

MOTOR INSURERS' BUREAU GREECE

Report of Year 2018 and

Financial Statements

31 December 2018

According to the International Financial Reporting Standards

as adopted by the European Union



Report of the Management Committee to the Annual General Assembly of the Motor Insurers' Bureau – Greece on the status of the Financial Position for the fiscal year 2018

Dear representatives of the insurance companies-members of the Motor Insurers' Bureau.

We have the honour to present to you for approval the activities and the Annual Financial Statements for the 32nd fiscal year ended on 31.12.2018, which were drafted in accordance with the International Financial Reporting Standards (IFRS).

The financial statements together with the detailed comments are posted on the Bureau's website.

The motor insurance third party liability premium production showed a decline of 1% in 2018, comparing to 2017, according to the data of the Greek Bureau. Correspondingly the members' contributions, which amounted to €3,643,827.50 in 2018, showed a similar decrease compared to €3,674,525.30 in 2017. Revenues from the issuance of Frontier Insurance Certificates amounted to €116,123, also showing a decrease, of 23.44%, compared to €151,673 in 2017.

The reinsurance contract for the year 2019 was signed with reduced by 6% premium (i.e. € 82,000) and steady M.I.B.'s retention of €750,000. All reinsurers are rated with A to A-.

Development of Accidents:

Accidents caused abroad by vehicles with Greek registration plates

In 2018 the number of accidents caused by cars with Greek registration plates that occurred abroad amounted to **1065**, compared to 1125 accidents in 2017, showing a **small decrease of 5,3%**.

Among the countries where most car accidents with Greek registration plates occur, for the first time **Italy** with **226** accidents (**21%** of the accidents) came first, followed by **Germany** with **189** accidents (**18%** of the accidents).

Total compensations paid by the Greek market (insurance member-companies and the M.I.B.) for accidents that occurred abroad amounted to €3,897,974 in 2018 against €5,024,318 in 2017, showing a decrease of 22.42%.

Accidents caused in Greece by vehicles with foreign registration plates

The accidents that occurred in Greece involving cars with foreign registration plates and were settled by the Motor Insurers' Bureau and its appointed correspondents and agents amounted in 2018 to **4232**, showing no change compared to 4230 in 2017.

In the accidents in Greece caused by cars with foreign registration plates **the accidents of**



Bulgarian cars rank steadily first, with **1393** accidents against 1498 in 2017, reaching **33%** of all accidents and are followed by German cars with 15% of accidents.

The compensations of foreign insurance companies paid through correspondents and the Bureau to Greek victims of car accidents with foreign registration plates amounted to €13,564,608 in 2018 compared to €8,130,659 in 2017, showing an increase of 66.83%.

Financial Results for the fiscal year 2018 based on IFRS

The financial status of the Bureau remains very good. The Bureau is financially sound and can effectively fulfil its obligations. The brief information that follows provides the necessary data on the financial situation and results of the MIB during the past fiscal year (01.01.2018-31.12.2018).

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR 2018

Total Assets during the year 2018 reached €44.10 million compared to €43,18 million during 2017. The €35.27 million were disposed for investments of the MIB, ie the total investments of the Bureau in comparison to year 2017 have increased by 3.58% and consist 79,97% of the assets.

MIB's own Funds amounted to **€36,525,640.14**, which shows an increase compared to €33,843,339.05 in 2017 by €2,682,301.09, showing an **increase of 7.92%**.

The M.I.B. increased its net position for the year 2018 by €2,682,301.09, which is mainly due to the reduction in the provisions for receivables from the Guarantee Fund by €1.6 million, and for the remainder amount due to the decrease in the provisions for outstanding damages.

The outstanding damages reserve was calculated upon actuarial study according to the IFRS.

The breakdown of the financial investments into market value and cash flows were as follows:

<u>CASH & CASH EQUIVALENTS</u>	45.83%
<u>BONDS OF HELLENIC GOVERNMENT</u>	9.41%
<u>GREEK TREASURY BONDS</u>	0.42%
<u>GOVERNMENT BONDS & BONDS OF E.I.B.</u>	22.08%
<u>CORPORATE BONDS</u>	13.53%
<u>MUTUAL FUND SHARES</u>	8.73%

The operational expenses remained almost stable.

The M.I.B.'s receivables for 2018 amount to €3.07 million against €1.52 million in 2017. The increase is mainly due to the reduced by €1.6 million receivables from the Guarantee Fund.

Financial risks and uncertainties



Regarding the risks to which the Bureau is exposed, these are mentioned on page 30 et seq. of the Financial Statements. The Bureau has taken all necessary measures to minimize exposure to them. The Management Committee considers that the financial risk management has been successful for the closed year ended.

It is worth particularly mentioning the issue of Operational Risk and Corporate Governance. The Bureau has internal control and report mechanisms which include the detailed mapping of the internal procedures and controls, the division of responsibilities, the constant education of the personnel, the authorisations' and agreements' procedures, as well as the operational monitoring of the internal control. Given that improving the internal control framework in which the MIB operates is a continuous and evolving procedure, the establishment of corporate governance policies and modern internal control systems is already in progress, as mentioned before.

Additionally, essential in the dealing of the insurance risk is the Reinsurance Treaty of the Bureau, which has already been mentioned above.

Prospects

The Bureau follows all developments and, with a sense of responsibility, continually improves the services offered to the victims of international road accidents, its member companies and generally to those involved in the settlement of these accidents. The Bureau's main concern is to preserve and enhance the good image of the Greek insurance market abroad.

The developments in technology will be one of the major challenges of the forthcoming years. The Greek Bureau is closely following the developments and it will be able to respond to the big challenges to come.

For the Management Committee

The Chairman

Anastasios Pagonis

Athens, 3/6/2019



STATEMENT OF FINANCIAL POSITION
As at 31/12/2018

	31/12/2018	31/12/2017
ASSETS		
Intangible assets	0,20	0,20
Own-used property, plant and equipment (PPE)	1.565.848,24	1.519.706,82
Securities at fair value through profit or loss	23.879.762,54	22.304.124,98
Other non-current receivables	2.921,30	2.921,30
Receivables from reinsurers	56.002,18	52.347,19
Reinsurers' share in insurance reserves	4.194.610,00	5.616.000,00
Receivables from Insurance companies Members of M.I.B.-Greece (contributions)	606.229,98	615.496,56
Other receivables	2.406.889,07	849.060,27
Cash and cash equivalents	11.394.678,46	12.220.538,17
Total Assets	44.106.941,97	43.180.195,49
EQUITY AND LIABILITIES		
Equity		
Initial constitutional contributions	987.848,42	969.848,42
Capital reserves and surplus for the year	35.537.791,72	32.873.490,63
Total Equity	36.525.640,14	33.843.339,05
Insurance (technical) reserves		
Provisions for unearned premiums	367.035,78	371.474,96
Provisions for outstanding claims incurred and other insurance provisions	6.873.309,00	8.606.205,00
Total insurance reserves	7.240.344,78	8.977.679,96
Liabilities		
Income tax payable	(26.129,95)	15.816,75
Other provisions	0,00	0,00
Employee benefits liabilities	181.122,00	185.796,00
Reinsurers liabilities	1.716,32	2.194,15
Other liabilities	184.248,68	155.369,58
Total liabilities	340.957,05	359.176,48
Total Equity and Liabilities	44.106.941,97	43.180.195,49



STATEMENT OF COMPREHENSIVE INCOME
31/12/2018 (amounts in €)

	31/12/2018	31/12/2017
Members Contributions and Frontier Insurance Premiums	3.759.950,52	3.826.198,47
Less: Reinsurance premiums	(1.428.800,00)	(1.504.000,00)
Net earned premiums	2.331.150,52	2.322.198,47
Change in insurance reserves	315.945,18	4.316.757,71
Claims incurred	(8.191,14)	(10.605,07)
Investment income	468.117,05	425.793,21
Gain/(loss) arising from investments' valuation	(642.965,39)	24.433,59
Gain/(loss) arising from sale – maturity of investments	(111.062,78)	424.662,06
Other income	1.653.382,77	100.445,27
Operating expenses	(1.283.622,18)	(1.239.050,22)
Other expenses	(25.251,66)	(596.549,70)
Surplus for the year before taxes	2.697.502,37	5.768.085,32
Income tax expense	(45.593,28)	(91.652,84)
Surplus for the year net of tax	2.651.909,09	5.676.432,48
Surplus for the year	2.651.909,09	5.676.432,48
Increase of initial constitutional contributions	18.000,00	0,00
Change in provision for post-employment compensation	12.392,00	0,00
Total comprehensive income for the period	2.682.301,09	5.676.432,48



STATEMENT OF CHANGES IN EQUITY	Initial constitutional contributions	Reserves and surplus for the year	Total Equity
Balance at 1/1/2018	969.848,42	32.873.490,63	33.843.339,05
Balance at 1/1/2018, according to the IFRS	969.848,42	32.873.490,63	33.843.339,05
Change in Equity for the period 01/01/18 - 31/12/18			
Surplus for the year 2018 net of tax		2.651.909,09	2.651.909,09
Increase/Initial Member lump-sum contributions	18.000,00		
Change in post-employment compensation		12.392,00	12.392,00
Change in Equity for the period 01/01/18-31/12/18	18.000,00	2.664.301,09	2.682.301,09
Balance at 31/12/2018	987.848,42	35.537.791,72	36.525.640,14



<u>STATEMENT OF CASH FLOWS (Indirect Method)</u>	31/12/2018	31/12/2017
<u>Cash Flows from Operating Activities</u>		
Surplus for the year before taxes	2.697.502,37	5.768.085,32
Plus/Less adjustments for non-cash items and cash items excluded from operating activities:		
Depreciation and Amortisation	102.920,12	101.192,65
Interest income	(468.117,05)	(425.793,21)
(Gain)/Loss arising from valuation of financial assets	642.965,39	(24.433,59)
Insurance (Technical) reserves	(315.945,18)	(4.316.757,71)
Provisions for employee compensations due to termination of employment	(4.674,00)	19.722,85
Provisions for impairment of receivables	0,00	540.000,00
Income from unused provisions	(1.598.080,01)	(63.488,30)
Total of plus/less adjustments	(1.640.930,73)	(4.169.557,31)
(Increase)/Decrease in:		
Receivables for reinsurers	(3.654,99)	232.012,54
Receivables from Insurance companies Members of M.I.B. (contributions)	9.266,58	(16.165,23)
Other receivables	40.251,97	(48.918,93)
Liabilities to Reinsurers	(477,83)	2.194,15
Other liabilities	28.879,10	27.684,12
Income tax paid	(87.539,98)	(77.196,01)
Other provisions	0,00	(1.887,06)
Net cash Flows from operating activities (a)	1.043.296,49	1.716.251,59
<u>Cash flows from Investing Activities</u>		
Purchases of intangible assets and property, plant and equipment (PPE)	(149.061,54)	(9.394,99)
Interest and similar income received	423.823,91	505.931,45
(Purchases of securities)	(18.028.291,66)	(2.352.868,23)
Sales – Maturity of securities	14.786.935,64	1.928.206,57
Total input/(output) from investing activities (b)	(2.966.593,65)	71.874,80
<u>Cash flows from Financing Activities</u>		
Initial constitutional contributions received	18.000,00	0,00
Total input/(output) from Financing Activities (c)	18.000,00	0,00
Net increase/(decrease) in cash and cash equivalents (a) + (b) + (c)	(1.905.297,16)	1.788.126,39
Cash and cash equivalents at beginning of the period	13.299.975,62	11.511.849,23
Cash and cash equivalents at end of the period	11.394.678,46	13.299.975,62

True translation from the original in Greek Independent Auditor's Report

To the Members of "MOTOR INSURERS' BUREAU"

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of "MOTOR INSURERS' BUREAU" (the Bureau), which comprise the statement of financial position as at December 31, 2018, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of "MOTOR INSURERS' BUREAU" as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the European Union.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as these have been incorporated into the Greek Legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We have been independent of the Bureau, during the whole period of our appointment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), as incorporated into the Greek legislation and the ethical requirements relevant to the audit of the financial statements in Greece and we have fulfilled our ethical requirements in accordance with the applicable legislation and the above mentioned Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs), as endorsed by the European Union, and for the internal controls that Management determines are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.



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 ISAs, as these have been incorporated into the Greek Legislation, 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 ISAs as they have been incorporated into the Greek Legislation, 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 controls.
- 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 Bureau's internal control environment.
- Evaluate the appropriateness of accounting policies applied and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management'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 Bureau'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 Bureau 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.



Report on Other Legal and Regulatory Requirements

Taking into consideration that Management is responsible for the preparation of the Management Committee's Report, according to the provisions of paragraph 5 of article 2 (part B) of L. 4336/2015, we note the following:

- a) In our opinion the Management Committee's Report content is consistent with the accompanying financial statements for the year ended December 31, 2018.
- b) Based on the knowledge we obtained during our audit about the "MOTOR INSURERS' BUREAU" and its environment, we have not identified any material inconsistencies in the Management Committee's Report.

Athens, 18 June 2019

The Certified Public Accountant

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