

# Annual Report 2019





Founding member of the  
Czech Insurance Companies Association



We have won the Association of  
Czech Insurance Brokers' Insurance  
Company of the Year award twelve times.



ERV Evropská has been voted the best  
travel insurance company by tourism  
professionals for sixteen years in a row.



[www.linkabezpeci.cz](http://www.linkabezpeci.cz)

We help, not only on your travels.  
We support the Linka bezpečí,  
a helpline for children in need.

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## Basic Information

### Registered Address

ERV Evropská pojišťovna, a. s.  
Křížíkova 237/36a  
186 00 Praha 8  
The Company is registered at the Commercial Register  
of the Municipal Court of Prague, sect. B, file, 1969;  
reg. no. 49240196.

### Shareholders

Europaeiske Rejseforsikring A/S, Denmark	75%
ERGO Reiseversicherung AG, Germany	15%
Europäische Reiseversicherung AG, Austria	10%

### Management Board

Ing. Libor Dvořák, Čelákovice - Chairman (from April 1, 2019)  
Ing. Štěpán Landík, Praha - Member  
JUDr. Vladimír Krajíček, Praha - Chairman (until March 31, 2019)

### Confidential Clerk

Ing. Mgr. Václav Urbanec, Praha (from January 31, 2019)  
Veronika Nováková, Praha (from January 31, 2019)  
Ing. Irena Filipová, Praha (from January 31, 2019)

### Supervisory Board

Christof Flosbach, Germany - Chairman (from December 9, 2019)  
Mag. Wolfgang Lackner, Austria - Vice-Chairman  
Dr. Oliver Alexander Wild, Germany - Member  
Richard Gustav Johann Bader, Germany - Chairman (until December 9, 2019)

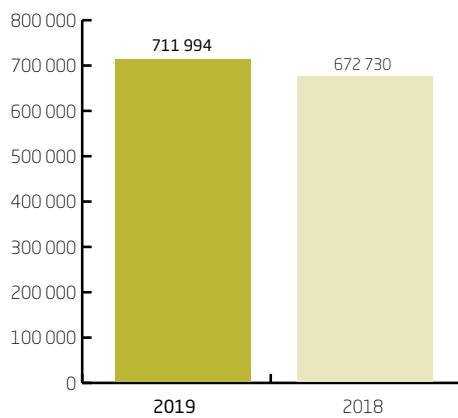


# Key Figures

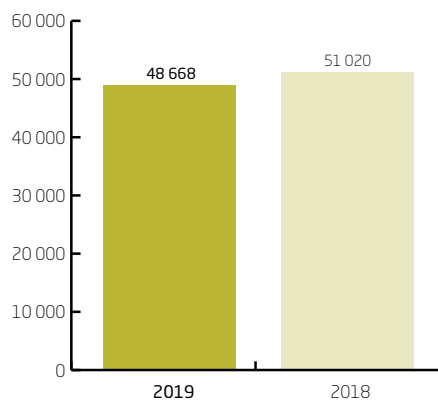
	(TEUR) <sup>1</sup>	2019 (TCZK)	2018 (TCZK)
<b>Gross premium written</b>	<b>28 020</b>	<b>711 994</b>	<b>672 730</b>
Technical result	2 506	63 681	66 238
<b>Result for the year</b>	<b>1 915</b>	<b>48 668</b>	<b>51 020</b>
Total assets	21 398	543 717	513 038
Shareholders' equity	9 926	252 209	241 158
Technical provisions - gross	7 174	182 284	177 720

<sup>1</sup> 1 EUR = 25,410 CZK

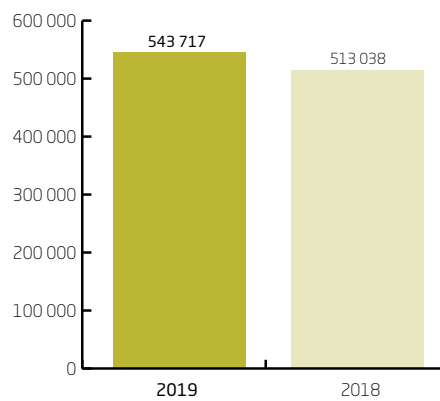
## Gross Premium Written (TCZK)



## Result of the Year (TCZK)

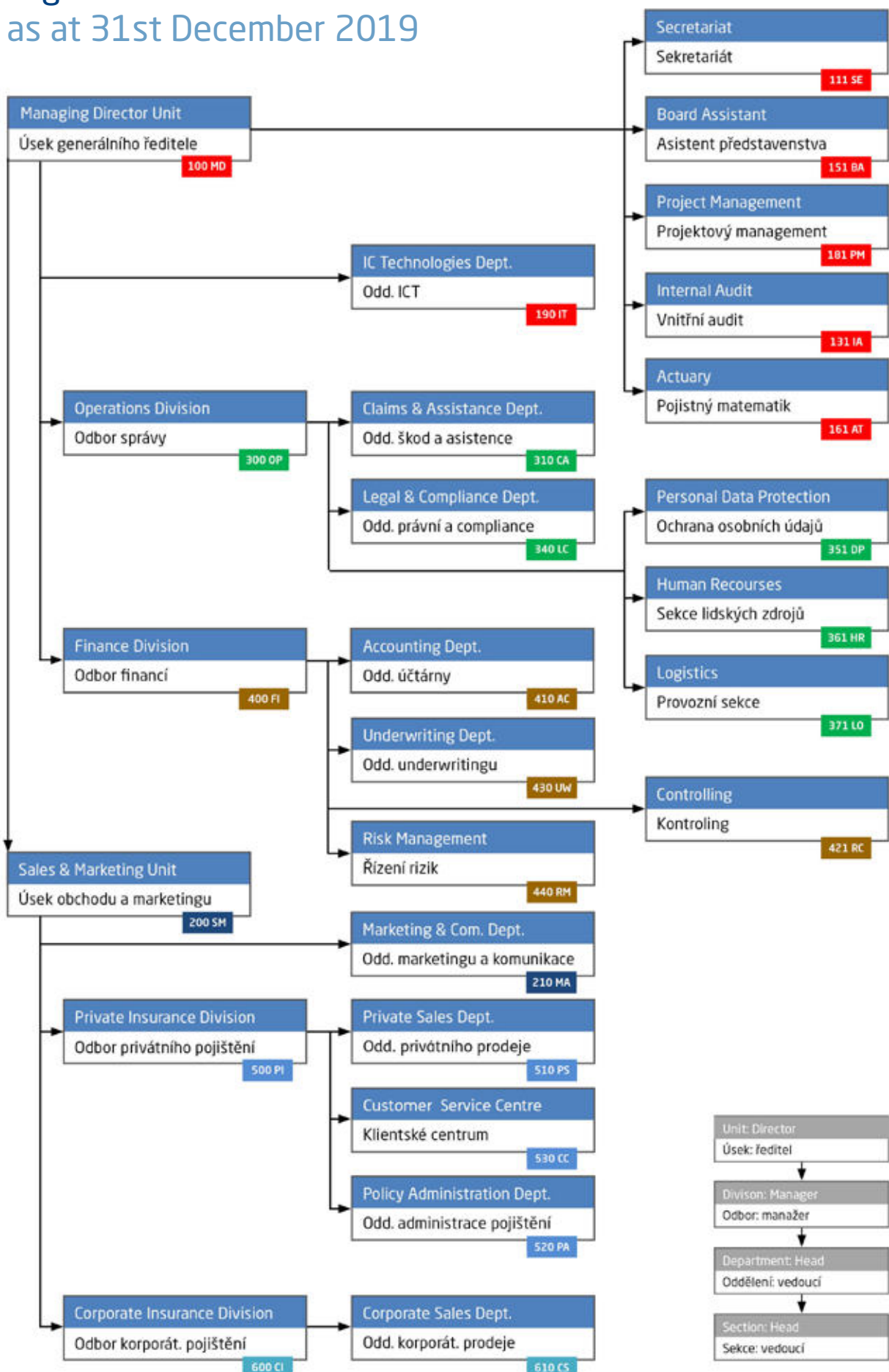


## Total Assets (TCZK)





# Organisational Chart as at 31st December 2019



## International Group

The Danish Europaeiske Rejseforsikring A/S that has been dealing with travel insurance for already more than 90 years founded our Company in 1992. Europaeiske holds 75% of our shares and the other shareholders are ERGO Reiseversicherung AG from Germany (15%) and Europäische Reiseversicherung AG from Austria (10%). In 1995 the German company started to form one of the largest international travel insurance groups that includes nowadays also companies in Denmark, Sweden, Spain, United Kingdom, Italy, Ireland, Portugal, Poland, Turkey, Russia, China and India.



Via our shareholders we belong to the Group of Munich Re - the international reinsurance leader. In 1994 Evropská Cestovní Pojišťovna (today ERV Evropská pojišťovna) became a member of the International Association of European Travel Insurers (IAE) uniting specialised insurers bearing similar name from all around Europe. Via this association, today called International Travel Insurance Alliance (ITIA), we can closely co-operate with many travel insurers on an international level.



### ITIA Members

- |                |                |
|----------------|----------------|
| Austria        | Poland         |
| Bulgaria       | Russia         |
| Czech Republic | Slovakia       |
| Denmark        | Spain          |
| Germany        | Sweden         |
| Hungary        | Switzerland    |
| Italy          | Turkey         |
| Netherlands    | Ukraine        |
| Norway         | United Kingdom |



# Management Board Report on Company Activities in 2019

Last year was another very successful period for our insurance company. However, it also brought great challenges, both expected and unexpected. At the beginning of the summer tourist season, no one believed that we would be able to exceed the turnover of the previous year, nor break the written insurance premium record of CZK 700 million. From outside there was no significant change visible. ERV Evropská continued to grow and thus confirmed its leading position in the Czech travel insurance market. Nevertheless, very important changes occurred in the internal organisation of the insurance company, as two members of the management who participated in its establishment and represented the face and soul of the company left after 26 years. For most of the year, the company was managed by a new team formed already at the end of 2018.

Despite the continuing economic growth, it seems that the outgoing travel market stagnated last year. In addition to the economic downturn, the situation was significantly affected by a need to modify travel plans due to limited capacities of air carriers caused by a ban on Boeing Max aircraft. However, our partners, travel agents, airline carriers and air ticket resellers coped with these difficulties well. Thanks to their growing turnover, our insurance income from the sale of travel packages, air tickets and other services grew as well.

Our private sales rate growth even surpassed the travel trade growth. Not surprisingly, internet sales played a major role again. On-line communication with customers plays a key role in our insurance business together with a simple and transparent arrangement of insurance and claim reporting. This is why we improved our systems and offerings again. We introduced a new version of our mobile application, which in addition to a fast contact to the insurer now also makes it very easy to arrange a trip cancellation insurance. Our customers highly appreciated our substantial innovation of cancellation insurance because it brings a new approach to the recognised reasons of trip cancellations and thus significantly simplifies the policy conditions.

As for corporate insurance, we slightly outperformed the extremely successful previous year. We continued to develop our cooperation with other insurers in co-insurance. Our travel insurance programme for the Ministry of Foreign Affairs, operated together with Kooperativa and PVZP, was very positively received by the Czech foreign service staff. Together with leading brokers we

expanded our offer to corporate clients. Seeing it as a very important business segment we have been improving our range of services to make sure they are best suited to customer needs. We really value the fact that for the 12th year in a row, the Association of Czech Insurance Brokers voted us the Insurer of the Year in a specialised insurer category.

Last year, we recorded a more than 10% increase in sales of non-travel insurance. This was largely due to professional liability insurance and insurance covering insolvency of travel agencies, along with insurance of bicycles and other minor items.

In total, our insurance company reported gross prescribed insurance premiums in the amount of CZK 712 million in 2019, which is a 6% year-on-year increase. More than 1.1 million clients took our travel policies.

Due to a continuous growth of income, mainly thanks to the largest distributors, our commission expenses grew faster than turnover. At the same time, the claims ratio increased slightly as the cost of major claims increased. It was once again proven how important it is for us to follow a coordinated procedure with our international Euro-Centre assistance network focusing on medical costs management in all major tourist destinations around the world. Despite the increase in turnover, operating costs even dropped slightly when compared to last year. The technical result of the company, in the amount of CZK 64 million, almost attained the record level of 2018.

Thanks to increased return on investment, the total economic performance reached CZK 49 million, which again represents only a minimal decrease compared to last year's record.

The Management Board would like to express its sincere thanks to the entire team of staff members not only for the great results, but also for their support when introducing changes to the internal organisational structure of the company and for their excellent commitment in terms of customer care.

It will not be easy to maintain this positive trend in the upcoming year. It is already evident that we will face many obstacles, which undoubtedly include complex negotiations with insolvency insurers, the ever-increasing administrative burden and, last but not least,



the national economy in a turbulent international situation. Knowing my colleagues I am confident that our team is very well prepared to not only face the challenges, but also other problems unknown to us at this time. The strong background provided by the international ERGO Travel, ERGO and Munich Re groups is our support, thus we believe that the upcoming year will bring another success for the company.

Prague, February 2020

Libor Dvořák  
Chairman of the Management Board



## Supervisory Board Report on Activities in 2019

The Supervisory Board of the ERV Evropská pojišťovna, a. s., held three meetings during the year 2019 carrying out its duties in accordance with the Company's Articles of Association.

In the year under review one change occurred in the composition of the Supervisory Board. After the General Meeting of Shareholders held in December 2019 Mr. Christof Flosbach became a new member of the Supervisory Board replacing its long-term Chairman Mr. Richard Bader. Mr. Flosbach was subsequently elected the Chairman of the Supervisory Board. Throughout all the year Mr. Wolfgang Lackner (Vice-Chairman) and Mr. Oliver Wild were members of the Board. The members had access to all Company documents when required.

Co-operation with the Management Board was on a good level and all support materials were delivered on request. By means of written and personal reports the Management Board kept us informed of the business development and the financial position of the Company in the year under review.

The Supervisory Board examined financial statements for the year, the Management Board Report, and the Management Board proposal on the balance sheet profit

distribution for the year 2019. Having studied these documents, we agree to the proposal on the balance sheet profit distribution and have nothing to add to the annual report.

The auditor's report on the year's financial statements presented by KPMG Česká republika Audit, s.r.o., showed that the accounting and financial statements comply with the Czech legal regulations. We find the result of the audit satisfactory and have no further comments to it.

According to the final result of our examination, we have no objection to raise and we are going to recommend the General Meeting of Shareholders to approve all documents submitted by the Management Board.

During 2019 the Supervisory Board carried out all functions of the audit committee in accordance with the Act No. 93/2009 Coll. on auditors.

Prague, February 2020

Christof Flosbach  
Chairman of the Supervisory Board

# Report on Relations between Related Parties in 2019

ERV Evropská pojišťovna, a. s. (hereinafter 'the Company') is a subsidiary company of the Danish travel insurance leader Europaeiske Rejseforsikring A/S, Copenhagen, which holds 75% of the shares. ERGO Reiseversicherung AG, Munich holds 15% of the Company shares and the remaining 10% is held by the Austrian company Europäische Reiseversicherung AG, Vienna.

## Controlling parties and relation description

Europaeiske Rejseforsikring A/S, Denmark, is the founder and the parent company of the Company. The Company has a cooperation agreement with this company to sell Danish Global Corporate travel insurance on the Czech market.

ERGO Reiseversicherung AG, Germany, is the parent company and 100% shareholder of Europaeiske Rejseforsikring A/S, Denmark, and concurrently holds a 25% share in Europäische Reiseversicherung AG, Austria. Directly or indirectly, ERGO Reiseversicherung AG thus controls a 92.5% share of the Company. The Company has agreements with this company, respectively with its Polish branch, regarding the usage of the daGama computing system in Poland, an agreement on user support of the respective software, an agreement on personal data protection, and an agreement on claims management.

ERGO Group AG, Germany, is the 100% shareholder of ERGO Reiseversicherung AG, Germany. The Company has an agreement with ERGO Group AG on the usage of group's accounting system. Furthermore, there is an agreement between the companies on support and consulting services in respect of Solvency II reporting, an agreement on internal audit service provision and an agreement on implementation of the Smaragd IT system.

Münchener Rückversicherung AG, Germany, is the 100% shareholder of ERGO Group AG, Germany. Münchener Rückversicherung AG participates on the reinsurance scheme of the Company with respect to travel insurance, liability insurance, and tour operator insolvency insurance. Reinsurance billing is stated in reinsurance contracts signed between the Company and the reinsurer, under conditions applicable to third parties.

## Controlled parties and relations description

Etics ITP, s. r. o., Czech Republic, is a 100% subsidiary of the Company and was established in 2005. The subject of its business is insurance mediation and claims settlement. With this brokerage company, the Company

has an agreement on sales representation, an agreement on claims settlement cooperation, an agreement on cooperation on controlling and monitoring travel agencies financial results, and an agreement on sub-tenancy.

## Relations to other related parties

Euro-Center Holding SE, Czech Republic, is a company coordinating assistance services within the concern of ERGO Reiseversicherung AG, which controls 83.33% of its shares. The Company itself controls 16.66% of its shares. The Company has concluded a cooperation agreement on the provision of assistance services to clients and an agreement on sub-tenancy with Euro-Center Holding SE.

Euro-Center Prague, s. r. o., Czech Republic, was a 100% subsidiary of the Company until 2016. In 2016 the Company sold all its shares to Euro-Center Holding SE. The subject of its business is the provision of assistance services in respect of travel insurance. With Euro-Center Prague, s.r.o., the Company has signed a cooperation agreement on the provision of assistance service for clients, a cooperation agreement on claims handling in tour operator insolvency insurance, an agreement on the provision of administrative services, an agreement on lease of movable property, and an agreement on sub-tenancy.

JSC "European Travel Insurance", Russia, is 100% subsidiary of ERGO Reiseversicherung AG, Germany. In 2019 the Company concluded an amendment to the cooperation agreement from 2011 with the Russian company in particular related to cooperation in IT, management processes, and internal audit principles implementation.

MEAG MUNICH ERGO AssetManagement GmbH, Germany, belongs to the concern of Münchener Rückversicherung AG and provides asset management and investment advisory services. The company provides services in the area of investment and asset management to the Company.

All contracts with the above-mentioned parties have been concluded under the arm's-length principle. In the past year, the Company has not concluded any other agreement with any other company belonging to the Münchener Rückversicherung concern. The exact amount of mutual receivables and liabilities as at the balance sheet date has been stated in the notes to the financial statements.

Shareholders control the Company mainly through decisions taken during General Meetings.

The Company has neither controlling agreements with shareholders nor agreements on profit transfer.

We declare that, according to Section 82 of the Act on Commercial Corporations, as amended, in this report on relations between related parties in 2019 we have stated to the best of our knowledge all new or valid relations between controlling and controlled party, as well as relations between the controlled party and parties controlled by the same party, roles of the controlled parties, methods and means of control, and assessment of loss inception.

We declare that we are not aware of any losses caused to the Company by the above-mentioned agreements. At the same time we declare that no potential liability has arisen for the Company from the above-mentioned relations and that they therefore pose no consequent risk for the Company.

Prague, February 2020



Libor Dvořák  
Chairman of the Management Board



Štěpán Landík  
Member of the Management Board

## Profit Distribution

The Management Board proposes to distribute the profit for the financial year 2019 in the amount of TCZK 48 668 as follows:

- allocate TCZK 2 433 to the statutory reserve fund in accordance with the Articles of Association,
- use TCZK 46 235 to pay out dividends to the shareholders in accordance with their share in the Company's equity capital.

Prague, February 2020



Libor Dvořák  
Chairman of the Management Board



# Balance Sheet

(TCZK)

Assets			2019	2018
	Gross	Correction	Net	Net
<b>Intangible fixed assets</b>	<b>43 118</b>	<b>-36 792</b>	<b>6 326</b>	<b>7 019</b>
Investments in affiliated undertakings and participating interests, thereof:	2 587	0	2 587	2 363
Participations in controlled entities	2 587	0	2 587	2 363
<b>Other investment, thereof:</b>	<b>421 403</b>	<b>0</b>	<b>421 403</b>	<b>378 443</b>
Shares and other variable-yield securities, other participating interests	8 324	0	8 324	8 324
Bonds (debt securities)	226 018	0	226 018	186 068
Securities recognized in fair value in P/L accounts (AFS)	226 018	0	226 018	186 068
HTM securities	0	0	0	0
Deposits with financial institutions	187 061	0	187 061	184 051
<b>Investment</b>	<b>423 990</b>	<b>0</b>	<b>423 990</b>	<b>380 806</b>
Receivables arising from direct insurance, thereof:	31 606	-594	31 012	22 398
Policyholders	12 303	-442	11 861	7 709
Intermediaries	19 303	-152	19 151	14 689
<b>Other receivables</b>	<b>12 308</b>	<b>0</b>	<b>12 308</b>	<b>36 740</b>
<b>Debtors</b>	<b>43 914</b>	<b>-594</b>	<b>43 320</b>	<b>59 138</b>
Tangible fixed assets other than are noted in section "Land and buildings", and inventories	24 043	-16 763	7 280	6 257
Cash on accounts in financial institutions and cash in hand	18 833	0	18 833	20 970
<b>Other assets</b>	<b>42 876</b>	<b>-16 763</b>	<b>26 113</b>	<b>27 227</b>
Deferred insurance acquisition costs, thereof:	38 227	0	38 227	33 362
In non-life insurance	38 227	0	38 227	33 362
<b>Other temporary assets accounts, thereof:</b>	<b>5 741</b>	<b>0</b>	<b>5 741</b>	<b>5 486</b>
Estimated receivables	0	0	0	0
<b>Temporary assets accounts</b>	<b>43 968</b>	<b>0</b>	<b>43 968</b>	<b>38 848</b>
<b>Total assets</b>	<b>597 866</b>	<b>-54 149</b>	<b>543 717</b>	<b>513 038</b>



Equity and Liabilities			2019	2018
	Gross	Correction	Net	Net
Share capital	160 000	0	160 000	160 000
Other capital funds	-61	0	-61	-913
Statutory reserve fund and other funds from profit	33 871	0	33 871	31 320
Profit or loss brought forward	9 731	0	9 731	-269
Profit or loss for the financial year	48 668	0	48 668	51 020
<b>Capital and reserves</b>	<b>252 209</b>	<b>0</b>	<b>252 209</b>	<b>241 158</b>
Provision for unearned premium	113 419	0	113 419	102 219
Gross amount	123 158	0	123 158	110 742
Reinsurance value	-9 739	0	-9 739	-8 523
Provision for outstanding claims	48 099	0	48 099	47 886
Gross amount	58 181	0	58 181	66 155
Reinsurance value	-10 082	0	-10 082	-18 269
Provision for bonuses and rebates	945	0	945	823
Gross amount	945	0	945	823
Other provisions	0	0	0	0
Gross amount	0	0	0	0
<b>Technical provisions</b>	<b>162 463</b>	<b>0</b>	<b>162 463</b>	<b>150 928</b>
Tax provision	751	0	751	5 991
<b>Provisions</b>	<b>751</b>	<b>0</b>	<b>751</b>	<b>5 991</b>
Payables arising from direct insurance	16 566	0	16 566	7 086
Payables arising from reinsurance	5 177	0	5 177	3 380
Other payables, thereof:	53 983	0	53 983	50 646
Tax liabilities and payables due to social security and health insurance institutions	3 659	0	3 659	4 195
<b>Creditors</b>	<b>75 726</b>	<b>0</b>	<b>75 726</b>	<b>61 112</b>
Accrued expenses and deferred revenues	2 017	0	2 017	2 137
Other temporary liabilities accounts, thereof:	50 551	0	50 551	51 712
Estimated payables	50 551	0	50 551	51 712
<b>Temporary liability accounts</b>	<b>52 568</b>	<b>0</b>	<b>52 568</b>	<b>53 849</b>
<b>Total liabilities</b>	<b>543 717</b>	<b>0</b>	<b>543 717</b>	<b>513 038</b>





# Profit & Loss Account

(TCZK)

<b>Technical account non-life</b>	<b>2019</b>	2018
<b>Gross premium written</b>	<b>711 994</b>	<b>672 730</b>
Ceded premium	-61 098	-53 622
Net premium written	650 896	619 108
Change in unearned premium, gross	12 416	21 118
Change in unearned premium, ceded	-1 216	-691
Net earned premium	639 696	598 681
Allocated investment return transferred from the non-technical account	1 813	1 042
Other technical revenues, net of reinsurance	745	742
Gross claims paid	-253 609	-211 412
Ceded claims paid	1 209	466
Change in outstanding claims provisions, gross	7 974	-26 468
Change in outstanding claims provisions, ceded	-8 187	12 007
Net claims incurred	-252 613	-225 407
Change in other technical provisions, net of reinsurance	-122	74
Bonuses and rebates, net of reinsurance	-1 088	-1 089
Acquisition costs	-311 865	-298 602
Change in deferred acquisition costs	4 865	8 898
Administrative expenses	-27 234	-27 912
Reinsurance commissions and profit participation	9 726	9 813
Expenses for underwriting business, net	-324 508	-307 803
Other technical expenses, net of reinsurance	-242	-2
<b>Technical result non-life</b>	<b>63 681</b>	<b>66 238</b>
<b>Non-technical account</b>	<b>2019</b>	2018
Investment income	2 774	1 498
Investment expenses	-152	-171
Allocated investment return transferred to the non-life insurance technical account	-1 813	-1 042
Other income	6 775	8 261
Other expenses	-8 181	-9 999
Income tax on ordinary activities	-14 208	-13 594
Other taxes not shown under preceding items	-208	-171
<b>Profit or loss for the financial year</b>	<b>48 668</b>	<b>51 020</b>

## Statement on Changes in Equity

(TCZK)

	Share capital	Reserve funds	Changes in valuation	Profit brought forward	Profit/Loss	Total
Balance at 1. 1. 2018	160 000	29 589	286	46 561	37 793	<b>274 229</b>
FX gains (losses) and changes in valuation not included in the profit and loss statement	0	0	-1 199	0	0	<b>-1 199</b>
Net profit/loss for accounting period	0	0	0	0	51 020	<b>51 020</b>
Dividends	0	0	0	-50 000	-32 891	<b>-82 891</b>
Transfer to funds	0	1 731	0	3 170	-4 902	<b>-1</b>
<b>Balance at 31. 12. 2018</b>	<b>160 000</b>	<b>31 320</b>	<b>-913</b>	<b>-269</b>	<b>51 020</b>	<b>241 158</b>
Balance at 1. 1. 2019	160 000	31 320	-913	-269	51 020	241 158
FX gains (losses) and changes in valuation not included in the profit and loss statement	0	0	852	0	0	<b>852</b>
Net profit/loss for accounting period	0	0	0	0	48 668	<b>48 668</b>
Dividends	0	0	0	0	-38 469	<b>-38 469</b>
Transfer to funds	0	2 551	0	10 000	-12 551	<b>0</b>
<b>Balance at 31. 12. 2019</b>	<b>160 000</b>	<b>33 871</b>	<b>-61</b>	<b>9 731</b>	<b>48 668</b>	<b>252 209</b>



# Notes to the Financial Statements

Year ending 31<sup>st</sup> December 2019 (in thousands of Czech Crowns "TCZK")

## GENERAL CONTENT

### Description and Main Activities

ERV Evropská Pojišťovna, a. s., was entered into the Commercial Register under the name Evropské Cestovní Pojištění, a.s., on 23. 4. 1993 (IČ 492 40 196). Company name was changed on 1. 7. 2014 last time.

#### The Company's shareholders are

Europaeiske Rejseforsikring A/S, Denmark	75%
ERGO Reiseversicherung AG, Germany	15%
Europäische Reiseversicherung AG, Austria	10%

The Company obtained its insurance licence on 16. 9. 1993. On 28. 11. 2001 the Company applied to the Ministry of Finance for renewal of its licence to carry on insurance activities in accordance with Insurance Act No. 363/1999 Coll. The Ministry of Finance issued decision no. 322/2732/2002 setting out the scope of licensed insurance activities on 23. 1. 2002. On 15. 12. 2009 Czech National Bank issued decision no. 2009/9875/570 licensing extension of the scope of insurance activities for non-life insurance branches no. 1, 2, 7, 13 Coll. d), 15, 16 Coll. a), c), f), i), j) and 17. On 29. 2. 2012 Czech National Bank issued decision no. 2012/1900/570 licensing extension of the scope of insurance activities for non-life insurance branches no. 3, 8 and 9.

The Company carries out the following classes of non-life insurance:

- Insurance against damage to or loss of property in the range of non-life insurance industry No. 8
- Insurance against damage to or loss of property in the range of non-life insurance industry No. 9
- Liability insurance for damage
- Surety ship insurance
- Insurance of miscellaneous financial losses
- Assistance insurance to persons who get into difficulties while travelling or while away from their residence including insurance of financial losses directly connected to travelling

### Registered Address

ERV Evropská pojišťovna, a. s.  
Křižíkova 237/36a  
186 00 Praha 8

### Statutory Bodies at 31<sup>st</sup> December 2019

Management Board:

Ing. Libor Dvořák, Čelákovice - Chairman (from April 1, 2019)  
Ing. Štěpán Landík, Praha - Member  
JUDr. Vladimír Krajíček, Praha - Chairman (until March 31, 2019)

Confidential Clerk:

Ing. Mgr. Václav Urbanec, Praha (from January 31, 2019)  
Veronika Nováková, Praha (from January 31, 2019)  
Ing. Irena Filipová, Praha (from January 31, 2019)

Supervisory Board:

Christof Flosbach, Germany - Chairman (from December 9, 2019)  
Mag. Wolfgang Lackner, Austria - Vice-chairman  
Dr. Oliver Alexander Wild, Germany - Member  
Richard Gustav Johann Bader, Germany - Chairman (until December 9, 2019)

The Company shall be represented by at least two members of the Management Board. When signing on behalf of the Company, the printed or written name of the Company must always be accompanied by the signature of at least two members of the Management Board. The Confidential Clerk is entitled to act on behalf of the Company solely with either a member of the Management Board or another Confidential Clerk of the Company.

## Organizational Structure

The Company is divided into two units - Managing Director Unit and Sales & Marketing Unit. Units are split into divisions and departments.

## Legal Conditions

At the day of closing the accounts all legal conditions of the Company are in accordance with the Insurance Act No. 277/2009 Coll., as amended (hereinafter "the Law"), with the Civil Code No. 89/2012 Coll., as amended, and with the Act on Intermediaries and Loss Adjusters No. 38/2004 Coll., as amended, including relevant execution directives and subsequent valid legal enactments.

## Affiliated Undertakings

In 2005, the Company set up 100% subsidiary company Etics ITP, s.r.o., providing brokerage services and services of an independent loss adjuster. Etics ITP, s.r.o., was entered into the Commercial Register on 1. 2. 2006 and its share capital is TCZK 2 000. The Company also holds a 16,66% share in the company EURO-CENTER HOLDING SE and a 10% share in the company European Assistance Holding GmbH. Both these entities are controlled by the ERGO Reiseversicherung AG group, Germany.

## Main Accounting and Valuation Principles

The Company kept and closed its books in accordance with the Act on Accounting No. 563/1991 Coll., as amended, with the Ministry of Finance Directive No. 502/2002 from 6 November 2003, implementing certain provisions of the Act on Accounting No. 563/1991 Coll. (hereinafter "the Directive 502"), as amended, for insurance companies, with the Czech Accounting Standards for insurance companies and with other related regulations.

The accounting books respect all general accounting principles, in particular the fair value principle, the historic cost principle, the matching principle, the prudence principle and the going concern principle.

## Gross Premium Written

Gross premium written includes all amounts due according to the insurance contracts written during the accounting period, irrespective of whether these amounts are fully or partially related to future accounting periods.

## Claims Paid

Claims paid comprise the amount assessed for payment based on the claims settlement process, external and internal claims handling costs and a deduction for the salvage value and other recoveries.

Claims paid are recorded upon completion of the settlement of the claim and in the amount of the assessed settlement.



## Acquisition Costs

Acquisition costs include all direct and indirect expenses incurred in connection with concluding insurance contracts.

## Deferred Acquisition Costs

Deferred acquisition costs include the part of expenses arising from the conclusion of insurance contracts during the current accounting period, which relates to income in future accounting periods.

In respect of non-life insurance, deferred acquisition costs are based on total commission costs incurred in the current period and the ratio of the gross provision for unearned premiums at the balance sheet date to the total gross premiums written for the financial year.

## Transfer of Expenses between Technical Accounts and the Non-Technical Account

During the accounting period all administrative costs are posted to the non-technical accounts. Costs are distributed between claims handling costs, acquisition costs and administrative expenses (the technical account), and costs of investment management and other non-technical costs (the non-technical account). At first costs are allocated to the individual cost centres, and then further distributed to the appropriate non-technical accounts based on the defined ratios for each cost centre. This procedure is not applied for taxes and fees or for other expenses not related to insurance or reinsurance activities.

## Transfer of Investment Returns between Technical and the Non-Technical Account

During the accounting period all investment returns are posted to the non-technical account. At the end of the accounting period interests returns from that part of the investment, covering the technical provisions, are transferred to the technical account. Gains and Loses from investments sale are kept on non-technical account.

## Unearned Premium Provision

The unearned premium provision is created from the part of the gross premium written related to future accounting periods. It represents the sum of all provisions calculated for each individual insurance contract using the "pro rata temporis" method. In respect of some long-term policies, the provision includes the gross premium written but not yet used for travel.

## Claims Provisions

Claims provisions are created in the amount of the expected costs for:

- claims reported but not settled in the current accounting period (RBNS),
- claims incurred but not reported by the end of the current accounting period (IBNR),
- claims handling costs (CSC).

The provision for claims reported but not settled by the end of the accounting period (RBNS) is set as the total sum of provisions calculated for each and every claim.

The provision for the incurred but not reported claims (IBNR) is set for each class of insurance as follows: a) the method of the expected percentage of claims is used in case of property insurance and surety ship insurance classes; b) for other insurance classes as a difference between total claims provision calculated by using Chain Ladder method and already registered amount of RBNS provision. The provision also contains all estimated external costs connected with a claims settlement.

The Company perform neither discounting nor deductions in Non-life Outstanding claims provision.

Claims handling costs provision (CSC) contains all expected internal costs connected with claims handling.

Although the Management Board considers that the provision for outstanding claims is fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent events or new information, which may result in significant adjustments to the amounts provided for. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The procedures and methods used in making estimates are reviewed regularly.



## Provision for Bonuses and Rebates

A provision for bonuses and rebates is created in accordance with the insurance contract conditions. The provision is created for cases where the Company is liable to refund to policyholders a portion of the premiums relating to the current financial year due.

Changes in this provision are presented under "Bonuses and Rebates" in the profit and loss account.

## Other Provisions

The Company does not create any other technical provisions.

## Reinsurance Value

The Company shows technical provisions in the net amount on the liabilities side of balance sheet, i.e. after consideration of the reinsurance value. The calculation of the reinsurance value is based on the provisions of the particular reinsurance agreements and the reinsurance settlement method. The Company reports the reinsurance value of the unearned premium provision and the claims provision. Reinsurers do not participate in the other technical provisions.

## Investment

### Affiliated undertakings and participating interests

A participating interest with controlling influence is understood to be a participation of more than 50% in an enterprise of a third party. A participating interest with significant influence is understood to be a participation in of more than 20%, but less than 50%, in an enterprise of a third party.

Participating interests are booked at their acquisition cost, which includes the purchase price and other direct costs connected with the acquisition. At the balance sheet date participating interests are valued by equivalent method (acquisition value corrected by the share on equity changes). Revaluation differences are shown in shareholder equity.

### Debt Securities

Debt securities are booked at their purchase price on the day they are purchased. The Company carries out amortisation of any premium or discount for all debt securities in the portfolio at the date of closing the accounts. Premiums and discounts are amortised to the profit and loss account on the basis of the effective interest rate method from the date of acquisition to the date of their maturity.



## Debt securities held to the maturity

Bonds held to the maturity are shown in the amortized costs value in the balance sheet. The amortised cost value is taken as the purchase price increased by related costs and lowered for discount/premium amortisation and adjustments.

## Debt Securities Available for Sale

Debt securities available for sale are revaluated to fair value in accordance with the Ministry of Finance Directive No. 502/2002, as amended, at the date of closing the accounts. Differences arising from revaluation are shown in shareholder equity. The fair value is taken as the market price announced by home or foreign Stock Exchange or presented on alternative public (organized) market. The Company applies the market value announced at the moment no later than the day of closing the accounts and closest to this date. If the market value had not been available or insufficiently represented the fair value, the market value would have been determined by an expert estimate method.



## Shares and Other Variable-yield Securities

Shares and other variable-yield securities are booked on the day they are purchased at their acquisition cost.

The acquisition cost of a share or other variable-yield security includes the purchase price and other direct costs connected with the acquisition.

At the balance sheet date, shares and other variable-yield securities are revaluated to fair value. Revaluation changes are posted into profit and loss accounts.

In case shares and other variable-yield securities are issued in foreign currency, their value is valued in Czech crown using exchange rate set by Czech national bank.

The exchange rate difference becomes a part of the revaluation to fair value.

If there is no objective way of measuring the fair value, the securities are valued at the purchase price.

## Deposits with Financial Institutions

Bank deposits are initially recognised at their nominal value. At the date of closing the accounts these assets are revaluated to amortized value. For short-term deposits with financial institutions amortized value means the nominal value increased by accrued interest.

In case of deposits issued in foreign currency, their value is valued in Czech crown using exchange rate set by Czech national bank. The exchange rate difference becomes a part of the revaluation to amortized value. Revaluation changes are posted into profit and loss account.

## Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are stated at their purchase price.

Tangible fixed assets with their purchase price under TCZK 40 and intangible assets with their purchase price under TCZK 60 are booked as expenses in an accounting period in which they were acquired, unless it was agreed otherwise to record them in assets in a balance sheet.

An annual rate of accounting depreciation reflects the expected useful lifetime of assets.

The Company calculates depreciation using the methods and over the periods shown in the following table:

Fixed assets	Method	Rate %
software	straight-line	33,3
machines, PCs		33,3
furniture, equipment		20
cars		20
buildings, rebuilding		2-25

## Foreign Currency Translation

Transactions during the year are translated at the CNB (Czech National Bank) rate effective on the transaction date.

At the balance sheet date, foreign currency assets and liabilities are translated at the CNB official rate on that date. Foreign currency gains and losses are recorded in the Company's profit and loss account.

## Adjustments

Adjustments are created for receivables. The adjustments represent a temporary reduction in the value of individual receivables as evaluated by the Management of the Company.

The Company creates the adjustments using the net method, i.e. the net release or net creation of adjustments in the current accounting period is charged to the profit or loss account.

## Adjustments for Receivables from Policyholders

Adjustments for receivables from policyholders are created based on an analysis of their recoverability. The adjustments are created in accordance with the age of the receivables and reflect the risk of non payment in some individual cases.

## Corporate Tax

Corporate income tax on the profit for the year comprises current income tax and the change in deferred tax. Current income tax comprises the tax payable calculated on the basis of the expected taxable income for the year, using the tax rate valid at the balance sheet date and any adjustment to the tax payable for previous years.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the income tax rate prescribed by the Income Tax Act for the next period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which this asset can be utilised.

## Income Tax Provision

An income tax provision is created in the amount of the estimated corporate income tax liability at the balance sheet date. This provision is accounted for at the moment the corporate income tax return is filed.

## Consolidation

These financial statements have been prepared on a non-consolidated basis. The financial statements of the Company are included into the consolidated financial statements prepared by the Company as a consolidating accounting unit. The company Etics ITP, s.r.o., is included in the consolidation unit. The financial statements will also be included into the consolidated financial statements of Münchener Rückversicherung-Gesellschaft, Königinstrasse 107, München, Germany.

## Changes in Accounting Principles and Procedures

In 2019 the Company has not performed any change in accounting methods and processes. During the financial year the Company has applied no deviations from these methods and processes and carried out no corrections of errors coming from prior years.

## Risk Management

During 2016 new rules for solvency assessment of insurers including the risk management requirements and their control (hereinafter "Solvency II") came into force. The rules are defined by the Law as well as by related decree. The Company ensured implementation of System of Governance to cover all Company's activities and to be in compliance with all new requirements.

The System of Governance is set to ensure a continuous and systematic risk management.

The Company is exposed to insurance risk naturally resulting from underwritten insurance contracts as well as to other risks, especially market, credit, operational, liquidity and concentration risk.

## Insurance Risk in Non-life Insurance

The Company is exposed to an insurance risk and a risk arising from underwriting insurance contracts within its product portfolio.

The insurance risk results from uncertainty relating to a period, frequency and a claims burden covered by insurance contracts.

The most significant risk is the one resulting from an insufficient technical reserve as well as the risk arising from a premium volume. The premium volume is arranged upon historical background, which may differ from reality. An assessment of a reserve may be significantly influenced by the risk of trend, risk of estimation, change in background etc. Tests of reserve sufficiency are being used while assessing reserves to eliminate the risk resulting from it.

To manage the insurance risk the Company utilizes internal guidelines for product development, internal rules for calculation of technical reserves, and obtains a strategy on reinsurance undertakings.

## Concentration of Insurance Risk

A concentration of an insurance risk may exist in cases, when some event or a sequence of events may significantly affect liabilities of the Company. The concentration of insurance risk then determines the scope of a possible influence of these events on the volume of liabilities of the Company. This concentration may result from one insurance contract or from a large number of connected insurance contracts, and it relates to circumstances that constituted the reason for creation of significant liabilities. A concentration of insurance risk may result from accumulation of risks within several individual group of contracts, may arise in cases of less frequent large-scale events (e.g. natural disasters), as well as in cases of serious legal processes, or in cases of change of legislation.

## Strategy of Reinsurance

The Company reinsures some risks arising from insurance contracts to mitigate a risk of loss and protect its own sources of capital. The reinsurance program of the Company is based upon a combination of reinsurance treaties with external reinsurers and reinsurance treaties with its own parent company.

The Company concludes both proportional and disproportional reinsurance treaties to reduce its exposure to risks. To obtain a supplementary protection the Company utilizes facultative reinsurance at some insurance contracts.

## Market Risk

With respect to the nature of pursued insurance activities, market risk does not represent a significant threat to the operation of the Company and its ability to fulfill its obligations towards its clients. The only field being monitored by the Company is a monetary risk.

## Monetary Risk

The Company is exposed to monetary risk through transactions conducted in foreign currencies. Since the Company closes its books in Czech Crowns, any changes in rates of exchange of Czech Crown may have an impact on the financial statement of the Company.

## Credit Risk

The Company is exposed to credit risk, which results from inability of a counterparty to pay sums due from a debt in full amount.

Main areas where the Company is exposed to credit risk are:

- Reinsurer's share on insurance liabilities
- Debt of a reinsurer concerning a settled claim
- Outstanding premium

An outstanding premium is continuously monitored and a methodology of creation of adjustments is described in the paragraph "Adjustments".

The Company conducts its own recovery of debt from insurance. Efficiency of this process is regularly controlled.

## Operational Risk

Operational risk is a risk of a potential loss resulting from missing or insufficient internal processes, human resources and/or systems, or from other reasons, which may arise from either internal or external events.

The Company analyses these risks and proposes adjustments of working procedures and processes with the aim to eliminate events incurring loss related to operational risk.

## Liquidity Risk

The Company is exposed to daily requirements for liquidity resulting from compensation payments. The risk of liquidity is represented by an event when an amount of money necessary to meet obligations is not available for adequate costs at its due date.

The need for liquidity is continuously monitored in order to ensure necessary sources. The Company has several disposable sources of financing, and keeps, in accordance with the legislation, a sufficient proportion of financial placements in liquid financial instruments.

## Other Remarkable Facts

The company did not undertake any activity in research and development, environmental protection and employment relations.

The company did not acquire any own shares.

The company has no branch or any other part of its business outside of the territory of the Czech Republic.

In 2019 there were no remarkable facts apart from those mentioned in the Notes to these financial statements.





## ADDITIONAL INFORMATION TO STATEMENT OF FINANCIAL POSITION

### Long Term Intangible Assets

At 31. 12. 2019 intangible assets of the Company comprised software with a net book value of TCZK 6 326 (2018: TCZK 6 643). The software acquisition account balance amounted to TCZK 0 (2018: CZK 376).

### Investment

#### Purchase Price and Fair Value of the Investments

	Purchase price		Fair Value	
	2019	2018	2019	2018
Equity participations	<b>2 000</b>	2 000	<b>2 587</b>	2 363
Stocks and bonds, thereof:				
with variable interest				
issued by nonfin. inst. unlisted	<b>8 324</b>	8 324	<b>8 324</b>	8 324
with fixed interest available for sale				
issued by CZ listed in CZ	<b>224 962</b>	189 551	<b>226 018</b>	186 068
Stocks and bonds total	<b>233 286</b>	197 875	<b>234 342</b>	194 392
Short-term bank deposits	<b>187 061</b>	184 051	<b>187 061</b>	184 051
<b>Investment total</b>	<b>422 347</b>	<b>383 926</b>	<b>423 990</b>	<b>380 806</b>

#### Currency Structure of the Investments

The Company's investments are kept in CZK except securities (see table below).

Securities, thereof:	Shares and other variable-yield securities		Bonds and other fixed-income securities	
	2019	2018	2019	2018
CZK	<b>8 247</b>	8 247	<b>226 018</b>	186 068
EUR	<b>77</b>	77	<b>0</b>	0
<b>Total</b>	<b>8 324</b>	<b>8 324</b>	<b>226 018</b>	<b>186 068</b>



## Equity Participations with Controlling Influence

Business name, head-office	Share in %	Purchase price	Total amount		P/L for the fin. year
			Share cap.	Equity	
Etics ITP, s.r.o., Křížkova 237/36a, 186 00 Praha 8	100	2 000	2 000	2 587	224
<b>Total 2019</b>		<b>2 000</b>	<b>2 000</b>	<b>2 587</b>	<b>224</b>
Etics ITP, s.r.o., Křížkova 237/36a, 186 00 Praha 8	100	2 000	2 000	2 363	337
<b>Total 2018</b>		<b>2 000</b>	<b>2 000</b>	<b>2 363</b>	<b>337</b>

The Equity and Profit for the year were determined by the estimate of result for the years 2019 and 2018 for relevant accounting period.

## Equity Participations in Other Companies

Business name, head-office	Share in %	Purchase price	Total amount		P/L for the fin. year
			Share cap.	Equity	
<b>2019</b>					
EURO-CENTER HOLDING SE Křížkova 237/36, 186 00 Praha 8	16,66	8 247	31 230	200 444	17 787
European Assistance Holding, GmbH Rosenheimerstrasse 116, Munich, Germany (v tis. EUR)	10	3	25	16	0
<b>2018</b>					
EURO-CENTER HOLDING SE Křížkova 237/36a, 186 00 Praha 8	16,66	8 247	31 230	178 817	14 500
European Assistance Holding, GmbH Rosenheimerstrasse 116, Munich, Germany (v tis. EUR)	10	3	25	16	- 1

The Equity and Profit for the year were determined by the estimate of result for the year 2019.

For equity participations in other companies was impossible to set objective fair value. Hence the acquisition costs value was used for valuation in accordance with paragraph "Investment - Affiliated Undertakings and participating interest".



## Receivables

At 31. 12. 2019	Policy-holders	Insurance intermed.	Other	Total
Due	11 408	19 048	12 308	<b>42 764</b>
Overdue	895	255	0	<b>1 150</b>
Total	12 303	19 303	12 308	<b>43 914</b>
Adjustments	442	152	0	<b>594</b>
<b>Net total</b>	<b>11 861</b>	<b>19 151</b>	<b>12 308</b>	<b>43 320</b>
At 31. 12. 2018	Pojistníci	Pojišťovací zprostř.	Ostatní	Celkem
Due	7 507	14 423	12 840	<b>34 770</b>
Overdue	395	425	23 900	<b>24 720</b>
Total	7 902	14 848	36 740	<b>59 490</b>
Adjustments	193	159	0	<b>352</b>
<b>Net total</b>	<b>7 709</b>	<b>14 689</b>	<b>36 740</b>	<b>59 138</b>

## Other Receivables

	2019	2018
Inter-company Receivables	<b>4 195</b>	29 305
Inter-company Prepayments	<b>2 541</b>	2 573
Other Prepayments	<b>1 655</b>	524
Deferred Tax Receivables	<b>2 882</b>	3 984
Prepaid Taxes	<b>- 39</b>	- 43
Other Receivables	<b>1 074</b>	397
<b>Total</b>	<b>12 308</b>	<b>36 740</b>

## Long-term Receivables (due in more than 5 years)

At 31. 12. 2019 the Company has no long-term receivables (2018: CZK 0).

## Other Assets

### Long-term Tangible Assets

	Tangible	Acquired assets	Total
Acquisition cost at 31. 12. 2018	<b>23 298</b>	0	<b>23 298</b>
Additions	4 906	0	4 906
Disposals	4 161	0	4 161
<b>Acquisition cost at 31. 12. 2019</b>	<b>24 043</b>	<b>0</b>	<b>24 043</b>
Accumul. depreciation at 31. 12. 2018	17 041	0	17 041
Depreciation	2 471	0	2 471
Disposals	2 749	0	2 749
<b>Accumul. depreciation at 31. 12. 2019</b>	<b>16 763</b>	<b>0</b>	<b>16 763</b>
Net book value at 31. 12. 2018	6 257	0	6 257
<b>Net book value at 31. 12. 2019</b>	<b>7 280</b>	<b>0</b>	<b>7 280</b>

## Temporary Asset Accounts

### Deferred Acquisition Costs

At 31. 12. 2019 the balance of deferred acquisition costs amounts to TCZK 38 227 (2018: TCZK 33 362).

### Estimated Receivables and Prepaid Expenses

At 31. 12. 2019 the balance of estimated receivables amounts to TCZK 294 (2018: TCZK 144).

At 31. 12. 2019 the company shows a balance of the prepaid expenses in the amount of TCZK 5 447 (2018: TCZK 5 342), thereof TCZK 4 617 (2018: TCZK 4 617) represents prepaid commissions relating to the future accounting periods.

## Equity

### Share Capital

The share capital consists of common registered shares in booked-entry form. The share capital consists of 303 shares with a booked value of TCZK 500, 41 shares with a booked value of TCZK 100, and 88 shares with a booked value of TCZK 50. All shares are in booked-entry form. At 31. 12. 2019, 100% of the registered capital was fully paid up, i.e. TCZK 160 000.

The level of the registered equity is in accordance with the requirements of the Law, taking into account the insurance classes in which the Company is licensed to do business.

### Expected Distribution of Profit

Profit of the current year	48 668
Transfer to the legal reserve fund	-2 433
Dividends payment from current year profit	-46 235

The Annual General Meeting will decide on the distribution of the profit.

### Valuation Differences Arising from Revaluation of Assets to Fair Value

	2019	2018
Balance at 1. 1.	- 913	286
Change in fair value (w/o security deriv.)	999	- 1 471
Change from sales or permanent value decrease or maturity	0	- 92
Deferred tax change	- 147	364
<b>Balance at 31. 12.</b>	<b>- 61</b>	<b>- 913</b>

## Technical Provision

### Technical Provisions Movements

Provision types	Opening balance	Creation	Drawings	Closing balance
Unearned premium	110 742	123 158	- 110 742	<b>123 158</b>
Outstanding claims	66 155	58 181	- 66 155	<b>58 181</b>
Bonuses and Rebates	823	945	- 823	<b>945</b>
<b>Total</b>	<b>177 720</b>	<b>182 284</b>	<b>- 177 720</b>	<b>182 284</b>

### Claims Provision

The claims run-off result is given by the difference between the balance of the claims provision at 1. 1. 2019, less payments made (of claims included in the provision) and the balance of the provision at 31. 12. 2019.

	2019	2018
Gross claims run-off result	<b>8 662</b>	10 951

## Provision for Bonuses and Rebates

In 2019 the provision amounted to TCZK 945 (2018: TCZK 823).

### Provisions

Provision type	Opening balance	Creation	Drawings	Closing balance
Tax provision	5 991	751	- 5 991	<b>751</b>
<b>Total</b>	<b>5 991</b>	<b>751</b>	<b>- 5 991</b>	<b>751</b>

Tax provision creation is reduced by paid tax prepayments in the amount of TCZK 12 258 (2018: TCZK 8 588).

### Liabilities

At 31. 12. 2019	Policyhold.	Insurance intermed.	From reins. trans.	Received deposits	Other	Total
Due	10 596	5 970	5 177	42 791	11 192	<b>75 726</b>
Overdue	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>10 596</b>	<b>5 970</b>	<b>5 177</b>	<b>42 791</b>	<b>11 192</b>	<b>75 726</b>
At 31. 12. 2018	Policyhold.	Insurance intermed.	From reins. trans.	Received deposits	Other	Total
Due	4 208	2 878	3 380	38 532	12 114	<b>61 112</b>
Overdue	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>4 208</b>	<b>2 878</b>	<b>3 380</b>	<b>38 532</b>	<b>12 114</b>	<b>61 112</b>

### Payables in Respect of Social Security and Health Insurance

At 31. 12. 2019 social security and health insurance payables amounted to TCZK 1 835 (2018: TCZK 1 799), of which TCZK 1 153 represents social security payables (2018: TCZK 895) and TCZK 682 represents health insurance payables (2018: TCZK 904). None of these payables are overdue.

### State-tax Liabilities and Grants

At 31. 12. 2019 the Company shows tax liabilities in the total amount of TCZK 1 824 (2018: TCZK 2 396). None of these payables are overdue.

### Long-term Liabilities and Payables

(due in more than 5 years)

At 31. 12. 2019 the Company has no long-term liabilities (2018: CZK 0).

### Payables on Reinsurance

The Company presents a net payable to reinsurers in the amount of TCZK 5 177 (2018: TCZK 3 380), of which the inter-company balance is TCZK 4 123 (2018: TCZK 2 308).

### Temporary Liability Accounts

### Passive Adjustments

At 31. 12. 2019 estimated payables amount to TCZK 50 551 (2018: TCZK 51 712), which includes the estimated costs of services used but not invoiced in the accounting period, employee bonus payments for achieving the budget for 2019, which will be paid out in the next accounting period, the estimated costs of non-proportional commissions related to the year 2019 and the estimate of quota share reinsurance.



## Inter Company Receivables and Payables

### Equity Participations with Controlling Influence

At 31. 12. 2019 the Company has no inter-company receivables and payables with equity participations with controlling influence (2018: CZK 0).

### Short-term Inter-company Receivables and Payables Other Companies

Other	Receivables		Payables	
	2019	2018	2019	2018
Euro-Center Prague, Czech Republic	2 144	2 574	5	830
ERGO Reiseversicherung, Germany	0	0	152	599
ERGO Group, Germany	0	0	2 380	1 204
Munich RE, Germany	0	0	4 123	2 308
Euro-Center Holding, Czech Republic	2 541	26 526	0	0
Euro-Center Cyprus, Cyprus	0	0	0	13
CJSIC - ERV RU, Russia	2 051	2 832	0	0
D.A.S. Praha	0	0	23	0
<b>Total</b>	<b>6 736</b>	<b>31 932</b>	<b>6 683</b>	<b>4 954</b>

### Long-term Receivables and Payables (due in more than 5 years)

At 31. 12. 2019 the Company has neither long-term inter-company receivables (2018: CZK 0) nor long-term inter-company payables (2018: CZK 0).



## ADDITIONAL INFORMATION TO PROFIT AND LOSS STATEMENT

### Insurance Overview - Non-life Insurance

<b>2019</b>	Gross premium written	Gross premium earned	Gross claims costs	Gross operating expenses	Reinsurance result
<b>Gross amount</b>					
Property insurance	8 039	6 790	1 330	2 982	0
Liability insurance	10 563	10 500	- 8 262	1 813	- 12 560
Suretyship insurance	53 206	51 197	982	7 710	- 39 927
Misc. finan. loses ins.	4 981	6 743	1 835	3 641	0
Travel insurance	635 205	624 348	249 750	318 088	- 4 648
<b>Total</b>	<b>711 994</b>	<b>699 578</b>	<b>245 635</b>	<b>334 234</b>	<b>- 57 135</b>
<b>2018</b>	Gross premium written	Gross premium earned	Gross claims costs	Gross operating expenses	Reinsurance result
<b>Gross amount</b>					
Property insurance	6 891	5 937	1 056	2 786	0
Liability insurance	9 708	9 780	15 605	1 835	8 150
Suretyship insurance	45 757	44 655	780	7 653	- 34 492
Misc. finan. loses ins.	6 753	5 186	1 332	2 976	0
Travel insurance	603 621	586 054	219 107	302 366	- 4 303
<b>Total</b>	<b>672 730</b>	<b>651 612</b>	<b>237 880</b>	<b>317 616</b>	<b>- 30 645</b>

### Bonuses and Rebates

In 2019 bonuses and rebates totalled TCZK 1 088 (2018: TCZK 1 089). Bonuses based on the amount of premium amounted to TCZK 264 (2018: TCZK 486) and no-claims bonuses amounted to TCZK 824 (2018: TCZK 603).

In accordance with a paragraph "Provision for Bonuses and Rebates", in the notes to the financial statements, the Company posted following changes in the provision for bonuses and rebates:

	<b>2019</b>	2018
Creation of the provision	<b>945</b>	823
Disposal of the provision	<b>823</b>	897
Change in the provision	<b>122</b>	- 74

### Commissions and Other Insurance Contract's Acquisition Costs

	<b>2019</b>	2018
Commissions	<b>242 386</b>	225 657
Other acquisition costs	<b>69 479</b>	72 945
Change in deferred acquisition costs	<b>- 4 865</b>	- 8 898
<b>Total</b>	<b>307 000</b>	<b>289 704</b>

In „Commissions“, revenues and costs of commissions paid for annual travel renewals in the amount of TCZK 8 766 (2018: TCZK 7 838) are reported.

## Overheads

	2019	2018
Personnel costs (payroll expenses, social security)	<b>13 356</b>	15 563
Rent	<b>1 873</b>	1 843
Office maintenance and equipment	<b>3 829</b>	1 886
Depreciation of tang. and intang. assets	<b>2 493</b>	1 958
Consultancy	<b>911</b>	1 134
Software services	<b>1 235</b>	2 405
SAP costs	<b>188</b>	153
Travel costs	<b>403</b>	502
Other administrative costs	<b>2 946</b>	2 468
<b>Total administrative costs</b>	<b>27 234</b>	<b>27 912</b>

## Employees and Executives

The average number of employees and executives and payroll expenses for 2019 and 2018:

	Average number of employees	Total	Payroll expenses	Social security	Social expenses
Employees	55	53 074	38 258	12 611	2 205
Management Board	2	12 690	9 988	2 019	683
<b>Total for 2019</b>	<b>57</b>	<b>65 764</b>	<b>48 246</b>	<b>14 630</b>	<b>2 888</b>
Employees	48	42 755	30 636	10 401	1 718
Management Board	4	27 217	22 098	4 125	994
<b>Total for 2018</b>	<b>52</b>	<b>69 972</b>	<b>52 734</b>	<b>14 526</b>	<b>2 712</b>

Administration staff personnel costs are shown in overheads (see paragraph "Overheads"). Sales staff personnel costs are included in acquisition costs and amounted to TCZK 38 538 in 2019 (2018: TCZK 40 780). Personnel costs related to claims handling staff are included in claims costs and amounted to TCZK 11 106 in 2019 (2018: TCZK 9 767). Personnel costs related to investment management staff are included in financial placement expenses and amounted to TCZK 135 in 2019 (2018: TCZK 149). Personnel costs related to the other employees are shown in other non-technical expenses and amounted to TCZK 2 629 in 2019 (2018: TCZK 3 713). In 2019 no remuneration was paid to members of the statutory bodies connected with their membership in these bodies.

As at 31. 12. 2019 the Company has no record of loans provided to members of statutory bodies.

## Information on the Statutory Auditor Fees

The Company shows the statutory auditor fee in other expenses. The fee was contracted in amount of TCZK 1 326 for 2019 (2018: TCZK 1 301).

## Transfers of Expenses Between the Technical Accounts and the Non-technical Account

In 2019 expenses were transferred from the non-technical account in the total amount of TCZK 114 712 (2018: TCZK 116 785), of which TCZK 17 998 (2018: TCZK 15 928) was transferred to claims costs, TCZK 69 479 (2018: TCZK 72 945) was transferred to acquisition costs and 27 235 (2018: TCZK 27 912) was transferred to administrative expenses.

## Transfers of Investment Returns Between the Technical Account and the Non-technical Account

In 2019 investment returns were transferred from the non-technical account to the technical account in the amount of TCZK 1 813 (2018: TCZK 1 042).

## Non-technical Account Result

In 2019 the non-technical account result was TCZK - 805 (2018: TCZK - 1 624).

## Result Before Tax

In 2019 the result before tax was TCZK 62 876 (2018: TCZK 64 614).

## Taxation

### Income Tax in Profit and Loss Statement

	2019	2018
Income tax provision	<b>13 009</b>	14 578
Change relating to tax due for previous period and release of budgetted provision	<b>224</b>	68
Change in the balance of a deferred tax rec./pay.	<b>975</b>	- 1 052
<b>Total income tax</b>	<b>14 208</b>	<b>13 594</b>

## Deferred Tax

Reported deferred tax receivables and payables.

	Receivables		Payables		Difference	
	2019	2018	2019	2018	2019	2018
Tangible Fixed Assets	<b>0</b>	0	<b>115</b>	114	<b>- 115</b>	- 114
Intangible Fixed Assets	<b>0</b>	0	<b>263</b>	243	<b>- 263</b>	- 243
Receivables	<b>110</b>	64	<b>0</b>	0	<b>110</b>	64
Employees Bonuses	<b>2 620</b>	3 620	<b>0</b>	0	<b>2 620</b>	3 620
Total	<b>2 730</b>	3 684	<b>378</b>	357	<b>2 352</b>	3 327
<b>Impact to Profit/Loss</b>	<b>- 954</b>		<b>- 21</b>		<b>- 975</b>	
Investment assets (in balance sh.)	<b>152</b>	299	<b>0</b>	0	<b>152</b>	299
<b>Impact to Equity</b>	<b>- 147</b>		<b>0</b>		<b>- 147</b>	
<b>Total Deferred Tax. Rec. / Pay.</b>	<b>2 882</b>	<b>3 983</b>	<b>378</b>	<b>357</b>	<b>2 504</b>	<b>3 626</b>

For deferred tax calculation, tax rate that will be valid in period when tax receivable or payable is applied, i.e. 19% (2018: 19%) was used.

## OTHER INFORMATION

### Actual Concern

The Company has not concluded a controlling agreement with the majority shareholder Europaeiske Rejseforsikring A/S, Denmark.

### Events Subsequent to the Balance Sheet Date

On 1. 1. 2020, Act No. 364/2019 Coll. became effective, which amends certain acts in the area of taxes in connection with the increase of income of public budgets. This Act introduced a change in the calculation of the amount of technical provisions of insurance companies for the purposes of corporate income tax assessment. The company will post this change for the first time in Q1/2020.

The management of the Company is not aware of any other events that have occurred since the balance sheet date that would have a material impact on the Company's financial statements as at 31. 12. 2019.



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This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

## **Independent Auditor's Report to the Shareholders of ERV Evropská pojišťovna, a.s.**

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of ERV Evropská pojišťovna, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019 and the income statement the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

#### ***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors Regulation (EU) No. 537/2014 of the European Parliament and of the Council and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

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

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## **Valuation of claim provisions**

### **Key audit matter**

The Company recognises a provision for outstanding claims of CZK 58 181 thousand.

With respect to the importance of this item in the financial statements of the Company and the complexity of its determination, there always exists the inherent uncertainty that the provision level is not set appropriately to reflect all relevant circumstances.

The provision for claims incurred but not reported by the end of the period ("IBNR") is subject to actuarial calculations. Its determination is influenced by a range of factors based on the judgment of the Company, mainly regarding the used actuarial methodology, the distribution of data among homogeneous groups, risk margin over best estimate, treatment with non-standard values in historical data and the expected ultimate loss ratio.

The provision for claims reported but not settled by the end of the period ("RBNS") represents the sum of all amounts calculated for individual claims. Any risk of inaccuracy in its estimate stems from the quality of information obtained regarding the particular claim and its appropriate application in the determination of the provision. This applies especially to claims involving serious injuries and subsequent protracted medical treatment.

For further information, please refer to the part "Claims provisions" in the notes to the financial statements.

### **How the audit matter was addressed**

Among other things, we performed the procedures outlined below to address this key audit matter:

In cooperation with our actuarial specialist, we critically evaluated the methodology, models and assumptions used by the Company for the measurement of provisions against our knowledge, experience and market standards within the insurance sector and assessed any changes since the previous year.

We analysed in detail the calculation of the provision for the claims incurred but not reported by the end of the period ("IBNR"). For significant lines of business, we compared it to our own calculation and evaluated any identified differences.

For a sample of claims reported but not settled, we assessed the legitimacy and amount of recognised provision ("RBNS") for particular claims based on the information from operational system and inquiries to employees responsible for them.

To evaluate the sufficiency of claim provisions and the adequacy of methods applied to determine the provisions, we assessed the result of claim run-off test.

We assessed the adequacy of the Company's disclosures in the notes to the financial statements and their compliance with valid legislation and methods applied by the Company.

### ***Other Information***

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

### ***Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements***

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 above regulations 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 financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 statutory body.
- Conclude on the appropriateness of the statutory body's 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 auditor's report to the related disclosures in the financial statements 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements 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.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

#### *Appointment of Auditor and Period of Engagement*

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 18 March 2019 and our uninterrupted engagement has lasted for 24 years.

#### *Consistency with Additional Report to Audit Committee*

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 24 January 2020 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

#### *Provision of Non-audit Services*

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services.

### **Statutory Auditor Responsible for the Engagement**

Jindřich Vašina is the statutory auditor responsible for the audit of the financial statements of ERV Evropská pojišťovna, a.s. as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague  
26 February 2020

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Registration number 71

Ondřej Fikrle  
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