

13.

Risk Control and Management



The year 2020 took place in an environment marked by the pandemic, which had a significant impact on the macroeconomic environment and the already low interest rates, adversely affecting the solvency ratios of insurance companies.

However, revenue and results have not been impacted due to the offsetting and balance between product results. In this respect, the positive impact of claims levels offset the worsening economic situation in terms of premiums and asset quality. Despite the circumstances, Caser achieved a solvency ratio at Group level of 165% (without Transitional Measures

In 2020, the modifications of the Solvency II Delegated Regulation were applied

for Technical Provisions, 260.6% with them), above the target set by the Board of Directors, a percentage that demonstrated its capacity to withstand the impact of the macroeconomic context, both individually in each of the companies and in the consolidated Group.

During the year, implementation continued of the modifications by the European Insurance and Occupational Pensions Authority (EIOPA) to the Solvency II Delegated Regulation, with the insertion of new parameters and the updating of mortality and survival tables. Its application entailed work to adapt the calculation procedures, although it did not entail significant changes in the Company's solvency ratio. In addition, the new regulation of pension plans and funds (IORPII) brought new developments in terms of the issuance of new reports and the adaptation of governance policies.

In this context, Caser had an exceptional year with the merger with Helvetia, which culminated in June. The international insurance group, with a solid solvency level, has substantial experience in the sector. Along these lines, the annual review of the governance system policies resulted in some significant variations in nine of them as a result of the beginning of the adaptation to the internal regulations of the Helvetia Group, and the new regulation of pension plans and funds (IORPII), all of which were approved by the Board of Directors.



The Company reviewed the 20 Governance System Policies in order to adapt procedures and systems following its integration into the Helvetia Group

In the area of internal control, the risk review and assessment procedures were adapted to those established by the Group, complying with the first annual report to the Helvetia Group according to its Internal Control and Operational Risk (ICOR) methodology, thereby being integrated into the Group's global report.

The Risk Control and Management area also began to coordinate the integration of systems and operating procedures, facilitating the unified management of the Group and leveraging synergies.



REGULATORY NEWS

The changes made during 2020 by the European Insurance and Occupational Pensions Authority (EIOPA) have allowed Caser to make a positive adjustment in the calculation procedures used.

In the area of internal control, the adaptation of the Group's risk management framework allowed for complying with the first annual report

to the Helvetia Group according to its Internal Control and Operational Risk (ICOR) methodology and integrate it into the Group's global report.

Likewise, it participated in coordinated working groups for the integration of the Group's systems and operating procedures to achieve unified management and to leverage synergies.

With regard to the regulatory compliance function, correct implementation was undertaken of the new regulations applicable in 2020, notably those relating to insurance distribution and the activity and supervision of pension funds, and the Helvetia Group's requirements were fulfilled with respect to the preparation of the annual compliance report.

For the coming year, coordination work will focus on issues such as the issuance of regulatory reports Solvency and Financial Condition Report (SFCR), the Regular Supervisory Report (RSR) or Own Risk and Solvency Assessment (ORSA).

In addition to all these novelties, this year a new IT tool was implemented for the procedures related to the main aspects of data protection regulations: GDPR Global Suite. As part of the process of implementing this software, a review of the risk map and the internal regulations in effect in this area was carried out.

The regulatory compliance function, for its part, carried out tasks aimed at complying with the requirements of the Helvetia Group in the preparation of the annual report on Compliance 2020. It also ensured the correct implementation of the new regulations applicable during the current financial year, notably those relating to insurance distribution and the activity and supervision of pension funds.

In the execution of its function as the Caser Group's Anti-Money Laundering and Terrorist Financing System, it did not detect any transaction or customer related to money laundering or terrorist financing during the course of the year.

As regards the Actuarial Function, its activity was also impacted by the integration of Caser into the Helvetia Group. During the year, products were classified under IFRS4 to assist in the development of the necessary accounting logics in the Company. In addition, and at the same time, the methodology and processes for profit evaluation in the Life business were adapted, as well as the study and improvement to streamline the Company's accounting closing processes.



ANTONIO LÓPEZ
DIRECTOR OF RISK CONTROL AND MANAGEMENT

How has work on Risk Culture proceeded within Caser following the merger with the Helvetia Group?
Risk culture is in the genes of both companies. In this respect, we were able to work together from the outset in adapting certain policies to the Helvetia Group's regulations, while taking into account the new regulations governing pension plans and funds. We have also managed to complete the renovation of all systems to the resulting environment.

What has the implementation of Solvency II modifications by EIOPA entailed?
The implementation of these changes has required a continuous updating effort, which we have been working on for several years and which was completed during the year under review. In terms of figures, its application has not had a significant impact on the Company, although it has required work to adapt the calculation procedures.