for such contracts has a significant positive impact on the own funds and solvency position. One of the IERs proposed significant adjustments for this matter on 1 company, while the other IER described the issue for 2 companies without proposing adjustments (based on the flexibility of IFRS 4 requirements in the view of the respective IER).

Furthermore, as Quota Share clean-cut reinsurance treaties are a complex instrument which is used across the EU, EIOPA has already initiated a technical discussion on the treatment of clean-cut quota shares treaties in the Solvency II framework within its expert network comprising representatives of the National Supervisory Authorities (NSAs). Afterwards the Board of Supervisors (BoS) of EIOPA is expected to take a decision on their treatment in order to establish convergence of the treatment of such contracts across the EU. The FSC will only apply enforcement measures in case the BoS decision is not in favor of the current treatment. Therefore the PMO did not perform a detailed consistency check on the accounting for similar re-insurance treaties (if any) by the other insurance companies included in IBSR exercise.

Therefore, SCR and MCR coverage ratios were re-computed using the adjusted excess of assets over liabilities (by considering the potential impact) and the capital requirements as reported by the IER (thus not representing a full assessment in accordance with SII framework requirements). The results are presented in the following tables

Table 1a – SCR and MCR coverage after adjustments by Non-life companies taking into account the most favorable impact from consistency procedures(source R7, QRTs and R8)

		Own Funds				Capital requirements		Surplus/Shortfall							
No	Name of the undertaking	Excess of assets over liabilities	Total OF	Eligible OF to meet the SCR	Eligible OF to meet the MCR	SCR	MCR	SCR coverage	MCR coverage	SCR ratio	MCR ratio	SCR coverage when SCR<MCR	SCR ratio	Own funds eligible to meet MCR - corect classification DTA	MCR ratio
1	Armeec Insurance JSC	71,114	71,114	71,114	71,114	76,362	24,709	(5,248)	46,405	93%	288%	(5,248)	93%	71,114	288%
2	Bulgaria Insurance AD	4,202	4,202	4,200	4,103	4,481	5,000	(281)	(897)	94%	82%	(800)	84%	4,005	80%
3	Bulgarian Export Insurance Agency \BAEZ\	17,455	16,513	16,509	16,509	6,929	7,400	9,580	9,109	238%	223%	9,109	223%	16,509	223%
4	Bulstrad Vienna Insurance Group	65,969	72,228	72,228	69,579	53,455	18,049	18,773	51,529	135%	385%	18,773	135%	69,579	385%
5	Bul Ins	35,307	35,307	35,307	35,253	39,859	10,532	(4,552)	24,721	89%	335%	(4,552)	89%	35,198	334%
6	DZI - General Insurance	99,739	99,739	99,739	99,739	63,359	26,070	36,380	73,669	157%	383%	36,380	157%	99,739	383%
7	Euroins - Health Assurance LLC	3,950	3,950	4,785	3,950	1,669	5,000	3,116	(1,050)	287%	79%	(215)	96%	3,950	79%
8	Euroins Insurance PLC	12,844	20,544	20,544	13,823	32,371	13,185	(11,828)	638	63%	105%	(11,828)	63%	13,823	105%
9	Generali Insurance AD	74,966	74,966	74,966	74,966	57,604	22,261	17,362	52,705	130%	337%	17,362	130%	74,966	337%
10	Insurance Company "Asset Insurance" AD	8,033	8,033	8,033	7,625	6,413	7,400	1,620	225	125%	103%	633	109%	7,625	103%
11	Insurance Company EIG RE AD	6,910	6,910	6,910	6,833	3,661	7,400	3,249	(567)	189%	92%	(490)	93%	6,833	92%
12	Insurance Company Dallbog: Life and Health INC	5,599	5,599	5,599	4,779	13,818	7,400	(8,219)	(2,621)	41%	65%	(8,219)	41%	3,959	54%
13	Groupama Zastrahovane EAD	8,691	8,691	8,691	8,600	7,678	7,400	1,013	1,200	113%	116%	1,013	113%	8,600	116%
14	Health Insurance Institute JSC	4,481	5	4,481	4,454	1,015	5,000	3,466	(546)	441%	89%	(519)	90%	4,454	89%
15	Insurance Company "OZOK INS" AD	5,934	5,934	5,934	5,934	1,220	5,000	4,715	934	487%	119%	934	119%	5,934	119%
16	JSIC OZK - Insurance JSC	18,820	18,820	18,820	18,820	18,368	7,400	452	11,420	102%	254%	452	102%	18,820	254%
17	Lev Ins	53,693	53,693	53,693	52,316	52,316	20,006	1,377	32,310	103%	261%	1,377	103%	54,357	272%
18	Saglasie Insurance JSC	7,686	7,686	7,686	7,649	5,287	7,400	2,399	249	145%	103%	286	104%	7,649	103%
19	Insurance Company Nova Ins EAD	7,215	6,634	6,634	6,634	4,546	5,000	2,088	1,634	146%	133%	1,634	133%	6,634	133%
20	Uniqa Insurance	18,042	32,934	32,934	22,671	24,181	7,400	8,753	15,271	136%	306%	8,753	136%	22,671	306%
21	ZAD Allianz Bulgaria	58,735	58,735	58,735	58,735	50,113	20,584	8,622	38,151	117%	285%	8,622	117%	58,735	285%
22	ZAD Energy	43,339	32,693	32,693	32,693	13,944	7,400	18,749	25,293	234%	442%	18,749	234%	32,693	442%
23	GP Reinsurance	1,036,300	932,900	932,900	932,900	524,000	212,600	408,900	720,300	178%	439%	408,900	178%	932,900	439%
	Total after adjustments	**1,669,022**	**1,577,829**	**1,583,134**	**1,559,677**	**1,062,647**	**459,596**	**520,486**	**1,100,082**	**149%**	**339%**	**501,106**	**316%**	**1,560,746**	**340%**
	Total before adjustments	**1,704,248**	**1,612,800**	**1,617,372**	**1,597,849**	**1,041,364**	**451,852**	**576,009**	**1,145,998**	**155%**	**354%**	**576,009**	**155%**	**1,597,849**	**354%**
	IBSR impact	**(35,226)**	**(34,972)**	**(34,238)**	**(38,172)**	**21,284**	**7,744**	**(55,523)**	**(45,917)**	**-6%**	**-14%**	**(74,903)**	**-161%**		

(‘000 BGN)

Table 2a – SCR and MCR coverage after adjustments by Life companies taking into account the most favourable impact from consistency procedures(source R7, QRTs and R8)

		Own Funds				Capital requirements		Surplus/Shortfall							
No	Name of the undertaking	Excess of assets over liabilities	Total OF	Eligible OF to meet the SCR	Eligible OF to meet the MCR	SCR	MCR	SCR coverage	MCR coverage	SCR ratio	MCR ratio	SCR when SCR<MCR	SCR ratio	MCR coverage corect classification DTA	MCR ratio
1	Allianz Bulgaria Life	37,559	37,559	37,559	36,155	26,134	11,788	11,425	24,367	144%	307%	11,425	144%	36,155	307%
2	Bulstrad Life Vienna Insurance Group Joint Stock Company	21,705	20,491	20,491	20,491	13,866	12,400	6,625	8,091	148%	165%	6,625	148%	20,491	165%
3	CCB Life	7,908	7,908	7,908	7,858	3,595	7,400	4,313	458	220%	106%	508	107%	7,858	106%
4	DZI - Life Insurance JSC	165,917	146,567	146,567	144,410	36,764	12,126	109,803	132,284	399%	1191%	109,803	399%	144,410	1191%
5	Grawe Bulgaria Jivotozastrahovane	19,710	19,710	19,710	18,625	14,005	7,400	5,705	11,225	141%	252%	5,705	141%	17,540	237%
6	Groupama Zhivotozastrahovane EAD	17,195	17,195	17,195	17,125	4,643	12,400	12,552	4,725	370%	138%	4,795	139%	17,125	138%
7	Insurance Company Euroins Life	6,199	6,199	6,199	6,115	3,241	7,400	2,958	(1,285)	191%	83%	(1,201)	84%	6,115	83%
8	Life Insurance Institute	5,181	14	5,181	4,885	1,310	12,400	3,871	(7,515)	395%	39%	(7,219)	42%	4,885	39%
9	Sogelife Bulgaria IJSC	14,011	14,011	14,011	13,973	4,728	12,400	9,283	1,573	296%	113%	1,611	113%	13,973	113%
10	UBB-Metlife Zhivotozastrahovatelno Drujestvo AD	26,290	26,290	26,290	25,779	10,810	12,124	15,480	13,655	243%	213%	14,166	217%	25,268	208%
11	Uniqa Life Insurance	16,202	16,202	16,202	15,386	9,904	12,400	6,298	2,986	164%	124%	3,802	131%	15,386	124%
12	SiVZK	(2,742)	(2,742)	(2,742)	(2,742)	2,692	7,237	(9,979)	(9,979)	-38%	-38%	(9,979)	-38%	(2,742)	-38%
	Total after adjustments	**335,136**	**309,405**	**314,572**	**308,060**	**131,693**	**127,475**	**178,334**	**180,585**	**239%**	**242%**	**140,041**	**239%**	**306,464**	**240%**
	Total before adjustments	**367,586**	**339,172**	**347,022**	**343,368**	**133,423**	**127,475**	**213,599**	**215,893**	**260%**	**269%**	**213,599**	**260%**	**343,368**	**269%**
	IBSR impact	**(32,451)**	**(29,768)**	**(32,451)**	**(35,309)**	**(1,730)**	**-**	**(35,266)**	**(35,309)**	**-21%**	**-28%**				

(‘000BGN)

Table 3a – SCR and MCR coverage after adjustments by Groups/Subgroups taking into account the most favourable impact from consistency procedures (source R7, QRTs and R8)

		Own Funds				Capital requirements		Surplus/Shortfall							
No	Name of the undertaking	Excess of assets over liabilities	Total OF	Eligible OF to meet the SCR	Eligible OF to meet the MCR	SCR	MCR	SCR coverage	MCR coverage	SCR ratio	MCR ratio	SCR coverage when SCR<MCR	SCR ratio	MCR coverage corect classification DTA	MCR ratio
1	Armeec Insurance Group	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	N/A	N/A	N/A	N/A
2	Euroins Insurance Group	38,913	61,936	56,192	25,117	125,622	56,634	(69,430)	(31,517)	45%	44%	(69,430)	45%	25,117	44%
3	Eurohold Bulgaria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	N/A	N/A	N/A	N/A
4	Lev Ins Group	57,044	57,044	57,104	54,678	52,488	27,442	4,616	27,235	109%	199%	4,616	109%	54,678	199%
5	OZK Group	20,835	20,835	20,835	20,835	18,510	12,400	2,325	8,435	113%	168%	2,325	113%	20,835	168%
6	Bulstrad SubGroup	66,806	72,620	72,620	70,986	59,665	23,125	12,955	47,861	122%	307%	12,955	122%	70,542	305%
7	DZI Life Insurance SubGroup	168,929	149,579	149,579	149,082	75,255	30,565	74,324	118,517	199%	488%	74,324	199%	149,082	488%
8	Uniqa Insurance Sub Group	18,102	32,985	32,884	21,871	26,141	19,800	6,743	2,071	126%	110%	6,743	126%	21,871	110%
	Total after adjustments	**370,629**	**394,999**	**389,215**	**342,569**	**357,681**	**169,967**	**31,533**	**172,603**	**109%**	**202%**	**31,533**	**109%**	**342,125**	**201%**
	Total before adjustments	**360,578**	**480,532**	**480,431**	**443,890**	**224,897**	**113,485**	**134,334**	**242,178**	**214%**	**391%**	**134,334**	**214%**	**443,890**	**391%**
	IBSR impact	**10,051**	**(85,533)**	**(91,216)**	**(101,321)**	**132,784**	**56,482**	**(102,801)**	**(69,575)**	**-105%**	**-190%**				

(‘000BGN)

Table 4a - Prudential ratios 31 December 2015 for companies that do not meet SCR and/or MCR ratios as at 30 June 2016 taking into account the most favourable impact from consistency procedures (source R7, QRTs, R6 and R8)

No	Name of the undertaking	Type	S1/S2	30 June 2016		Surplus/Shortfall		31 December 2015
				SCR ratio	MCR ratio	SCR coverage	MCR coverage	Required Solvency margin
1	Armeec Insurance JSC	Non life	S2	93%	288%	(5,248)	n/a	<100%
2	Bulgaria Insurance AD	Non life	S2	84%	80%	(800)	(995)	>100%
3	Bul Ins	Non life	S2	89%	334%	(4,552)	n/a	>100%
4	Euroins - Health Assurance LLC	Non life	S2	96%	79%	(215)	(1,050)	>100%
5	Euroins Insurance PLC	Non life	S2	63%	105%	(11,828)	n/a	>100%
6	Insurance Company EIG RE AD	Non life	S2	93%	92%	(490)	(567)	>100%
7	Insurance Company Dallbog: Life and Health INC	Non life	S2	41%	54%	(8,219)	(3,441)	>100%
8	Health Insurance Institute JSC	Non life	S2	90%	89%	(519)	(546)	>100%
9	SiVZK	Life	S2	-38%	-38%	(9,979)	(9,979)	100%
10	Insurance Company Euroins Life	Life	S2	84%	83%	(1,201)	(1,285)	>100%
11	Life Insurance Institute	Life	S2	42%	39%	(7,219)	(7,515)	>100%
12	Euroins Insurance Group	Group	S2	45%	44%	(69,430)	(31,517)	>100%

(‘000BGN)

n/a – not applicable

Table 5a - Prudential ratios for companies exempted from SII taking into account the most favourable impact from consistency procedures (source R7, QRTs and R8)

		Before adjustments				After adjustments				
No	Name of the undertaking	Own funds	Required Solvency margin	Minimum Guarantee Fund	% Solvency ratio	Own funds	Required Solvency margin	Minimum Guarantee Fund	% Solvency ratio	MCR coverage
1	EZOK (ZAD European Health Insurance Fund)	5,316	256	5,000	106%	5,327	256	5,000	107%	327
2	FI Health Insurance AD	4,856	547	4,600	106%	4,669	547	4,600	101%	69
3	Insurance Company "Nadejda"	7,493	448	4,600	163%	2,258	448	4,600	49%	(2,342)
4	Insurance Company Medico - 21 JSC	5,925	627	4,600	129%	5,658	627	4,600	123%	1,058
5	Tokuda Health Insurance	5,122	582	4,600	111%	4,902	582	4,600	107%	302
6	United Health Insurance Fund Doverie Insurance AD	9,508	1,689	4,600	207%	9,055	1,689	4,600	197%	4,455
7	Life Insurance Company Saglasie EAD	7,050	685	11,600	61%	6,266	726	11,600	52%	(5,334)
	Total	**45,270**	**4,835**	**39,600**	**114%**	**38,135**	**4,876**	**39,600**	**96%**	
	IBSR Impact	**(7,136)**	**41**	**-**	**-18%**					

('000BGN)

7. Corporate Governance, processes and internal control framework, accounting policies

The system of governance has been assessed as robust and appropriate for certain company's size and business although it has been noted that in some cases the Group policies used should be further developed to better reflect their environment and operations. In other cases, significant improvements were recommended both regarding corporate governance and internal control system, mainly referring to management's risk assessment process, monitoring of controls, IT general controls (password length and complexity in the system, change management policy, test recoverability back-ups), outsourcing, financial statements closing.

In certain cases, due to the limited number of employees, the organizational structure did not met the SII requirements such as composition of Audit Committee similar to the Board of Directors thus not ensuring independence, internal audit function was only set up recently in the second half of 2016, segregation of duties.

Following the review of accounting policies, it has been noted a general lack of formalization in respect of SII, a need for development ofaccounting policies for impairment of insurance receivables (to take into consideration aspects such contamination principle, subsequent collections, historical collections, cancellations).

The IERs recommended in several cases that the independent review process and verification of the valuation methods need to be strengthened, especially when a new valuation method or technique is applied, as well as prior regular reporting for the prudential (or statutory) purposes. Such review requires to be documented (evidence of controls).

8. Reliability, quality, sufficiency and relevance of data

The IERs noted a general need for improvement of formal documented framework and audit trail regarding the controls to be performed on data in accordance with SII requirements.

Several issues were identified mainly in regard to either the lack of reconciliations and data checks performed by the companies and/or discrepancies between the supporting evidence and the data extracted from the system. In certain cases, insufficient information was available to the companies to support simplifications and assumptions used in the Technical provisions calculations, valuation of investments in properties and financial instruments, information to support valuation in holdings in related companies (both for solo purpose and/or consolidation).

The sampling tests performed by the IER revealed cases of technical mistakes in the RBNS database or reconciliation issues between the system's amount and the accounting data affecting the claims and premiums provision, mismatches between collection data and accounting records for receivables.

According to the methodology, the IER was requested to address and quantify all the differences identified, considering the finding, at population level. Thus:

- Most findings regarding the claims were addressed by the IERs in the Technical Provisions computations and reflected in the final adjustments proposed
- In case of insurance receivables, certain companies were unable to provide analysis on days past due and/or allocated collections over a period of time to support impairment analysis. Alternative approaches, including additional information and reports provided by the companies, were adopted by the IERs and were quantified accordingly

Investment funds is an area for further review, considering that not in all cases sufficient information was available for review of a look-through approach as required by the SII framework.

9. Reinsurance – effectiveness of risk transfer

Generally, the risk transfer associated to the reinsurance contracts was assessed as effective or no significant findings were noted. The adjustments proposed by the IERs on the reinsurance balances were mainly the effect of the adjustments proposed for Technical Provisions.

In certain cases, no reinsurance agreements have been entered into. The IER considered that the past experience of the Company supports management's approach with respect to reinsurance.

10. Related parties' transactions review

Based on the review, the transactions with related parties generally cover the following main type of transactions: reinsurance and services provided in the group. In a few cases the activities in the group are diversified and in turn the transactions between the related parties cover a wider range.

The adjustments proposed by the IERs in respect of related parties covered mainly reclassifications between Equities and Holdings in related parties with impact on valuation due to different approach required by SII framework. Also, there were several cases when the IERs identified that there was a lack of reconciliation procedures in terms of related parties transactions and/or certain related parties were not fully identified.

The IERs research was generally limited to Bulgaria as jurisdiction and the information gathered was obtained from different sources and different time periods (Central depository, Commercial Register, Bulgarian Stock Exchange, other publicly available sources). In certain case the entities and persons associated with the companies were significant in number, including public companies. Given these, there were limitations regarding the identification of possible other related parties than the ones disclosed by the companies as identifying a related party requires a far broader set of information to be analysed.

11. Main risk and vulnerabilities of the insurance sector

Based on the performed procedures, and their best knowledge of the Bulgarian market and of the international practices, the IERs raised key risks that are considered that may affect the entire insurance sector or financial market.These mainly, refer to:

Implementation of Solvency II requirements

SII Directive is effective in Bulgaria since 01 January 2016. Prior to that the insurance companies were required to follow the Regulations of the FSC, including Regulation 27 for technical reserves and Regulation 30 for accounting requirements.

SII Directive introduced significant changes and specific requirements related (among others) to different reporting formats, best estimate of technical reserves, more stringent capital adequacy requirements, specific measurement and presentation requirements.

Corporate governance changes under Solvency II

SII has introduced robust and detailed requirements for corporate governance, including requirements for formal and detailed documentation of processes, controls and reporting. Due to the fact that theinitial date of application of SIIwas very recent (01 January 2016), there are still items and guidelines which are to be formalized into the internal policies and procedures.

Active market of investments

SII framework requires valuation of assets at fair value by reference to IFRS 13 Fair value. The most reliable source of fair value for securities and other assets is the existence of active market for the same or similar assets. In the lack of active market, alternative valuation models should be applied based on reliable and as much as possible, observable information.

The investment environment in Bulgaria poses challenges to assessment of fair value of investments due to the following reasons:

- Most securities on the Bulgarian stock exchange are thinly traded;
- Several small transactions might be sufficient to maintain relatively high stock price on the stock exchange;
- There are few active investors on the Bulgarian stock exchange, as well as on the government bonds market and trades are not frequent;

The overall financial instruments (Government bonds, Corporate Bonds, Listed equities) market presents low financial instrument lifetime trades in terms of frequency and volume which may encourage a search for cross-border or higher credit risk issuers of debt and equity instruments. This however would generate a need to develop the internal analyst capabilities to avoid increased risk associated to the investments in jurisdiction less familiar to the companies. In addition, the financial assets valuation may require more complex valuation techniques and monitoring tools to address higher risk assets incentivized by both the Bulgarian and European low yields and local the low liquidity of the financial instruments market.

Low yield environment

Yields in Bulgaria and generally in Europe remain at historical lows and risks concerning the low profitability of financial entities pose key concerns to the financial system. Financial institutionsintend to reduce costs and adjust their business models which may bring threats to the sustainability of the business model.

Concentration

The main risks for the insurance sector are seen mostly in concentration (majority of companies' business is in MTPL), pricing of the MTPL and in natural catastrophes, to which Bulgaria is quite extensively exposed.

12. Subsequent events

As requested by the Methodology, the IER considered subsequent events relevant to the analysis performed, including application of supervisory measures or provision of recommendations by the FSC or any other relevant information as applicable. Thus, the IERs concluded on the impact, if any based on their judgement, of events such as, but without being limited to, payment of share capital, sales of portfolios, transactions on relevant markets, rescheduling of maturities, and collection pattern for receivables.

(in ‘000 BGN)

Insurers who do not cover MCR	Total eligible own funds to meet the MCR	MCR	MCR ratio	MCR deficit	Subsequent status	Subsequent Events
1. Insurance Company Dallbog: Life and Health INC	5,567	7,400	75.23%	(1,833)	deficit already covered	The undertaking has increased its registered capital byBGN 13,500k. The capital increase is fully paid in according to the Commercial register and the current capital of the company is BGN 19,000k.
2. Bulgaria Insurance AD	4,190	5,000	83.80%	(810)	deficit already covered	The undertaking has increased its registered capital by BGN 810k. The capital increase is fully paid in according to the Commercial register and the current capital of the company is BGN 5,860k
3. Euroins - Health Assurance LLC	4,693	5,000	93.86%	(307)	deficit already covered	Euroins Health EAD has increased its registered capital by BGN 2,500k. The capital increase is fully paid in according to the Commercial register and the current capital of the company is BGN 7,153k
4. Insurance Company EIG RE AD	6,833	7,400	92.34%	(567)	deficit already covered	EIG Re EAD has increased its registered capital by BGN 3,086k. The capital increase is fully paid in according to the Commercial register and the current capital of the company is BGN 11,312k.
5. CCB Life	5,909	7,400	79.85%	(1,491)	deficit already covered	The Company sold financial assets on which IER identified adjustments as of 30 June 2016. This represents an event that no longer requires the Company to implement the implicit capital measures for the level of such financial assets that were sold.
6. Insurance Company Euroins Life	6,112	7,400	82.59%	(1,288)	not yet established	In the second half of 2016 the company received subordinated debts amounting to BGN 1,250 thousand. The amount has been effectively transferred on 23 December 2016. The amount of BGN 38 thousand remains uncovered.
Insurers who do not cover SCR	**Total eligible own funds to meet the SCR**	**SCR**	**SCR ratio**	**SCR deficit**	**Subsequent status**	**Subsequent Events**
1.Bulgaria Insurance AD	4,190	4,481	93.51%	(291)	deficit already covered	The undertaking has increased its registered capital by BGN 810k. The capital increase is fully paid in according to the Commercial register and the current capital of the company is BGN 5,860k
2. Insurance Company Dallbog: Life and Health INC	5,567	13,818	40.29%	(8,251)	deficit already covered	The undertaking has increased its registered capital by BGN 13,500k. The capital increase is fully paid in according to the Commercial register and the current capital of the company is BGN 19,000k
3. Armeec Insurance JSC	31,797	78,322	40.60%	(46,525)	to be calculated	The Company sold financial assets on which IER identified adjustments as of 30 June 2016. This represents an event that no longer requires the Company to implement the implicit capital measures for the level of such financial assets that were sold. The company received a subordinated debt amounting to BGN 20 000 thousand. The amount has been effectively transferred on 30.12.2016. As a result the deficit of own funds to cover SCR is fully covered.
4. Euroins	20,118	32,018	62.83%	(11,900)	not yet established	In 2H 2016 Euroins Insurance Group AD provided a subordinated debt amounting to BGN 12 000 thousand to Euroins AD. The sum has been effectively transferred on 23.12.2016. Further the compliance with own funds requirements stipulated in the Delegated Act 2015/35 will be reviewed.
Insurers who do not cover guarantee capital (Solvency I)	**Equity decreased with the intangible assets**	**Guarantee capital**	**Solvency Ratio**	**Guarantee capital deficit**	**Subsequent status**	**Subsequent Events**
1. Life Insurance Company Saglasie EAD	6,078	11,600	52%	-5,522	deficit already covered	Saglasie EAD has increased its registered capital by BGN 4600 thousand. The capital increase is fully paid in according to the Commercial register and the current capital of the company is BGN 11 800 thousand.

Table 6 – Subsequent events for insurers that do not cover MCR or SCR (source FSC)

13. Definitions and abbreviations

- IBSR – Bulgarian Insurance Sector Balance Sheet Review
- PFAR – Bulgarian Pension Funds Assets Review
- FSC – Bulgarian Financial Supervisory Commission
- EIOPA - European Insurance and Occupational Pensions Authority
- PMO – Project manager
- SC – Steering Committee
- IER – Independent external reviewer
- R4 – Template R4 Adjusted balance Sheet (as defined within the methodology)
- R6 – Template presenting recalculated prudential parameters(as defined within the methodology)
- R7- Template R7 Conclusion report (as defined within the methodology)
- R8- Template R8 Information on financial assets valuation (as defined within the methodology)
- ISA – International Standards on Auditing
- IFRS – International Financial Reporting Standards
- SII – Solvency II
- SII Directive - Directive 2009/138/EC of the European Parliament and the Council of 25 Nov 2009
- DA – Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)
- SI legislation - Insurance Code and secondary regulations on its application effective at the reference date of 31 December.2015
- SIBS – Solvency I Balance Sheet
- SIIBS – Solvency II Balance Sheet
- EU - The European Union
- EEA-European Economic Area
- SII framework – the applicable Solvency II framework as defined in chapter 1.5.2 of the methodology
- Adjustment – any misstatement with a value higher Reporting Threshold (refer to the materiality chapter in the methodology)
- TP -Technical provisions
- EC – European Commission
- SCR – Solvency Capital Requirement
- MCR - Minimum Capital Requirement
- RFR – Risk free interest rate
- ULAE –Unallocated loss adjustment expenses
- IBNR – Incurred but not reported reserve
- UPR – Unearned premium reserve
- URR – Unexpired risks reserve
- DAC – Deferred acquisition costs
- RBNS – Reported but not settled reserve
- RA - Risk Assessment
- DTA - Deferred tax assets
- DTL - Deferred liabilities assets
- CoC – Cost-of-capital rate
- BEL – Best estimate Liability
- IMF - International Monetary Fund
- WEO - World Economic Outlook
- QRT – Quantitative Reporting Template
- MTPL – Motor third party liability
- QS – quota share

Appendix 1 - List of participating Companies

No.	Insurance Company Non-life insurers(29)	Approved IER with a concrete team
1.	Armeec Insurance JSC	Kpmg Audit SRL, Romania
2.	Bulgaria Insurance AD	PWC Audit OOD, Bulgaria
3.	Bulgarian export insurance Agency \ BAEZ	KPMG Audit SRL, Romania
4.	Bulstrad Vienna Insurance Group	DZZD GD Consortium - Grant Thornton Bulgaria - Greece, Bulgaria and Greece
5.	BUL INS	Deloitte Audit OOD, Bulgaria
6.	DZI - General Insurance	KPMG Audit SRL, Romania
7.	Euroins - Health Assurance LLC	Mazars SA, France
8.	Euroins Insurance PLC	Mazars SA, France
9.	EZOK (ZAD European Health Insurance Fund)	Deloitte Audit OOD, Bulgaria
10.	FI Health Insurance AD	PWC Audit OOD, Bulgaria
11.	Generali Insurance AD	Willis Towers Watson, The Netherlands
12.	Insurance company "asset Insurance" AD	Deloitte Audit OOD, Bulgaria
13.	Insurance Company EIG RE AD	Mazars SA, France
14.	Insurance Company Dallbogg: Life and health INC	Mazars SA, France
15.	Insurance Company "Nadejda"	Mazars SA, France
16.	Groupama Zastrahovane EAD	KPMG Audit SRL, Romania
17.	Health Insurance Institute JSC	Deloitte Audit OOD, Bulgaria
18.	Insurance Company Medico - 21 JSC	PWC Audit OOD, Bulgaria
19.	Insurance Company "OZOK INS" AD	DZZD GD Consortium Grant Thornton Bulgaria - Greece, Bulgaria and Greece
20.	JSIC OZK - Insurance JSC	DZZD GD ConsortiumGrantThornton Bulgaria - Greece, Bulgaria and Greece
21.	LEV INS	Deloitte Audit OOD, Bulgaria
22.	Saglasie Insurance JSC	Deloitte Audit OOD, Bulgaria
23.	Tokuda Health Insurance	PWC Audit OOD, Bulgaria
24.	Insurance Company Nova INS EAD	DZZD GD Consortium Grant Thornton Bulgaria Greece Bulgaria and Greece
25.	United Health Insurance Fund Doverie Insurance AD	PWC Audit OOD, Bulgaria
26.	Uniqa Insurance	DZZD GD consortium Grant Thornton Bulgaria - Greece Bulgaria and Greece
27.	ZAD Allianz Bulgaria	PWC Audit OOD, Bulgaria
28.	ZAD Energy	PWC Audit OOD, Bulgaria
29.	SiVZK	Milliman SP. Z O.O., Poland

No.	Insurance Company	Approved IER with a concrete team
	List of domestic authorised life insurers(12)	
30.	Allianz Bulgaria Life	PWC Audit OOD, Bulgaria
31.	Bulstrad Life Vienna Insurance Group Joint Stock Company	DZZD GD Consortium Grant Thornton Bulgaria - Greece Bulgaria and Greece
32.	CCB Life	KPMG Audit SRL, Romania
33.	DZI - Life Insurance JSC	KPMG Audit SRL, Romania
34.	Grawe Bulgaria Jivotozastrahovane	PWC Audit OOD, Bulgaria
35.	Groupama Zhivotozastrahovane EAD	KPMG Audit SRL, Romania
36.	Insurance Company Euroins Life	Mazars SA, France
37.	Life Insurance Company Saglasie EAD	Deloitte Audit OOD, Bulgaria
38.	Life Insurance Institute	Deloitte Audit OOD, Bulgaria
39.	Sogelife Bulgaria IJSC	Mazars SA, France
40.	UBB-Metlife Zhivotozastrahovatelno Drujestvo AD	Milliman SP. Z O.O., Poland
41.	Uniqa Life Insurance	DZZD GD Consortium Grant Thornton Bulgaria - Greece, Bulgaria and Greece
	List of domestic reinsurers(1)	
42.	GP Reinsurance	Willis Towers Watson, The Netherlands
	List of Bulgarian insurance groups (5)	
43.	Armeec Insurance	KPMG Audit SRL, Romania
44	Euroins Insurance Group(Insurance holding company)	Mazars SA, France
45	Eurohold Bulgaria (mixed financial holding company identified as financial conglomerate	Mazars SA, France
46	Lev Ins (The company is a participating Company in Health Insurance Institute and Life Insurance Institute)	Mazars SA, France
47	OZK Insurance(The company has a subsidiary OZOK Ins)	DZZD GD Consortium Grant Thornton Bulgaria - Greece, Bulgaria and Greece
	List of Bulgarian insurance sub-groups (3)	
48	Bulstrad Vienna Insurance Group	DZZD GD Consortium Grant Thornton Bulgaria - Greece, Bulgaria and Greece
49	DZI Life Insurance	KPMG Audit SRL, Romania
50	Uniqa Insurance	DZZD GD Consortium Grant Thornton Bulgaria - Greece, Bulgaria and Greece

Appendix 2–IBSR SCR and MCR ratio at individual level for Companies under SII as reported by IERs

Table 1b – SCR and MCR ratio before and after adjustments by Non-life companies (BNG thousands) source R7

No	Name of the undertaking	Pre IBSR SCR ratio	MCR ratio	Post IBSR SCR ratio	MCR ratio
1	Armeec Insurance JSC	115%	325%	31%	96%
2	Bulgaria Insurance AD	115%	114%	94%	84%
3	Bulgarian Export Insurance Agency \ BAEZ	270%	239%	235%	220%
4	Bulstrad Vienna Insurance Group	137%	393%	134%	383%
5	Bul Ins	107%	352%	88%	334%
6	DZI - General Insurance	171%	389%	153%	371%
7	Euroins - Health Assurance LLC	293%	102%	271%	74%
8	Euroins Insurance PLC	101%	221%	62%	102%
9	Generali Insurance AD	139%	356%	130%	337%
10	Insurance Company "Asset Insurance" AD	130%	102%	125%	103%
11	Insurance Company EIG RE AD	221%	102%	189%	92%
12	Insurance Company Dallbog: Life and Health INC	159%	287%	40%	75%
13	Groupama Zastrahovane EAD	134%	132%	112%	115%
14	Health Insurance Institute JSC	524%	95%	441%	89%
15	Insurance Company "OZOK INS" AD	460%	116%	487%	119%
16	JSIC OZK - Insurance JSC	104%	304%	102%	254%
17	Lev Ins	148%	326%	103%	258%
18	Saglasie Insurance JSC	266%	109%	143%	101%
19	Insurance Company Nova Ins EAD	151%	136%	145%	132%
20	Uniqa Insurance	140%	343%	136%	306%
21	ZAD Allianz Bulgaria	120%	267%	117%	284%
22	ZAD Energy	176%	349%	233%	439%
23	GP Reinsurance	172%	441%	178%	439%
Total Non-Life		155%	354%	144%	328%

Table 2b – SCR and MCR ratio before and after adjustments by Llife companies (BNG thousands) source R7

No	Name of the undertaking	Pre IBSR SCR ratio	MCR ratio	Post IBSR SCR ratio	MCR ratio
1	Allianz Bulgaria Life	140%	301%	136%	290%
2	Bulstrad Life Vienna Insurance Group Joint Stock Company	155%	174%	145%	162%
3	CCB Life	176%	109%	166%	80%
4	DZI - Life Insurance JSC	403%	1278%	395%	1179%
5	Grawe Bulgaria Jivotozastrahovane	140%	262%	131%	248%
6	Groupama Zhivotozastrahovane EAD	494%	134%	367%	137%
7	Insurance Company Euroins Life	227%	101%	191%	83%
8	Life Insurance Institute	488%	63%	394%	39%
9	Sogelife Bulgaria IJSC	299%	112%	296%	113%
10	UBB-Metlife Zhivotozastrahovatelno Drujestvo AD	244%	197%	241%	215%
11	Uniqa Life Insurance	161%	134%	163%	123%
12	SiVZK	706%	243%	-38%	-38%
Total Life		260%	269%	233%	237%

Table 3b – SCR and MCR ratio after adjustments by Groups/Subgroups (BNG thousands) source R7

No	Name of the undertaking	Pre IBSR SCR ratio	Pre IBSR MCR ratio	Post IBSR SCR ratio	Post IBSR MCR ratio
1	Armeec Insurance Group	n/a	n/a	n/a	n/a
2	Euroins Insurance Group	125%	214%	45%	44%
3	Eurohold Bulgaria	n/a	n/a	n/a	n/a
4	Lev Ins Group	157%	256%	109%	146%
5	OZK Group	112%	198%	113%	168%
6	Bulstrad SubGroup	120%	305%	120%	305%
7	DZI Life Insurance SubGroup	221%	520%	193%	473%
8	Uniqa Insurance Sub Group	125%	110%	125%	110%
Total Groups/Subgroups		160%	305%	107%	187%