

MOTOR INSURERS' BUREAU GREECE

Report of Year 2016 and

Financial Statements

31 December 2016

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 2016

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 30th fiscal year ended on 31.12.2016, which were drafted as last year, in accordance with the International Financial Reporting Standards (IFRS).

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

Taking a brief retrospection at the most important events that occurred during the above period, we note the following:

By virtue of Act No 92/25.04.2016 of the Bank of Greece (Government Gazette 1294/τ.Β'/09.05.2017) the basis for calculating the contribution of 0,4% in favour of the M.I.B. was changed, and the category of T.I.R. on which a different percentage applied was revoked.

In particular, the M.I.B contribution was fixed at 0,4% on the gross registered premiums - instead of net with the previous regime - in the motor vehicle liability sector for all categories of vehicles and the 14% on the premiums of the TIR trucks category was revoked. The new calculation method started to be implemented from the last two months of 2016 contributions which were paid in the first 15 days of January 2017.

Following the above change, the drop in the M.I.B contributions amounts to 4.41%. Thus contributions amounted to €3.085.547 in 2016 compared to €3.228.031 in 2015.

It is noted that the drop in premium in the motor vehicle liability sector in 2016 was 9.7% according to the data of the Hellenic Association of Insurance Companies.

Overall, the drop in the M.I.B. contributions since 2010, ie the last six years, is 44.35%.

In 2016, the Bureau faced for the first time the revocation of an insurance company's operation license established in Gibraltar operating in Greece under Freedom of Services (FOS). This revocation brought to light the problems of the European legal framework on free services provisions. The issue of the reimbursement of compensations paid by the Greek MIB for accidents abroad caused by vehicles insured with the company in question from the UK Bureau remains unsolved until today. In particular, while the English Bureau has signed the international agreement according to which it is bound to undertake the losses of its member insurance companies operating under FOS in the event of bankruptcy, it refuses to apply the agreement and the case is led to international arbitration. This company was operating under FOS, apart from Greece, also in Italy, France and Ireland. For this purpose, two meetings were held abroad in 2016. According to the M.I.B.'s report, the losses of the said company amount to €172,000.

It is noted that in 2016 we had two new entries of companies operating under FOS: Dallbogg Insurance established in Bulgaria and QIC based in Malta.

In 2016, the repair works of the MIB's building were completed after the large-scale damage caused from the bomb attack on 5, Xenophon st. in 2015. On this occasion the security of the building was



strengthened. The building was insured, so the Bureau's expenditure was limited only to improvements in the building.

As regards other issues, the M.I.B. and its member companies continued to effect payments for claims abroad under the current restrictions on capital transactions. We have now been fully adjusted to this, and payments are made not only on time but also earlier than the specified deadlines. However, in some cases during the past year there have been some delays in payments abroad. In such cases, the Guarantee Call of the Handling Bureau is posted on the Council of Bureaux website and, therefore, insurance companies are advised to be alert and to settle the claims abroad in time. The on-line guarantee calls system, as it is called, is the mirror of the solvency of each Bureau and we, as Greek Bureau, have a very good image abroad that we wish to preserve.

Development of Accidents

Accidents by vehicles with Greek registration plates occurred abroad

In 2016 the number of accidents caused by cars with Greek registration plates that occurred abroad amounted to **1,097**, compared to **1,139** accidents in 2015, showing a **decrease of 3.7%**.

Among the countries where most car accidents with Greek registration plates occur **Germany**, followed by **Italy** are first on the list.

Compensations paid by the insurance companies members of the Bureau for accidents that occurred abroad show a **14%** decrease (amounting to **€4,656,498.59** in 2016 against €5,412,663.76 in 2015).

During 2016 the MIB continued to pay compensations abroad on behalf of the companies whose **operating licenses were revoked as well as for uninsured vehicles**, whereas we did not face any accidents with false green cards in 2016. The Bureau's compensations paid in 2016 for companies whose license was revoked amounted to **€447,548.69** (14 cases) against €289,945 (21 cases) in 2015 and for uninsured vehicles to €389,481.54 (12 cases), compared to just €32,660 (12 cases) in 2015. **In total, the compensations for revoked licenses and uninsured vehicles in 2016 amounted to €837,030.23 compared to €331,672 in 2015, showing an increase of 152%.**

Increase was also reported in payments of claims in excess of the minimum obligatory limits of Greece, which amounted to €1,879,756 in 2016 against €478,329 in 2015.

Therefore, the total payments of the Greek market abroad amounted to €7,373,285 compared to €6,123,598 in 2015, showing an increase of 18.6%.

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 2016 to **4,320**, compared to **3,860** in 2015, showing an **increase of 11.9%**. The settlement of over 90% of these accidents is made by the appointed correspondents of the foreign insurance companies.



The **compensations of foreign insurance companies** paid through correspondents and the Bureau to Greek victims of car accidents with foreign registration plates amounted to **€10,000,000** in 2016 compared to € 14,300,000 in 2015, showing a **decrease of 30%**.

The accidents caused by Bulgarian vehicles rank first in the accidents in Greece by cars with foreign registration plates, reaching **37%** of all accidents and are followed by German cars with 13% of accidents.

Financial Results for the fiscal year 2016 based on IFRS

The financial status of the Bureau is very good. The Bureau is financially sound and the brief information that follows provides the necessary data on the financial situation and results of the MIB during the past fiscal year (01.01.2016- 31.12.2016), as well as on important events and how these affected its financial statements.

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR 2016

Total Assets during the year 2016 reached € 40.98 million compared to 42.21 during 2015. The € 33.9 million were disposed for investments of the MIB, ie the total investments of the Bureau, in comparison to year 2015, have increased by 3.62% and consist 82.69% of the assets.

Total Liabilities also reached € 40.98 million, of which 68.71% constitute the total of own Funds, **ie the amount of € 28.166.906,57, which shows an increase compared to 2015 by 1.56 € million, ie an increase of about 5.86%.**

The revenues of the MIB from the contributions of its Members, which are the main source of funding, amounted to € 3.085.547 for the year 2016 against the amount of € 3.228.031 for the year 2015, showing a decrease of € 142.484, ie: 4.41% .

Revenues from the issuance of Frontier Insurance Certificates amounted to € 147,502 compared to € 142,265 in the previous year, ie an increase of 3.68%.

Investments' income in the year 2016 increased by 1.29% compared to the corresponding period of the year 2015, investments which are valued at the fair value.

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

<u>CASH & CASH EQUIVALENTS</u>	17,1%
<u>TERM DEPOSITS</u>	18,6%
<u>BONDS OF HELLENIC GOVERNMENT</u>	6,0%
<u>BONDS OF E.I.B.</u>	43,8%
<u>BONDS OF FOREIGN COUNTRIES</u>	9,4%
<u>MUTUAL FUNDS</u>	5,1%

Operating expenses were decreased by 15.49% compared to the previous year.

The M.I.B.'s requirements for 2016 amount to € 1.71 million against 2.13 million in 2015. The decrease is mainly due to the reduced demands from foreign insurance companies and foreign Bureaus.



Finally, the M.I.B. for the year 2016 **increased its net position by € 1,564,353** which is mainly due to the reduction in the provisions for outstanding losses, to the reinsurers' increased participation in the paid losses and in the investments' income.

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 year ended.

It is worth particularly mentioning the issue of Operational Risk and Corporate Governance. Although the Bureau has internal control mechanisms and operates satisfactorily, since the end of 2016, the debate on the setting up of corporate governance policies and internal control systems according to Solvency II standards has been launched. The project has begun to be implemented in 2017 and the estimated timetable will be 2-3 years.

Additionally, essential in the dealing of the insurance risk is the Reinsurance Treaty of the Bureau with a three-year duration (2015-2016-2017) and a priority of € 750.000. Reinsurers are all rated with A to A-, the reinsurance premium is significantly reduced and this treaty ensures the greatest possible protection for the entire market for motor liability losses occurring abroad.

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 Greek Bureau seeks to participate in the decision-making bodies concerning the international settlement of road accidents and in 2016 was successfully elected to participate in the Monitoring Committee, which is the second most important committee of the Council of Bureaux after the Management Committee, which controls the financial stability of the Green Card System and proposes measures and intervenes to the Bureaux who face problems with the solvency of their insurance companies, with the aim to redress such issues.

At the same time, we were re-elected at the Specific Rules Committee dealing with the issues of implementation of the Internal Regulations between the Bureaux of the EEA countries. And we continue to participate in the Coordination Committee dealing with issues of the Auxiliary Funds and Compensation Bodies relating to the 4th Motor Vehicle Directive.

Also, the M.I.B. was selected to participate in the Ad hoc Working Group of the Council of Bureaux for the stipulation of decisions on solvency and freedom of services issues.

The major developments in technology will be the challenge for the forthcoming years. Among other issues, changes relate to the Green Card format, the introduction of QR codes, the electronic communication between Bureaux, insurance companies and loss adjusters, as well as the autonomous



driving. The Greek Bureau is closely following the developments in order to be able to respond to the big challenges to come.

Finally, in 2016, we decided to celebrate in 2017 the 30th anniversary of the Bureau and I would like to thank you for your presence and your support to our festive events, the dinner at Benaki Museum on the 3rd of May 2017 and the Conference at the Royal Olympic Hotel on the 4th of May 2017. All the comments we received were great. In fact executives from our member insurance companies, who attended the conference with foreign and Greek prominent speakers and the workshops that we attempted for the first time, are already asking from our Bureau to organize similar events more regularly.

Last but not least, Happy Birthday to the MIB!

Following the above you are kindly requested to approve the Statement of Financial Position, the Statement of Comprehensive Income, the Statements of changes in Equity, the Statement of Cash Flow and the proceedings of the Management Committee of year 2016.

For the Management Committee

The Chairman

Anastasios Pagonis

Athens, 1/6/2017



INDEPENDENT AUDITOR'S REPORT

To the members of the «MOTOR INSURERS' BUREAU - GREECE»

(Legal Entity of Private Sector)

Report on the Financial Statements.

We have audited the attached Financial Statements of the Legal Entity of Private Sector MOTOR INSURERS' BUREAU - GREECE " which consist of the statement of financial position as at 31 December 2016, the statements of comprehensive income, changes in equity and cash flows for the fiscal year then ended, as well as a summary of significant accounting policies and methods and other explanatory information.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as for those internal controls that the management determines as necessary in order to be able to prepare the financial statements that are free from essential inaccuracy, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing incorporated into Greek law (Government Gazette / B / 2848 / 23.10.2012). These standards require that we comply with ethical requirements as well as to plan and perform the audit in order to obtain reasonable assurance that the financial statements are free from essential inaccuracy. We have also taken into account the provisions of the PD 237/1986.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected are based on the judgment of the auditor, including the assessment of the risks of essential inaccuracy of the financial statements, whether due to fraud or error. When conducting these risk assessments, the auditor considers the internal controls relevant to the preparation and fair presentation of the financial statements of the legal entity to design audit procedures appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The audit also includes evaluating the appropriateness of the accounting policies and methods used and the reasonableness of the estimates made by the management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have collected is sufficient and appropriate to secure our audit opinion.

Opinion

In our opinion, the attached financial statements present fairly, in every essential respect, the financial position of the MOTOR INSURERS' BUREAU - GREECE as at 31 December 2016, its financial performance and its cash flows for the fiscal year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Athens, 3 June 2017

The Certified Public Accountant Auditor

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**STATEMENT OF FINANCIAL POSITION
at 31/12/2016**

	31/12/2016	31/12/2015
ASSETS		
Intangible assets	1.804,61	6.564,61
Own-used property, plant and equipment (PPE)	1.609.700,07	1.629.227,24
Securities at fair value through profit or loss	20.771.573,92	20.647.223,65
Other non-current receivables	2.921,30	2.921,30
Receivables from reinsurers	284.359,73	157.227,26
Reinsurers' share in insurance reserves	4.782.000,00	6.830.000,00
Receivables from Insurance companies Members of M.I.B.-Greece (contributions)	599.331,33	538.808,94
Other receivables	1.424.297,94	1.974.304,84
Cash and cash equivalents	11.511.849,23	10.430.104,76
Total Assets	40.987.838,13	42.216.382,60
EQUITY AND LIABILITIES		
Equity		
Members initial lump sum contributions	969.848,42	963.848,42
Other components of equity	27.197.058,15	25.638.704,69
Total Equity	28.166.906,57	26.602.553,11
Insurance (technical) reserves		
Provisions for unearned premiums and other provisions	313.387,67	325.266,61
Provisions for outstanding claims	12.147.050,00	14.937.550,00
Total insurance reserves	12.460.437,67	15.262.816,61
Liabilities		
Income tax payable	1.359,92	18.066,74
Other provisions	65.375,36	66.487,77
Employee benefits	166.073,15	156.609,03
Other liabilities	127.685,46	109.849,34
Total liabilities	360.493,89	351.012,88
Total Equity and Liabilities	40.987.838,13	42.216.382,60



**STATEMENT OF COMPREHENSIVE INCOME
at 31/12/2016**

	31/12/2016	31/12/2015
Members Contributions and Frontier Insurance Premiums	3.233.049,91	3.370.297,54
Less: Reinsurance premiums	(1.504.000,00)	(1.504.000,00)
Net earned premiums and similar income	1.729.049,91	1.866.297,54
Increase/decrease in insurance reserves - own retention	754.378,94	556.234,25
Claims incurred - own retention	22.482,26	(38.614,92)
Investment income	446.133,08	508.515,17
Gain/(loss) arising from measurement of investments	112.325,45	42.809,36
Other income	44.946,42	126.930,43
Operating expenses	(1.023.936,93)	(1.211.579,72)
Other expenses	(460.494,87)	(6.982,46)
Surplus for the year before taxes	1.624.884,26	1.843.609,65
Income tax expense	(66.530,80)	(95.571,23)
Surplus for the year net of tax	1.558.353,46	1.748.038,42
Surplus for the year	1.558.353,46	1.748.038,42
Total comprehensive income for the period	1.558.353,46	1.748.038,42



STATEMENT OF CHANGES IN EQUITY	Members contributions initial lump sum	Other components of Equity	Total Equity
Balance at 1/1/2016	963.848,42	25.638.704,69	26.602.553,11
Balance 1/1/2016 under IFRS	963.848,42	25.638.704,69	26.602.553,11
Change in Equity for the period 01/01/16-31/12/16			
Surplus for the year net of tax		1.558.353,46	1.558.353,46
Total recognized income and expense for the period		1.558.353,46	1.558.353,46
Increase of initial lump sum members contributions	6.000,00	0,00	6.000,00
Total change in Equity for the period	6.000,00	1.558.353,46	1.564.353,46
Balance at 31/12/2016	969.848,42	27.197.058,15	28.166.906,57



<u>STATEMENT OF CASH FLOWS (Indirect Method)</u>	31/12/2016	31/12/2015
<u>Cash Flows from Operating Activities</u>		
Surplus for the year before taxes	1.624.884,26	1.843.609,65
Plus/Less adjustments of working capital to net cash or related to operating activities:		
Depreciation and Amortisation	104.565,68	101.467,45
(Interest expense and similar charges)	(446.496,84)	(522.961,51)
(Gain)/Loss arising from measurement of financial assets	(124.350,27)	(49.074,21)
Insurance (Technical) reserves	(754.378,94)	(556.234,25)
Operating provisions	8.351,71	(2.510,36)
Operating profit before changes of working capital	412.575,60	814.296,77
(Increase)/Decrease in:		
Receivables for reinsurers	(127.132,47)	24.709,70
Receivables from Insurance companies Members of M.I.B. (contributions)	(60.522,39)	(6.340,34)
Other receivables	550.006,90	(96.607,01)
Increase/(Decrease) in:		
Other payables	17.836,12	(129.748,10)
Income tax paid	(83.237,62)	(21.517,37)
Net cash generated from Operating Activities (a)	709.526,14	584.793,65
<u>Cash Flows from Investing Activities</u>		
(Purchases of intangible assets and property, plant and equipment (PPE))	(80.278,51)	(26.263,17)
Interest and similar income received	446.496,84	522.961,51
Net cash used in Investing Activities (b)	366.218,33	496.698,34
<u>Cash Flows from Financing Activities</u>		
Proceeds from initial lump sum members contributions	6.000,00	0,00
Net cash used in Financing Activities (c)	6.000,00	0,00
Net increase/(decrease) in cash and cash equivalents (a) + (b) + (c)	1.081.744,47	1.081.491,99
Cash and cash equivalents at beginning of the period	10.430.104,76	9.348.612,77
Cash and cash equivalents at end of the period	11.511.849,23	10.430.104,76