

Natural Catastrophes Insurance Cover Individual System Summary Updates

As of **[18 December 2018]**

| | | |
|----------|--|--|
| 1 | The name of the Cover | The Insurance Pool against Natural Disasters (PAID) Romania |
| 2 | Cover Purchase / Distribution Channels | Established by law – the PAD policy is mandatory for all Romanian homeowners. All insurance companies in Romania authorized to write catastrophe business are legally required to sell the compulsory policies on behalf of PAID. |
| 3 | Coverage (incl. perils, sum insured & premium etc.) | <ol style="list-style-type: none"> 1. PAD is a compulsory policy for residential buildings (no content) covering 3 named perils only: earthquake, flood and landslide. The coverage is on first loss basis and includes also indirect losses caused by the above mentioned risks. 2. Sum Insured is a fixed amount of EUR 20,000 (type A) or EUR 10,000 (type B) per dwelling, depending on the type of property, with generally the properties of more basic construction being covered by Type B policies. 3. The annual insurance premium is a flat amount of EUR 20 for type A and EUR 10 for type B policies. <p>Currently more than 90% of the policies in the portfolio are Type A policies.</p> |
| 4 | Claim Criteria / Loss Trigger | The coverage is on first loss basis and there is no deductible. Once the insured residency is partially or totally affected by one of the insured risks and the insured makes the claim notification, based on the assessment and claim processing activities, PAID pays the corresponding claim amount. |
| 5 | Current Risk Assuming and Transferring structure (see following diagram) | <ol style="list-style-type: none"> 1. PAID is protected by a reinsurance program up to EUR 900 mil in case of a catastrophic event, with a retention of EUR 5 mil in case of earthquake and EUR 4 mil for flood and landslide. If an event will consume the above mentioned limit, the capacity will be automatically reinstated to its full amount. 2. In case the total losses payable for an event exceed the reinsurance capacity and PAID resources, according to the law, the Ministry of Finance is authorized to contract loans in order to cover the difference. |
| 6 | Recent Loss events | <p>The largest losses caused by recent events:</p> <ul style="list-style-type: none"> • Floods in June and July 2018: EUR 583,000 • Earthquake in October 2018: EUR 300,000 • Landslides in March 2018: EUR 231,000 |

| | | |
|-----------|--|--|
| 7 | Latest take-up rate (Penetration rate) | The penetration rate of the PAD policy was 18.99% at the end of December 2018. The total number of PAD policies in force was 1,704,634. |
| 8 | Current Accumulate reserves (fund) | The accumulated catastrophe reserve at the end of December 2018: EUR 12.53 mil |
| 9 | Website/ annual report Linkage | Website: paidromania.ro – not yet translated into English. Annual report: https://paidromania.ro/rapoarte |
| 10 | Others | |

Current Risk Assuming and Transferring structure (diagram)

PAID Risk Transfer Scheme - REINSURANCE (mil. EUR)

PAID transfers to Reinsurance market
892 mil xs 8 mil – Earthquake
896 mil xs 4 mil – Flood & Landslide

PAID retains
8 mil – Earthquake
4 mil – Flood & Landslide

*Reinsurance program as at 31st of December 2018