

Transparency Report

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POOL-UL DE ASIGURARE ÎMPOTRIVA DEZASTRELOR NATURALE

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Registrul Comerțului București nr. J2009010819408 C.U.I. 26191737

Capital social subscris și vărsat 77.367.276 lei;

Operator date cu caracter personal nr. 16321

Societate autorizată de Autoritatea de Supraveghere Financiară: RA-065

Cod LEI 315700H6SYCXQWPJF410

This report was prepared in accordance with the requirements of Regulation 2/2016 of the Financial Supervisory Authority (ASF) regarding the application of corporate governance principles by entities authorized, regulated, and supervised by ASF, with further amendments and completions.

Considering the requirements of the above-mentioned regulations, PAID S.A. periodically publishes and updates information subject to publication requirements.

Organizational structure

The leadership and management of the company is made up of: the General Assembly, the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officers.

Company shareholders:

- ✓ ABC Insurance S.A.,
- ✓ Societatea de Asigurare-Reasigurare ASTRA S.A. - insolvent,
- ✓ CARPATICA ASIG S.A. - insolvent,
- ✓ Societate de Asigurare și Reasigurare CITY INSURANCE S.A. - insolvent,
- ✓ SIGNAL IDUNA Asigurări S.A.,
- ✓ EUROINS ROMANIA Asigurare Reasigurare S.A. - insolvent,
- ✓ GENERALI ROMANIA Asigurare Reasigurare S.A.,
- ✓ GRAWE ROMANIA Asigurare S.A.,
- ✓ GROUPAMA Asigurări S.A.,
- ✓ UNIQA Asigurări S.A.,
- ✓ ALLIANZ -TIRIAC UNIT Asigurari S.A.

The company shareholders hold together 19,341,819 shares in the company's stock with a nominal value of 4 Lei, so currently the share capital of PAID S.A. is 77,367,276 Lei.

On 25/04/2024, ABC Insurance S.A. acquired the stake held by CERTASIG - Societate de Asigurare și Reasigurare S.A., representing 5,5% of PAID's share capital, by entering the assignment into the Shareholder Register. ABC Insurance S.A. was approved as a significant shareholder on 22/04/2024.

On 02/10/2024, Infinity Capital Investments S.A. was the successful tenderer of the auction held by the Creditor Assembly of Societatea de Asigurare-Reasigurare ASTRA S.A. The sale price was 6.44 Lei/share (the total share price was 18,689,063 Lei) for the 15% stake of PAID's share capital. On 08/10/2024, Gravity Capital Investments S.A. was the successful tenderer of the auction held by the Creditor Assembly of Societatea de Asigurare si Reasigurare CITY INSURANCE S.A. On 21/10/2024, Gravity Capital Investments S.A. was the successful tenderer of the auction held by the Creditor Assembly of Societatea CARPATICA ASIG S.A. At the time of writing this report, these acquisitions are subject to the opinion procedure implemented by ASF.

On 20/11/2024, the company shareholders voted for an increase in the company's capital, by increasing the nominal value of shares from 4 to 10 Lei, so that the capital reaches a total value of 193,418,190 Lei, but at the time of writing this report, this is subject to the approval of ASF. Increasing the company's capital will take place on the condition that it is granted the approval of the Authority.

The five members of the Board of Directors are:

- ✓ Mr. François Benoit Jean-Baptiste Pierre Coste - President;
- ✓ Mr. Gabriel Marcu - Vicepresident;
- ✓ Mrs. Adriana-Mihaela Matache - Member;

- ✓ Mr. Paul-Corneliu Cazacu - Member;
- ✓ Mr. Mesut Yetiskul - Member.

Executive Management:

- ✓ Mrs. Nicoleta Radu - Chief Executive Officer;
- ✓ Mr. Ionuț-Daniel Baciș - Deputy Chief Executive Officer;
- ✓ Mr. Cosmin-Petru Tudor- Deputy Chief Executive Officer.

In carrying out its activities, the management structure benefits from the support of nine boards and one advisory subcommittee. These operate according to organizational and operational regulations and make recommendations on various topics subject to the decision-making process and forward materials/reports to the Board of Directors on matters entrusted by it.

These boards are: the Risk management committee, the TIC risk management committee, the Audit committee, the Insurance Claims committee, the Complaints and dispute analysis and resolution committee, the Investment committee, the Reinsurance committee, the Business continuity steering committee, the Remuneration committee and the Crisis committee for the disaster damage instrumentation plan.

Key roles: risk management, compliance, internal audit and actuarial functions. The internal audit key role is outsourced to Deloitte Audit SRL. The internal manager responsible for outsourcing the role is the Head of the Internal Audit Department.

Critical roles: finance/economy, legal, reinsurance, insurance claims, information technology, internal control and underwriting methodology and reporting. People holding key/critical roles are leaders of the mentioned organizational structures.

Structural organization:

- ✓ Executive management: Chief Executive Officer and 2 Deputy Chief Executive Officers;
- ✓ General Secretariat: Head of Department, Assistant Manager;
- ✓ Actuarial Department: Head of Department, Actuary;
- ✓ Risk Management Department: Head of Department, Actuary;
- ✓ Accounting Department: Head of Department, Economist;
- ✓ Finance Department: Head of Department, Economist;
- ✓ Human Resources Department: Head of Department;
- ✓ Internal Quality Control and Management Department: Head of Department;
- ✓ Internal Audit Department: Head of Department;
- ✓ Reinsurance Department: Head of Department, Managing Director, Insurance/Reinsurance Specialist;
- ✓ Legal and Compliance Department: Head of Legal and Compliance;
- ✓ Legal Department: Legal Advisors;
- ✓ Compliance Department: Compliance Officer;
- ✓ Insurance Claims Department: Head of Department, Claims Handlers/Specialists;
- ✓ Distribution/Technical Support Department: Head of Department, Insurance Coordinator, Public Authority Distribution Coordinator;
- ✓ Marketing/Communications Department: Head of Department/Marketing Specialist;

- ✓ Underwriting Methodology, Analysis and Reporting Department: Head of Department, Analyst, Archivist;
- ✓ IT Department: Head of Department, Analysts, Network Administrators, System Engineer;
- ✓ Security Officer (CISO);
- ✓ Project Manager.

The main features of the governance system

The governance system comprises organizational structures designed to support achieving strategic goals and the activity of the company. PAID S.A is properly and efficiently organized and all necessary operational procedures and controls are implemented. PAID's governance system is based on a proper and transparent responsibility distribution, which targets an effective decision-making process, preventing conflicts of interest and ensuring the efficient management of the company.

There are multiple systems within the company that are meant to achieve corporate governance, such as:

- ✓ an efficient system for communicating and sharing information with stakeholders;
- ✓ an efficient risk management system;
- ✓ an efficient internal control system.

A series of policies and procedures were also adopted and implemented at company level, including policies/procedures to ensure smooth business operations; appropriateness policies; a remuneration policy; information security policies/procedures; outsourcing policy; a governance policy etc. These are subject to a regular review and approval process, taking into consideration the nature, scale and complexity of the activities at an individual and corporate level.

The Company's objectives regarding the governance system are focused primarily on:

- ✓ adapting to the latest changes;
- ✓ building trust with stakeholders;
- ✓ clearly defined and communicated governance processes and capabilities;
- ✓ continuous optimization of the risk management and internal control system;
- ✓ adhering to legal requirements.

The organizational chart of the company and the Organizational and operational guidelines prove that the company has a structure suited for its nature, volume and complexity and the principle of proportionality is respected. The Organizational and operational guidelines also mention the roles and duties of the company's organizational structures.

In the reporting period, no changes were made to the organizational structure.

Further details on the corporate governance framework are available in the [Solvency and Financial Condition Report \(SFCR\) Ch. B.](#)

Financial position assessment conclusions

The main financial indicators of the company, according to the statutory accounting and financial reporting standards:

LEI

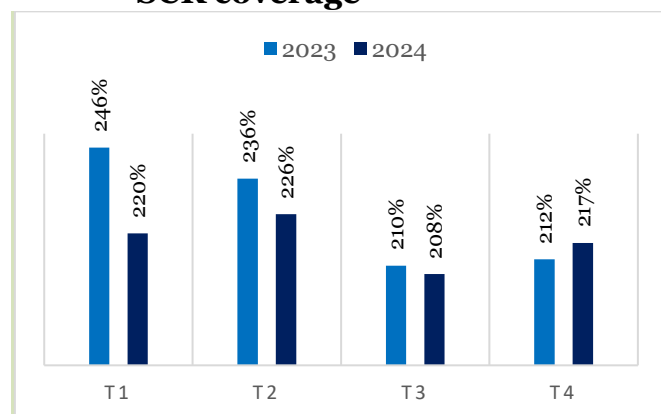
	2023	2024
Gross earned premiums	188,454,931	254,233,839
Damage rate	17.2%	7.9%
Reinsurance rate	56.4%	60.8%
Other technical reserves ratio (catastrophe reserve)	11.6%	5.8%
Expense ratio (commissions, acquisition cost variation, administrative expenses, new project expenses, provisions)	24.1%	21.6%
Combined ratio	109.4%	96.1%
Net result (Lei)	2,371,348	29,053,035

Evolution of the liquidity ratio, defined and determined in accordance with ASF's methodology:

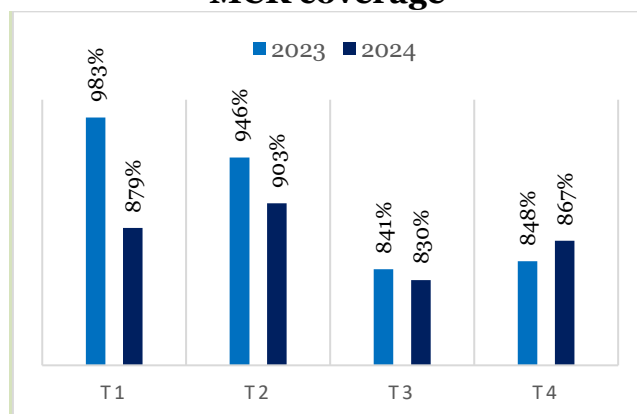


The main financial soundness indicators of the company, according to the Solvency II reporting regime, calculated using the standard formula:

SCR coverage



MCR coverage



From 2022, the solvency ratio showed a downward trend determined by the increase of the SCR mainly as a result of the increase of retention and the company's exposure by extending the portfolio, given a higher damage rate generated by earthquakes in 2023 and floods in 2024. The market value of government bonds remains lower than the carrying value because of the unfavorable evolution of the interest rate.

	31/12/2023	31/12/2024
Market risk capital requirement	47,630,202	59,655,997
for interest rate risk	31,120,562	47,553,437
for stock devaluation risk	478,558	689,048
for property devaluation risk	1,338,844	934,260
for credit spread risk	10,546,890	11,121,777
for concentration risk	23,691,283	28,292,833
for currency risk	15,982,875	8,974,637
Counterparty risk capital requirement	29,762,769	32,729,049
for Type I exposures	28,512,515	31,329,482
for Type II exposures	1,640,619	1,836,037
Underwriting risk capital requirement	135,608,697	148,197,458
for premium and reserve risk	17,357,626	25,591,965
for natural disaster risk	130,223,820	139,713,172
Diversification	-41,191,873	-48,646,179
The Basic Solvency Capital Requirement (BSCR)	171,809,796	191,936,324
Operational risk capital requirement	5,653,648	8,469,653
Solvency capital requirement before the adjustment	177,463,444	200,405,977
Loss absorbing capacity of deferred taxes adjustment	-19,576,442	-23,378,446
SCR total solvency capital requirement	157,887,002	177,027,531

The solvency capital requirement (SCR) on 31/12/2024 is 177,027,531 RON. **The solvency ratio is 217%.**

To cover for risks taken on by the Company, on 31/12/2024, PAID S.A. had an active reinsurance program with a capacity of 1,37 billion EURO, endorsed by a panel of 57 reinsurers.

Main features of the formal framework for the implementation of financial reporting principles and practices

PAID S.A. draws up **statutory financial statements** in accordance with Regulation 41/2015 of the Financial Supervisory Authority for the approval of the Accounting regulations regarding annual individual and consolidated financial statements of entities conducting insurance and/or reinsurance activities.

Annual financial statements are audited by an independent auditor. The financial reporting package for fiscal year 2024 was audited by Forvis Mazars Romania S.R.L.

Reporting under Solvency II (SII)

In accordance with the financial reporting requirements of Law 237/2015 on the authorization and supervision of insurance and reinsurance activities and of Regulation 21/2016 regarding insurance and/or reinsurance activity reports, with further amendments and completions, PAID S.A. draws up and reports:

- ✓ annual and quarterly Quantitative Reporting Templates (**QRT**);
- ✓ the Solvency and Financial Condition Report (**SFCR**);
- ✓ the Regular Supervisory Report (**RSR**).

In addition, in accordance with the provisions of the Solvency II Directive, the Commission Delegated Regulation and the internal policy, PAID S.A. draws up an own risk and solvency prospective assessment report (the **ORSA** report) annually or whenever important changes

occur in its risk profile or risk appetite.

The “Reporting policy” was developed and applied to PAID S.A., whose purpose is to ensure the timely generation and forwarding of all mandatory reports, as well as their correctness and completeness.

The Audit committee is the forum that approves statutory and Solvency II reports before they are sent for approval to the Board of Directors and/or the General Assembly, as applicable.

Main features of the risk management system

The risk management system at the company level is implemented by planning, coordinating and controlling risk management activities. Within this system, specific strategies are created, policies and procedures are developed for the timely identification, assessment, monitoring, management/reduction and reporting of risks in order to optimize them and to create a “risk-aware” organizational culture.

The purpose of the risk management system is to ensure the achievement of the company's goals regarding:

- ✓ improving the Solvency II ratio, including by changing the standard formula for developing a partial internal model for the natural catastrophe risk sub-module;
- ✓ assessing and managing risk impact on solvency, profitability and liquidity ratios;
- ✓ monitoring of the timely implementation of legislative changes (European law regarding sustainability/durability, the Digital Operational Resilience Act - DORA);
- ✓ completing informatics developments for the Prometheus project and implementing the damage instrumentation plan at market level in case of large-scale disasters;
- ✓ continuous adaptation of the reinsurance program in order to ensure sufficient capacity and a reinsurer quality in accordance with the company's policy;
- ✓ the assessment and control of specific risks caused by high inflation, systemic risk and poor economic performance;
- ✓ ensuring the constant resolution of insurance claims through a process that ensures the satisfaction of insured parties (low number of petitions and court proceedings).

The specific risk management strategy is an integral part of the company's general strategy, with the following fundamental objectives: meeting the SCR and MCR capital requirements and ensuring a high solvency ratio, achieving an optimum reinsurance programme and efficient management focused on operational efficiency and capitalization, all serving the single purpose of maintaining PAID S.A.'s financial stability so that all its financial obligations to the Client are fulfilled.

PAID S.A. annually creates a Risk plan which underlines objectives and measures for each significant risk, which is sent to the Board of Directors for debate and approval.

PAID's risk strategy is based on the following principles:

- ✓ developing a governance model suitable for PAID's strategy;
- ✓ ensuring that risk management is an integral part of the management system, based on standards and rules;
- ✓ risk strategy is an integral part of PAID S.A.'s business strategy, taking into account the risk appetite, its own funds and the capital requirement (SCR) for the business strategy processes;
- ✓ ensuring a strong capital base and a cautious solvency ratio;

- ✓ using the reinsurance programme as a main instrument for risk transfer and protection of its funds;
- ✓ adopting an investment policy based on the “safety vs profit” principle, which provides for thresholds for asset classes as well as avoids excessive focus on one financial institution;
- ✓ continuous improvement of performance indicators and monitoring them so that red flags can be identified in a timely manner;
- ✓ the strategic and operational planning process is supported by the results of the ORSA;
- ✓ using operational risk mitigation techniques (internal control system, business continuity plans, IT security and disaster recovery plan, protection and security measures for people and assets);
- ✓ ensuring an efficient management process for information and communications technology risks (TIC);
- ✓ optimizing the organization’s processes by monitoring the efficacy of its activities.

The company’s **main strategic goals** are still related to the company’s 4 pillars of sustainable development, namely:

1. **Governance:** ensuring an operating framework fully consistent with legal requirements and the risk profile of the company;
2. **Financial sustainability:** reflected by the company's solvency ratio and the appropriate size of the structure and level of reinsurance protection;
3. **Operational sustainability:** reflected in the ability to handle a much higher volume of operations than the usual average at any time in case of major events or expanding the portfolio;
4. **Development:** increasing the coverage of the housing stock via the mandatory home insurance (PAD).

PAID S.A.’s activity is analyzed in terms of exposure to the following risks: underwriting risk, liquidity risk, credit risk, market risk, operational risk, reputational risk and strategic risk. Risks are handled both individually and cumulatively. The company calculates the capital requirement using the standard formula. The results obtained give an overview of how risks are divided into various risk categories and establish capital and solvency requirements in accordance with Solvency II.

After the revision of the Delegated Regulation 2015/35, PAID will be removed from applying the natural catastrophe risk sub-module of the standard calculation formula for the solvency capital requirement. PAID will continue to use the standard formula methodology provided by EIOPA, except for this sub-module for which a development and approval project for an internal partial model is underway.

The company performs and develops quantitative and qualitative analyses for these risks in order to get a detailed image of the risks and especially to identify the necessary risk mitigation and control measures.

The quantitative results of the company’s most important risks are as follows:

	31/12/2023	31/12/2024	Variation compared to 31/12/2023	
SCR underwriting	135,608,697	148,197,458	12,588,761	9.28%
SCR counterparty	29,762,769	32,729,049	2,966,280	9.97%
SCR market	47,630,202	59,655,997	12,025,795	25.25%
SCR operational	5,653,648	8,469,653	2,816,005	49.81%
SCR total	157,887,002	177,027,531	19,140,529	12.12%

- ✓ **SCR underwriting:** is the company's most important risk. Compared to 31/12/2023, the underwriting risk increased slightly as a result of portfolio extension and higher retention.
- ✓ **SCR market:** is the second most important risk for PAID. Compared to 31/12/2024, this registered an increase, mainly because of the rise of the interest rate risk (driven by the increase in the volume of government securities and the rising yield curve), as well as the concentration SCR (following the loan restatement from the Insurance Guarantee Fund).
- ✓ **SCR counterparty:** represents a very important risk for the company as a result of the reinsurance programme, which has a significant capacity due to a large number of reinsurers. SCR counterparty registered a slight increase for Type 1 exposures, especially following the portfolio expansion.
- ✓ **SCR operational:** is significantly higher compared to 31/12/2023 as a result of the portfolio expansion.

More details on the risk management system are available in the [Solvency and Financial Condition Report \(SFCR\) Chapter B \(subchapter B.3\) and Chapter C.](#)

Conclusions of the assessment of the risk management system efficiency

- ✓ The risk appetite and materiality thresholds set within the management system are approved by the Board of Directors.
- ✓ The risk management role and, where appropriate, the Risk management committee report the risk to the Board of Directors using a risk report.
- ✓ Occasionally, the Risk Management Department/Risk management committee reports specific risk management indicators, how they compare to reference values, submits for analysis, debate and approval risk management specific procedures, reports, the operational risk matrix etc. to the Executive Management/Board of Directors.
- ✓ The company management believes the risk management system is appropriate, complete and properly covers all activity domains.