Colonnade Insurance S.A.
Société Anonyme

Annual accounts and report of the Réviseur d'Entreprise Agréé as at December 31, 2019

1, rue Jean Piret
L-2350 Luxembourg
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Directors' report on the annual accounts as at December 31, 2019

Key Financials

For the year ended December 31, 2019, the profit after tax was EUR 7,984,499 (compared to a loss of EUR 978,459 in 2018). The financial year of 2019 had earned premiums, net of reinsurance, of EUR 123,462,878 (EUR 105,323,358 in 2018) with gross premiums written of EUR 162,505,757 (EUR 160,596,242 in 2018) and claims incurred, net of reinsurance, of EUR 47,915,696 (EUR 45,952,776 in 2018).

The underwriting result amounted to a profit of EUR 9,602,136 (compared to EUR 896,887 in 2018). The results attributed to the focus on prioritisation for profitability in 2019 such as expansion in profitable lines of business – PA individual, GAP and Liability lines, remediating or reducing non-profitable business in Property, Travel individual, Travel group and Marine. Effective 1st of July 2019 we have divested our Slovakian Motor 1st Party portfolio that was loss making in prior periods.

The Company's net loss ratio was 39%, its net commission ratio was 39%, its net expense ratio was 14% and the combined ratio stands at 92%. These ratios were 44%, 40%, 14% and 98% respectively in 2018.

During the year, the share premium account was increased by EUR 10,000,000 from EUR 84,876,287 to EUR 94,876,287 level and total shareholder's equity increased from EUR 67,281,668 to EUR 85,266,167 after considering the above increase in share premium and the result of the year.

As at December 31, 2019, the provision for unearned premiums amounted to EUR 73,536,185 (EUR 69,716,585 in 2018), claims outstanding were at EUR 92,327,181 (EUR 73,095,600 in 2018) and provision for bonuses and rebates was at EUR 432,364 (EUR 631,302 in 2018).

Key Events

In 2019, the primary focus was on the improvement of our profitability, to position the Company to be able to invest in the future, including Consumer product expansion as well as transformation of its operations and systems.

The Part VII business taken over from QBE in 2017 in Czech Republic, Hungary and Slovakia was 100% ceded to Polish Re (fully owned subsidiary of the Fairfax group) and the business written in 2017 in Slovakia was retroceded by Polish Re to the Slovakian Branch of Colonnade.

The size of the loss reserves and the unearned premium reserve for the business taken over from the legacy QBE business have been significantly reduced as the business has been running off. On December 12, 2018 Colonnade and Polish Re have agreed to commute both Polish Re Quota-share reinsurance and Polish Re Retrocession contracts for underwriting years 2015 to 2017.

The remaining reinsurance portfolio with Polish Re was commuted in 2019. The pre-2015 contracts were commuted on June 11, 2019.

The Company has divested its Motor Casco business in Slovakia, where the combined ratios were over 100%. The transfer date was July 1, 2019; we do not expect further material losses to be generated by this line of business in the future.

Description of Risks Covered

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

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

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

The Company's strategy for managing its risks includes:

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

The business mix of the Company moved towards the Commercial lines of business (63%) in 2018 and this split remained similar in 2019. The overall portfolio grew by 2% for the Company. The increase in premiums is attributed to Commercial lines; the Company grew on the Casualty and Property products by 8% however the Multinational commercial business which is 100% reinsured to AIG reduced by 20% during the year. The major products in Consumer lines are Accident and Health products distributed by our Direct Marketing platform and GAP products. Premiums of these products stayed similar to 2018.

The Company's reinsurance policy mitigates the exposure of the Company by limiting the risks of accumulations of loss from catastrophic events, and from single risk perspective by a range of quota share and excess of loss contracts covering the different lines of business written by the company.

Corporate Governance

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

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

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

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

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

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

Other representations

In 2019, the Company did not pursue any research and development activity. The Company does not face abnormal price, credit, liquidity or treasury risks.

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

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

In March 2020, Colonnade Insurance S.A. implemented measures to address the risks of the COVID-19 pandemic that started spreading in Europe. We successfully managed to keep our services continued by our employees working from home. The spread of COVID-19 will have an impact on the Company's results in 2020. These areas are:

- Premium volumes are expected to reduce in a number of lines of business, both in specific consumer lines of business directly impacted (e.g. travel insurance) and in lines of business impacted by any subsequent reduction in economic output.
- There are some risks to the anticipated loss ratio.
- We are expecting our partners and clients to face liquidity issues.
- While our investment portfolio is mostly cash and well rated corporate or government short-dated bonds, there is potential for unrealised losses in our investment portfolio, which would only be realised in the event of issuer insolvency.

There are mitigating actions the Company can take, to minimize the impact of the pandemic such as delaying the planned investment in company infrastructure and reduced planned external sales expenses.

While these effects may result in a temporary reduction in profitability, given the level of capital in the Company, we do not believe this event will impact us as a going concern.

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Future plans

Management expects after the recovery from the impacts of the COVID-19 pandemic further growth of the Company's portfolio due to organic expansion of the business by maintaining high client retention and acquire new business with innovative product offering in the Commercial and the Consumer area.

The focus in the second half of 2020 and beyond will be on expanding the Consumer portfolio as well as starting the modernization of our processes and the underlying infrastructure.

These strategies will move Colonnade Insurance S.A. to the next level, becoming a modern insurance company. The goal is to create an organization that is continuously looking to exceed the expectations of our customers and employees with continuous focus on improving our operating environment. In the next years the Company will harmonise its operating processes and the supporting IT platforms across all Branches.
We intend to shape Colonnade Insurance S.A. to become the company for the future which attracts talent and can deal with challenges of keeping all staff motivated.

Ronald Schokking
Chairman of the Board of Directors

Audit report

To the Shareholders of
Colonnade Insurance S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Colonnade Insurance S.A. (the "Company") as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

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

What we have audited

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

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

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

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Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of actuarially determined incurred but not reported claims reserve ("IBNR reserve"). *Claims oustanding amounting to 92,327,181EUR at year-end include an IBNR reserve of 46,388,278EUR.* *The Company's valuation of the IBNR reserve is based on a range of actuarial methodologies and models requiring significant judgement relating to certain factors and assumptions for which small changes can result in material impacts to the valuation of the IBNR reserve.* *The assumptions include, but are not limited to, loss ratios, claim trends and historical claims information.*	Together with our actuarial team, we have assessed Management's controls and procedures in place over actuarial reserving practices as well as data quality. We have also performed other audit procedures which included namely the following: • Testing the reliability of underlying data used by the Company's actuaries in estimating the IBNR reserve at year-end to source documentation; • Our actuaries have assessed the methodologies and the reasonableness of the assumptions and judgements used by the Company's actuaries. We assessed these elements against recognised actuarial practices and applied our industry knowledge and experience; • Performing independent re-projections on selected line of businesses. For those lines, we compared our re-projected results to those recorded by the Company and investigated any significant differences.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

We have been appointed as "Réviseur d'Entreprises Agréé" of the Company by the General Meeting of the Shareholders on 18 April 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 10 April 2020

Electronically signed by:
Claude Jacoby

Claude Jacoby

Balance sheet as at December 31, 2019

	Notes	December 31, 2019 EUR	December 31, 2018 EUR
ASSETS			
Intangible assets	4.2; 5	3,732,630	4,819,640
Investments			
Investments in affiliated undertakings and participating interests			
Shares in affiliated undertakings	4.4; 6.1	963,494	907,264
Other financial investments			
Shares and other variable yield transferable securities and units in unit trusts	4.5; 6.2	14,315,224	-
Debt securities and other fixed income transferable securities	4.5; 6.2	131,876,483	67,795,516
		147,155,201	68,702,780
Reinsurers' share of technical provisions			
Provision for unearned premiums	4.8.1; 23	12,809,183	16,028,486
Claims outstanding	4.8.2; 23	25,642,722	28,093,979
		38,451,905	44,122,465
Debtors			
Debtors arising out of direct insurance operations			
Policy holders	4.6; 7	25,008,213	25,324,987
Intermediaries	4.6; 7	14,306,894	10,538,651
Debtors arising out of reinsurance operations	4.6; 7	3,632,401	5,553,184
Other debtors	4.6; 7	3,204,444	1,943,367
		46,151,952	43,360,189
Other assets			
Tangible assets and stocks	4.3; 8	1,737,479	1,767,128
Cash at bank and in hand	23	31,735,827	71,529,954
Other assets		4,993	15,718
		33,478,299	73,312,800
Prepayments and accrued income			
Accrued interest and rent		1,161,567	498,991
Deferred acquisition costs	4.7	18,373,552	16,303,941
Other prepayments and accrued income	9	2,220,525	1,770,597
		21,755,644	18,573,529
Total Assets		**290,725,631**	**252,891,403**

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

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Balance sheet as at December 31, 2019

	Notes	December 31, 2019 EUR	December 31, 2018 EUR
LIABILITIES			
Capital and reserves			
Subscribed capital	10	9,500,000	9,500,000
Share premium account	11	94,876,287	84,876,287
Reserves			
Legal reserve	12	950,000	950,000
Profit and loss brought forward	13	- 28,044,619	- 27,066,160
Profit or loss for the financial year		7,984,499	- 978,459
		85,266,167	67,281,668
Technical provisions			
Provision for unearned premiums	4.8.1	73,536,185	69,716,585
Claims outstanding	4.8.2	92,327,181	73,095,600
Provision for bonuses and rebates	4.8.3	432,364	631,302
		166,295,730	143,443,487
Provisions for other risks and charges			
Provisions for taxation	4.8.4; 25	1,085,698	1,469,476
		1,085,698	1,469,476
Creditors			
Creditors arising out of direct insurance operations	4.9; 14	14,047,420	13,269,444
Creditors arising out of reinsurance operations	4.9; 14	10,744,731	11,772,875
Other creditors including tax and social security	4.9; 14	5,054,742	5,152,304
		29,846,893	30,194,623
Accruals and deferred income	4.10; 15; 19; 23	8,231,143	10,502,149
Total Liabilities		**290,725,631**	**252,891,403**

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

Profit and loss account for the year ended December 31, 2019

	Notes	December 31, 2019 EUR	December 31, 2018 EUR
TECHNICAL ACCOUNT			
NON-LIFE INSURANCE BUSINESS			
Earned premiums, net of reinsurance			
gross premiums written	16; 17	162,505,757	160,596,242
outward reinsurance premiums	23	- 32,003,976	- 38,827,733
change in the provision for unearned premiums		- 3,819,600	- 15,529,918
change in the provision for unearned premiums, reinsurers' share	23	- 3,219,303	- 915,233
		123,462,878	105,323,358
Other technical income	3	354,992	-
Claims incurred, net of reinsurance			
claims paid:			
gross amount		- 34,353,532	- 27,723,604
reinsurer' share	23	8,120,674	11,889,836
		- 26,232,858	- 15,833,768
change in the provision for claims:			
gross amount		- 19,231,581	- 41,066,647
reinsurer' share	23	- 2,451,257	10,947,639
		- 21,682,838	- 30,119,008
Bonuses and rebates, net of reinsurance		- 691,573	- 833,746
Allocated investment return transferred from the non-technical account	4.11	228,285	- 249,163
Net operating expenses			
acquisition costs	4.7; 18	- 56,341,408	- 53,283,594
change in deferred acquisition costs	4.7; 19	2,069,611	3,294,800
administrative expenses	4.12; 20; 21; 22	- 17,965,289	- 15,474,644
reinsurance commissions and profit participation	19; 23	6,400,336	8,072,652
		- 65,836,750	- 57,390,786
Balance on the technical account for non-life insurance business		**9,602,136**	**896,887**

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Profit and loss account for the year ended December 31, 2019

	Notes	December 31, 2019 EUR	December 31, 2018 EUR
NON-TECHNICAL ACCOUNT			
Investment income			
income from other investments			
income from other investments		2,069,841	170,139
value re-adjustments on investments	4.1; 6.2	9,012,675	2,067,667
gains on realisation of investments		462,606	35,867
		11,545,122	2,273,673
Investment charges			
investment management charges, including interest		- 476,661	- 400,499
value adjustments on investments	4.1; 6.1; 6.2	- 9,765,661	- 3,166,885
losses on the realisation of investments		- 675,526	- 228,277
		- 10,917,848	- 3,795,661
Allocated investment return transferred to the non-life technical account	4.11	- 228,285	249,163
Other income	24	3,255,429	4,310,255
Other charges, including value adjustments	4.13; 24	- 2,884,778	- 3,491,615
Tax on profit or loss on ordinary activities	25	- 2,398,359	- 1,416,346
Profit or loss on ordinary activities after tax		7,973,417	- 973,644
Other taxes not shown under the preceding items	25	11,082	- 4,815
Profit or loss for the financial year		**7,984,499**	**- 978,459**

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

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 1 - General

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

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

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

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

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

Note 2 – Presentation of the annual accounts

These annual accounts have been prepared in conformity with the law of December 8, 1994 on annual accounts with respect to insurance and reinsurance undertakings, and with the significant accounting policies generally accepted within the insurance and reinsurance industry in the Grand Duchy of Luxembourg. The accounting policies and valuation rules, apart from those defined by the law or by the Commissariat aux Assurances, are determined and applied by the Board of Directors. During the meeting on June 16, 2016, the Board of Directors decided to adopt Luxembourg GAAP with fair value option as accounting method for the Company as from January 1, 2016.

The Company is, in accordance with Luxembourg law, exempt from the requirement to prepare consolidated annual accounts and a consolidated Directors' report for the year ended December 31, 2019. Therefore, in conformity with legal provisions, these accounts are presented on a non-consolidated basis for approval by the sole shareholder at the Annual General Meeting.

The Company's accounts are included in the consolidated annual accounts of Fairfax Financial Holdings Limited with registered office at 95, Wellington Street West, Suite 800, Toronto Ontario Canada M5J 2N7.

Note 3 – Presentation of comparative financial data

To ensure comparability with the figures for the year ended December 31, 2019, the figures for the year ended December 31, 2018 in other technical income have been reclassified from acquisition costs.

A note disclosing the financial statements presented under the purchase and cost model is included in the annual accounts to ease the comparison with the annual compte rendu to the Commissariat aux Assurances.

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 4 – Summary of significant accounting policies

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

4.1 Translation of items expressed in foreign currencies

The Company maintains its books and records in EUR.

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

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

4.2 Intangible assets

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

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

4.3 Tangible assets

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

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

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

4.4 Shares in affiliated undertakings and participating interests

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

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

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

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

4.5 Other financial investments

Debt securities and other fixed income transferable securities and shares and other variable yield transferable securities and units in unit trusts are initially recorded at purchase price including the expenses incidental thereto. They are subsequently valued at fair value. The fair value of these financial instruments corresponds to:

- The latest available bid price on the valuation day for transferable securities listed on a stock exchange or traded on another regulated market;
- In cases where no such quote values exist, a fair value is determined by quoted prices for similar financial instruments exchanged in active markets, or quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs.

The unrealized gains and losses for the year are recorded in the profit and loss.

4.6 Debtors

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

4.7 Deferred acquisition costs

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

4.8 Technical provisions

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

4.8.1 Provision for unearned premiums

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

4.8.2 Provision for claims outstanding

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

The provisions for reported claims outstanding shall be computed separately for each claim and may not include any discounts or deductions.

4.8.3 Provisions for bonuses and rebates

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

4.8.4 Provisions for other risks and charges

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

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

4.9 Creditors

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

4.10 Accruals and deferred income

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

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

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

4.12 Administrative expenses

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

4.13 Value adjustments

The value adjustments are deducted directly from the related asset.

Note 5 – Intangible assets

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

	Data policy rights	Software	Concessions, patents, licenses, trademarks	Total
Gross book value January 1, 2019	5,762,615	1,621,964	12,438	7,397,017
Additions during the year	7,386	311,933	-	319,319
Disposals during the year	-	-	-	-
Gross book value December 31, 2019	5,770,001	1,933,897	12,438	7,716,336
Accumulated depreciation January 1, 2019	- 2,150,420	- 414,892	- 12,065	- 2,577,377
Depreciation during the year	- 1,040,923	- 365,033	- 373	- 1,406,329
Accumulated depreciation December 31, 2019	- 3,191,343	- 779,925	- 12,438	- 3,983,706
Net book value December 31, 2019	**2,578,658**	**1,153,972**	**-**	**3,732,630**
Net book value December 31, 2018	**3,612,195**	**1,207,072**	**373**	**4,819,640**

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

With date December 14, 2016 Colonnade Finance S.à r.l., a Luxembourg group company, transferred access rights to the policy data, in relation with the acquisition of the business acquired from QBE Insurance (Europe) Limited ("QBE"), to the Company for a total amount of EUR 500,000. These rights were amortized equally in 2016 and 2017.

In 2017, the Company recognized intangible assets amounting to EUR 5,275,792, representing the renewal rights acquired from AIG Europe Limited ("AIG"). These assets are amortized on a straight-line basis over five years. There was an assessment done during 2019 on the AIG related intangible assets. This assessment did not reveal any indicator for impairment, hence there is no change to the amortization pattern determined in 2017.

Note 6 – Investments

Note 6.1 Shares in affiliated undertakings and participating interests

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

Name of the company	Registered office	Percentage of ownership	Closing date of last financial year	Book value as at December 31, 2018	Book value as at December 31, 2019	Shareholder's equity (including results for the year) as at December 31, 2019	Results of the financial year 2019
		%		EUR	EUR	EUR	EUR
TIG (Bermuda) Ltd.	Canon's Court 22 Victoria Street Hamilton HM EX Bermuda	100	Dec. 31, 2019	907,264	963,494	963,494	- 27,347

The amount mentioned in the Shareholder's equity and the Result of the financial year are based on the last unaudited annual accounts and are converted into EUR using the group exchange rate as at December 31, 2019 being EUR 1 = USD 1.12249.

In 2019, Management considered the valuation of the subsidiary and concluded to record an additional impairment of EUR 10,645 on the financial assets in the accounts of the Company. The total value adjustment at December 31, 2019 is EUR 297,859.

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

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 6.2 Other financial investments

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

	2019 **Debt securities and other fixed income transferrable securities**	**2019** **Shares and other variable yield transferable securities and units in unit trusts**	**2018** **Debt securities and other fixed income transferrable securities**	**2018** **Shares and other variable yield transferable securities and units in unit trusts**
Cost at January 1st	67,463,885	-	-	-
Additions during the year	128,868,356	14,000,000	67,463,885	-
Disposals during the year	-63,431,224	-	-	-
Cost at December 31st	132,901,017	14,000,000	67,463,885	-
Accumulated premiums and discounts recognised in the profit and loss accounts	-1,429,209		-27,102	
Amortisated cost at December 31st	**131,471,808**		**67,436,783**	
Accumulated fair value adjustment gains recognised in the profit and loss account	747,354	315,224	423,838	-
Accumulated fair value adjustment losses recognised in the profit and loss account	-342,679	-	-65,105	-
Fair value at December 31st	**131,876,483**	**14,315,224**	**67,795,516**	-

During the year, the amortisation of discount on debt securities and other fixed income transferrable securities amounts to EUR 159,927 and the amortisation of premiums in these securities amount to EUR 1,562,034. Discount amortisation are recognised under value re-adjustment on investments and premium amortisation are recognised under value adjustment on investments in the profit and loss account.

As of December 31, 2019, the non-amortized discount and premiums on debt securities and other fixed income transferrable securities amounts respectively to EUR 191,931 and to EUR 2,035,128.

The fair value adjustments for the current year consist in unrealised losses for EUR 370,724 and unrealised gains for EUR 731,890.

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 7 – Debtors

The breakdown of the debtors at December 31, 2019 is as follows:

	December 31, 2019	December 31, 2018
Arising out of direct insurance operations	**39,315,107**	**35,863,638**
policyholders - third parties	24,991,171	25,312,903
policyholders - related parties	17,042	12,084
intermediaries - third parties	14,306,894	10,538,651
Arising out of reinsurance operations	**3,632,401**	**5,553,184**
third parties	3,628,362	4,749,030
related parties	4,039	804,154
Other debtors - third parties	**3,202,471**	**1,890,172**
deposits and guarantees	906,179	739,048
tax receivable	224,185	137,850
other third parties debtors	2,072,107	1,013,274
Other debtors - related parties	**1,973**	**53,195**
Total	**46,151,952**	**43,360,189**

Breakdown of other debtors

	December 31, 2019	December 31, 2018
Deposits and guarantees	906,179	739,048
Receivables from AIG	1,135,127	386,232
Rental related	252,287	133,000
Receivables from assistance	-	198,914
Tax receivable	224,185	239,850
Other related parties	1,973	53,195
Coinsurance receivables/regresses	588,720	-
Other	95,973	193,128
Total	**3,204,444**	**1,943,367**

Note 8 – Tangible assets

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

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

	Furniture and fittings	IT equipment	Cars	Other tangible assets	Total
Gross book value January 1, 2019	861,275	708,929	82,558	931,778	2,584,540
Additions during the year	13,707	431,671	39,859	47,725	532,962
Disposals during the year	- 7,489	- 22,216	- 3,718	- 20,269	- 53,692
Gross book value December 31, 2019	867,492	1,118,385	118,699	959,234	3,063,810
Accumulated depreciation January 1, 2019	- 190,873	- 449,125	- 40,800	- 136,614	- 817,412
Depreciation during the year	- 153,526	- 172,561	- 10,144	- 172,688	- 508,919
Accumulated depreciation December 31, 2019	- 344,399	- 621,686	- 50,944	- 309,302	- 1,326,331
Net book value December 31, 2019	**523,093**	**496,699**	**67,755**	**649,932**	**1,737,479**
Net book value December 31, 2018	**670,402**	**259,804**	**41,758**	**795,164**	**1,767,128**

Note 9 – Other prepayments and accrued income

This item is composed of prepayments made regarding expenses relating to periods after December 31, 2019 as well as accrued interest on fixed income securities held at December 31, 2019.

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 10 – Subscribed capital

As at December 31, 2019 the subscribed capital amounting to EUR 9,500,000 is paid fully and represented by 9,500,000 shares of EUR 1 each and fully owned by Fairfax Luxembourg Holdings S.à r.l.

Note 11 – Share premium account

As at December 31, 2019 the share premium amounts to EUR 94,876,287.

The movements in the share premium account during the financial year ended December 31, 2019, are as follows:

Share premium account at the beginning of the financial year	EUR	84,876,287
Movements during the financial year of 2019	EUR	10,000,000
Share premium account at the end of the financial year	**EUR**	**94,876,287**

With shareholder's resolution on capital contribution dated July 23, 2019 the share premium account was increased by an amount of EUR 10,000,000.

Note 12 – Legal reserve

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

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

Note 13 – Profit or loss brought forward

The loss for the accounting year ended December 31, 2018, amounting to EUR 978,459 has been carried forward to 2019. The total accumulated balance is a loss of EUR 28,044,619.

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 14 – Creditors

Creditors arising out of direct insurance operations amounts to EUR 14,047.420 and the total amount is payable to third parties.

Creditors arising out of reinsurance operations are amounting to EUR 10,744,731 of which EUR 9,434,782 is payable to third parties.

The breakdown of the creditors at December 31, 2019 is as follows:

	December 31, 2019	December 31, 2018
Creditors - direct insurance	**14,047,420**	**13,269,444**
third parties	14,047,420	13,269,444
related parties	-	-
Creditors - reinsurance	**10,744,731**	**11,772,875**
third parties	9,434,782	11,084,688
related parties	1,309,949	688,187
Other creditors including tax and social security	**5,054,742**	**5,152,304**
third parties	5,017,995	4,934,770
third parties - personal related liability	1,214,868	1,238,771
third parties - tax liabilities	835,798	417,428
third parties - rent related liability	99,064	131,400
third parties - unallocated cash receipts	2,231,245	2,283,305
third parties - payable to vendors	330,424	543,565
third parties - other	306,596	320,301
related parties	36,747	217,534
Total	**29,846,893**	**30,194,623**

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

Note 15 – Accruals and deferred income

This item is composed of other accrued charges of EUR 4,499,659, accrued insurance charges of EUR 251,054 as well as deferred ceded premium acquisition costs with third parties of EUR 1,796,189 and EUR 194,102 is on contracts with related parties, claims handling deferred income relating to the AIG transaction of EUR 1,152,016 and EUR 338,123 of other deferred income.

	December 31, 2019	December 31, 2018
Accruals and deferred income		
accrued charges other - third parties	4,499,659	3,967,244
accrued charges insurance - third parties	251,054	1,291,722
deferred income - third parties	3,286,328	4,983,423
deferred income - related parties	194,102	259,760
Total	**8,231,143**	**10,502,149**

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

A more detailed breakdown is shown below:

	December 31, 2019	December 31, 2018
Personnel accruals	2,850,863	2,440,084
Accrued insurance charges	251,054	1,291,722
AIG Claim handling deferral	1,152,016	2,031,725
Reinsurance DAC	1,796,189	2,684,145
Other accruals	1,437,178	1,259,502
Legal/Audit/Tax services accruals	211,618	267,658
Other deferred income	338,123	267,553
Reinsurance DAC - related parties	194,102	259,760
Total	**8,231,143**	**10,502,149**

Note 16 – Results from the non-life insurance operations

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

		General liability (other)	Fire and natural forces (industrial and commercial risks)	Accident	Land vehicles (other than railway rolling stock) / other	Other	Total
Direct business	Gross premiums written	49,053,622	39,549,136	42,752,792	11,208,306	12,325,959	**154,889,815**
	Gross premiums earned	47,586,216	37,731,997	42,918,584	10,948,422	10,767,449	**149,952,668**
	Gross claims incurred	16,542,704	14,260,556	12,761,614	3,954,152	4,961,873	**52,480,899**
	Gross operating expenses	18,085,529	12,954,507	27,326,047	5,084,518	5,603,251	**69,053,852**
	Net reinsurance result	6,714,382	14,663,609	131,454	340,165	(569,507)	**21,280,103**
Reinsurance acceptances	Gross premiums written	2,438,441	4,714,234	76,124	305,701	81,442	**7,615,942**
	Gross premiums earned	2,853,961	5,294,494	329,199	(237,863)	493,698	**8,733,489**
	Gross claims incurred	(309,355)	1,308,493	59,637	60,932	(15,493)	**1,104,214**
	Gross operating expenses	517,109	1,155,137	(9,560)	1,086,623	433,925	**3,183,234**
	Net reinsurance result	2,345,282	(477,192)	(104)	(36,869)	42,306	**1,873,423**
Total	Gross premiums written	51,492,063	44,263,370	42,828,916	11,514,007	12,407,401	**162,505,757**
	Gross premiums earned	50,440,177	43,026,491	43,247,783	10,710,559	11,261,147	**158,686,157**
	Gross claims incurred	16,233,349	15,569,049	12,821,251	4,015,084	4,946,380	**53,585,113**
	Gross operating expenses	18,602,638	14,109,644	27,316,487	6,171,141	6,037,176	**72,237,086**
	Net reinsurance result	9,059,664	14,186,417	131,350	303,296	(527,201)	**23,153,526**
	Net technical result	**6,544,526**	**(838,619)**	**2,978,695**	**221,038**	**804,792**	**9,710,432**

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 17 – Geographic breakdown of premiums written

Gross insurance premiums amounting to EUR 162,505,757 may be broken down into geographic zones according to where the contracts have been concluded:

	December 31, 2019	December 31, 2018
Poland	45,669,663	45,411,332
Czech Republic	38,517,135	36,431,279
Hungary	37,099,869	36,320,072
Slovakia	22,964,236	26,318,637
Romania	10,626,363	8,751,891
Bulgaria	5,066,754	4,332,648
Other EEA	1,474,621	1,596,762
Outside EEA	1,087,116	1,433,621
Total	**162,505,757**	**160,596,242**

Note 18 – Commissions

Commissions paid to insurance intermediaries relating to direct insurance and assumed reinsurance amount to EUR 29,594,921 and are included in Acquisition costs (EUR 35,219,983 in 2018). Total commissions line includes also other commissions which amount to EUR 8,953,938, totalling EUR 38,548,859.

Note 19 – Change in ceded deferred acquisition costs

The 'ceded deferred acquisition costs' are shown on the Balance Sheet in 'Accruals and deferred income' (EUR 1,990,291 in 2019 and EUR 2,943,905 in 2018). The change of the ceded deferred acquisition costs of EUR 953,614 is included in 'reinsurance commissions and profit participation' on the Profit and Loss Account.

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 20 – Personnel employed during the year

The ending number of staff employed at the financial year of 2019 amounts to 459 and may be broken down into the following categories:

	Bulgaria	Czech Republic	Hungary	Luxembourg	Poland	Romania	Slovakia	Total
2019 Year								
Management	1	1	1	1	1	-	1	6
Salaried employees	17	88	118	7	120	22	81	453
Total	18	89	119	8	121	22	82	459
2018 Year								
Management	1	1	1	1	1	-	1	6
Salaried employees	16	78	123	7	119	17	92	452
Total	17	79	124	8	120	17	93	458

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

	Bulgaria	Czech Republic	Hungary	Luxembourg	Poland	Romania	Slovakia	Total
2019 Year								
Wages and salaries	637,521	3,125,446	3,609,985	2,389,084	3,587,807	500,763	2,677,450	16,528,056
Social security costs	62,167	951,513	879,634	194,054	1,225,624	11,382	883,465	4,207,839
Other employee expenses	38,518	421,727	260,335	265,868	656,712	89,392	69,353	1,801,905
Total	**738,206**	**4,498,686**	**4,749,954**	**2,849,006**	**5,470,143**	**601,537**	**3,630,268**	**22,537,800**
2018 Year								
Wages and salaries	612,548	2,744,139	3,308,264	1,716,422	3,773,185	442,665	2,650,017	15,247,240
Social security costs	46,034	828,418	903,060	141,675	1,175,980	9,298	897,537	4,002,002
Other employee expenses	28,575	416,696	149,250	248,859	730,167	85,587	65,602	1,724,736
Total	**687,157**	**3,989,253**	**4,360,574**	**2,106,956**	**5,679,332**	**537,550**	**3,613,156**	**20,973,978**

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

Remuneration granted to members of the Board of Directors in relation to their responsibilities amounts to EUR 65,002 (EUR 64,935 in 2018) and are included in “administrative expenses”. There are no commitments in respect of retirement pension for former members of those supervisory bodies.

Note 22 – Auditors’ fees

The audit fees (excluding VAT) for the year ended December 31, 2019 amount to EUR 444,000 (compared to EUR 473,500 in 2018), representing fees for the audit of the annual accounts and the related regulatory reports as well as the branch statutory audits. They are included in “administrative expenses”.

Beside the above audit fees, EUR 77,492 (compared to EUR 3,918 in 2018) is included in the “administrative expenses” for tax services.

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 23 – Commutation with Polish Re

The Part VII Commute transaction - described in the Director's Report - impacted the technical results of the annual accounts as follows:

Profit and loss impact	
Outward reinsurance premiums	380,392
Change in the provision for unearned premiums, reinsurers' share	-306,966
Claims paid, reinsurers' share	5,457,751
Change in the provision for claims, reinsurers' share	-5,773,293
Value adjustments on investments - charges	-21,071
Profit/(loss) for the financial year	**-263,187**
Balance sheet impact	
Reinsurers' share of technical provisions	
Provision for unearned premiums	-303,394
Claims outstanding	-5,785,367
Cash at bank and in hand	5,806,322
Accruals and deferred income	-19,252

Note 24 – Other income and other charges

The income relating to claims expenses paid on behalf of AIG as part of the Claims runoff service agreement is EUR 2,654,149 (EUR 3,362,632 in 2018) in the Other income line. The associated claims expenses are presented as Other charges amounting EUR 2,654,149 (EUR 3,362,632 in 2018).

Note 25 – Tax status

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

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 26 – Commitments

At December 31, 2019 the Company has the following off-balance sheet commitments:

	December 31, 2019	December 31, 2018
Building leases	5,295,268	5,647,226
Vehicle leases	936,711	1,439,437
Bank guarantee	215,632	219,993
IT equipment lease	38,689	45,444
Total	**6,486,300**	**7,352,100**

The Company's commitments are in relation to the lease of premises for the head office and the branches, company vehicles and IT equipment use for its activities and by its employees. The bank guarantees are related to leases and business commitments. The amounts reported represent the future obligations of the Colonnade Insurance SA computed until expirations of contracts.

Note 27 – Subsequent events

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

In March 2020 Colonnade Insurance S.A. implemented measures to address the risks of the COVID-19 pandemic that started spreading in Europe. We successfully managed to keep our services continued by our employees working from home. The spread of COVID-19 will have an impact on the Company's results in 2020. These areas are:

- Premium volumes are expected to reduce in a number of lines of business, both in specific consumer lines of business directly impacted (e.g. travel insurance) and in lines of business impacted by any subsequent reduction in economic output.
- There are some risks to the anticipated loss ratio.
- We are expecting our partners and clients to face liquidity issues.
- While our investment portfolio is mostly cash and well rated corporate or government short-dated bonds, there is potential for unrealised losses in our investment portfolio, which would only be realised in the event of issuer insolvency.

There are mitigating actions the Company can take, to minimize the impact of the pandemic such as delaying the planned investment in company infrastructure and reduced planned external sales expenses.

While these effects may result in a temporary reduction in profitability, given the level of capital in the Company, we do not believe this event will impact us as a going concern.

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Note 28 – Balance sheet and income statement prepared under the cost and valuation model

The financial figures included in this note facilitate the comparison of the annual accounts with the annual compte rendu to the Commissariat aux Assurances. In agreement with regulator request, the compte rendu is prepared in accordance to the purchased and cost valuation model presented under valuation rules described in chapter 7 section 1 of the amended law of December 8, 1994 on annual accounts with the respect insurance and reinsurance undertakings.

The annual accounts of the Company are prepared in conformity with the law of December 8, 1994 ,as amended, and with the accounting policies as described in note 2-Presentation of the annual accounts. Fair value options are applied to the Company annual accounts since 2016. Figures under column "Investments under fair value" are reflecting such principles.

Balance sheet as of December, 31 2019	Notes	Investments under fair value 2019 EUR	Adjustment 2019 EUR	Investments under purchased and cost model 2019 EUR	Investments under purchased and cost model 2018 EUR
ASSETS					
Intangible assets	4.2; 5	3,732,630		3,732,630	4,819,640
Investments					
Investments in affiliated undertakings and participating interests					
Shares in affiliated undertakings	4.4; 6.1	963,494		963,494	907,264
Other financial investments					
Shares and other variable yield transferable securities and units in unit trusts	4.5	14,315,224	- 315,224	14,000,000	-
Debt securities and other fixed income transferable securities	4.5	131,876,483	- 404,675	131,471,808	67,436,784
		147,155,201		146,435,302	68,344,048
Reinsurers' share of technical provisions					
Provision for unearned premiums	4.8.1; 23	12,809,183		12,809,183	16,028,486
Claims outstanding	4.8.2; 23	25,642,722		25,642,722	28,093,979
		38,451,905		38,451,905	44,122,465
Debtors					
Debtors arising out of direct insurance operations					
Policy holders	4.6; 7	25,008,213		25,008,213	25,324,987
Intermediaries	4.6; 7	14,306,894		14,306,894	10,538,651
Debtors arising out of reinsurance operations	4.6; 7	3,632,401		3,632,401	5,553,184
Other debtors	4.6; 7	3,204,444		3,204,444	1,943,367
		46,151,952		46,151,952	43,360,189
Other assets					
Tangible assets and stocks	4.3; 8	1,737,479		1,737,479	1,767,128
Cash at bank and in hand	23	31,735,827		31,735,827	71,529,954
Other assets		4,993		4,993	15,718
		33,478,299		33,478,299	73,312,800
Prepayments and accrued income					
Accrued interest and rent		1,161,567		1,161,567	498,991
Deferred acquisition costs	4.7	18,373,552		18,373,552	16,303,941
Other prepayments and accrued income	9	2,220,525		2,220,525	1,770,597
		21,755,644		21,755,644	18,573,529
Total Assets		**290,725,631**		**290,005,732**	**252,532,671**

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Balance sheet as of December, 31 2019

	Notes	Investments under fair value 2019 EUR	Adjustment 2019 EUR	Investments under purchased and cost model 2019 EUR	Investments under purchased and cost model 2018 EUR
LIABILITIES					
Capital and reserves					
Subscribed capital	10	9,500,000		9,500,000	9,500,000
Share premium account	11	94,876,287		94,876,287	84,876,287
Reserves		-			
Legal reserve	12	950,000		950,000	950,000
Profit and loss brought forward	13	- 28,044,619	- 358,732	- 28,403,351	- 27,066,160
Profit or loss for the financial year		7,984,499	- 361,167	7,623,332	- 1,337,191
		85,266,167		84,546,268	66,922,936
Technical provisions					
Provision for unearned premiums	4.8.1	73,536,185		73,536,185	69,716,585
Claims outstanding	4.8.2	92,327,181		92,327,181	73,095,600
Provision for bonuses and rebates	4.8.3	432,364		432,364	631,302
		166,295,730		166,295,730	143,443,487
Provisions for other risks and charges					
Provisions for taxation	25	1,085,698		1,085,698	1,469,476
		1,085,698		1,085,698	1,469,476
Creditors					
Creditors arising out of direct insurance operations	4.9; 14	14,047,420		14,047,420	13,269,444
Creditors arising out of reinsurance operations	4.9; 14	10,744,731		10,744,731	11,772,875
Other creditors including tax and social security	4.9; 14	5,054,742		5,054,742	5,152,304
		29,846,893		29,846,893	30,194,623
Accruals and deferred income	4.10; 15; 19; 23	8,231,143		8,231,143	10,502,149
Total Liabilities		**290,725,631**		**290,005,732**	**252,532,671**

Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Profit and loss account for the year ended December 31, 2019	**Notes**	**Investments under fair value**	**Adjustment**	**Investments under purchased and cost model**	**Investments under purchased and cost model**
		2019	**2019**	**2019**	**2018**
TECHNICAL ACCOUNT		**EUR**	**EUR**	**EUR**	**EUR**
NON-LIFE INSURANCE BUSINESS					
Earned premiums, net of reinsurance					
gross premiums written	16; 17	162,505,757		162,505,757	160,596,242
outward reinsurance premiums	23	- 32,003,976		- 32,003,976	- 38,827,733
change in the provision for unearned premiums		- 3,819,600		- 3,819,600	- 15,529,918
change in the provision for unearned premiums, reinsurers' share	23	- 3,219,303		- 3,219,303	- 915,233
		123,462,878		123,462,878	105,323,358
Other technical income	3	354,992		354,992	-
Claims incurred, net of reinsurance					
claims paid:					
gross amount		- 34,353,532		- 34,353,532	- 27,723,604
reinsurer' share	23	8,120,674		8,120,674	11,889,836
		- 26,232,858		- 26,232,858	- 15,833,768
change in the provision for claims:					
gross amount		- 19,231,581		- 19,231,581	- 41,066,647
reinsurer' share	23	- 2,451,257		- 2,451,257	10,947,639
		- 21,682,838		- 21,682,838	- 30,119,008
Bonuses and rebates, net of reinsurance		- 691,573		- 691,573	- 833,746
Allocated investment return transferred from the non-technical account	4.11	228,285		228,285	- 249,163
Net operating expenses					
acquisition costs	4.7; 18	- 56,341,408		- 56,341,408	- 53,283,594
change in deferred acquisition costs	4.7; 19	2,069,611		2,069,611	3,294,800
administrative expenses	4.12; 20; 21; 22	- 17,965,289		- 17,965,289	- 15,474,644
reinsurance commissions and profit participation	19; 23	6,400,336		6,400,336	8,072,652
		- 65,836,750		- 65,836,750	- 57,390,786
Balance on the technical account for non-life insurance business		**9,602,136**		**9,602,136**	**896,887**

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Notes to the annual accounts as at December 31, 2019

All amounts are expressed in EUR unless stated otherwise.

Profit and loss account for the year ended December 31, 2019

	Notes	Investments under fair value 2019 EUR	Adjustment 2019 EUR	Investments under purchased and cost model 2019 EUR	Investments under purchased and cost model 2018 EUR
NON-TECHNICAL ACCOUNT					
Investment income					
income from other investments					
income from other investments		2,069,841		2,069,841	170,139
value re-adjustments on investments	4.1; 6.2	9,012,675	- 361,167	8,651,508	1,708,935
gains on realisation of investments		462,606		462,606	35,867
		11,545,122		11,183,955	1,914,941
Investment charges					
investment management charges, including interest		- 476,661		- 476,661	- 400,499
value adjustments on investments	4.1; 6.1; 6.2	- 9,765,661		- 9,765,661	- 3,166,885
losses on the realisation of investments		- 675,526		- 675,526	- 228,277
		- 10,917,848		- 10,917,848	- 3,795,661
Allocated investment return transferred to the non-life technical accoun	4.11	- 228,285		- 228,285	249,163
Other income	24	3,255,429		3,255,429	4,310,255
Other charges, including value adjustments	4.13; 24	- 2,884,778		- 2,884,778	- 3,491,615
Tax on profit or loss on ordinary activities	25	- 2,398,359		- 2,398,359	- 1,416,346
Profit or loss on ordinary activities after tax		7,973,417		7,612,250	- 1,332,376
Other taxes not shown under the preceding items	25	11,082		11,082	- 4,815
Profit or loss for the financial year		**7,984,499**		**7,623,332**	**- 1,337,191**